



Prairie Mining Limited

ACN 008 677 852

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Thursday, 17 August 2017 at 11:00am (WST)

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9322 6322.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice.

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PRAIRIE MINING LIMITED

ACN 008 677 852

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders of Prairie Mining Limited ACN 008 677 852 (**Company**) will be held at Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Thursday, 17 August 2017 at 11:00am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 15 August 2017 at 5:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. **Resolution 1 – Approval of issue of Convertible Note under the Subscription Agreement**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue the Convertible Note, and up to 5,711,805 Shares on conversion of the Convertible Note, to CD Capital on the terms and conditions set out in the Explanatory Memorandum.

Voting Exclusion

The Company will disregard any votes cast on Resolution 1 by CD Capital and any of its associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Ratification of Placement

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 11,500,000 Shares at an issue price of £0.28 (approximately A\$0.46) per Share, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who participated in the Placement and any associate of that person.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Ratification of issue of Incentive Options

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 1,300,000 Incentive Options to key employees and consultants of the Company, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who participated in the issue of Incentive Options and any associate of that person.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Amendment and Renewal of Performance Rights Plan

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, Shareholders approve the Performance Rights Plan, as amended by the Proposed Amendment, and the grant of Performance Rights under the Performance Rights Plan, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

5. **Resolution 5 – Approval of variation to the terms of Performance Rights issued to Directors, and eligible employees and consultants**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to Shareholder approval of Resolution 4, pursuant to and in accordance with Listing Rule 6.23.4 and for all other purposes, Shareholders approve the amendments to the terms of the Performance Rights held by Directors, and eligible employees and consultants on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion and Prohibition

The Company will disregard any votes cast on this Resolution by a person who holds a Performance Right issued under the Performance Rights Plan and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. **Resolution 6 – Approval to Grant Performance Rights to Windellama Capital Limited**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 1,600,000 Performance Rights to Windellama Capital Limited (a nominee of Mr Benjamin Stoikovich), under the Performance Rights Plan, for no consideration and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this resolution by any Director who is eligible to participate in the Performance Rights Plan and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

Dated 17 July 2017

BY ORDER OF THE BOARD

[lodged electronically without signature]

Dylan Browne
Company Secretary

PRAIRIE MINING LIMITED

ACN 008 677 852

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of the Shareholders in connection with the business to be conducted at the Meeting to be held at Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Thursday, 17 August 2017 at 11:00am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Summary of Subscription Agreement and Convertible Note with CD Capital
Section 4	Profile of CD Capital
Section 5	Resolution 1 – Approval of issue of Convertible Note under the Subscription Agreement
Section 6	Resolution 2 – Ratification of the Placement
Section 7	Resolution 3 – Ratification of issue of Incentive Options
Section 8	Resolution 4 – Amendment and Renewal of Performance Rights Plan
Section 9	Resolution 5 – Approval of variation to the terms of Performance Rights issued to Directors, and eligible employees and consultants
Section 10	Resolution 6 – Approval to Grant Performance Rights to Windellama Capital Limited
Schedule 1	Definitions
Schedule 2	Overview of the Performance Rights Plan rules and terms and conditions
Schedule 3	Terms and conditions of the Incentive Options

A Proxy Form is located at the end of the Explanatory Memorandum.

1.1 ASX involvement

A copy of the Notice and this Explanatory Memorandum had been lodged on 7 July 2017 with ASX pursuant to the Listing Rules. Neither ASX nor any of their officers take any responsibility for the contents of the Notice and Explanatory Memorandum.

1.2 Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

2. Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 11:00am (WST) on Tuesday, 15 August 2017, being at least 48 hours before the Meeting

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Summary of Subscription Agreement and Convertible Note with CD Capital

3.1 Background and Rationale

In 2015, CD Capital Natural Resources Fund III L.P. (**CD Capital**) made an investment in the amount of \$15 million in the Company in consideration for the issue of a convertible note in the Company (**Original Convertible Note**).

On 21 September 2015, pursuant to Listing Rule 7.1 and item 7 of section 611 of the Corporations Act, Shareholders approved the issue of the Original Convertible Note. The effect of the approval allowed CD Capital to acquire a relevant interest in the Company of more than 20% in the voting shares, as an exception to the takeover prohibition under the Corporations Act.

The terms of the agreement for the Original Convertible Note provide CD Capital with the right to nominate (subject to the nominee being suitably qualified to serve as a Director as required by applicable laws):

- (i) if it satisfies the 5% Threshold, one Director; and
- (ii) if it satisfies the 15% Threshold, two Directors.

The 5% Threshold and the 15% Threshold are calculated by determining the number of Shares held by CD Capital on a diluted basis as if the Convertible Note had been exchanged into Shares.

On 5 July 2017, the Company, CD Capital and PDZ Holdings, a wholly owned subsidiary of the Company, entered into a subscription agreement (**Subscription Agreement**) pursuant to which CD Capital has agreed to invest up to an additional \$2,627,430 toward the development of the Debiensko Hard Coking Coal Project (**Debiensko**) and Jan Karski Mine (**Jan Karski**).

Under the terms of the Subscription Agreement:

- (a) PDZ Holdings agreed to issue a convertible note of a principal amount of \$2,627,430 to CD Capital, guaranteed by the Company (**Convertible Note**); and
- (b) the Convertible Note is convertible into Company Shares at a price of \$0.46 per Share (**Conversion Price**).

See Section 3.4 for further details about the Subscription Agreement.

The transaction with CD Capital highlights their continued support of the Company and reaffirms the global significance of the Company's Tier One coking coal assets in Poland enabling the Company to work towards its vision of becoming Europe's next strategic coking coal supplier.

The proceeds from CD Capital's investment, combined with the net proceeds from the institutional placement completed in April 2017, will enable the Company to further accelerate the development of Debiensko and advance pre-construction engineering works at Jan Karski.

3.2 Advantages of the Subscription Agreement

- (a) The proceeds from the Subscription Agreement, along with the proceeds from the Placement and existing working capital, will enable the Company to further accelerate the development of Debiensko and advance pre-construction engineering works at Jan Karski.
- (b) The continued relationship of a reliable financial partner in CD Capital, which, upon conversion of the Convertible Notes, will become a strategic investor in the Company with its interests likely to be aligned with other Shareholders.
- (c) CD Capital's nominee directors are likely to provide additional knowledge and experience to the Board.
- (d) No interest is payable on the Convertible Note and along with the conversion features of the Convertible Note, assists the Company in managing its financial position.

3.3 Potential disadvantages of the Subscription Agreement

- (a) The dilution of existing Shareholders if and when the Convertible Note is converted.
- (b) The Subscription Agreement may limit the involvement of other sophisticated or strategic investors.

3.4 Overview of Subscription Agreement

- (a) General

Pursuant to the Subscription Agreement, PDZ Holdings, a wholly owned subsidiary of the Company, agrees to issue the Convertible Note with a principal amount of \$2,627,430 to CD Capital. CD Capital agrees to subscribe for and pay the principal amount of \$2,627,430 to PDZ Holdings. The principal amount is only repayable upon an Event of Default occurring.

No interest is payable on the Convertible Note.

- (b) Conditions Precedent and issue of Convertible Note

Completion under the Subscription Agreement and the issue of the Convertible Note to CD Capital is conditional on Shareholders approving the transactions contemplated under the Subscription Agreement and the issue of the Convertible Note for the purposes of the Listing Rules and the Corporations Act.

- (c) Termination of Subscription Agreement

The Subscription Agreement may be terminated prior to the issue of the Convertible Note:

- (i) by mutual agreement between CD Capital, the Company and PDZ Holdings; and

- (ii) if Shareholders do not approve Resolution 1 in the Notice and the condition precedent is not satisfied or waived prior to 31 December 2017.
- (d) Other terms

The Subscription Agreement also contains a number of terms and conditions, indemnities, representations and warranties from CD Capital and the Company. These are in a form which are considered standard for a Subscription Agreement relating to a convertible note.

3.5 Overview of CD Capital Convertible Note

- (a) General

PDZ Holdings, a wholly owned subsidiary of the Company, will issue the Convertible Note with a principal amount of \$2,627,430 million to CD Capital.

The Convertible Note is only repayable upon an Event of Default occurring. No interest is payable on the Convertible Note.

- (b) Conversion Rights

At any time while the Convertible Note is outstanding, CD Capital has the right, subject to compliance with the Corporations Act, to convert all or part of the outstanding principal amount of the Convertible Note into Company Shares at the Conversion Price. The Convertible Note may only be converted after the Original Convertible Note has been converted in full. The Convertible Note must be converted at a minimum amount of \$250,000 and additional amounts converted in \$250,000 increments.

PDZ Holdings has the right, while there is no Event of Default existing, to convert and exchange all or part of the principal amount of the Convertible Note at the Conversion Price if:

- (i) at any time 12 months after the date of issue of the Convertible Note, the weighted average trading price of Shares exceeds the Conversion Price for the 30 trading day period prior to PDZ Holdings electing to convert all or part of the Convertible Note; or
 - (ii) at any time after the issue of the Convertible Note if a person acquires a relevant interest in at least 50% of the Shares pursuant to a takeover bid or an Australian court approves a merger by way of a scheme of arrangement.
- (c) New issues and adjustment of Conversion Price

The Convertible Note does not provide CD Capital with any right to participate in any new issues of securities.

If the Company reorganises its capital structure, such as by subdividing or consolidating the number of Shares, conducts a pro rata offer to existing Shareholders or distributes assets or securities to Shareholders then the Conversion Price of the Convertible Note will be adjusted so that the

number of Shares received by CD Capital on conversion of the Convertible Note is the same as if the Convertible Note were converted prior to the relevant event.

(d) Events of Default

Each of the following events is an "Event of Default" in relation to the Convertible Note:

- (i) Any representation or warranty made by the Company or PDZ Holdings is false or misleading and is reasonably likely to have a Material Adverse Effect on the ability of the Company or PDZ Holdings to perform its obligations in relation to the Convertible Note, the Subscription Agreement or the assets, business, conditions (including financial), prospects or operations of the Company or PDZ Holdings, and if such breach is capable of remedy, it is not remedied within 45 days.
- (ii) The Company or PDZ Holdings breaches a covenant or condition of the Convertible Note or Subscription Agreement which is likely to have a Material Adverse Effect on the ability of the Company or PDZ Holdings to perform its obligations in relation to the Convertible Note, the Subscription Agreement or the assets, business, conditions (including financial), prospects or operations of the Company, and if such breach is capable of remedy, it is not remedied within 45 days.
- (iii) An Insolvency Event occurs in relation to the Company or PDZ Holdings.
- (iv) The Company or PDZ Holdings ceases to carry on business.
- (v) The Company does not maintain the listing and trading of Shares on at least one of ASX, LSE or WSE, other than as a result of a change of control.

The occurrence of an Event of Default entitles CD Capital to declare the principal amount of the Convertible Note immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Company or PDZ Holdings.

(e) Assignment of Convertible Note

CD Capital may assign, transfer or encumber in whole or in part (in amounts of at least \$1 million) its rights under the Convertible Note to any third party by providing written notice to the Company or PDZ Holdings provided the third party has provided a deed of assumption in respect of the Convertible Note.

Assignment of the Convertible Note will not result in the assignment of rights and obligations under the Subscription Agreement.

3.6 Impact of the Subscription Agreement on the Company

The Subscription Agreement will provide an additional \$2,627,430 in working capital to assist the Company progress its feasibility studies in respect of Debiensko and Jan Karski.

Subject to compliance with the Corporations Act, if the Convertible Note is converted, based on the existing Shares on issue in the Company as at the date of this Notice, CD Capital will acquire relevant interest in approximately 2.59% of the Shares in the Company.

3.7 Impact of the Subscription Agreement on the Board

The Board currently comprises five members, of which Ms Carmel Daniele has been appointed as one of CD Capital's nominee Directors. Based on the existing Share capital of the Company, CD Capital is entitled to nominate one additional Director.

3.8 Consequences of the Resolution not being passed

If CD Capital's subscription for the Convertible Note does not complete, the Company will continue to operate as it did before proposing the Subscription Agreement and issue of the Convertible Note. In this regard the Company will need to use its existing cash reserves to conduct its planned development activities at Debiensko and Jan Karski.

However the Company may require additional funding in the future if Resolution 1 is not passed. If Resolution 1 is not passed, the Company may consider alternative sources of funding (both debt and equity) to finance future capital investment for the exploration, development and construction of Debiensko and Jan Karski. There is no guarantee that additional or alternative funding will be available for the Company, or if available, that it will be offered on terms that are better than, or comparable to, the Subscription Agreement and the Convertible Note.

4. Profile of CD Capital

4.1 About CD Capital

CD Capital (UK) Limited (**CD Capital UK**) is an established and UK FCA registered fund manager with a specific focus on the mining sector. The strong experienced team of CD Capital currently manages three private equity investment funds with assets under management of over US\$600 million. This investment is by the group's latest fund - CD Capital Natural Resources Fund III LP. As evident from the quality of this investment, CD Capital continues to achieve its mandate of partnering with leading mining entrepreneurs and strongly-aligned management teams to build world class mining projects from the highest quality pipeline. CD Capital Natural Resources Fund III LP invests in world class projects in the bulk commodities, precious metals and base metals sectors.

CD Capital UK employs an active, hands-on approach working in partnership with all their portfolio companies to maximize value of the resource and ultimate market value of the company. CD Capital intends to work closely and constructively with management to develop the Debiensko Project and Jan Karski Project. CD Capital UK aims to provide significant strategic, operational and management expertise, in addition to advice on financial investments and structuring.

CD Capital Natural Resources Fund III LP currently intends to be a long term holder of its investment in PDZ Holdings and ultimately the Company on conversion of the Convertible Note.

We note that CD Capital UK and its associates will not control PDZ Holdings nor the Company, and will not be able to unilaterally make decisions on behalf of PDZ Holdings nor the Company. CD Capital UK does not currently propose to and has no current intention to request, seek to and/or attempt to implement a change in the strategy, operations, business or management of PDZ Holdings nor the Company.

5. Resolution 1 – Approval of issue of Convertible Note under the Subscription Agreement

5.1 General

Resolution 1 seeks Shareholder approval pursuant to Listing Rule 10.11 to issue the Convertible Note, and up to 5,711,805 Shares on conversion of the Convertible Note, to CD Capital on the terms and conditions set out in the Explanatory Memorandum.

The Convertible Note is an "equity security" (as defined in the Listing Rules) and the issue of the Convertible Note to CD Capital requires Shareholder approval under Listing Rule 10.11.

Resolution 1 is an ordinary resolution.

The Chairperson will cast all available proxies in favour of Resolution 1.

5.2 Section 208 of Corporations Act

Under section 208 of the Corporations Act, the Company must obtain Shareholder approval to give a financial benefit to a related party of the Company, unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Board considers that Shareholder approval under section 208 of the Corporations Act is not required as the exception in section 210 of the Corporations Act applies as the Subscription Agreement and Convertible Note were negotiated on arm's length terms.

5.3 Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

CD Capital is considered a related party of the Company because it is controlled by Ms Carmel Daniele, who is a Director of the Company.

Pursuant to Listing Rule 7.2, Exception 14, as Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

The effect of passing Resolution 1 will be to allow the Company to issue the Convertible Note and Shares on conversion of the Convertible Note without using up the Company's 15% placement capacity under Listing Rule 7.1.

5.4 Specific information required by Listing Rule 10.13

In accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Convertible Note:

- (a) the Convertible Note will be issued to CD Capital;
- (b) the maximum number of Shares that will be issued to CD Capital on conversion of the Convertible Note is 5,711,805 Shares;
- (c) the Convertible Note will be issued at the date of Completion, which will be no later than 1 month after the date of the Meeting;
- (d) CD Capital is considered a related party of the Company because it is controlled by Ms Carmel Daniele, a Director;
- (e) the Convertible Note is being issued for \$2,627,430;
- (f) the terms and conditions of the Convertible Note are summarised in Section 3.5;
- (g) a voting exclusion statement is included in the Notice in connection with Resolution 1; and
- (h) the funds raised from the issue of the Convertible Note are intended to be used to provide an additional \$2,627,430 in working capital to assist the Company progress its feasibility studies in respect of Debiensko and Jan Karski.

5.5 Directors' recommendations

The Directors (other than Ms Carmel Daniele) support the transactions contemplated under the Subscription Agreement and recommend that Shareholders vote in favour of Resolution 1.

The Directors (other than Ms Carmel Daniele) make this recommendation as they believe that it will assist the Company with the development of the Debiensko Project and Jan Karski Project.

6. Resolution 2 – Ratification of Placement

6.1 General

On 30 March 2017, the Company announced the completion of a share placement to institutional investors in the UK (**Placement**). As set out in that announcement, the Placement involved the issue of 11,500,000 Shares to institutional investors in the UK at an issue price of £0.28 (approximately A\$0.46) to raise approximately £3.2 million (approximately A\$5.1 million) (before costs).

Resolution 2 seeks to ratify the Placement Shares issued using the using the Company's placement capacity under Listing Rule 7.1.

Resolution 2 is an ordinary resolution

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

6.2 Listing Rules 7.1 and 7.4

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purposes of Listing Rule 7.1.

The effect of passing Resolution 2 will be to allow the Company to issue further securities to the maximum 15% annual placement capacity in Listing Rule 7.1, without obtaining prior Shareholder approval.

6.3 Specific information required by Listing Rule 7.5

In accordance with Listing Rule 7.5, information is provided in relation to the Placement as follows:

- (a) 11,500,000 Shares were issued to institutional investors on 3 April 2017;
- (b) the Shares were issued for £0.28 (approximately A\$0.46) per Share, which represents a 12.5% discount to the last closing price of the Company's Shares on the LSE on 29 March 2017 and raised approximately £3.2 million (before costs);
- (c) the Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued Shares;

- (d) the Company intends to use the funds to further develop the Company's Polish coal development projects. In particular, the funds will allow the Company to accelerate the development of its Debiensko Hard Coking Coal project, including additional drilling in support of feasibility study work and partially applied to advance the pre-construction engineering works following the completion of a bankable feasibility study at its Jan Karski Mine; and
- (e) a voting exclusion statement is included in the Notice for Resolution 2.

6.4 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 2.

7. Resolution 3 – Ratification of issue of Incentive Options

7.1 General

Resolution 3 seeks to ratify the issue of 1,300,000 Incentive Options issued to key employees and consultants of the Company on 17 March 2017 using its placement capacity under Listing Rule 7.1. The Incentive Options were issued as part of long-term incentive arrangements to reward key management personnel and other key employees and consultants for the long term performance to the Company.

Resolution 3 is an ordinary resolution

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

7.2 Listing Rules 7.1 and 7.4

A summary of Listing Rules 7.1 and 7.4 is provided in section 6.2.

7.3 Specific information required by Listing Rule 7.5

In accordance with Listing Rule 7.5, information is provided in relation to the issue as follows:

- (a) 1,300,000 Incentive Options were issued to key employees and consultants of the Company;
- (b) the Incentive Options were issued for nil cash consideration;
- (c) the key terms of the Incentive Options are as follows:
 - (i) 200,000 Incentive Options exercisable at \$0.50 each on or before 31 March 2020 and vest on 30 September 2017 or on a change of control of the Company;
 - (ii) 400,000 Incentive Options exercisable at \$0.60 each on or before 31 March 2020 and vest on 31 March 2018 or on a change of control of the Company; and

- (iii) 700,000 Incentive Options exercisable at \$0.80 each on or before 31 March 2020 and vest on 30 September 2018 or on a change of control of the Company.

The full terms of the Incentive Options are included in Schedule 3;

- (d) as the Incentive Options were issued for nil cash consideration, no funds were raised from the issue; and
- (e) a voting exclusion statement is included in the Notice for Resolution 3.

7.4 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 3.

8. Resolution 4 – Amendment and Renewal of Performance Rights Plan

8.1 General

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 7.2, Exception 9 to renew the Company's Performance Rights Plan for a further three years and amend a term of the Performance Rights Plan.

The Company adopted the Performance Rights Plan on 21 November 2013 and subsequently amended the Performance Rights Plan on 21 September 2015. The Company is seeking to "renew" the approval of the Performance Rights Plan, subject to the amendment described in Section 8.2 below, and the Company's ability to issue Performance Rights under the Performance Rights Plan as an exception to Listing Rule 7.1, for a period of a further 3 years from the date on which Resolution 4 is passed.

Listing Rule 7.2, Exception 9 operates as one of the exceptions to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2, Exception 9 is that any issues of securities under the Performance Rights Plan are treated as having been made with the approval of Shareholders for the purposes of Listing Rule 7.1.

The Performance Rights Plan has operated since 21 November 2013, and was subsequently amended on 21 September 2015. It is intended to assist the Company to attract and retain key staff, whether employees or contractors. The Board believes that grants made to eligible participants under the Performance Rights plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the Performance Rights Plan will:

- (a) enable the Company to incentivise and retain existing key management personnel and other eligible employees and contractors needed to achieve the Company's business objectives;
- (b) enable the Company to recruit, incentivise and retain additional key management personnel and other eligible employees and contractors needed to achieve the Company's business objectives;
- (c) link the reward of key staff with the achievement of strategic goals and the long term performance of the Company;

- (d) align the financial interest of participants of the Performance Rights Plan with those of Shareholders; and
- (e) provide incentives to participants of the Performance Rights Plan to focus on superior performance that creates Shareholder value.

Since the Performance Rights Plan was adopted by Shareholders on 21 November 2013, a total of 3,943,000 Performance Rights have converted into 3,943,000 Shares upon satisfying the relevant Performance Conditions, a further 4,976,000 have expired and 50,000 Performance Rights have been cancelled.

As at the date of this Notice, the Company has 5,600,000 Performance Rights on issue under the Plan as follows:

Tranche	Performance Condition	Expiry Date	No. Performance Rights
1	Jan Karski Mining Concession Milestone	31 December 2017	3,150,000
2	Jan Karski Decision to Commence Construction Milestone	31 December 2018	1,650,000
3	Debiensko Feasibility Study Milestone	31 December 2019	320,000
4	Debiensko Decision to Commence Underground Construction Milestone	31 December 2020	480,000
Total			5,600,000

8.2 Amendment to Performance Rights Plan

The terms of the Performance Rights Plan currently contains the following "Takeover Bid or Change of Control" term:

Takeover Bid or Change of Control: All Performance Rights automatically vest in the event of:

- (a) a Court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company;
- (b) a takeover bid (as defined in the Corporations Act) is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of the shares in the Company; or
- (c) any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.

The amendment to the Performance Rights Plan proposed pursuant to this Resolution 4 is to change this term to be a general "Change of Control" term as follows (**Proposed Amendment**):

Change of Control: means either of the following events:

- (a) **(Asset Sale)** *Provided the Company has received all necessary approvals pursuant to the Corporations Act, all Performance Rights with Performance conditions associated with a particular asset or project of the Company automatically vest if an Asset Sale occurs, where an "Asset Sale" means the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the relevant asset or project of the Company has been completed; and*
- (b) **(Share Sale)** *All Performance Rights automatically vest if a Share Sale occurs, where a "Share Sale" means:*
 - (i) *the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options);*
 - (ii) *the announcement by the Company that shareholders of the Company have, at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party, and the Court, by order, approves the proposed scheme of arrangement; or*
 - (iii) *any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.*

Since the Performance Rights Plan was last considered by Shareholders in 2015, the Company has acquired Debiensko to become a Tier 1 multi-project coking coal company. The Proposed Amendment is intended to reflect the fact that Performance Rights may be issued to individuals with Performance Conditions specific to either Jan Karski or Debiensko. The Proposed Amendment provides for acceleration of Performance Rights relating to a specific project if the Company disposes of that project which would mean, if not vested, that the Performance Conditions for the Performance Rights for that project would no longer be applicable if the amendment is not put in place.

8.3 Listing Rule 7.1 and Listing Rule 7.2, Exception 9

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to convert to equity (such as a Performance Right), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, Exception 9 operates as one of the exceptions to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2, Exception 9 is that any issues of securities under the Performance Rights Plan are treated as having been made with the approval of shareholders for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2, Exception 9 lasts for a period of three years.

The Company adopted the Performance Rights Plan on 21 November 2013 and subsequently amended the Performance Rights Plan on 21 September 2015. The Company is seeking to amend and "renew" the approval of the Performance Rights Plan and the Company's ability to issue Performance Rights under the Performance Rights Plan as an exception to Listing Rule 7.1, for a period of a further 3 years from the date on which Resolution 4 is passed.

A summary of the Performance Rights Plan is set out in Schedule 2 to this Notice. A copy of the Performance Rights Plan can be obtained by contacting the Company.

8.4 Specific Information Required by Listing Rule 7.2

In accordance with the requirements of Listing Rule 7.2, Exception 9(b), the following information is provided:

- (a) a summary of the material terms of the Performance Rights Plan (including the Proposed Amendment) is set out in Schedule 2;
- (b) a total of 5,600,000 Performance Rights that are still on issue have been issued to Directors, and eligible employees and contractors under the Performance Rights Plan since it was last approved by shareholders on 21 September 2015; and
- (c) a voting exclusion statement in respect of Resolution 4 has been included in the Notice.

9. Resolution 5 – Approval of variation to the terms of Performance Rights issued to Directors, and eligible employees and consultants

9.1 General

As noted in Section 8, the Performance Rights Plan has operated since 21 November 2013, which was subsequently amended on 21 September 2015. At the date of this Notice, the Company has 5,600,000 Performance Rights on issue held by Directors, and eligible employees and consultants of the Company under the Plan.

Subject to Shareholder approval of Resolution 4, the Company seeks Shareholder approval pursuant to Listing Rule 6.23.4 to vary the accelerated vesting condition upon a "Change of Control" of the 5,600,000 Performance Rights currently held by Directors, and eligible employees and consultants of the Company to reflect the Proposed Amendment to the Performance Rights Plan described in Section 8.2.

Resolution 5 is an ordinary resolution

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

9.2 Listing Rule 6.23.4

Listing Rule 6.23.4 provides that a change to the terms of options which is not prohibited under Listing Rule 6.23.3 can only be made with shareholder approval.

The Company is seeking Shareholder approval for the consequential amendments being made to the terms of the existing Performance Rights held by Directors, and eligible employees and consultants of the Company as a result of Shareholder approval of the Proposed Amendment pursuant to Resolution 4.

9.3 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 5.

10. Resolution 6 – Approval to Grant Performance Rights to Windellama Capital Limited

10.1 General

Resolution 6 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the grant of 1,600,000 Performance Rights to Windellama Capital Limited, a company of which Mr Ben Stoikovich is a director and shareholder of, as part of the incentive of Windellama Capital Limited's consultancy agreement with the Company and for Mr Stoikovich's remuneration as Director of the Company.

The Board has reviewed Mr Stoikovich's and Windellama Capitals Limited's remuneration and consulting arrangements and has decided to offer additional Performance Rights as part of the long term incentive package and to provide an incentive for Windellama Capital Limited and Mr Stoikovich to achieve long term and critical development milestones for Debiensko which reflects the increased responsibility of managing a second coal project, namely both Debiensko and Jan Karski.

When taking into consideration the remuneration and consulting arrangements, the Board also considered that on the 30 June 2017, 1.0 million Performance Rights and 1.5 million unlisted Options previously held by Windellama Capital Limited and Mr Stoikovich respectively had expired without vesting.

Due to the discussion above, effective 1 July 2017, Mr Stoikovich and Windellama Capital Limited will receive the following remuneration and consulting fees:

- Windellama Capital Limited, will have 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, Windellama Capital Limited will be paid a fixed 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, Windellama Capital Limited, subject to meeting the requirements of the Corporations Act and where necessary receiving the appropriate approvals, will be entitled to receive a payment incentive of £250,000 in the event of a change of control clause being triggered with the Company. The consulting contract may be terminated by either Windellama Capital Limited or the Company by giving twelve months' notice. No amount is payable to Windellama 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 Stoikovich has also a signed appointment letter with an effective appointment date of 17 June 2013, under the terms of which he has agreed to serve as a Director of the Company. Mr Stoikovich's appointment may be terminated pursuant to the Company's Constitution, by giving the Company notice in writing. Mr Stoikovich continues to receive a fixed fee of £25,000 per annum pursuant to this appointment letter.

The Company has set performance criteria for these Performance Rights to ensure that they only vest upon achievement of fundamental milestones that will drive the long term value of the Company's securities. These performance criteria are satisfaction of the Feasibility and Construction Milestones at Debiensko.

In the Company's present circumstances, the Board considers that the grant of the Performance Rights to Windellama Capital Limited (as Mr Stoikovich's nominee) is a cost effective and efficient reward for the Company to appropriately incentivise the continued performance of Mr Stoikovich and is consistent with the strategic goals and targets of the Company.

Mr Stoikovich was appointed as a Director and CEO of the Company on 17 June 2013 and has played a vital role in the progression of the Company since this date, particularly in expediting the development of Jan Karski and importantly, Mr Stoikovich identified and managed the completion of the acquisition of Debiensko in October 2016. Mr Stoikovich will continue to be involved in the development of both the Debiensko and Jan Karski projects.

Mr Stoikovich is a mining engineer and professional corporate finance executive with experience in mergers and acquisitions, debt and off take financing and underground longwall mine operations and permitting.

Mr Stoikovich began his career as a Mining Engineer with BHP Billiton's Illawarra Coal division in NSW, Australia, where he was a senior operations manager at two of Australia's deepest shaft access longwall coal mines; Tower Colliery and Cordeaux Colliery. Mr Stoikovich's extensive experience in longwall coal mining operations includes mine planning, environmental and mine permitting, development heading driveage, methane drainage and longwall production. He gained his NSW First Class Mine Managers ticket in 2002.

From 2004 Mr Stoikovich worked in a Business Development role with Lonmin PLC, the world's third largest platinum group metals producer, with operations centered on deep underground hard rock mining within the Bushveld Igneous Complex in South Africa. During this time Mr Stoikovich was involved in a number of corporate restructuring and M&A transactions.

Mr Stoikovich then joined Standard Bank in 2007 as Senior Vice President in the Mining and Metals Division. Here he was involved in origination and execution of M&A transactions and equity investments.

In 2008 Mr Stoikovich joined Standard Chartered Bank in London as a Director of the Mining and Metals Division, where he has been instrumental in the origination and execution of advisory transactions and financings across a range of commodities, with primary responsibility for Europe, Africa and the Middle East.

The Performance Rights will be granted to Windellama Capital Limited with the following Performance Conditions and expiry dates:

Tranche	Performance Condition	Expiry Date	No. of Performance Rights
1A.	Debiensko Feasibility Study means the announcement on ASX by the Company of a positive Feasibility Study for Debiensko	31 December 2019	640,000
2A.	Debiensko Decision to Commence Underground Mining Construction means a Board decision to commence construction activities (including securing adequate project finance to enable construction to commence) for Debiensko (including but not limited the commencement of ground breaking for the construction of infrastructure, coal processing and/or coal breaker station facilities), in accordance with the activities outlined in the project development schedule and budget approved by the Board and forming part of a technical study.	31 December 2020	960,000
		Total	1,600,000

If the Performance Condition of a Performance Right is satisfied prior to the relevant expiry date, the Performance Right will vest. If the Performance Condition of a Performance Right is not achieved by the earlier of the expiry date then the Performance Right will lapse.

Subject to Resolution 4 being passed, The Performance Rights will automatically vest and be deemed to immediately become vested Performance Rights upon the occurrence of any of the following events:

- (a) **(Asset Sale)** *Provided the Company has received all necessary approvals pursuant to the Corporations Act, all Performance Rights with Performance conditions associated with a particular asset or project of the Company automatically vest if an Asset Sale occurs, where an "Asset Sale" means the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the relevant asset or project of the Company has been completed; and*
- (b) **(Share Sale)** *All Performance Rights automatically vest if a Share Sale occurs, where a "Share Sale" means:*

- (i) *the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options);*
- (ii) *the announcement by the Company that shareholders of the Company have, at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party, and the Court, by order, approves the proposed scheme of arrangement; or*
- (iii) *any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.*

The Performance Rights will lapse if Mr Stoikovich ceases to be an eligible participant under the terms and conditions of the Plan (except in the case of total and permanent disability, death, bona fide redundancy, bona fide retirement or removal from a position of managerial or executive office in the Company, unless the Board determines otherwise).

Subject to receiving Shareholder approval, the Performance Rights are expected to be issued to Windellama Capital Limited at an appropriate time after the date of the Meeting. However, the Company will grant the Performance Rights no later than 12 months (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting.

Resolution 6 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 6.

If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 6, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

The Board (excluding Mr Stoikovich) recommends that Shareholders vote in favour of Resolution 6 to approve the grant of Performance Rights under the Performance Rights Plan to Windellama Capital Limited.

10.2 Listing Rule 10.14

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of ordinary shareholders:

- (a) a director;
- (b) an associate of a director; or

- (c) a person whose relationship with the entity or a person referred to in paragraphs (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

Resolution 6 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the proposed grant of the Performance Rights to Windellama Capital Limited, because Windellama Capital Limited is an associate of Mr Stoikovich, who is a Director.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required. Accordingly, the grant of Performance Rights to Windellama Capital Limited will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

Resolution 6 is an ordinary resolution.

10.3 Specific information required by Listing Rule 10.15

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant of the Performance Rights to Windellama Capital Limited:

- (a) the Performance Rights will be granted to Windellama Capital Limited, an associate of Mr Stoikovich;
- (b) the maximum number of Performance Rights to be granted to Windellama Capital Limited pursuant to Resolution 6 is 1,600,000. The actual number of Performance Rights that vest is dependent on the achievement of the Performance Conditions as described in Section 10.1;
- (c) the Performance Rights will be granted as incentive Performance Rights and will be granted for nil cash consideration. The exercise price of the Performance Rights will also be nil consideration;
- (d) the persons referred to in Listing Rule 10.14 who have received securities still on issue under the Performance Rights Plan since the last approval of the Performance Rights Plan, are as follows:

Name	Number of Performance Rights	Acquisition Price
Mr Benjamin Stoikovich (Director)	1,500,000	Nil

- (e) under the rules of the Performance Rights Plan, Directors and eligible employees and contractors, as determined by the Board, are entitled to participate in the Performance Rights Plan. All Directors are entitled to participate in the Performance Rights Plan;
- (f) a voting exclusion statement in relation to Resolution 6 is included in the Notice;
- (g) there is no loan associated with the grant of the Performance Rights; and
- (h) the Company will grant the Performance Rights no later than 12 months (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting.

Schedule 1 – Definitions

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the content otherwise requires:

\$ means Australian Dollars.

US\$ means United States Dollars.

5% Threshold means CD Capital holding for a continuous 30 day period at least 5% of the total number of Shares on a diluted basis, calculated as if the Original Convertible Note had been exchanged into Shares by CD Capital, pursuant to the conversion of the Original Convertible Note.

15% Threshold means CD Capital holding for a continuous 30 day period at least 15% of the total number of Shares on a diluted basis, calculated as if the Original Convertible Note had been exchanged into Shares by CD Capital, pursuant to the conversion of the Original Convertible Note.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market conducted by it, as the context requires.

Board means the board of Directors.

CD Capital means CD Capital Natural Resources Fund III L.P.

CD Capital UK means CD Capital (UK) Limited.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Prairie Mining Limited (ACN 008 677 852).

Company Secretary means the company secretary of the Company.

Completion means completion of CD Capital's subscription for the Convertible Note pursuant to the Subscription Agreement.

Constitution means the constitution of the Company as amended from time to time.

Conversion Price has the meaning given in Section 3.1(b).

Convertible Note has the meaning given in Section 3.1.

Convertible Securities means any securities convertible into, exchangeable or redeemable for or otherwise carrying the right or obligation to acquire, Shares, including rights, options or warrants to acquire Shares.

Corporations Act means the *Corporations Act 2001* (Cth).

Debiensko Project means the Debiensko hard coking coal project operated by the Prairie Group.

Director means a director of the Company.

Event of Default means the events of default detailed in Section 3.5(d).

Explanatory Memorandum means this explanatory memorandum attached to the Notice.

Incentive Option means an unlisted option issued to key employees and consultants of the Company.

Insolvency Event in respect of a person (including an entity) means:

- (a) an administrator being appointed to the person;
 - (i) the person resolving to appoint a controller or analogous person to the person or any of the person's property;
 - (ii) an application being made to a court for an order to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property and not being withdrawn, stayed or dismissed within 30 days; or
 - (iii) an appointment of the kind referred to in subparagraph (b) being made (whether or not following a resolution or application);
- (b) an order being made, or the person passing a resolution, for its winding up; or
- (c) the person:
 - (i) suspending payment of its debts, ceasing (or threatening to cease) to carry on all or a material part of its business, stating that it is unable to pay its debts or being or becoming otherwise insolvent; or
 - (ii) being unable to pay its debts or otherwise insolvent,unless this takes place as part of a solvent reconstruction, amalgamation, merger or consolidation

Jan Karski Project means the Jan Karski coal project operated by the Prairie Group.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the official listing rules of ASX as amended from time to time.

LSE means London Stock Exchange plc.

Material Adverse Effect means a material adverse effect on:

- (a) the Company or PDZ Holding's ability to perform any of their obligations under the Convertible Note, the Subscription Agreement and all other documents to be executed and delivered by CD Capital to PDZ Holdings or the Company (**Transaction Document**);
- (b) the validity or enforceability of a Transaction Document; or
- (c) the assets, business, condition (financial or otherwise), prospects or operations of the Company.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means the notice of meeting.

Option means an option to acquire a Share.

PDZ Holdings means PDZ Holdings Pty Ltd ACN 154 936 786.

PDZ Holdings Share means an ordinary share in the capital of PDZ Holdings.

Performance Condition means, in respect of a Performance Right, the relevant condition which must be satisfied in order for the Performance Right to vest.

Performance Right means a right to subscribe for or otherwise acquire a Share under the Performance Rights Plan.

Performance Rights Plan or **Plan** means the Performance Rights Plan of the Company approved by Shareholders at the 2013 AGM and as amended and approved by Shareholders in September 2015.

Placement has the meaning given in Section 6.1

Prairie Group means the Company and each of its subsidiaries and its subsidiary undertakings.

Proposed Amendment has the meaning given in Section 8.2.

Original Convertible Note has the meaning given in Section 3.1.

Proxy Form means the proxy form attached to the Notice.

Relevant Interest has the meaning given to that term in the Corporations Act.

Resolution means a resolution in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section in this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Subscription Agreement has the meaning given in Section 3.1.

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

WSE means the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*).

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 - Overview of the Performance Rights Plan rules and terms and conditions

Capitalised terms used in this Schedule 2 which have not been defined have the meaning given in Schedule 1.

The main features of the Performance Rights Plan (and the terms and conditions to be attached to the Performance Rights Plan) are summarised as follows:

Eligible Participants: The eligible participants under the Performance Rights Plan are full time employees and permanent part-time employees of the Company and its subsidiaries (including Directors) and any other person determined by the Board to be included for the purposes of the Performance Rights Plan (**Eligible Employees**) and contractors engaged by the Company and its subsidiaries who are determined by the Board to be eligible participants for the purposes of the Performance Rights Plan (**Eligible Contractors**). In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan and be granted Performance Rights.

Limits on Entitlement: An offer of Performance Rights may only be made under the Performance Rights Plan if the number of Shares that may be issued on exercise of those Performance Rights, when aggregated with:

- (a) the number of Shares which would be issued if each outstanding Performance Right was exercised into Shares (as the case may be); and
- (b) the number of Shares issued during the previous three years pursuant to the Performance Rights Plan,

does not exceed 10% of the total number of issued Shares as at the time of the offer.

Individual Limits: The Performance Rights Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

Consideration Payable: Performance Rights will be issued for no consideration and no amount will be payable upon exercise thereof.

Offer and Performance Conditions: The Performance Rights issued under the Performance Rights Plan to eligible participants may be subject to performance conditions, determined by the Board from time to time and expressed in a written offer letter (**Offer**) made by the Company to the eligible participant which is subject to acceptance by the eligible participant within a specified period. The performance conditions may include one or more of:

- (a) service to the Company of a minimum period of time;
- (b) achievement of specific performance conditions by the participant and/or by the Company;
- (c) a vesting period following satisfaction of performance conditions before the Performance Rights vest; or
- (d) such other performance conditions as the Board may determine and set out in the Offer.

The Board in its absolute discretion determines whether performance conditions have been met.

Expiry Date & Lapse: Performance Rights may have an expiry date as the Board may determine in its absolute discretion and specify in the Offer. The Board is not permitted to extend an expiry date without shareholder approval.

If a performance condition of a Performance Right is not achieved by expiry date then the Performance Rights will lapse. A Performance Right will also lapse if the Board determines the participant ceases to be an Eligible Employee or an Eligible Contractor for the purposes of the Performance Rights Plan for any reason (other than as a result of retirement, disability, bona fide redundancy or death).

Retirement, Disability, Redundancy, Death or Removal as a Director: Under the Performance Rights Plan, upon the retirement, total and permanent disability, bona fide redundancy, death of a participant or in the case of persons holding managerial or executive office who are participants, removal from that office (unless the Board determines otherwise), then in respect of those Performance Rights which have not satisfied the performance condition but have not lapsed, then the participant shall be permitted to continue to hold those Performance Rights as if the participant was still an Eligible Employee.

Forfeiture: If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Shares to be forfeited. In the event the underlying Shares have been sold by the participant, the participant will be required to pay all or part of the net proceeds of that sale to the Company.

Assignment: Without prior 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.

Change of Control: means either of the following events:

- (a) **(Asset Sale)** Provided the Company has received all necessary approvals pursuant to the Corporations Act, all Performance Rights with Performance conditions associated with a particular asset or project of the Company automatically vest if an Asset Sale occurs, where an "Asset Sale" means the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the relevant asset or project of the Company has been completed; and
- (b) **(Share Sale)** All Performance Rights automatically vest if a Share Sale occurs, where a "Share Sale" means:
 - (i) the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options);
 - (ii) the announcement by the Company that shareholders of the Company have, at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party, and the Court, by order, approves the proposed scheme of arrangement; or

- (iii) any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.

Alteration in Share Capital: Appropriate adjustments will be made to the number of Performance Rights in accordance with the Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

Pro Rata Issue of Securities: A holder of Performance Rights will only be able to participate in a pro rata offer of new securities in the Company to existing shareholders, if, prior to the record date, the Performance Rights have been duly exercised. In addition, no adjustment to the number of Shares a Performance Rights holder is entitled to or adjustment to any Performance Condition which is based, in whole or in part, upon the Company's Share price, shall occur as a result of the Company undertaking a rights issue.

Bonus Issue: If, during the term of any Performance Rights, the Company completes a bonus issue, the number of Shares each Performance Rights holder is then entitled, shall be increased by that number of securities which the holder would have been issued if the Performance Rights then held by the holder were exercised immediately prior to the record date for the bonus issue.

Participation in other Opportunities: There are no participation rights or entitlements inherent in the Performance Rights though the Company will use its reasonable endeavours to ensure that each holder is given an opportunity to participate on the same basis as if his or her Performance Rights had been exercised.

Termination, Suspension or Amendment: The Board may terminate, suspend or amend the Performance Rights Plan at any time subject to any resolution of the Company required by the Listing Rules.

Schedule 3 - Terms and conditions of Incentive Options

1. Entitlement

Each Incentive Option entitles the holder to subscribe for one Share in the Company upon exercise.

2. Exercise Price, Vesting Date and Expiry Date

The Exercise Price, Vesting Date, and Expiry Date of each Incentive Option is referred to in the below table.

Incentive Option Class	Number	Exercise Price	Vesting Date	Expiry Date
Class A	200,000	A\$0.50	30 September 2017 ⁽¹⁾	31 March 2020
Class B	400,000	A\$0.60	31 March 2018 ⁽¹⁾	31 March 2020
Class C	700,000	A\$0.80	30 September 2018 ⁽¹⁾	31 March 2020

⁽¹⁾ Immediately vest if a Change in Control Event occurs as defined in item 4

3. Ceasing to be an employee or contractor

The Incentive Options will immediately lapse on that date which is the earlier of:

- (a) the Expiry Date referred to in the above table; or
- (b) in respect of the Incentive Options that have not already vested by the Vesting Date referred to in the above table, the date the employee, consultant or Director ceases to be an employee, consultant or Director of the Company because of:
 - (i) retirement (excluding retirement by rotation as a Director at a meeting of Shareholders where re-elected);
 - (ii) removal or termination (other than in the circumstances in item 3(c) below);
 - (iii) voluntary cessation;
 - (iv) by mutual agreement (unless the Board resolves otherwise); or
- (c) in respect of the Incentive Options whether vested or unvested as outlined above, the date the employee, consultant or Director ceases to be engaged as an employee, consultant or a Director of the Company because of dismissal by the Company:
 - (i) if the holder is an employee, the date the holder is dismissed from employment with the Company for negligence, incompetence or misconduct;

- (ii) if the holder is a consultant, the date the holder's appointment is terminated for negligence, incompetence or misconduct;
- (iii) if the holder is a Director, the date the holder is:
 - (A) disqualified from holding the office of director; or
 - (B) convicted of any criminal offence (other than an offence under any road traffic legislation in Australia or elsewhere for which a fine or non-custodial penalty is imposed) which in the reasonable opinion of the Board brings the holder or the Company into disrepute,

and thereafter no party shall have any claim against any other party arising under or in respect of the Incentive Options.

4. **Change in Control**

The Incentive Options will immediately vest if a Change in Control Event occurs in respect of the Shares of the Company. For the purposes of this item 4, a “**Change in Control Event**” means:

- (a) a “**Share Sale**” which means:
 - (i) the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options); or
 - (ii) the announcement by the Company that shareholders of the Company have, at a Court convened meeting of Shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party, and the Court, by order, approves the proposed scheme of arrangement;

The Incentive Options are exercisable at any time after the Vesting Date in item 2 above and on or prior to the Expiry Date.

5. **Notice of Exercise**

- (a) The Incentive Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Incentive Option being exercised.
- (b) Any notice of exercise of an Incentive Option received by the Company (**Notice of Exercise**) will be deemed to be a notice of the exercise of that Incentive Option as at the date of receipt.

The Incentive Options must be exercised in minimum parcels of 100,000 Incentive Options, but the Board may, in its absolute discretion, accept a Notice of Exercise that does not comply with this item 6(c).

6. **Shares issued on exercise**

Shares issued on exercise of the Incentive Options rank equally with the then Shares of the Company.

7. Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Incentive Options.

8. Timing of issue of Shares and quotation of Shares on exercise

Within 15 Business Days after the later of the following:

- (a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised; and
- (b) the earlier to occur of:
 - (i) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of a Notice of Exercise as set out in item 9(a) above; or
 - (ii) the holder elects that the Shares to be issued pursuant to the exercise of the Options will be subject to a holding lock for a period of 12 months in accordance with item 10 below,

the Company will:

- (c) allot and issue the Shares pursuant to the exercise of the Options;
- (d) in the circumstances where item 9(b)(i) applies, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares issued upon exercise of the Options for resale under section 708A(11) of the Corporations Act;
- (e) in the circumstances where item 9(b)(ii) applies, apply a holding lock in accordance with item 9 in respect of the Shares issued upon exercise of the Options; and
- (f) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

9. Holding lock

- (a) The holder may make an election as set out in item 9(b)(ii) at any time following delivery of a Notice of Exercise and payment of the Exercise Price for each Option being exercised.
- (b) If the holder makes an election pursuant to item 9(b)(ii), then:
 - (i) the Company will apply a holding lock on the Shares to be issued;
 - (ii) the Company shall release the holding lock on the Shares on the earlier to occur of:

- A. the date that is 12 months from the date of issue of the Shares;
or
 - B. the date the Company issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or
 - C. the date a transfer of the Shares occurs pursuant to item 9(b)(iii); and
- (iii) the Shares shall be transferable by the holder and the holding lock will be lifted provided that:
- A. the offer of the Shares for sale does not require disclosure under section 707(3) of the Corporations Act;
 - B. the transferee warrants for the benefit of the holder and the Company that they are an exempt investor pursuant to one of the exemptions in section 708 of the Corporations Act; and
 - C. the transferee of the Shares agrees to the holding lock applying to the Shares following their transfer for the balance of the period in item 10(b)(ii).

10. Participation in new issues

There are no participation rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.

11. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the Incentive Optionholder would have received if the holder of Incentive Options had exercised the Incentive Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

12. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Incentive Option.

13. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the holders of Incentive Options may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

14. Adjustment for compliance with ASX Listing Rules

The terms of the Incentive Options may be amended from time to time by the issue of a notice from the Company to the holder setting out the details of such amended terms. Any such amendment may only be made by the Company solely to the extent that it is necessary for the Company to comply with the Listing Rules.

15. Quotation of Incentive Options

No application for quotation of the Incentive Options will be made by the Company.

16. Incentive Options non transferable

The Incentive Options are only transferable provided that the transfer of Incentive Options complies with section 707(3) of the Corporations Act.

17. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Incentive Options with the appropriate remittance should be lodged at the Company's registry.

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Karbonia S.A. (Czerwionka – Leszczyny)

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

Australia (Registered Office):

Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

Tel: +61 8 9322 6322

Fax: +61 8 9322 6558

PRAIRIE MINING LIMITED
ACN 008 677 852

PROXY FORM

The Company Secretary
 Prairie Mining Limited

By delivery:
 Level 9, 28 The Esplanade
 PERTH WA 6000

By post:
 PO Box Z5083
 PERTH WA 6831

By facsimile:
 +61 8 9322 6558

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark to indicate your directions. Further instructions are provided overleaf. Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

The Chairperson **OR** if you are **NOT** appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairperson of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the General Meeting of the Company to be held at 11:00am (Perth time) on Thursday, 17 August 2017, at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth Western Australia and at any adjournment or postponement of that Meeting.

If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is []% of the Shareholder's votes / [] of the Shareholder's votes. An additional Proxy Form will be supplied by the Company, on request.

IMPORTANT FOR RESOLUTION 4: If the Chairperson is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairperson to exercise the proxy in respect of Resolution 4, even though this Resolution is connected directly or indirectly with the remuneration of the Company's Key Management Personnel.

Important – If the Chairperson is your proxy or is appointed your proxy by default

The Chairperson intends to vote all available proxies in favour of all Resolutions. If the Chairperson is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to a Resolution, you will be expressly authorising the Chairperson to vote in accordance with the Chairperson's voting intentions on that Resolution even if that Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Step 2 – Instructions as to Voting on Resolutions

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Approval of issue of Convertible Note under the Subscription Agreement			
Resolution 2	Ratification of Placement			
Resolution 3	Ratification of prior issue of Incentive Options			
Resolution 4	Renewal of Performance Rights Plan			
Resolution 5	Approval of variation to the terms of Performance Rights issued to Directors, and eligible employees and consultants			
Resolution 6	Approval to Grant Performance Rights to Windellama Capital Limited			

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the general meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting. If the Shareholder is entitled to cast 2 or more votes at the general meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting, the representative of the body corporate to attend the general meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the general meeting the appropriate 'Certificate of Appointment of Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 9, 28 The Esplanade, Perth, WA, 6000, or by post to PO Box Z5083, Perth, WA, 6831 or Facsimile (08) 9322 6558 if faxed from within Australia or +618 9322 6558 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).