



Prairie Mining
Limited

ASX RELEASE | 4 SEPTEMBER 2014

COMMENCEMENT OF PRE-FEASIBILITY STUDY FOR THE LUBLIN COAL PROJECT

HIGHLIGHTS:

- *Prairie has commenced work on a Pre-Feasibility Study for the Lublin Coal Project*
- *The Pre-Feasibility Study will build on the strong project fundamentals of the Scoping Study which confirmed the potential for a world class, high margin mine with the ability to produce both semi-soft coking and premium thermal coal*
- *Golder Associates and Royal HaskoningDHV jointly appointed to manage the study, both of whom have an exceptionally strong track record in the coal industry and in European mining*
- *Targeted drilling will be conducted to upgrade coal resources in support of the Pre-Feasibility Study mine plan*
- *Pre-Feasibility Study is due for completion in the first half of 2015*

Prairie Mining Limited ("Prairie" or "Company") is pleased to announce that the Company has commenced work on a Pre-Feasibility Study ("PFS" or "Study") at the Lublin Coal Project ("LCP" or the "Project") located in south eastern Poland.

The LCP is a large scale premium thermal and semi-soft coking coal project located in the Lublin Coal Basin, adjacent to the Bogdanka mine. The Project is located close to well established regional rail and port infrastructure with under-utilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through ports in the north of Poland.

In April 2014 Prairie published the results of a Scoping Study for the LCP which confirmed the potential for a world class high margin semi-soft coking 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.

Prairie's PFS, which has now commenced and is expected to be completed during the first half of 2015, has been designed to comply with international best practise in all study areas in order to support detailed technical and financial due diligence by strategic equity partners, offtakers, financial institutions and to promote a seamless transition to the Bankable Feasibility Study stage.

Prairie's CEO Mr Ben Stoikovich said "We are looking forward to rapidly progressing the PFS for the Lublin Coal Project and have assembled a strong team of study consultants with skills and experience in deep underground coal mining that I am confident will deliver the first study of its type in accordance with international standards within the entire Lublin Coal Basin. In addition, we will continue to upgrade the existing coal resource through targeted drilling and will initiate discussions with European steel mills and coal power plants who we believe will place strategic value on a significant new independent production source from within the heartland of industrial Europe."

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Figure 1: Location of the LCP in the heartland of Industrial Europe

Appointment of PFS Consultants

Following a comprehensive competitive tender process involving a number of international consultancies, Prairie has appointed a joint team of consultants from Golder Associates (UK) Ltd (“Golder”) and Royal HaskoningDHV (Haskoning UK Ltd) to complete the PFS given their extensive and recent track record of successful involvement in the international coal sector, and in particular European projects.

Golder is a global organisation providing a comprehensive suite of integrated mining services, from project inception to mine closure including consulting, design, and construction services. Golder was founded in 1960, and employs more than 8,000 people operating from 180 offices worldwide. Golder and its consultants have worked and consulted in every major coal producing region in every coal producing country including having worked previously for Prairie on a desktop geotechnical review for the LCP. Golder have worked extensively in deep European coal mining including in the UK, Czech Republic and Poland.

Royal HaskoningDHV has over 130 years of experience and carries out some 30,000 projects every year in planning and transport, infrastructure, water, maritime, aviation, industry, energy, mining and buildings. It has a proud heritage of bringing leading expertise and innovation to the market and is deeply committed to business integrity and sustainable development. In combination with its international office network, Royal HaskoningDHV delivers world-class solutions locally to clients around the globe, for the public and private sector.

For Prairie’s PFS, Golder will be taking the role of lead consultant and will be responsible for the preparation of the final integrated PFS document. Golder has responsibility for all aspects of mine design, underground infrastructure, geotechnical engineering and hydrogeology and will complete the financial evaluation of the PFS. RHDHV have primary responsibility for the resource estimate upgrade, CHPP and surface infrastructure studies.

Where appropriate, the study team will utilise local industry consultants in Poland to facilitate development of certain components of the PFS, including infrastructure costing and to ensure compliance with Polish mining, environmental and planning regulations.

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.

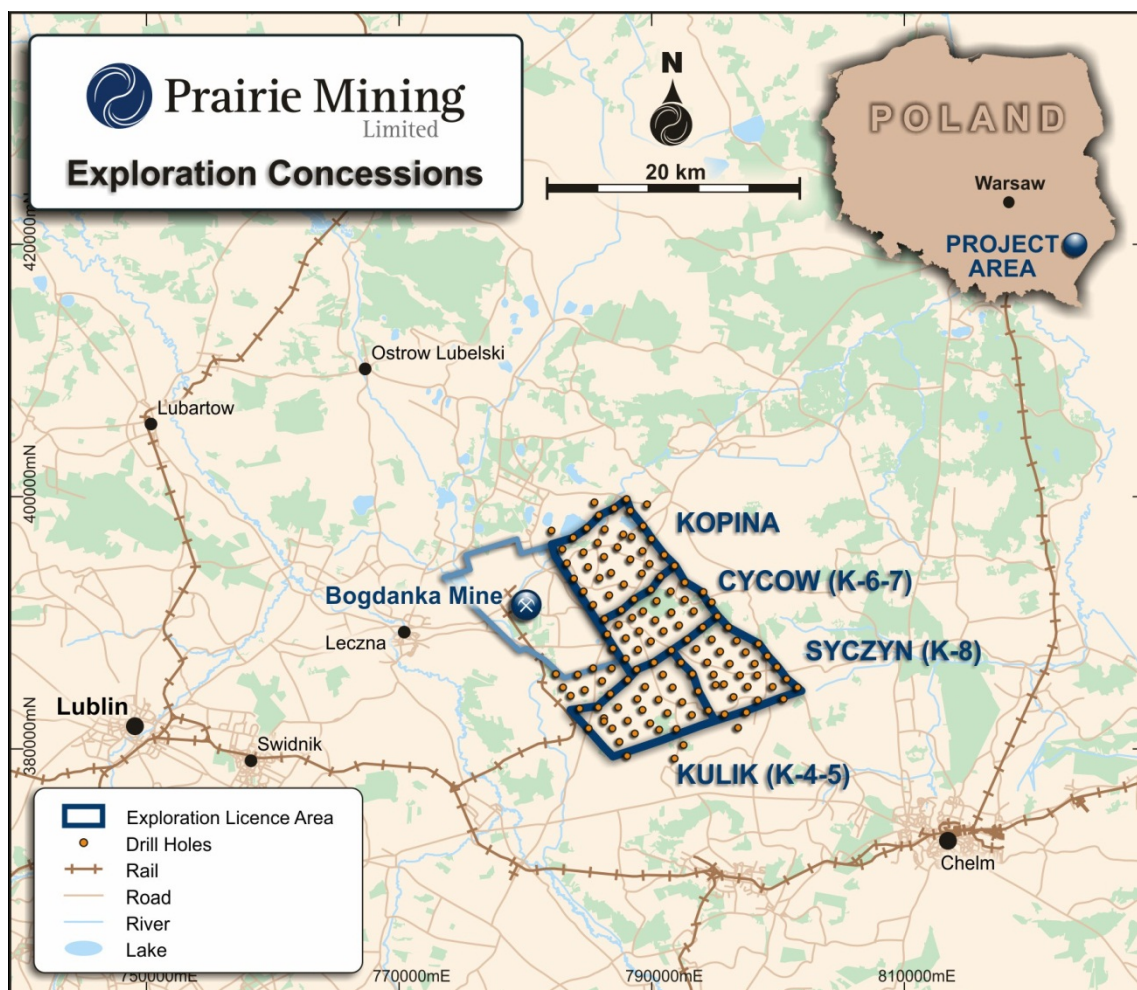


Figure 2: Lublin Coal Project Exploration Concessions

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'.

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'.

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%