



Prairie Mining
Limited

ASX RELEASE | 28 AUGUST 2014

COMPLETION OF WORK PROGRAM UNDER CONCESSION AGREEMENTS FOR THE LUBLIN COAL PROJECT

HIGHLIGHTS:

- *Final hole of seven hole drilling program being completed in accordance with the terms of Prairie's exclusive Exploration Concessions and Usufruct Agreements for the Lublin Coal Project*
- *Completion of the drilling program will satisfy all of the conditions of the minimum works program specified in the Exploration Concessions between Prairie and the Polish Government in relation to the Concessions*
- *Prairie will now rapidly progress towards the Mining Concession phase of the permitting process by submitting Geological Documentation (a Polish standard resource report) to the Government in December 2014 or January 2015*
- *Results from the drilling program will be released to the market when received and will be incorporated into a resource upgrade as part of the Pre-Feasibility Study for the Lublin Coal Project*
- *Lublin Coal Project accepted onto the Polish Information and Foreign Investment Agency list of major foreign investment projects in Poland*

Prairie Mining Limited ("Prairie" or "Company") is pleased announce that the final drill hole of its government-agreed drilling program is being completed for the Lublin Coal Project ("LCP" or "Project") located in south eastern Poland. The completion of the final hole marks the satisfaction of all drilling works under Prairie's exploration concessions ("Exploration Concessions") with the Polish government and paves the way for the submission of relevant documentation to commence the Mining Concession application process.

Prairie's CEO Mr Ben Stoikovich said *"Prairie is the first company to conduct a drilling campaign for coal in the Lublin Basin for over 20 years and will potentially unlock valuable resources that would otherwise be sitting idle. We are completing our government agreed exploration works program almost one year ahead of schedule which demonstrates our ability to successfully deliver planned milestones whilst highlighting our strong commitment to developing this world-class coal project. I am extremely proud of the high quality work we have carried out to date on the LCP and of the financial backing we have received from the global investment community to enable us to progress with the Project. We will now focus our attention on the commencement of the Pre-Feasibility Study for the Project and on taking the necessary steps to lodge a Mining Concession application."*

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Completion of Drilling Program

Prairie expects to complete the final hole of its seven-hole core drilling campaign at the LCP in the coming days as part of the agreed work program with the Polish government under the terms of its Exploration Concessions. The drilling campaign is designed to enhance the historical drill data and the LCP's geological model in line with internationally recognised standards for mine design and development, delineate outer boundaries of the various coal seams and to update the coal quality and washability database to determine potential product pricing and yields. Core drilling has been carried out to allow for coal quality and washability testing to be performed, providing critical input into the coal wash plant design and product strategy.

Prairie has, to date, released the results of the first four drill holes (refer ASX Announcements 31 October 2013 and 13 March 2014) and will release the results of the remaining three holes when received. Cores from the completed drilling are being assayed in labs in Poland and the UK.

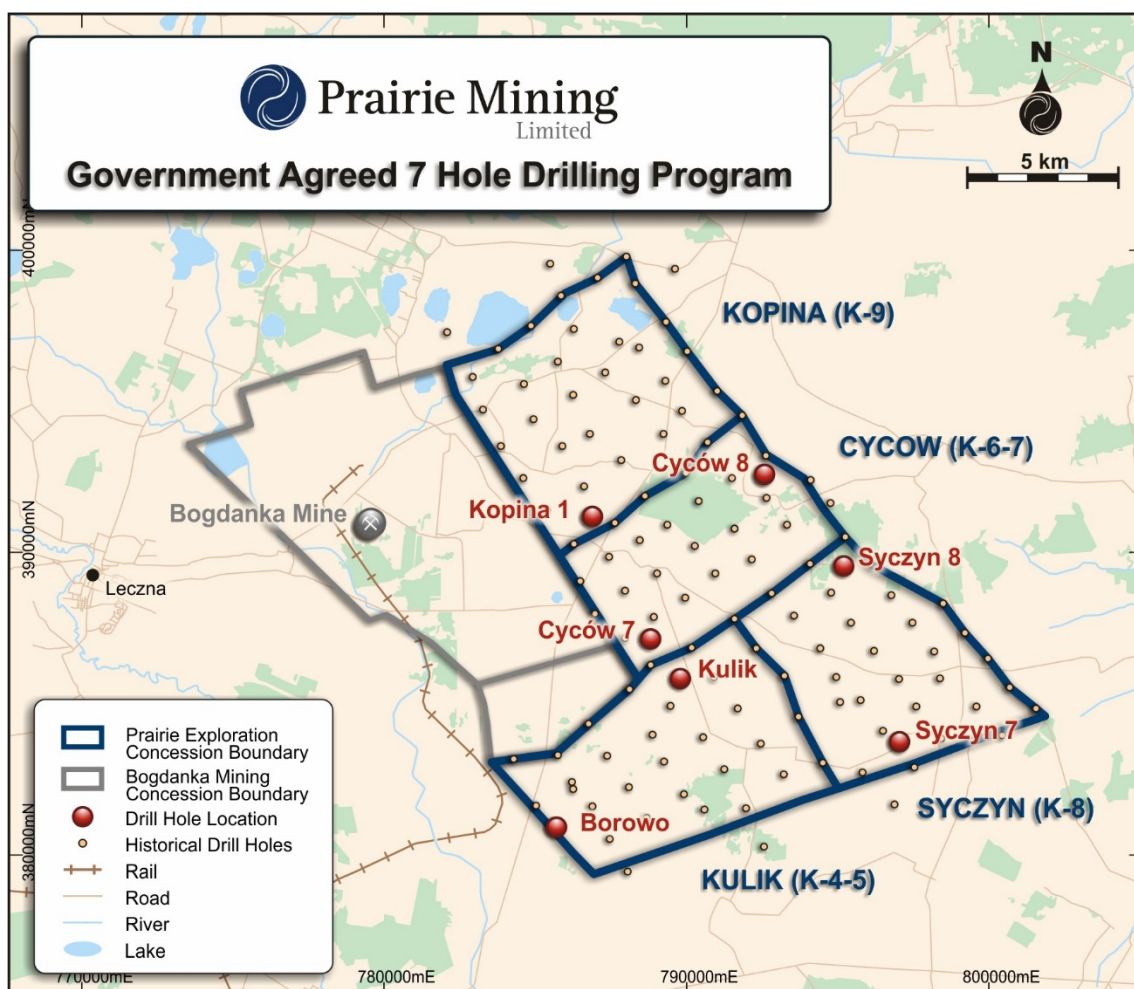


Figure 1: Drill Hole Locations across the LCP Exploration Concessions

Upon completion of the first phase of drilling, Prairie will immediately commence with a limited amount of additional drilling intended to aid in further geotechnical and hydrogeological evaluation to support a resource upgrade as part of the Pre-Feasibility Study for the LCP.

Polish Mine Permitting Process

Mineral deposits in Poland are owned by the State Treasury and all exploration and mining activities fall under the administration of Poland's Ministry of Environment ("MoE"). In order to explore for, or mine, strategic minerals such as coal, an entity must hold:

- An Exploration Concession: an administrative permit issued by the MoE granting the holder the right to explore a particular deposit in a specified area. The Exploration Concession outlines the minimum geological works to be carried out by the holder within a specified timeframe; and
- A Usufruct Agreement: an agreement signed between the entity and the MoE (acting on behalf of the State Treasury) that entitles the holder to use a deposit for a specified natural resource on an exclusive basis (i.e. to the exclusion of all other parties) for the purposes of carrying out exploration or mining activities.

Under the Polish Geological and Mining Law (2011) ("GML"), a clear pathway exists to progress from an Exploration Concession to a Mining Concession. To do this, an entity must complete its agreed work program over the concession areas as stipulated in the Exploration Concession between the entity and the MoE and then submit a Polish standard resource report (referred to in Poland as "Geological Documentation") to the MoE for approval. Upon approval, the holder of the Exploration Concession is entitled to a five (5) year priority right to apply for a Mining Concession. A Mining Concession application in Poland comprises the submission of a Deposit Development Plan along with an Environmental & Social Impact Assessment that has been approved by local authorities. The Deposit Development Plan is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations.

Prairie is the holder of four coal Exploration Concessions in the Lublin Coal Basin, along with four attaching Usufruct Agreements, that together comprise the LCP. The LCP Exploration Concessions were granted to Prairie's wholly owned Polish subsidiary PDCO z o.o. ("PD Co") and are valid until July 2015. Prairie's work program under the terms of the Exploration Concession requires the completion of seven core drill holes in pre-agreed locations across the LCP (refer to Figure 1) which, as discussed above, will be completed in the coming days.

The Company is already progressing with its Geological Documentation having announced in February 2014 that it had appointed local Polish consultancy GEO-EKO-WIERT to prepare the Geological Documentation and Deposit Development Plan for the Project. GEO-EKO-WIERT has considerable expertise in the preparation of Mining Concession applications and regulatory reports in Poland including Geological Documentation, Deposit Development Plans, Hydro-geological Documentation and Environmental Impact Assessments. GEO-EKO-WIERT has worked with major Polish coal mining companies including Jastrzębska Spółka Węglowa S.A. ("JSW"), Katowicki Holding Węglowy S.A. ("KHW") and KOPEX SA ("Kopex").

Since early 2014 GEO-EKO-WIERT has been carrying out resource modelling and estimation work on the LCP based on historical drilling and on the results of the current drilling program being completed by Prairie. The results of the final three drill holes will be incorporated into the Geological Documentation which Prairie intends to submit to the MoE in December 2014 or January 2015.

The Deposit Development Plan for the LCP will be completed alongside Prairie's JORC compliant Pre-Feasibility Study ("PFS"), which is expected to commence shortly.

Application for a Mining Concession

Prairie notes the recent announcement by Lubelski Węgiel BOGDANKA S.A. (“Bogdanka”) indicating its submission to the MoE of a Mining Concession application over the K-6-7 area of the Lublin Coal Basin. Prairie currently holds a valid Exploration Concession and is party to an exclusive Usufruct Agreement over the entire K-6-7 area which forms an integral part of Prairie’s LCP.

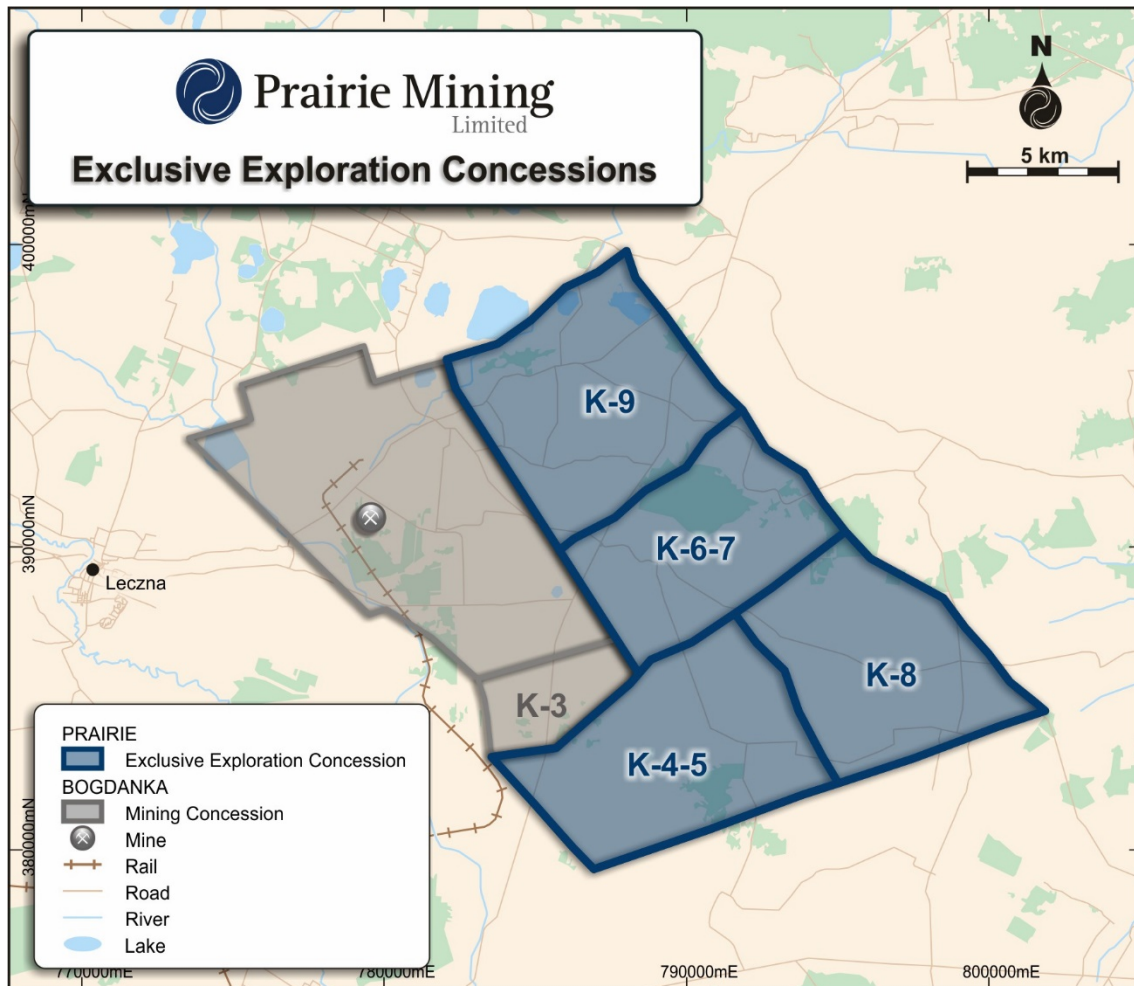


Figure 2: Prairie’s Exclusive Exploration Concessions

Under the Polish GML, any party may lodge a Mining Concession application over an area of ground and need not refer to any legal provision or specified legal basis for such application. However, pursuant to the GML, the grant of a Mining Concession cannot occur where such a concession would infringe the exclusivity rights of a third party. Prairie’s Exploration Concession and Usufruct Agreement over K-6-7 are in good standing and provide the Company with an exclusive right to undertake geological and mining exploration activity relating to the coal deposits within the concession area.

The GML excludes the possibility that a Mining Concession can be granted to another party whilst an Exploration Concession is held over the same geographical area and deposit. Prairie notes there is no precedent in Poland where concurrent concessions have been granted over the same geographical area and deposit.

The Board of Prairie has investigated the issue and are of the view that if a Mining Concession is awarded to Bogdanka over K-6-7, this award would be contrary to the GML. In this regard, the Board will enforce their rights under the GML and any other applicable remedies if necessary.

Poland has been a member of the European Union since 2004 and complies with the EU's European-wide directives. Poland and Australia enjoy strong relations with more than \$650m in annual trade occurring between the two countries. Australia 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 to residents and entities of both countries.

Prairie is following a clear and proven pathway towards the grant of a Mining Concession over all of its exclusive LCP licences. As discussed above, the Company will shortly complete its agreed work program pursuant to its Exploration Concessions whilst progressing with its Geological Documentation for submission and, upon approval, will obtain a five (5) year priority right to apply for a Mining Concession as outlined in the GML.

Polish Information and Foreign Investment Agency

Prairie's Lublin Coal Project was accepted onto the official list of major foreign investment projects in Poland by the Polish Information and Foreign Investment Agency ("PAIILZ") in May 2014. PAIILZ is an investment promotion agency, whose aim is to promote the Polish economy and the inflow of foreign investment to Poland. PAIILZ's mission is to create a positive image of Poland across the world, promoting Polish goods and services. PAIILZ offers a number of advantages to companies on its official list including:

- Helping investors to enter the Polish market and to find appropriate partners;
- Facilitating contact with central and local authorities;
- Providing access to information relating to the economic and legal environment in Poland; and
- Supporting foreign companies active in the country.

ABOUT THE LUBLIN COAL PROJECT

The Lublin Coal Project is a large scale premium thermal and semi-soft coking coal project with a current Coal Resource Estimate of 1.6 billion tonnes ("CRE") across four coal exploration Concessions in south eastern Poland. The CRE is based on the review and modelling of historic data over the Company's Concessions, including the logs from 200 cored boreholes.

In April 2014 Prairie published the results of a Scoping Study for the Lublin Coal Project which confirmed the potential for a world class high margin metallurgical and premium thermal coal operation (refer ASX announcement 28 April 2014). The Scoping Study assumed annual operating costs at US\$37 per tonne which would place the Project on the lowest position on the global cost curve for coal delivered into Europe.

The Project is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland.

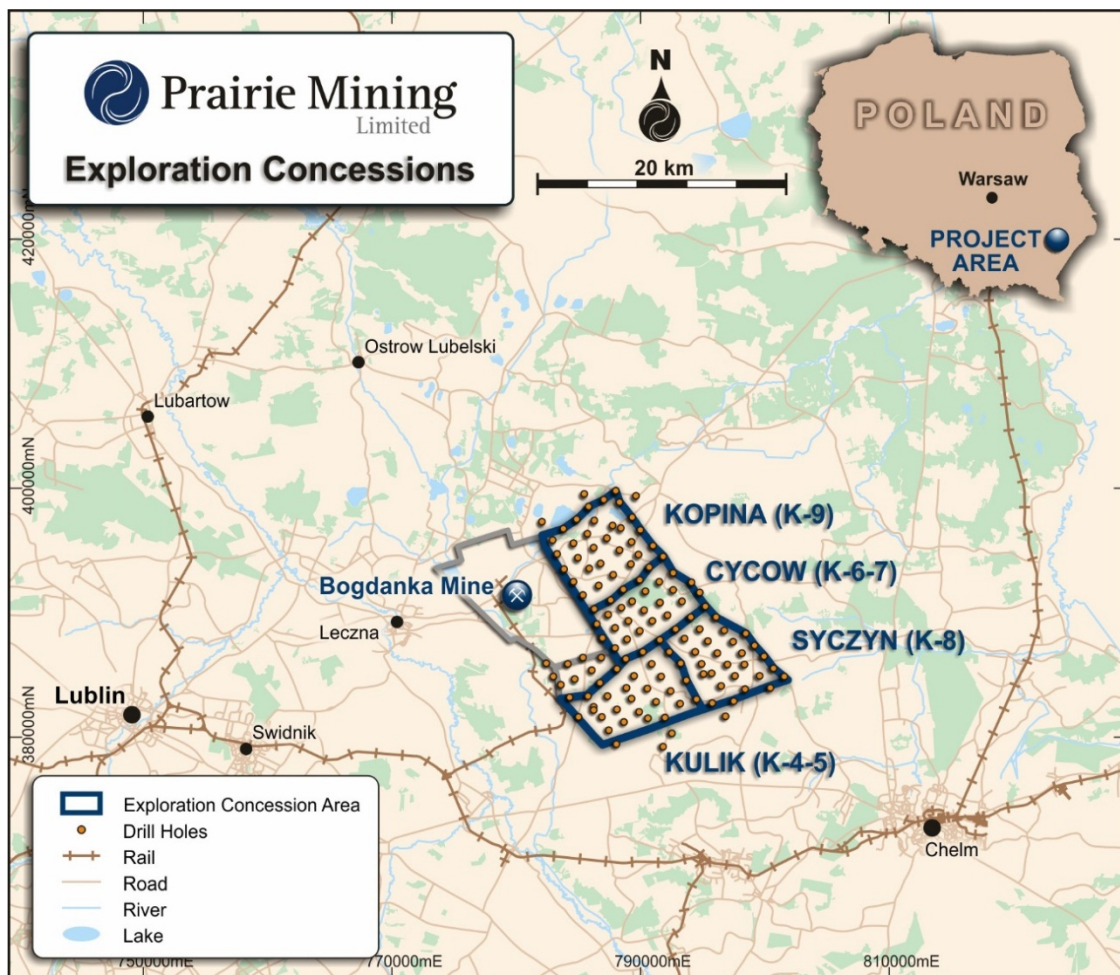


Figure 3: Lublin Coal Project Exploration Licenses

The Project is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982. Bogdanka has successfully been able to demonstrate that the Lublin Coal Basin has the potential to host a new generation of large scale coal projects and has recently expanded its production levels to over 8 million tonnes per annum (targeting production of 11.5 million tonnes per annum by 2015) of thermal coal. The Lublin basin has ideal geological and mining conditions for high productivity longwall plow operations with world record production rates set by Bogdanka. As a result, the Bogdanka mine is currently the lowest operating cost hard coal mine in Europe.

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 Company advises that the information relating to the Scoping Study referred to in this announcement is based on lower-level technical and preliminary economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

The information in this announcement that relates to Exploration Results, Coal Resources, Production Targets and the Scoping Study was extracted from Prairie's ASX announcements dated 28 April 2014 entitled 'Scoping Study Confirms Potential for World Class High Margin Met and Thermal Coal Project' and 13 March 2014 entitled 'Initial Washability Results Display Exceptionally High Yields' available to view on the company's website at www.pdz.com.au

The information in the original ASX announcements that related to Exploration Results and Coal Resources is based on information compiled or reviewed by Dr Richard Lowman, a Competent Person who is a Fellow of the Geological Society of London. Dr Lowman is employed by independent consultants Wardell Armstrong LLP which owns Wardell Armstrong Limited. Dr Lowman has sufficient experience which 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'. Dr Lowman consents to the inclusion of the data in the form and context in which it appears.

The information in the original ASX announcements that relates to Production Targets and the Scoping Study is based on information compiled or reviewed by Mr Robin Dean who is a Competent Person and is a member of the Institute of Materials, Minerals and Mining (UK). Mr Dean is employed by independent consultants Wardell Armstrong LLP which owns Wardell Armstrong Limited. Mr Dean has sufficient experience that is relevant to the type of mining operation under consideration and to the activity being undertaken 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'. Mr Dean consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcements; b) all material assumptions and technical parameters underpinning the Coal Resource, Production Target, and related forecast financial information derived from the Production Target included in the original ASX 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 announcement have not been materially modified from the original ASX announcements.

Lublin Coal Project - Coal Resource Estimate (based on net coal seam thickness)			
Coal Seam	Indicated (Mt)	Inferred (Mt)	Total (Mt)
391	137	177	314
389	20	84	104
Other Seams	-	1,141	1,141
Total – Project Area	157	1,402	1,559

Lublin Coal Project - 391 Coal Seam Washed Quality (Float @1.35)	
Calorific Value	7,526 – 7,830 kcal/kg
Free Swell Index	4.0 – 6.0
Ash	2.0% – 2.7%
Volatile Matter	33.2% – 36.7%