



NEWS RELEASE | 31 July 2018

JUNE 2018 QUARTERLY REPORT

Highlights from and subsequent to the quarter end:

Possible Prairie and JSW Co-Operation

- During the quarter, Prairie and JSW continued to exchange technical and commercial information in order to facilitate substantial and more advanced discussions regarding any potential co-operation or transaction(s) options in respect of Prairie's Polish coking coal projects.
- Further meetings were held between the Company and JSW while Prairie has made available information to JSW in relation to both the Debiensko and Jan Karski mines to allow JSW to conduct assessments of their feasibility and economics.
- In a recent statement made by JSW, they disclosed that they expect to make a decision on any potential transaction with Prairie by the end of August 2018. There can be no certainty as to whether any transaction(s) will be agreed, or the potential form of such transaction(s). The Company will continue to comply with its continuous disclosure obligations and will make announcements to the market as required.

Jan Karski Mine

- Following legal proceedings filed against Poland's Ministry of Environment due to its failure to grant Prairie a Mining Usufruct Agreement at the Jan Karski Mine:
 - the Polish Civil Court ruled in Prairie's favour by granting an injunction preventing the Ministry from granting any prospecting, exploration or mining concession and concluding usufruct agreements with any other party until full court proceedings are concluded; and
 - the decision provides security of tenure over the Jan Karski concessions and effectively safeguards Prairie's rights at the project until full court proceedings are concluded.
- The Lublin Regional Director for the Environment issued an official notification indicating that the process to establish an Environmental Consent decision for Jan Karski would be extended past 30 June 2018 due to further information requests to supplement Prairie's original Environmental and Social Impact Assessment and ongoing local authority and public consultations.

Corporate

- Prairie remains in a financially strong position with cash reserves of A\$11 million.

For further information, please contact:

Prairie Mining Limited

Ben Stoikovich, Chief Executive Officer
Sapan Ghai, Head of Corporate Development

+44 20 7478 3900

info@pdz.com.au

DEBIENSKO MINE

The Debiensko Mine (“**Debiensko**”) is a permitted, hard coking coal project located in the Upper Silesian Coal Basin in the south west of the Republic of Poland. It is approximately 40 km from the city of Katowice and 40 km from the Czech Republic.

Debiensko is bordered by the Knurów-Szczygłowice Mine in the north west and the Budryk Mine in the north east, both owned and operated by Jastrzębska Spółka Węglowa SA (“**JSW**”), Europe’s leading producer of hard coking coal.

The Debiensko mine was originally opened in 1898 and was operated by various Polish mining companies until 2000 when mining operations were terminated due to a major government led restructuring of the coal sector caused by a downturn in global coal prices. In early 2006 New World Resources Plc (“**NWR**”) acquired Debiensko and commenced planning for Debiensko to comply with Polish mining standards, with the aim of accessing and mining hard coking coal seams. In 2008, the MoE granted a 50-year mine license for Debiensko.

In October 2016, Prairie Mining Limited’s (“**Prairie**” or “**Company**”) acquired Debiensko with a view that a revised development approach would potentially allow for the early mining of profitable premium hard coking coal seams, whilst minimising upfront capital costs. Prairie has proven expertise in defining commercially robust projects and applying international standards in Poland. The fact that Debiensko is a former operating mine and its proximity to two neighbouring coking coal producers in the same geological setting, reaffirms the significant potential to successfully bring Debiensko back into operation.

Preparation for the Next Phase of Project Studies

Prairie continues to analyse the drill hole data which will be used for engineering design of foundations of structures associated with the shafts, coal handling and preparation plant (“**CHPP**”) and other surface facilities. These holes are essential in order to assess the soil conditions, properly design structural foundations and thus provide more accurate pricing in the tenders as required for a feasibility study.

Prairie’s team have also designed an infill drilling program that when undertaken will upgrade more of the resource base at Debiensko to the Measured and Indicated resource categories and support JORC compliant reserve estimation.

JAN KARSKI MINE

The Jan Karski Mine (“**Jan Karski**”) is a large scale semi-soft coking coal project located in the Lublin Coal Basin in south east Poland. The Lublin Coal Basin is an established coal producing province which is well serviced by modern and highly efficient infrastructure, offering the potential for low capital intensity mine development. Jan Karski is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982 and is the lowest cost hard coal producer in Europe.

Prairie’s use of modern exploration techniques continues to transform Jan Karski with latest drill results re-affirming the capability of the the project to produce high value ultra-low ash semi-soft coking coal (“**SSCC**”), known as Type 34 coal in Poland whilst confirming Jan Karski as a globally significant SSCC / Type 34 coking coal deposit with the potential to produce a high value ultra-low ash SSCC with a coking coal product split of up to 75%.

Key benefits for the local community and the Lublin and Chelm regions associated with the development, construction and operation of Jan Karski have been recognised as the following:

- creation of 2,000 direct employment positions and 10,000 indirect jobs for the region once operational;
- increasing skills of the workforce and through the implementation of International Standard training programmes;
- stimulating the development of education, health services and communications within the region; and
- building a mine that creates new employment for generations to come and career paths for families to remain in the region.

Polish Civil Court Grants Injunction in Prairie's Favour against Poland's Ministry of Environment

On 3 April 2018, Prairie announced that it had commenced legal proceedings against Poland's Ministry of Environment ("MoE") due to its failure to grant Prairie a Mining Usufruct Agreement over the concessions which form the Jan Karski Mine and in order to protect the Company's security of tenure over the project.

Pursuant to the initiated legal proceedings:

- the Polish Civil Court ruled in Prairie's favour by granting an injunction preventing the MoE from granting prospecting, exploration or mining concessions and concluding usufruct agreements with any other party until full court proceedings are concluded;
- the decision provides security of tenure over the Jan Karski concessions and effectively safeguards Prairie's rights at the project until full court proceedings have concluded.

The Regional Civil Court in Warsaw has issued a verdict that forms an injunction preventing the MoE from concluding exploration or mining usufruct agreement(s) regarding the Jan Karski Mine area (including the "Lublin" deposit, as well as the former K-4-5, K-6-7, K-8 and K-9 concession areas) with any party, other than PD Co Sp. z. o.o. (Prairie Mining's wholly owned Polish subsidiary). The Court has also ordered that the MoE does not grant any concessions (for prospecting, exploration and/or mining) to any party other than PD Co Sp. z. o.o. This highly favourable court ruling was issued in response to Prairie's application submitted as part of the legal proceedings commenced by Prairie to protect its tenure at Jan Karski.

As a result of the ruling by the Regional Civil Court in Warsaw, security of tenure over the Jan Karski concessions will be safeguarded until full court proceedings have concluded. It is anticipated that full court proceedings could take 12 months or more to complete.

In the justification to the Court's ruling, the judge stated that: *"Based on the evidence one may at this point state that the plaintiff [Prairie] enjoys the right to request conclusion of the requested mining usufruct agreement for the "Lublin" hard coal area (otherwise known as Jan Karski) resulting from Article 15 of the Geological and Mining Law."*

As discussed above, in April 2018, Prairie commenced legal action against the MoE for breaching the Polish Geological and Mining Law (2011) ("GML") in relation to the award of a Mining Usufruct Agreement to Prairie at Jan Karski.

Prairie has provided the MoE with all documents required by Polish Law to conclude a Mining Usufruct Agreement, including the Geological Documentation approval and an official application for a Mining Usufruct Agreement.

To date the MoE has still not provided Prairie with a Mining Usufruct Agreement for Jan Karski.

Based on professional advice, Prairie considers that the MoE breached the GML and Polish law and is defending its position having commenced legal proceedings against the MoE through the Polish courts to protect its tenure at Jan Karski.

The Company will also consider any other actions necessary to ensure its concession rights are reserved which may result in the Company taking further action against the MoE including invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time.

Prairie will continue to update the market in relation to this matter as required.

Regional Director for the Environment sets a new deadline for issuing an Environmental Consent Decision

Prairie completed an Environmental and Social Impact Assessment and made submissions to the Lublin Regional Director for the Environment (“**RDOS**”) for an Environmental Consent decision for Jan Karski in October 2017. During the quarter, the RDOS issued a notice indicating that the Environmental Proceedings would be delayed further, subject to the receipt of additional information requested by the RDOS which the Company, together with its appointed environmental consultants, are working to provide. During the quarter, there was a change of personnel fulfilling the functions of the Chairman and Deputy Chairman of the Lublin RDOS.

CORPORATE

Possible Co-Operation between Prairie and JSW

Prairie and JSW have entered into a Non-Disclosure Agreement (“**NDA**”) with respect to potential co-operation regarding Prairie’s two Polish coal projects. The purpose of the NDA is to allow for the exchange of technical and commercial information in order to facilitate substantial and more advanced discussions regarding any potential transaction(s) options in respect of Prairie’s projects.

Prairie will make available information in relation to the hard coking coal project under the Debiensko concession, to allow JSW to conduct an assessment of its feasibility and economics, taking into consideration factors including, but not limited to: its stage of development, conditions of the mining concession, environmental permits, and the mining usufruct contract. JSW will also assess other various risks and opportunities, including JSW’s existing infrastructure at the neighbouring Knurów-Szczygłowice mine.

Prairie will also make available to JSW information in relation to the Jan Karski project in the Lublin Coal Basin, to allow JSW to conduct an assessment of the project’s feasibility and economics regarding coking coal, taking into consideration factors including, but not limited to: its phase of development, the physical and chemical parameters of the coal (in particular its coking parameters), the timeframe and conditions with regards to obligations to obtain a mining concession, as well as other various risks and opportunities.

It is emphasised that any potential transaction(s), should they occur, may be subject to a number of conditions including, but not limited to, obtaining positive evaluations and expert opinions, necessary corporate approvals, consents and approvals related to funding, consents from Poland's Office of Competition and Consumer Protection (UOKiK) if required, and any other requirements that may relate to the strategy, objectives and regulatory regimes applicable to either Prairie Mining or JSW.

In a recent statement made by JSW, they disclosed that they expect to make a decision on any potential transaction with Prairie by the end of August 2018. There can be no certainty as to whether any transaction(s) will be agreed, or the potential form of such transaction(s).

The NDA, signed at the end of March 2018, provides for discussions to be conducted for an initial period up to 6 months, which may be extended by mutual agreement of both parties. The companies will continue to comply with their respective disclosure obligations to the relevant markets, as required.

Financial Position and Balance Sheet

Prairie has cash reserves of A\$11 million. With CD Capital's right to invest a further A\$68 million as a cornerstone investor, Prairie is in a strong financial position to progress with its planned activities at Debiensko and Jan Karski.

During the quarter, the convertible loan note held by CD Capital with a principal amount of A\$15 million was converted into 44.8 million ordinary shares and the subsequent issue of 22.4 million A\$0.60 unlisted options.

Forward Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on Prairie's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Prairie, which could cause actual results to differ materially from such statements. Prairie makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.

Competent Person Statements

The information in this announcement that relates to Exploration Results was extracted from Prairie's announcement dated 21 February 2018 entitled "Drill Results Affirm Jan Karski's Status as a Globally Significant Semi-Soft (Type 34) Coking Coal Project". The information in the original announcement is based on, and fairly represents information compiled or reviewed by Mr Jonathan O'Dell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr O'Dell is a part time consultant of the Company. Mr O'Dell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcements; b) all material assumptions and technical parameters included in the original announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original announcements.

APPENDIX 1 - EXPLORATION TENEMENT INFORMATION

As at 30 June 2018, the Company has an interest in the following tenements:

Location	Tenement	Percentage Interest	Status	Tenement Type
Jan Karski, Poland	Jan Karski Mine Plan Area (K-4-5, K-6-7, K-8 and K-9)*	100	Granted	Exclusive Right to apply for a mining concession
Jan Karski, Poland	Kulik (K-4-5)	100	Granted	Exploration
Jan Karski, Poland	Syczyn (K-8)	100	Granted	Exploration
Jan Karski, Poland	Kopina (K-9)	100	Granted	Exploration
Debiensko, Poland	Debiensko 1**	100	Granted	Mining
Debiensko, Poland	Kaczyce 1	100	Granted	Mining & Exploration (includes gas rights)

* In July 2015, Prairie announced that it had secured the Exclusive Right to apply for a Mining Concession for Jan Karski as a result of its Geological Documentation for the Jan Karski deposit being approved by Poland's MoE. The approved Geological Documentation covers areas of all four original Exploration Concessions granted to Prairie (K-4-5, K-6-7, K-8 and K-9) and includes the full extent of the targeted resources within the mine plan for Jan Karski. As a result of the Exclusive Right, Prairie was the only entity with a legal right to lodge a Mining Concession application over Jan Karski for the period up and until 2 April 2018. Under the Polish GML, a Mining Concession application comprises the submission of a Deposit Development Plan ("DDP"), approval of a spatial development plan (rezoning of land for mining use) and an Environmental Consent decision. Prairie has previously announced that the DDP and spatial development plans for Jan Karski have already been approved.

However, as of the date of this quarterly, Prairie has not yet received the required Environmental Consent decision, which remains pending. Prairie completed an Environmental and Social Impact Assessment and made submissions to RDOS for an Environmental Consent decision in October 2017. Prairie has not been able to apply for a Mining Concession for Jan Karski due to the delay in the issuance of an Environmental Consent decision. However, the Environmental Consent proceedings continue to progress and the Company has received notice from the RDOS to provide supplementary information to the originally submitted Environmental & Social Impact Assessment.

The approval of Prairie's Geological Documentation in 2015 also conferred upon Prairie the legal right to apply for a Mining Usufruct Agreement over Jan Karski for an additional 12-month period beyond April 2018, which precludes any other parties being granted any licence over all or part of the Jan Karski concessions. Under Polish law, the MoE is strictly obligated, within three months of Prairie making an application for a Mining Usufruct Agreement, to grant the agreement. It should be noted that the MoE confirmed Prairie's priority right in two written statements (i.e. in a final administrative decision dated 11 February 2016 and in a formal letter dated 13 April 2016). Prairie applied to the MoE for a Mining Usufruct Agreement over Jan Karski in late December 2017. As of the date of this quarterly the MoE has not made available to Prairie a Mining Usufruct Agreement for Jan Karski, therefore breaching the three-month obligatory period for the agreement to be concluded. Legal advice provided to Prairie concludes that failure of the MoE to grant Prairie the Mining Usufruct Agreement is a breach of Polish law. Accordingly, the Company commenced legal proceedings against the MoE through the Polish courts in order to protect the Company's security of tenure over the Jan Karski concessions. Since the MoE has not provided a decision within three months regarding Prairie's Mining Usufruct application, the Polish civil court has the power to enforce conclusion of a Usufruct Agreement in place of the MoE. In the event that a Mining Usufruct Agreement is not made available to the Company on acceptable terms or the Company does not enter into a Mining Usufruct Agreement for any other reason, other parties may be able to apply for exploration or mining rights for all or part of the Jan Karski concession area. However, given that the Civil Court has approved Prairie's motion for an injunction against the MoE, as described above, the MoE is now prevented from entering into a Usufruct agreement or concession with any other party besides Prairie until the full court proceedings are concluded.

**Under the terms of the Debiensko Mining Concession issued in 2008 by the MoE (which is valid for 50 years from grant date), commencement of production was to occur by 1 January 2018. In December 2016, following the acquisition of Debiensko, Prairie applied to the MoE to amend the 50 year Debiensko Mining Concession. The purpose of the concession amendment was to extend the time stipulated in the Mining Concession for first production of coal from 2018 to 2025. Prairie has now received an initial and appealable, first instance decision from the MoE that has denied the Company's amendment application. However, Prairie continues to have valid tenure and ownership of land at Debiensko. Not meeting the production timeframe stipulated in the concession does not immediately infringe on the validity and expiry date of the Debiensko Mining Concession, which is June 2058. Prairie also holds a valid environmental consent decision enabling mine construction. Prairie will appeal the MoE's decision on the basis that its justification for denial is fundamentally flawed for a number of reasons including failure to take into account the requirements of the law and public interest in Poland, and the relevant facts of the Company and its amendment application. Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding the Debiensko concession. Prairie's legal team is in the process of preparing this appeal, which will point out the deficiencies of the MoE's first instance decision. However, if Prairie's appeal is unsuccessful, then this may lead to the commencement of proceedings by the MoE to limit or withdraw the Debiensko concession. Prairie also has the right of further appeal to Poland's administrative courts. The Company will consider any other actions necessary to ensure its concession rights are preserved, which may result in the Company taking further action against the MoE including invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

PRAIRIE MINING LIMITED

ABN

23 008 677 852

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(805)	(5,679)
(b) development	-	-
(c) production	-	-
(d) staff costs	(417)	(1,990)
(e) administration and corporate costs	(360)	(1,076)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	73	370
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)		
(a) Business development costs	(104)	(777)
(b) Property rental and gas sales	104	504
1.9 Net cash from / (used in) operating activities	(1,509)	(8,648)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(88)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	497
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(3)	409

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	2,627
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(182)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	2,445

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,529	16,809
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,509)	(8,648)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	409
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,445

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	1
4.6	Cash and cash equivalents at end of period	11,016	11,016

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,016	2,029
5.2	Call deposits	8,000	10,500
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,016	12,529

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(188)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments include executive remuneration (including bonuses), director fees, superannuation and provision of a fully serviced office.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Not applicable

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,000)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(500)
9.5 Administration and corporate costs	(200)
9.6 Other (provide details if material) (a) Business development costs	(100)
9.7 Total estimated cash outflows	(1,800)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: *[lodged electronically without signature]* Date: 31 July 2018
.....
(Director/Company secretary)

Print name: Dylan Browne

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.