



Prairie Mining
Limited

ASX RELEASE | 31 OCTOBER 2014

SEPTEMBER 2014 QUARTERLY REPORT

Prairie Mining Limited (“**Prairie**” or the “**Company**”) is pleased to present its quarterly report for the period ending 30 September 2014.

Highlights during, and subsequent to, the quarter include:

HIGHLIGHTS:

- **Strengthening of Board and Management Team** – The Board was strengthened during the quarter with the appointment of Mr Thomas Todd as a Non Executive Director and Mr Todd Hannigan as his alternate Director. The Company also made a number of high level management appointments including a Project Development Manager, an Exploration and Geoscience Manager, an Infrastructure and Project Permitting Consultant, a Coal Marketing Consultant and an Environmental Consultant;
- **Pre-Feasibility Study (“PFS”) Appointments** – Appointed Golder Associates and Royal HaskoningDHV to jointly manage the PFS which has been designed to comply with international best practise in all study areas in order to promote a seamless transition to the Bankable Feasibility Study stage;
- **Commencement of European Coal Marketing Studies** – Appointed Wood Mackenzie to conduct European coal marketing studies for premium thermal and semi-soft coking coal from the Lublin Coal Project (“LCP” or “Project”);
- **Drilling Program Completed** – Completed the final borehole of a seven hole drilling program at the LCP to satisfy all of the conditions of the minimum works program specified in the Exploration Concessions between Prairie and the Polish Government;
- **Environmental and Social Impact Assessment (“ESIA”)** – Continued baseline studies for the ESIA, the completion of which is a pre-requisite for the grant of a mining licence over the Company's concessions; and
- **Concession Update** – the Polish Ministry of Environment (“MoE”) officially rejected Lubelski Węgiel BOGDANKA S.A.’s (“Bogdanka”) application for a Mining Concession over Prairie’s K-6-7 Concession.

GOING FORWARD:

The Company will continue to work towards further development milestones at the Project including the following:

- Advancement of the PFS with completion expected mid-2015;
- Publication of drilling results from completed boreholes;
- Reporting of additional metallurgical and thermal coal quality results which will be used to determine potential product quality and yields and to facilitate future marketing discussions with potential off-takers and end-users;
- Further washability and clean coal yield analysis;
- Completion of comprehensive, and separate, thermal and metallurgical coal marketing studies encompassing domestic and export marketing opportunities for the LCP;
- Submission of Geological Documentation to the Polish government as part of Polish mine permitting process; and
- Commence planning for limited additional drilling to support the PFS, with results expected to be incorporated into the PFS mine plan.



Figure 1: LCP Target Export Locations

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LUBLIN COAL PROJECT

The Lublin Coal Project is a large scale premium thermal and 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. The LCP is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982 and is the lowest cost coal producer in Europe.

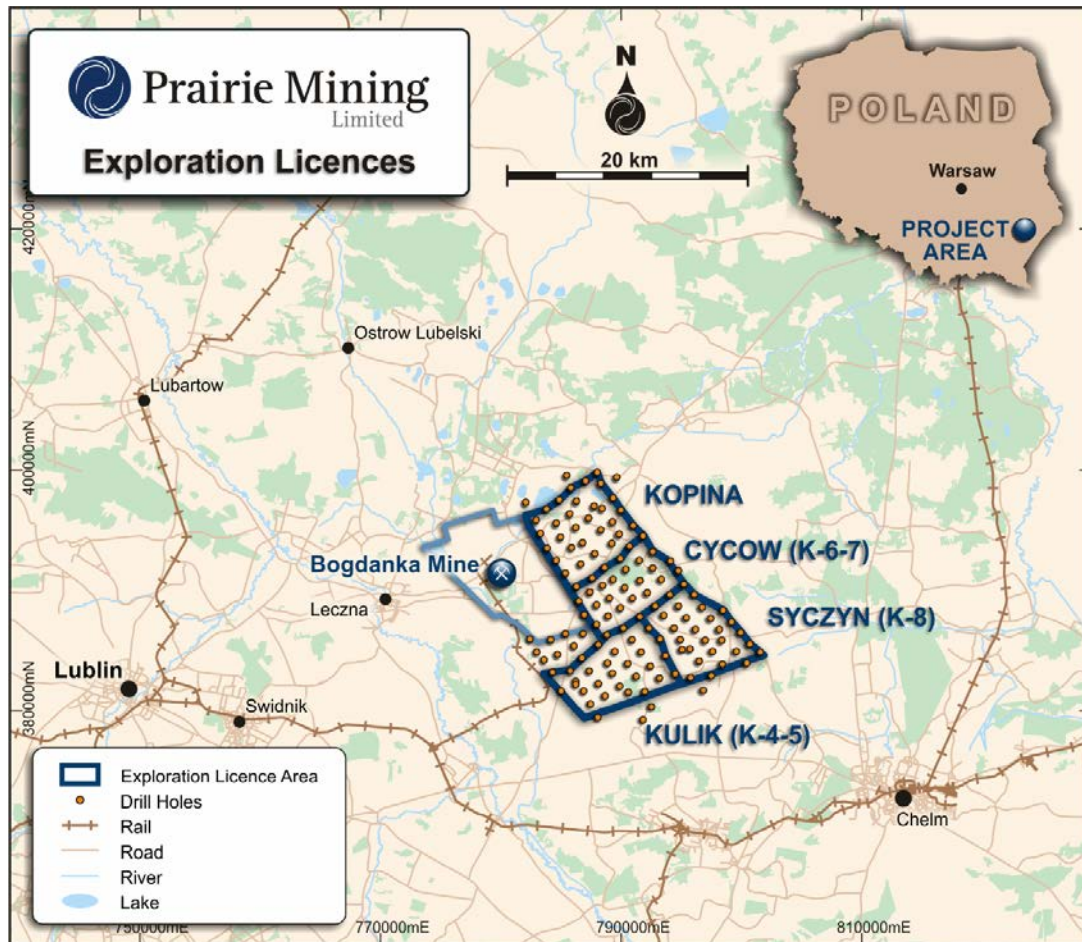


Figure 2: Lublin Coal Project Exploration Concessions

Pre-Feasibility Study

During the quarter, a PFS commenced at the Project which is expected to be completed mid-2015. The PFS 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.

During the PFS, the Company will also undertake further studies to evaluate the optimum mine development alternatives and project configuration. Further analysis will include mine scheduling, geotechnical, hydrogeological, coal processing, ventilation, project infrastructure, utility, marketing and environmental studies.

The PFS will build on the strong project fundamentals of the Scoping Study which confirmed the potential for strong economics on the Project, including low mining costs. During the quarter the Pre-Feasibility study consultants commenced the following tasks:

- Comprehensive review of the geological model;
- Preliminary shaft and wash plant locations;
- Detailed review of regional hydrogeology;
- Detailed review of Polish mine design regulations;
- Digital Terrain mapping and full GIS maps covering the project area; and
- Continued review of geotechnical conditions to assess optimum mine support system.

Strengthening of Management Team

During the quarter Prairie made a number of appointments to its senior management team to support the development of the LCP as it enters into the PFS phase:

- **Mr Nick Edmunds**, a highly experienced coal mining engineer and consultant, was appointed as Project Development Manager. Mr Edmunds' career spans 15 years at British Coal as a mining engineer and in mine management positions, followed by more than 20 years of mining consulting for international consulting groups including Wardell Armstrong, Parsons Brinckerhoff and Royal Haskoning. Mr Edmunds will be responsible for the day to day management of Prairie's technical study program for the LCP including the upcoming PFS.
- **Mr Jonathan O'Dell**, a geologist with 40 years' experience in the drilling and coal mining industries, was appointed as Exploration and Geoscience Manager. He has extensive experience with resource estimation including resource assessments that combine new exploration data with historical Soviet style/GKZ reporting data, such as is the case with the LCP. Mr O'Dell will be responsible for all aspects of Prairie's exploration program and resource estimation for the LCP, including the design and management of current and future drilling programs and resource upgrades.
- **Mrs Patrycja Wolińska-Bartkiewicz** was appointed to the Supervisory Board of Prairie's 100% owned Polish subsidiary PD Co sp. z.o.o ("PD Co") and joined the company on a full time basis with the title "Infrastructure and Project Permitting Consultant" for the Project. She will also lead aspects of PD Co's community engagement activities. Mrs Bartkiewicz was previously Poland's Deputy Minister (Undersecretary of State) at the Ministry of Transport, Construction and Maritime Economy, and specialised in co-ordinating EU funding for multi-billion dollar infrastructure projects (including rail) across Poland.
- **Mr Steve Williams** was appointed as Coal Marketing Consultant. He has more than 20 years' experience in coal handling and preparation plant ("CHPP") design, management and coal marketing in Europe and will be responsible for the management of Prairie's coal marketing program including oversight of Prairie's coal marketing studies for the LCP in the support of the PFS. He will also provide significant input into CHPP design, product marketing strategy and off-take negotiations.
- **Ms Kate Harcourt** was appointed as Environmental Consultant and will work with Prairie's team to ensure that environment and community issues are integrated with engineering at all stages of the LCP project cycle and address lender requirements and industry best practice. Ms Harcourt has more than 20 years' experience in environmental consultancy for international mining projects including assignments for Rio Tinto projects in Guinea (Simandou), Serbia and Mozambique.
- **Mr Artur Kluczny** was appointed to the Management Board of Prairie's wholly owned Polish subsidiary, PD Co. This appointment has been made in recognition of the significant ongoing contribution that Mr Kluczny has provided, as a member of the PD Co Supervisory Board, to the commercial and regulatory aspects of Prairie's operations in Poland.

Coal Marketing Studies

Prairie has access to multiple potential markets for the sale of its coal products given the location of the LCP in the heartland of industrial Europe, with excellent rail and port access. In addition, Prairie's coal quality and coal washability testing program has indicated the potential to produce both semi-soft coking coals for the steel industry and thermal coal for the power industry.

During the quarter Prairie announced it had appointed global energy, metals and mining research and consultancy group Wood Mackenzie to conduct European coal marketing studies for premium thermal and semi-soft coking coal from the LCP.

Wood Mackenzie immediately commenced with the premium thermal coal marketing study for the LCP and is expected to complete the study during the December 2014 quarter. The metallurgical coal marketing study will commence following the completion of Prairie's first phase drilling program and after further coal quality and washability test work has been completed. The metallurgical coal marketing study is expected to be completed during the March 2015 quarter.

The studies have been designed to incorporate the Project's competitive advantage of being able to offer both semi-soft coking coal and premium thermal coal products from the same operation and to assess market opportunities that would maximise the revenue potential of coals from the LCP, with this analysis to be included in the PFS. Prairie intends to use the marketing studies to:

- Identify and screen market opportunities;
- Assess competitors;
- Refine product and marketing strategy;
- Inform elements of project design including coal handling and preparation plant;
- Support potential due diligence processes by project financiers, strategic equity partners and offtakers; and
- Provide price forecasts for coal products from the LCP for use in the PFS financial model.

Drilling Program Completed

During the quarter the Company completed the final drill hole of its government-agreed drilling program for the LCP. The completion of the final hole marked 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.

The drilling campaign was 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 currently being assayed in labs in Poland and the UK.

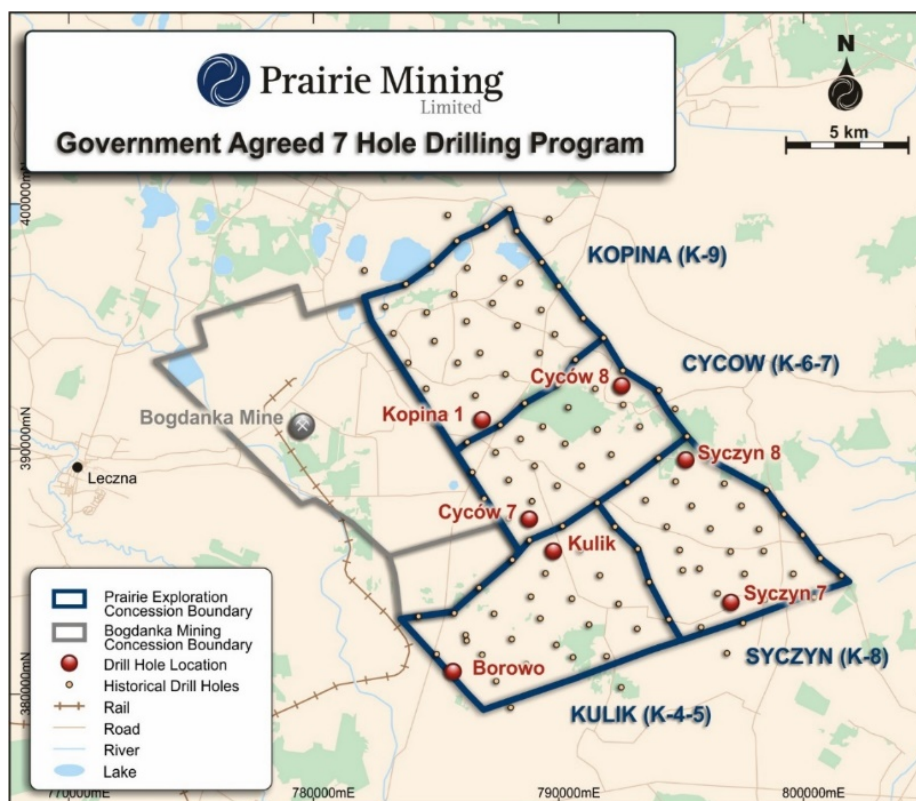


Figure 3: Project Drill Hole Locations

Permitting and Environmental Studies

Prairie has engaged local consultancy GEO-EKO-WIERT to prepare the Geological Documentation and Deposit Development Plan for the Project. These studies form the basis of the Polish mine permitting process, as prescribed under Polish mining law.

Geological Documentation is a resource estimate prepared according to the standards prescribed in the Polish resource reporting code. During the quarter, GEO-EKO-WIERT continued with resource modelling and estimation work based on the historical drilling data that Prairie has obtained as well as the results of drilling completed to date.

Prairie is on track to submit the completed Geological Documentation to the Polish government in late 2014 / early 2015, some six months ahead of schedule.

Upon approval of Geological Documentation, Prairie would have a five (5) year exclusive right to apply for a Mining Licence for the LCP by submitting a Deposit Development Plan. The Deposit Development Plan is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations. GEO-EKO-WIERT has also been commissioned to prepare the Deposit Development Plan for the LCP which will be designed to occur alongside Prairie's study timeline for its JORC compliant feasibility studies.

Under Polish legislation, an ESIA must be completed to provide government authorities with sufficient information to award the Environmental Consent Decision, which is a pre-requisite to the granting of a mining licence over a Company's concessions. Prairie's ESIA is intended to run in parallel with the Company's ongoing study and mine permitting processes for the LCP.

Prairie's ESIA is being conducted by WS Atkins, one of the world's leading engineering and design consultancies with significant global capabilities in environmental studies in the mining sector and having worked for the European Bank for Reconstruction and Development ("EBRD") in support of commercial and project investments and debt funding.

During the quarter, WS Atkins continued with ESIA baseline study work for the LCP.

Concession Update

During the quarter, Bogdanka announced that it has submitted to Poland's MoE 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.

On 10 September 2014 Prairie announced that the MoE had officially rejected Bogdanka's application. In rejecting Bogdanka's application, the MoE stated that "Granting a concession for the production of black coal from a deposit for which an appraisal concession has been previously granted undermines the geological sense of further appraisal of the mineral in this area, makes the granted appraisal concession void and may violate the right to use the rock mass set forth in the agreement on establishing mining usufruct concluded with PD Co Sp. z o.o. Such a decision would be contrary to public interest, and the concession authority may not make decisions that abuse the trust of entities in the authority, as well as in the fundamental principles laid down in the Constitution of the Republic of Poland, i.e. the principle of citizen's trust in the state and the principle of protection of the interests in progress." The Board is aware that Bogdanka have appealed this decision by the MoE, and accordingly, Prairie will continue to update the market on any new material developments.

Corporate

Board Appointments

During the quarter, Prairie appointed Mr Thomas (Tom) Todd as a Non-Executive Director, with Mr Todd Hannigan appointed as his alternate Director. Messrs Todd and Hannigan were formerly the Chief Financial Officer and Chief Executive Officer respectively of Aston Resources Limited ("Aston Resources"). During this period, they led the growth of Aston Resources from a small private company into one of Australia's largest publicly listed coal companies. Aston Resources raised a total of \$855 million in debt and \$1.1 billion in equity funding to acquire and fully fund the Maules Creek coal project through to first coal production. In 2011, Aston Resources merged with Whitehaven Resources Limited in a deal valued at over \$5 billion.

Shareholding in Papillon / B2Gold

On 1 September 2014, the Company completed the sale of 1.0 million fully paid ordinary shares in Papillon Resources Limited ("Papillon") (ASX:PIR) to raise gross proceeds of \$1.75 million. As a result of this sale, the remaining Papillon shares held were reclassified from available-for-sale to held-for-trading financial assets in the Statement of Financial Position which has substantially increased the Company's working capital position.

The Company notes that subsequent to the end of the quarter, Papillon implemented a scheme of arrangement by which B2Gold Corp. ("B2Gold") (TSX:BTO) acquired all of the issued shares in Papillon ("Scheme"). In consideration for the Scheme, Prairie received 0.661 B2Gold shares for every Papillon share held and as a result the Company now holds 5,949,000 shares in B2Gold.

Financial Position

As at 30 September 2014 the Company had cash and cash equivalents plus listed securities of approximately \$15.4 million and no debt.

Exploration Tenement Information

The management team and the financial capital of Prairie are 100% focused on the development of the Lublin Coal Project in Poland. The Company holds an historical interest in two base metals projects, Prairie Downs and Perenjori. In 2013, the Prairie Downs project was farmed out to third party developers and as a result, this project does not require the commitment of Prairie's financial or managerial resources, however, it does provide the Company with exposure to potential upside should exploration programs at these projects prove to be positive. As at 30 September 2014, the Company has an interest in the following projects:

Location	Tenement	Percentage Interest	Status
Lublin Coal Project	Kulik (K-4-5)	100	Granted
Lublin Coal Project	Cycow (K-6-7)	100	Granted
Lublin Coal Project	Syczyn (K-8)	100	Granted
Lublin Coal Project	Kopina (K-9)	100	Granted
Prairie Downs	E52/1758	100*	Granted
Prairie Downs	E52/1926	100*	Granted
Perenjori	E59/1144	100	Granted

* The Company has entered into a farm-in agreement to assign up to 100% interest in the Prairie Downs Project.

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.

Cautionary Statement

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.

Competent Person Statements

The information in this announcement that relates to the Exploration Results, Coal Resources, Production Targets and the Scoping Study was extracted from Prairie's ASX announcements dated 23 September 2014 entitled 'Annual Report to shareholders', 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' which are 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'.

Information in the original ASX announcement 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 presentation have not been materially modified from the original ASX announcements.

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, 01/05/2013

Name of entity

Prairie Mining Limited

ABN

23 008 677 852

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(2,015)	(2,015)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(168)	(168)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	31	31
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	(a) Business development costs	(323)	(323)
Net Operating Cash Flows		(2,475)	(2,475)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(9)	(9)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	1,739	1,739
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		1,730	1,730
1.13	Total operating and investing cash flows (carried forward)	(745)	(745)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(745)	(745)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2	2
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	(a) Share issue transaction costs	(2)	(2)
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(745)	(745)
1.20	Cash at beginning of quarter/year to date	2,580	2,580
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	Cash at end of quarter	1,834	1,834

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	337
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil
3.2	Credit standby arrangements	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,200
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	1,300*

**Estimated cash outflows are expected be funded by cash on hand and by the sale of equity investments held by the Company which together at 30 September 2014, are valued at approximately \$15.4 million.*

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,334	675
5.2 Deposits at call	500	1,905
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,834	2,580

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does ~~/does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Date: **31 October 2014**
(~~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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.