



NEWS RELEASE | 9 September 2020

## DAMAGES CLAIM AGAINST POLAND FORMALLY COMMENCES

Prairie Mining Limited (**Prairie** or **Company**) announces that it has formally commenced international arbitration proceedings by serving Notices of Arbitration under both the Energy Charter Treaty and the Australia–Poland Bilateral Investment Treaty (**Treaties**) on the Republic of Poland.

The Company's international arbitration claim against the Republic of Poland will be prosecuted through an established and enforceable legal framework, and an outline of the process is included on page four of this announcement.

Prairie alleges that the Republic of Poland has breached its obligations under the applicable Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland, effectively depriving Prairie of the entire value of its investments in Poland.

Prairie's claim for damages may include, but is not limited to:

- The value of Prairie's historic expenditure in developing both the Jan Karski and Debiensko mines;
- Lost profits and damages that the Company has suffered as a result of Poland's acts and omissions which have resulted in the expropriation of both the Jan Karski and Debiensko mines, which is linked to the considerable Net Present Value of both mines at the time of Poland's international treaty breaches; and
- Accrued interest related to any damages award and all costs associated with pursuing the claims to arbitration.

The Company is not able to make any further comment in relation to the potential quantum of any claim for compensation at this point.

Prairie's CEO Mr Ben Stoikovich commented: ***"Following the announcement in July that the Company had secured A\$18m for litigation funding, the filing of the Company's Notices of Arbitration is the next step forward in its pursuit of damages following actions and omissions by the Republic of Poland, which have prevented Prairie from developing its world class Jan Karski and Debiensko coking coal projects. We have had no option but to take this action and enforce the Company's rights to recover full value for shareholders through international arbitration."***

For further information, please contact:

**Prairie Mining Limited**

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

Tel: +44 207 478 3900

Email: [info@pdz.com.au](mailto:info@pdz.com.au)

*This announcement has been authorised for release by Mr Ben Stoikovich, CEO.*

## **BACKGROUND TO THE CLAIM**

On 1 July 2020, the Company announced it had executed a Litigation Funding Agreement for A\$18m (US\$12.3m) with LCM Funding UK Limited (a subsidiary of Litigation Capital Management Limited (**LCM**)). The facility has been provided for Prairie to pursue damages claims in relation to the investment dispute between the Company and the Polish Government that has arisen out of certain measures taken by Poland in breach of the Treaties.

In February 2019, Prairie formally notified the Polish Government that there exists an investment dispute between Prairie and the Polish Government. Prairie's notification called for prompt negotiations with the Government to amicably resolve the dispute and indicated Prairie's right to submit the dispute to international arbitration in the event of the dispute not being resolved amicably. The Company remains open to resolving the dispute with the Polish Government amicably. However, as of the date of this announcement, the Polish Government has declined to participate in discussions related to the dispute and as a result Prairie was now formally commenced with arbitration as discussed above.

Prairie's investment dispute with the Republic of Poland is not unique, with international media widely reporting that the political environment and investment climate in Poland has deteriorated since the change in Government in 2015. As a result, there are a significant number of International Arbitration claims being brought against Poland in the natural resources and energy sectors with damages claims ranging from US\$120m to over US\$1.3bn and includes Bluegas NRG Holding (Gas), Lumina Copper (Copper) and InvEnergy (wind farms).

## **BACKGROUND TO THE JAN KARSKI MINE**

The Jan Karski mine 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.

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 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.

In March 2016, Prairie released the results of a JORC compliant Pre-Feasibility Study (**PFS**) for the Jan Karski prepared by independent international mining consultancies Golder Associates and Royal HaskoningDHV. The PFS demonstrated the technical viability and robust economics of Jan Karski to be developed as a large scale long life strategic coal supplier. Further details about the PFS are contained in the Company's announcement dated 8 March 2016.

## BACKGROUND TO THE DEBIENSKO MINE

The Debiensko mine, is a premium 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 historically 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 Polish Ministry of Environment (**MoE**) granted a 50-year mine license for Debiensko.

In October 2016, Prairie 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.

In March 2017, Prairie released the results of a JORC compliant Scoping Study prepared by independent international mining consultancy Royal HaskoningDHV. The Scoping Study demonstrated the technical viability and robust economics for the fully permitted Debiensko mine to be a large scale, lowest cost and long life premium hard coking coal supplier. Further details of the Scoping Study are contained in the Company's announcement dated 16 March 2017.

**TYPICAL ARBITRATION PROCESS:**

