UPDATE ON JAN KARSKI MINE

- The Bankable Feasibility Study being prepared by China Coal for the development of the Jan Karski mine is now due for completion in September 2017. This follows extensive meetings in Poland during the last month between Prairie, its strategic partner China Coal and Polish government officials.

- Under the Strategic Co-operation Agreement between Prairie and China Coal, the BFS will support China Coal's EPC contract to construct the Jan Karski mine and underpin a Chinese bank financing package.

- Marketing and coal sales strategies are to be updated for the BFS following Prairie's latest successful drilling results and enhanced testwork establishing Jan Karski as a high-value ultra-low ash semi soft coking coal project which is expected to attract a 10% premium to international benchmark prices.

- Prairie remains on track to submit a Mining Concession application for Jan Karski, with significant progress made regarding spatial planning (re-zoning) and substantial completion of the Environmental and Social Impact Assessment; further updates regarding spatial planning are expected in the coming weeks.

- Prairie is the first entity to apply international best practice and modern standards in geological analysis, mine design and environmental studies for hard coal mining in Poland.

- Prairie notes that recent comments made by Poland's Chief National Geologist with respect to development progress at Jan Karski are incorrect and not reflective of the official position of the Government of the Republic of Poland with the official Spokesperson of Poland's governing PiS Party stating the comments made by Poland's Chief National Geologist were "neither the position of the Government, nor of the Prime Minister".

- Prairie remains focused on developing its two World Class coking coal projects and continuing to make significant progress and investment alongside partners and investors such as China Coal and CD Capital.
Prairie Mining Limited (“Prairie” or “Company”) is pleased to provide an update on development activities at its 100% owned high-value ultra-low ash semi soft coking coal (“SSCC”) Jan Karski Mine in the Lublin Province, south east Poland (“Jan Karski” or “Project”).

CHINA COAL BFS PROGRESS

In November 2016, Prairie and China Coal, China’s second largest coal mining company and one of the world’s most advanced and prolific shaft sinking and underground coal mine construction companies signed a landmark Strategic Co-operation Agreement for the financing and construction of Jan Karski.

Under the terms of the agreement China Coal is set to complete a Chinese Bankable Feasibility Study (“BFS”) in September 2017. A draft of the BFS was submitted to Prairie in June following which the Company hosted two delegations in Poland from China including: leading underground mine construction company and partner of Prairie, China Coal No.5 Construction Company Ltd. (“CC5C”); Chinese Government’s officially authorised coal mine design institute Jinan Mine Design Institute (“Jinan”); and China’s first large scale foreign trade corporation specialising in international engineering contracting, China National Machinery Import & Export Corporation (“CMC”).

The Chinese delegations were welcomed by the government-appointed Governor of Lublin Province and elected regional government officials of the Lublin region. Prairie conducted various site visits and facilitated meetings with domestic Polish contractors and suppliers who could participate in the construction of Jan Karski.

Following the visits, Prairie’s Chief Executive Officer Ben Stoikovich commented: “This is a really exciting time for Prairie, and specifically for the Jan Karski Mine and the Lublin region. With our expert management team and partner China Coal, one of the world’s largest and most successful coal mine construction firms, we are moving closer to achieving all required permitting for development of the Jan Karski Mine and delivering much needed jobs and economic development to Eastern Poland.”

Prairie and China Coal’s technical teams continue to work together to:

- agree a final version of the BFS in September which will form the basis of Chinese bank credit approval for funding construction of Jan Karski;
- enter into a complete Engineering, Procurement, and Construction (“EPC”) contract under which CC5C to construct Jan Karski; and
- incorporate relevant Polish content into the design and construction phases which will include working with a range of Polish specialists, sub-contractors and business partners.

In May 2017, Prairie announced recent coal quality testwork at Jan Karski which confirmed it to be a high-value ultra-low ash SSCC project. An Independent assessment by specialist coking coal market consultants predicts that Jan Karski ultra-low ash SSCC would potentially realise a 10% premium to international benchmark prices.

Preliminary discussions between Prairie and select European steel makers have confirmed the suitability of ultra-low ash SSCC to be utilised in coke oven blends. Consequently, the Company is currently updating the marketing and sales strategy for the coal which will be produced at Jan Karski and will incorporate this strategy into the BFS.
RESPONSE TO RECENT STATEMENTS MADE BY POLAND’S CHIEF NATIONAL GEOLOGIST

On 20 July 2017 Poland’s Chief National Geologist made a number of statements regarding progress in the development of Prairie’s Jan Karski mine and the Jan Karski concessions (“Concessions”). Prairie notes that the Chief National Geologist has made errors of fact and omission in his statements. Prairie also notes that on 31 July 2017, the official Spokeswoman for Poland’s governing Law and Justice Party (“PiS”), the Chief Press Officer of the PiS Parliamentary Group and the Member of Parliament for the Lublin-Chelm region made a public statement that the Chief National Geologist’s statement “is neither the position of the Government, nor of the Prime Minister”.

Background

Prairie’s Jan Karski mine is situated in the Lublin Coal Basin adjacent to the Bogdanka coal mine which has been in commercial production since 1982 and is owned by the Polish coal mining company Lubelski Węgiel BOGDANKA S.A. (“Bogdanka”). In 2012 Prairie was awarded, through its Polish subsidiary PD Co sp. z o.o. (“PDCo”), four exclusive Exploration Concessions namely K-4-5 (Kulik area), K-6-7 (Cyców area), K-8 (Syczyn area) and K-9 (Kopina area). In December 2014, Prairie was granted an additional coal Exploration Concession, SawinZachód, contiguous to Jan Karski.

To progress from an Exploration Concession to a Mining Concession in accordance with the terms of the Polish Geological and Mining Law (2011) (“GML”), Prairie was required to complete an agreed work program over the concession areas which included the drilling of seven cored boreholes.

Figure 1: Exploration Concessions Awarded to Prairie
The purpose of these boreholes was to update and upgrade the historical data over the concessions dating from the 1960's and 1970's, which is unsuitable for modern mine design and financing. Prairie's exploration campaign also allowed advanced geotechnical analysis that confirmed the feasibility of applying modern roof-bolting technology to Jan Karski for independent roadway support.

Prairie, having successfully completed its work program by the end of 2014 and well ahead of schedule, was then required to prepare a Polish standard resource report, known as “Geological Documentation”, for submission to the Ministry of Environment (“MoE”) for approval. Geological Documentation, once approved, triggers the Priority Right for the holder to apply for a Mining Concession for a three-year period and also defines the boundaries of the resource within which mining may take place in the future.

Prairie's Geological Documentation was prepared by local Polish consultancy GEO-EKO-WIERT which has considerable expertise in the preparation of Mining Concession applications and regulatory reports in Poland. Prairie formally submitted the documentation to the Mineral Resources Committee of Poland’s MoE, responsible for the review of new resource documentation. In the Geological Documentation, Prairie clearly outlined the area now known as the Jan Karski mine which included all of the K-6-7 (Cyców area) concession.

In mid-2015, a positive assessment of the Geological Documentation was given by the Mineral Resources Committee, which formed the basis for the formal approval by the MoE acknowledging that Prairie had completed the minimum works program under the Jan Karski Exploration Concessions.
The seven cored boreholes upgraded the historic resource classification of the Jan Karski Concessions, corrected seam correlations and demonstrated the potential to produce higher value SSCC, aspects that were deficient in the historical geological data. The new data obtained from Prairie’s drill program allowed modern mine design to be conducted, incorporating international best practice in line with the requirements of international financing institutions, which is the first time such an approach has been applied in coal mine exploration and development in Poland.

As a result, Prairie secured the Priority Right to apply for a Mining Concession for Jan Karski for a three-year period until April 2018.

**Statements made by Poland’s Chief National Geologist**

The Polish Chief National Geologist has made a number of incorrect claims, including that Prairie was obliged to drill 23 boreholes over the concessions.

As stated above, under the originally granted Exploration Concessions, Prairie was required to complete an agreed work program of seven (7) cored boreholes. These were completed well ahead of schedule. Prairie’s compliance with all of the work program requirements was confirmed by the Government’s approval of Prairie’s Jan Karski Geological Documentation in mid-2015. Additional boreholes beyond the completed seven boreholes have no impact at all on Prairie’s Priority Right to apply for a Mining Concession for Jan Karski. During 2015, Prairie extended the Exploration Concessions at Jan Karski, which included the option of drilling additional boreholes should international financing institutions or offtakers require further geological data. Some of these optional boreholes have either been completed, are in progress or are currently planned to be drilled. No legal requirement exists under the GML for Prairie to drill more than the completed seven boreholes in order to apply for a Mining Concession at Jan Karski.

Prairie has always sought the best and most qualified people suitable for the development of various stages of its Polish coal projects. Prairie notes that a new hard coal mine has not been developed in Poland for over 25 years, and in general the current Polish coal industry has been slow to adopt modern mine design and technology and as a consequence suffers from higher costs and lower profitability. A key Management Board member of PDCo is Miroslaw Taras, a 30 year veteran mining engineer in the Polish coal industry, former CEO of Bogdanka and Chairman of state-owned coal producer Kompania Węglowa S.A. (now renamed Polska Grupa Górnictza sp. z o.o). Whilst Mr Taras was CEO of Bogdanka, he doubled the production capacity and increased efficiency of Bogdanka by developing a new coal handling and preparation plant, surface and underground infrastructure, as well as two new shafts at the Stefanów field which were commissioned in 2011/2012. This represents the only significant increase in hard coal mine production capacity in Poland in the last 25 years.

Prairie, nor any of its contractors or staff, have been made aware that they are the subject of a public prosecutor investigation in Poland. Prairie is aware of a review of MoE decisions issued by the former administration by Poland’s current Government.

**Status of Jan Karski Mining Concession Application**

Prairie remains on track to have its full application for a Mining Concession submitted for Jan Karski during the period of the Priority Right with major prerequisites for the application substantially advanced. In Poland, a Mining Concession application comprises the submission of a Deposit Development Plan (“DDP”), an Environmental Social Impact Assessment (“ESIA”) that is to be approved by regional authorities and approval of a spatial development plan (re zoning of land for mining use).
In May 2017, Prairie achieved a significant permitting milestone following official approval by the Lublin Regional Mining Authority of the Jan Karski DDP. Two months ago Prairie submitted all applications required to change the local spatial development plans to effect the rezoning of land for mining use, with the official public consultation having now been completed. Prairie expects to update the market regarding the outcome of the spatial planning submissions in the coming weeks.

Furthermore, Prairie has substantially completed the ESIA for Jan Karski and is expecting Environmental Consent during the second half of 2017. Achieving these permitting milestones will fulfil all of the regulatory pre-requisites for the Company to submit a formal Mining Concession application.

Prairie notes that Bogdanka has unsuccessfully challenged Prairie’s rights to Jan Karski in the past. Bogdanka’s claims have been consistently and vigorously rejected by the Polish Courts and also the Polish Government in multiple decisions. The MoE rejected Bogdanka’s Mining Concession application over K-6-7 and officially rejected an appeal by Bogdanka following which the Administrative Court in Poland upheld the MoE’s decisions. It is beyond doubt that Prairie has the exclusive Priority Right over Jan Karski. In fact in March 2016, Poland’s Chief National Geologist confirmed the legally binding status of the Priority Right when he stated that: “Binding law is constructed so that an entrepreneur that holds a licence for prospecting or exploration of deposits after documenting and being granted the geological documentation approval decision, gains priority in being granted a mining concession”.

Prairie has always conducted its business in Poland according to the GML and continues to pioneer the application of international standards for development and feasibility work in Poland necessary to ensure the value of its Tier One coking coal projects are maximised for all stakeholders, meet the rigorous requirements for international financing and can ensure the production of high quality coking coal product to regional European steel makers.

Poland is multi-party representative democracy and has been a member of the European Union since 2004. Prairie Mining has been listed on the Warsaw Stock Exchange since September 2015 and enjoys a strong and increasing Polish shareholder base. The Prairie team responsible for the development of the its two Tier One coking coal projects consists of Polish experts, who account for some 85% of the total team members, supported by international experts. Prairie benefits from strong support of local communities and regional governments, and our activities are in line with Polish national government policy that considers coal at the core of Poland’s raw material security, seeks to renew Polish industry and enhance economic development in Eastern Poland, where the Jan Karski Mine is located.

Furthermore, Poland enjoys strong relations with Australia which includes more than $650m in annual trade between the two countries. Australia also holds the status of “Most Favoured Nation” with Poland and the countries signed a Promotion and Protection of Investment Agreement in 1991 (a Bilateral Investment Treaty) which provides reciprocal protections for investments made by residents and entities of both countries, including licences for exploration and mining of natural resources.

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