



NEWS RELEASE | 18 January 2019

CONCESSION UPDATES

JAN KARSKI – POSITIVE RULINGS IN SUPREME ADMINISTRATIVE COURT

Poland's Supreme Administrative Court has finally and fully rejected Lubelski Węgiel BOGDANKA S.A.'s ("Bogdanka") administrative complaints against Poland's Ministry of Environment ("MoE") regarding the refusal of Bogdanka's 2013 application for a mining concession over the K-6-7 deposit at the Jan Karski Mine ("Jan Karski").

This Supreme Administrative Court decision is final, cannot be appealed and has upheld the 2016 Regional Administrative Court decision that confirms the original 2015 decision, which denied Bogdanka's mining concession application. It has been concluded that granting a mining concession to Bogdanka would be a serious violation of the provisions of Poland's Geological and Mining Law (2011) ("GML"), and would be contrary to the rule of law as embodied in the Polish constitution.

In a second ruling, the Supreme Administrative Court has upheld the 2016 Regional Administrative Court decision that obliged the MoE to approve Prairie Mining Limited's ("Prairie" or "Company") submitted Addendum No.3 for the K-6-7 deposit. Addendum No.3 is a detailed resource estimate for the K-6-7 deposit according to Polish geological reporting standards and is based on the results of Prairie's exploration program at the deposit. This complaint was bought against the MoE by Prairie in 2015.

The Court's ruling will now be passed back to the MoE, and the MoE is obliged to promptly reassess the original decision taking into account the court's verdict i.e., to issue a positive decision approving Addendum No.3. **The significance of this Supreme Administrative Court decision is that Bogdanka's 2018 application for a mining concession over K-6-7 is now entirely inadmissible under Polish law (Bogdanka's application was suspended following an injunction awarded in Prairie's favour (see news release dated 26 April 2018)) and requires the MoE to reject Bogdanka's mining concession application.**

The Supreme Administrative Court's rulings re-affirm, beyond doubt, that Bogdanka's claims over K-6-7 are without merit and inadmissible. The Board notes that Bogdanka's claims have been consistently and vigorously rejected by the Polish courts in multiple rulings. Furthermore, the Court's decision obliging the MoE to approve Addendum No.3 demonstrates that the MoE has acted illegally and failed to correctly implement Poland's own mining laws.

DEBIENSKO – UPDATE ON CONCESSION AMENDMENT APPLICATION

In December 2016, following the acquisition of the Debiensko Hard Coking Coal Mine ("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 a final "second instance" decision from the MoE that has denied the Company's amendment application. Not meeting the production timeframe stipulated in the concession does not automatically 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 and continues to have valid tenure and ownership of land at Debiensko. However, the concession authority now has the right to request the concession holder to remove any infringements related to non-compliance with the conditions of the mining concession and determine a reasonable date for removal of the infringements. In accordance with Polish law, the concession authority is required to provide an achievable and reasonable timeframe to remedy any non-compliance taking into account the nature of the non-compliance. Nevertheless, the second instance decision may result in the commencement of proceedings by the MoE to limit or withdraw the Debiensko concession.

The MoE has taken over 24 months to finalise the concession amendment proceedings, including seven months to issue a second instance decision, whereas under Polish administrative law there is a maximum statutory deadline of two months for the MoE to issue such decisions.

Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding the Debiensko concession, including filing an appeal. Preliminary legal advice obtained by Prairie indicates that the MoE's decision is fundamentally flawed, fails to comply with Polish, EU and international law, and demonstrates yet further evidence of the discriminatory treatment faced by Prairie as a foreign investor in Poland.

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.

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

Prairie has always conducted its business in Poland in accordance with the Polish law 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.

Australia and Poland are signatories to the 1991 Promotion and Protection of Investment Agreement (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. Prairie reserves the right to make future claims against the Polish state under the 1991 Promotion and Protection of Investment Agreement.

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