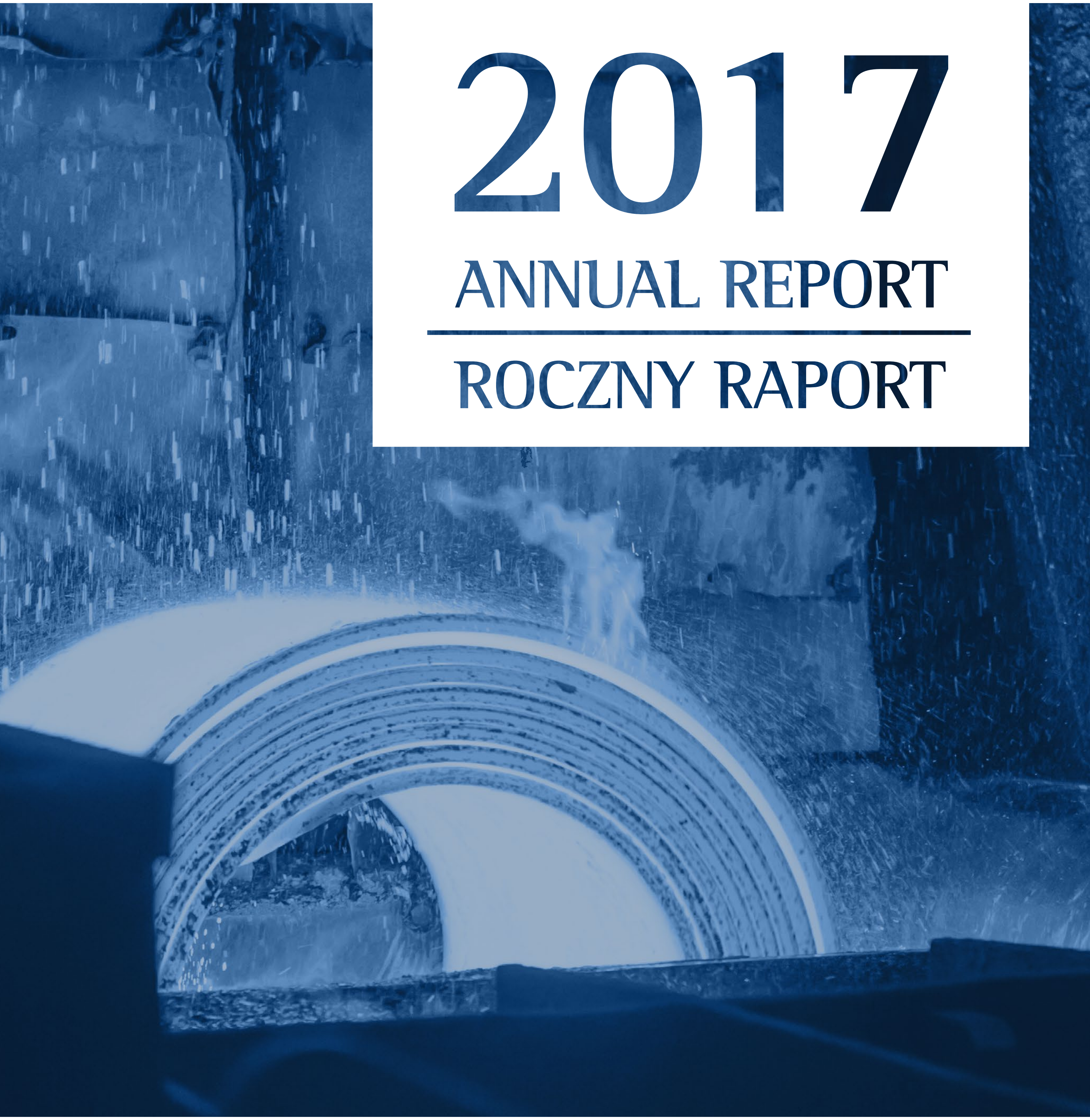
Prairie Mining Limited

ABN 23 008 677 852 | LSE / WSE / ASX : PDZ

2017 ANNUAL REPORT

ROCZNY RAPORT



CORPORATE DIRECTORY | ZBIÓR DANYCH KORPORACYJNYCH

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Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director
Mr Dylan Browne	Company Secretary

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GPW Code: PDZ

United Kingdom:
London Stock Exchange (Main Board)
LSE Code: PDZ

Australia:
Australian Securities Exchange
ASX Code: PDZ

CONTENTS | ZAWARTOŚĆ

The Directors of Prairie Mining Limited present their report on the Consolidated Entity consisting of Prairie Mining Limited ("Company" or "Prairie") and the entities it controlled at the end of, or during, the year ended 30 June 2017 ("Consolidated Entity" or "Group").

OPERATING AND FINANCIAL REVIEW

Operations

Highlights during, and since the end of, the financial year end include:

Debiensko Mine (Premium Hard Coking Coal)

- Acquired the Debiensko Mine ("Debiensko"), a fully permitted, hard coking coal project located in the Upper Silesian Coal Basin in Poland.
- Transformational acquisition marking Prairie's entry into the hard coking coal sector and creating a multi-project coking coal development company based in Poland.
- Scoping Study confirms potential for Debiensko to be a globally significant hard coking coal project with robust economics positioning the Company to become a large scale, low cost and long life premium hard coking coal supplier.
- Independent marketing study confirmed cost of delivery of only US$4.60 per tonne compared to costs of imported hard coking coal of up to US$37.70 per tonne.
- Debiensko has exceptionally low capital intensity of US$197 per tonne of annual saleable production capacity compared to an industry average of over US$401 per tonne.
- With Debiensko now development ready, Prairie will focus on planning the mine site's redevelopment program, including:
  - preparation for an in-fill drill program to increase JORC measured and indicated resources.
  - completion of a re-engineered mine plan to produce a feasibility study to international standards with a focus on near term production at Debiensko.
  - advancing discussions with regional steel makers and coke producers for future coking coal sales and offtake.
- Completed a Maiden Coal Resource Estimate ("CRE") of 301 million tonnes of hard coking coal at Debiensko.
- Debiensko coking coal is expected to enjoy strong demand from European steelmakers, with substantial netback pricing advantages given proximity to regional customers.

Jan Karski Mine (Semi-Soft Coking Coal)

- Recent coal quality analysis re-affirms the Jan Karski Mine's ("Jan Karski") potential to produce high value ultra-low ash semi-soft coking coal.
- Independent assessment predicts that Jan Karski semi-soft coking coal would potentially realise a 10% premium to international benchmark prices.
- Prairie signed a landmark Strategic Co-operation Agreement with China Coal to advance the financing and construction of Jan Karski.
- Since then China Coal has made substantial progress on the Bankable Feasibility Study ("BFS"). Continued discussions were held with Chinese financing institutions which will progress further with completion of the BFS expected in the coming months.
- Spatial development plan approved at Jan Karski meaning the rezoning of 56 hectares of agricultural land for industrial use is complete allowing for construction of a mine site, shafts and associated surface infrastructure at Jan Karski.
- Jan Karski is now one of the most advanced new large scale coking coal projects in the Northern Hemisphere.
- Development activities have commenced with the appointment of a leading contractor to design and supervise the bulk power supply connections for the project, including power lines and substations.

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Corporate

- At the date of this report, cash of $18 million, placing the Company in an excellent position to complete its planned development activities at Debiensko and Jan Karski.
- Successful placing of 11.5 million new ordinary shares during the financial year to a number of UK based high quality institutional investors to raise approximately £3.2 million (~A$5.5 million) before costs.
- Subsequent to the end of the financial year, Prairie and CD Capital completed an additional investment of US$2.0 million (A$2.6 million) in the form of non-redeemable, non-interest-bearing convertible loan notes ("Loan Note 2").

Debiensko Mine

Debiensko, is a fully permitted, 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 Knurow-Szczyglowice 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 originally 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 Minister of Environment of Poland ("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. Prairie has proven expertise in defining commercially robust projects and applying international standards in Poland. The fact that Debiensko is a former operating mine and its proximity to two neighbouring coking coal producers in the same geological setting, reaffirms the significant potential to successfully bring Debiensko back into operation.

Scoping Study Results

In March 2017, Prairie announced the results of a scoping study ("Scoping Study") in accordance with the JORC Code 2012 and completed by independent consultants Royal HaskoningDHV given their extensive and recent track record of successful involvement in European underground coal projects in the UK, Kazakhstan and Poland, including Prairie's Jan Karski mine.

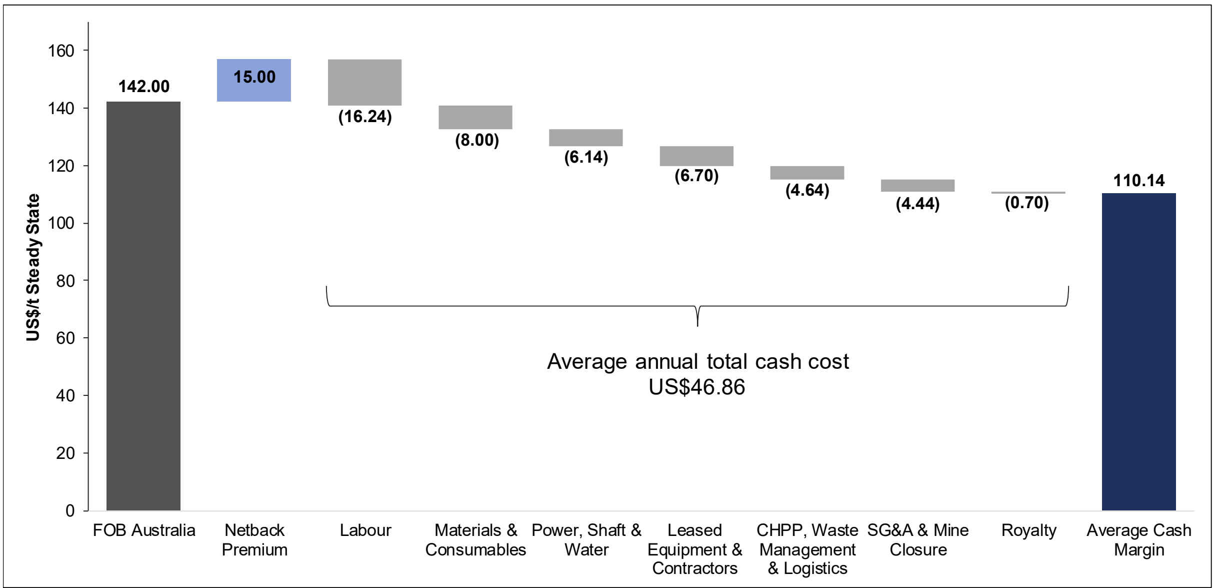
The Scoping Study utilised a maiden CRE for Debiensko which comprises a Global CRE of 301 million tonnes ("Mt") including an Indicated Resource of 93 Mt from three coal seams; 401/1, 404/9 and 405 seams. Key results of the Scoping Study were as follows:

Strong Project Estimations and Approximations (to a maximum accuracy variation ± 30%)	
Cash flow	
Average Operating Costs Steady State	~US$47 per tonne
Long Term Hard Coking ("HCC") Price Benchmark (FOB Australia – REAL 2016$)	~US$142 per tonne *(current Mar 2017 spot price: +US$160/t)*
Average Received HCC Price FOR (including netback)	~US$157 per tonne
Average Steady State EBITDA	~US$282 million
Production	
Average ROM* Coal Production Steady State	~4 Mtpa
Life of Mine Plant Feed Coal Production ("LOM")	~100.3 Mt
Average Effective Product Yield LOM	~67.8 %
Mine Life Following First Production	~26 years

Average Saleable HCC Production Steady State	~2.6 Mtpa
Total Saleable HCC Produced LOM	**~65 Mt**
Total Saleable Coal Produced LOM (HCC + Middlings)	~68 Mt
Capital Expenditure to First Production	
Shaft sinking	~US$208.5 million
Coal processing and surface facilities	~US$102.5 million
Underground Infrastructure (Belts, Ventilation, Electrics)	~US$62.0 million
Capitalised Pre-Production Expenses (Labour, Power, Contractors etc.)	~US$51.5 million
Contingencies, EPCM and owners costs	~US$79.5 million
Start of Construction	~2019
Start of Production Ramp-Up	~2023

The results of the Scoping Study demonstrate the potential for exceptionally high operating margins and cash flow generation given the anticipated low operating costs for Debiensko. This is achieved because Prairie is pioneering in Poland well established international best practice in mine design, production organisation and technology for the project. Debiensko benefits from being a formerly operating mine, giving an excellent understanding of geology and mining conditions with substantial existing infrastructure available at site.

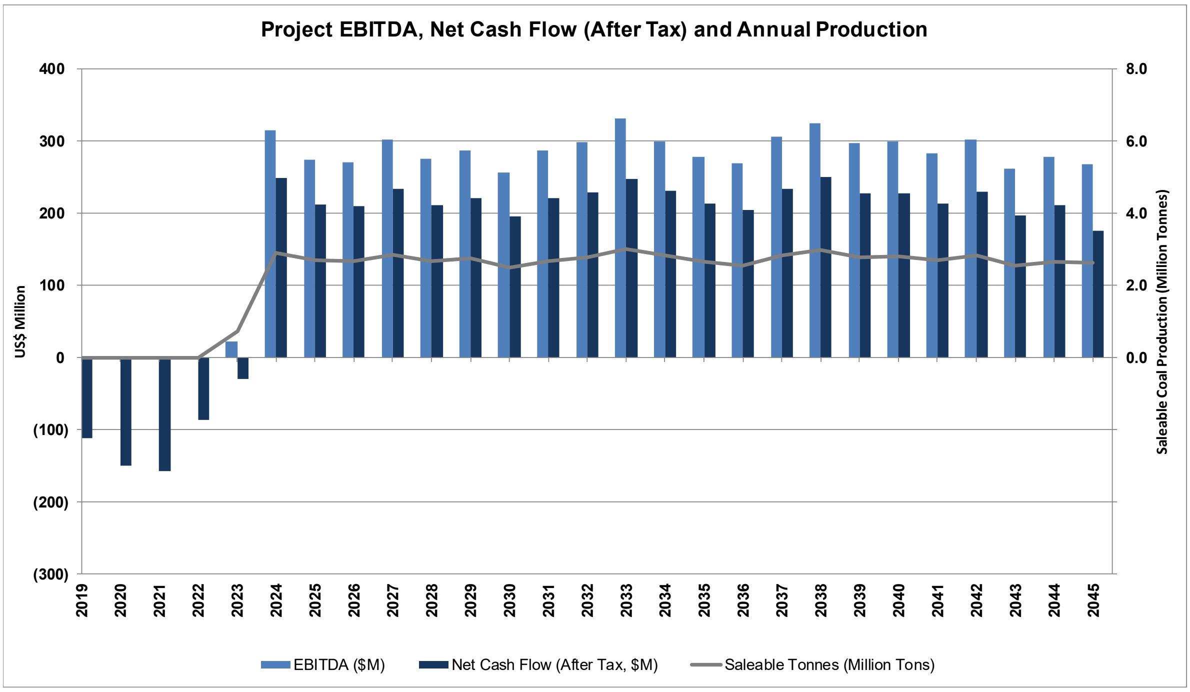
Based on an independent marketing study conducted by CRU International ("CRU"), a long term hard coking coal benchmark price forecast of US$142/t (FOB Australia, real 2016 $) has been used in this Scoping Study. This compares to the current spot price of approximately US$200/t and the 2017 Q1 quarterly contract price of US$285/t. Due to the considerable transport cost advantages compared to imported hard coking coal, the CRU study also identified that Debiensko would potentially benefit from a substantial netback premium of US$15/t above benchmark prices for coal sold to regional Central European customers.



Projected Steady State Average Cash Flow Margin

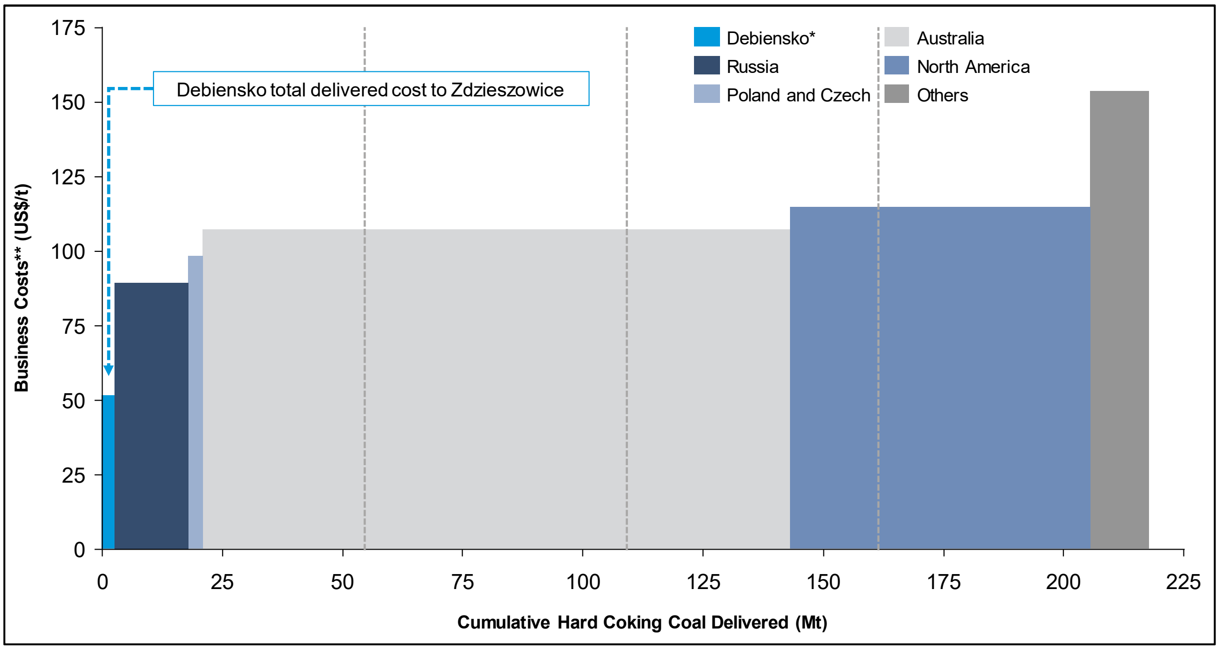
OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)



Potentially Lowest Global Cash Operating Costs Delivered Into Europe

Debiensko is projected to have an average steady state total cash cost of approximately US$47 per tonne Free On Rail ("FOR") for its premium hard coking coal, producing an average 2.6 Mtpa saleable hard coking coal. Hard coking coal product from Debiensko is anticipated to be at the bottom of the global cost curve for hard coking coal delivered into Central Europe, with a delivered cost of approximately US$51 per tonne (FOR total cash cost including royalty + rail to typical regional customer).



** Debiensko delivered costs comprises: FOR cost of US$46.86/t + rail freight and handling costs (US$4.60/t)*
*** Excludes sustaining capital costs; Country averages have been calculated by taking a production weighted average cost of supply*

Estimated Hard coking coal business cost curve 2016, delivered Zdzieszowice Coke Plant (*Source: CRU*)

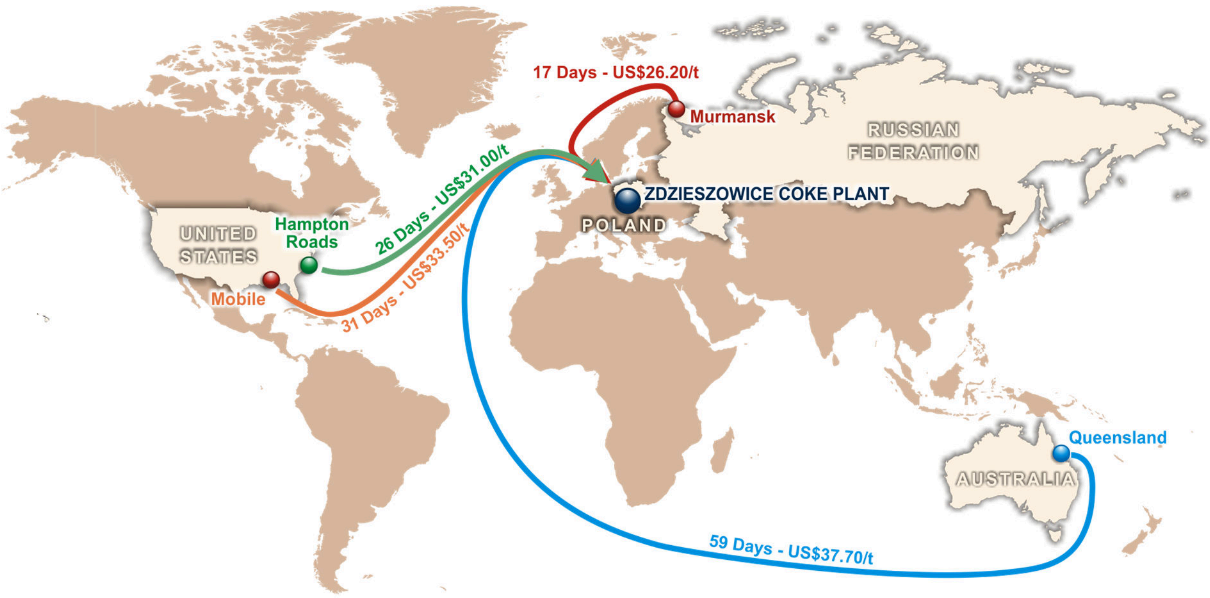
Netback Pricing Advantage & Marketing Strategy

CRU completed a review of the European coking coal market on behalf of Prairie. The CRU study, together with various independent and internal studies regarding coal quality and railway transport indicates that premium hard coking coal produced at Debiensko will attract strong regional demand and will benefit from a significantly lower estimated cost of delivery to Central European customers compared to coking coal imported from the international seaborne market. Accordingly, hard coking coal sales from Debiensko will likely secure a substantial "netback" price advantage.

The CRU study included a comparison of the cost of importing hard coking coal from Australia, USA and Russia delivered into Polish steelworks. CRU used ArcelorMittal's Zdzieszowice coke plant, the largest coke plant in Central Europe, as representative benchmark to estimate delivery costs.

Coal imported for delivery to Zdzieszowice from the international seaborne market is purchased at the prevailing FOB price at the country of origin. Transportation costs incurred to deliver coal to the port of Swinoujscie, Poland include sea freight, port handling, storage and forwarding costs. Subsequently, the coal needs to be transported approximately 600 km by rail to the Zdzieszowice coke plant which incurs further freight charges. The coal requires up to 60 days to reach the coke plant from Australia and approximately 30 days from the USA. It is also handled multiple times, with greater potential for increased degradation and fines generation.

In comparison, Debiensko is only 70 km from the Zdzieszowice coke plant and directly linked by rail. Transportation costs for Debiensko's coal to Zdzieszowice are estimated to be less than US$4.60/t.

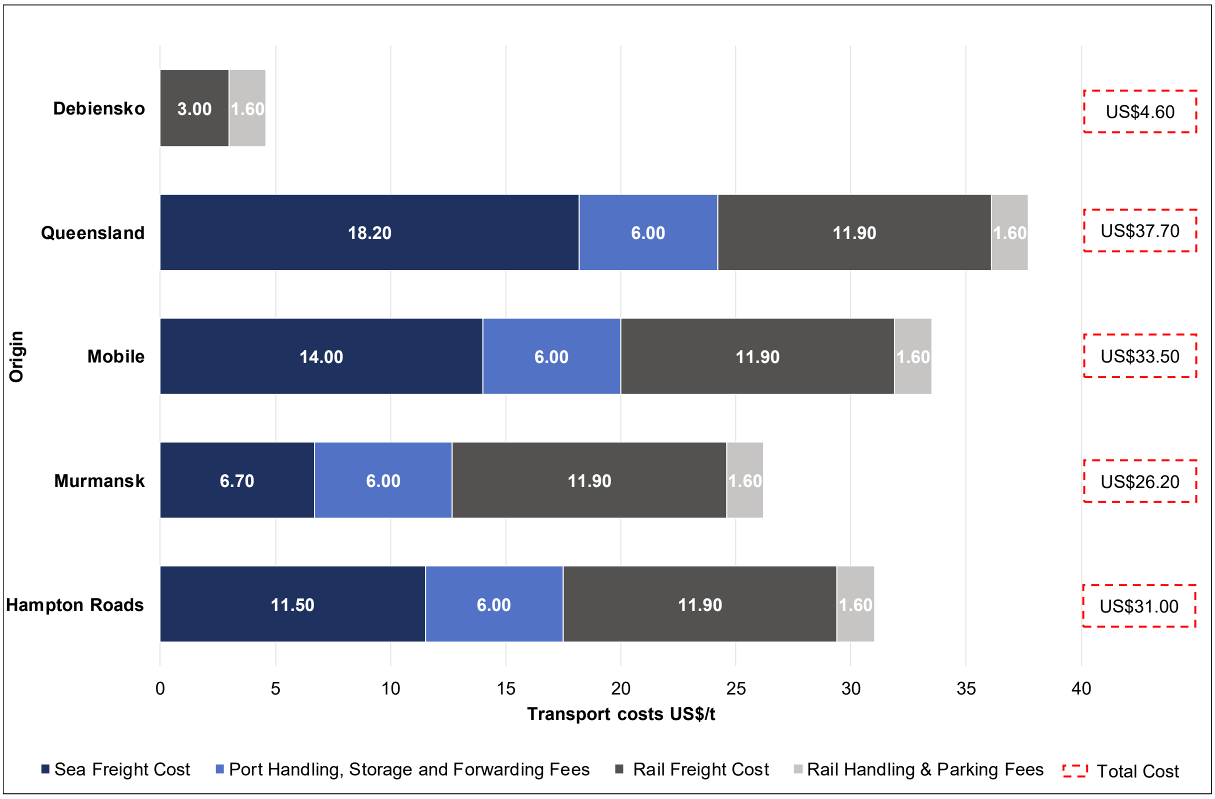


Estimated Time and Costs to Deliver Imported Hard Coking Coal to the Zdzieszowice Coke Plant in Poland

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Netback Pricing Advantage & Marketing Strategy (Continued)



Estimated Cost Breakdown for Delivery of Hard Coking Coal to the Zdzieszowice Coke Plant, Poland

Due to their proximity to Central European coking plants, regional producers such as NWR or JSW have traditionally gained a "netback premium" over FOB Australia or USA benchmark prices, which once adjusted for coal quality differences, equates to approximately 50% of the total transport cost differential. Essentially, an analysis of past practises shows that the coal producer and steel maker "split the difference". Following this approach for Debiensko would result in a potential netback premium of ~US$15/t above prevailing benchmark prices for Debiensko coal when sold to regional end users compared to imported hard coking coal. However, Prairie believes there is significant potential to increase this netback premium during future discussions with offtakers.

Total Freight to Zdzieszowice *(Source: CRU)*

Port of Origin	Sea freight distance to Swinoujscie	Estimated Shipping Time	Typical Vessel Type	Typical Vessel Size (dwt)	Estimated Sea Freight Cost to Swinoujscie (US$/t 2017)	Port Handling, Storage and Forwarding Fees (US$/t)	Total Sea Freight Cost (US$/t)	Estimated Rail Freight Cost (US$/t 2017)	Rail Handling & Parking Fees (US$/t)	Total Freight Costs (US$/t 2017)
Debiensko	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**3.00**	**1.60**	**4.60**
Hampton Roads	3,958	16 days	Panamax	70,000	11.50	6.00	17.50	11.90	1.60	31.00
Murmansk	1,656	7 days	Panamax	70,000	6.70	6.00	12.70	11.90	1.60	26.20
Mobile	5,173	21 days	Panamax	70,000	14.00	6.00	20.00	11.90	1.60	33.50
Queensland	11.858	49 days	Panamax	70,000	18.20	6.00	24.20	11.90	1.60	37.70

Premium Quality Hard Coking Coal

Preliminary analysis indicates that a range of premium hard coking coals that will be in high demand from European steelmakers can be produced from Debiensko. This analysis is based on historical data, neighbouring operational coking coal mines and the results of a suite of modern coking tests performed on selected seams from a fully cored borehole drilled by the previous owners in 2015/16. Two premium hard coking coal specifications have been delineated from select seams at Debiensko, namely Medium volatile matter hard coking coal (“Mid-vol HCC”) and Low volatile matter hard coking coal (“Low-vol HCC”). Future study phases will determine the precise Debiensko premium hard coking coal quality specification on a year by year basis depending on final adopted mine plan, mining schedule and extent of coal blending.

Both Debiensko’s Mid-vol and Low-vol HCC lie within the range of premium hard coking coals produced globally. Indications are that the Mid-vol HCC at Debiensko is present between 850 m to 1,000 m from surface and the Low-vol HCC is present 1,000 m to 1,300 m below surface i.e. at depths similar to adjacent operating mines owned by JSW - the largest coking coal producer in Europe.

Preparation for the Next Phase of Project Studies

Pre-qualification of contractors for the major components of the next phase of Debiensko studies were commenced including:

- Drilling contractors for the planned in-fill drilling program
- Coal Handling and Preparation Plant (“CHPP”)
- Shafts and bulk coal winder
- Desalination plant
- Surface facilities

Demolition of old surface structures of the former Debiensko mine was commenced during the financial year, including the bathhouse, switchgear building and locomotive garage. In addition, drilling of 28 shallow geotechnical holes for engineering design of foundations for structures was commenced.

Jan Karski Mine

Coking Coal Quality Results Establish Jan Karski as a High Value Ultra-Low Ash Semi-soft Coking Coal Mine

During the financial year, Prairie announced the results of enhanced coal quality analysis and test work from the completed borehole, Cycow 9, at Jan Karski. Key results from the expanded coke oven and washability test work indicated the potential to produce a high value ultra-low ash Semi-Soft Coking Coal (“SSCC”) with a high Coke Strength after Reaction (“CSR”) and a high 75% product yield. Preliminary analysis by independent consultants indicates that the Jan Karski ultra-low ash SSCC could achieve a 10% premium to international SSCC benchmark prices, due to several superior qualities.

Cycow 9 was a large diameter, PQ size borehole and the first of its kind to be drilled at Jan Karski enabling sufficient quantities and sized coal from the 391 seam to be collected to meet the requirements for physical coke testing, specifically confirmation of CSR and extended coal washability test work. The analysis and testwork was conducted at leading fully accredited European laboratories in Poland, Germany and the UK. The CSR test is considered vital in testing for a coal’s coking properties important to steelmakers as it is an indicator of the performance / strength of the coke produced from the coal. The full range of standard coking tests were also conducted as shown in the table below:

DIRECTORS’ REPORT
(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Coking Coal Quality Results Establish Jan Karski as a High Value Ultra-Low Ash Semi-soft Coking Coal Mine (Continued)

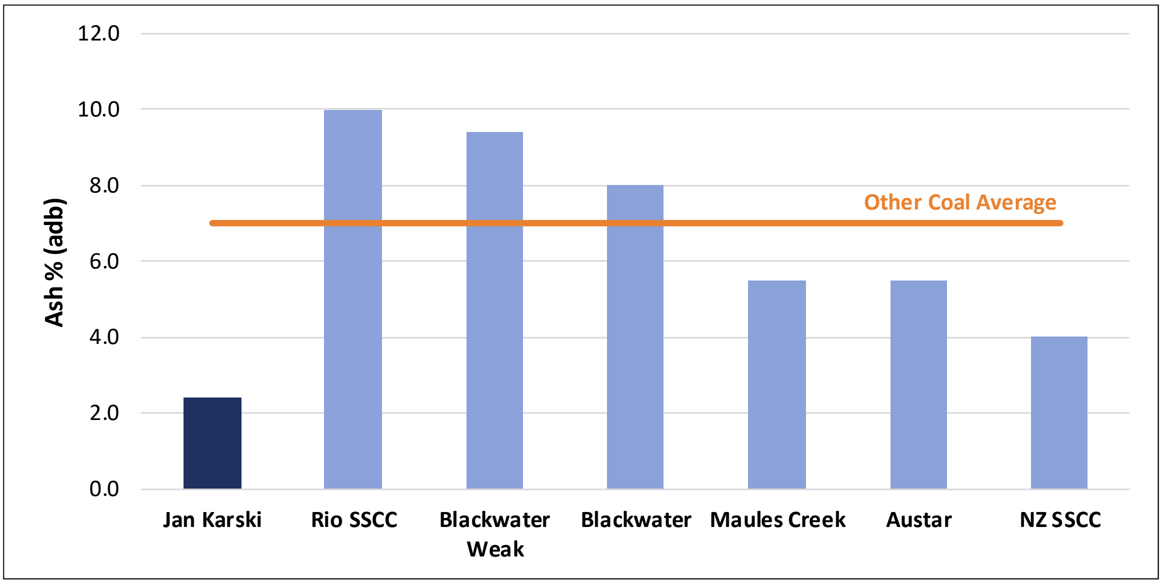
Analysis results from Cycow 9 borehole – 391 seam

TOTAL MOISTURE	*ar%*	10-12%	**ULTIMATE ANALYSIS**			**COKING PROPERTIES**		
			Carbon	*daf%*	81.90	***FSI***		**5.5**
PROXIMATE ANALYSIS			Hydrogen	*daf%*	5.42	***Gray King Coke***		**G5**
Inherent moisture	*adb%*	3.4	Nitrogen	*daf%*	1.91	***Roga Index***		**69**
Ash	*ar%*	2.6	Sulphur	*ad%*	1.16	***CSR***	***%***	**51.5**
Volatile Matter	*ar%*	33-36	Oxygen	*daf%*	7.10	*CRI*	*%*	39.1
Fixed Carbon	*ad%*	57				*Ash in Coke*	*%*	3.3
			RO(MAX) & MACERAL ANALYSIS			*Sulphur in Coke*	*%*	0.87
ASH CHEMISTRY			Vitrinite	*%*	74.40			
SiO_2	*db%*	33.32	Liptinite	*%*	13.20	*Giesler Plastometer*		
Al_2O_3	*db%*	29.63	Inertinite	*%*	12.4	Initial Softening	°C	379
Fe_2O_3	*db%*	20.30	Mineral Matter	*%*	0.00	Max Fluidity temp	°C	416
CaO	*db%*	4.49	RoMax	*%*	0.88	Resolidification	°C	435
MgO	*db%*	1.73				Max Fluidity	*ddpm*	90
TiO_2	*db%*	0.98	**OTHER COAL PROPERTIES**					
NaO_2	*db%*	0.96	Sulphur	*ar%*	1.09	*ASTM Dilation*		
K_2O	*db%*	1.10	HGI average	*ad%*	44	Softening Temperature	°C	370
P_2O_5	*db%*	3.41	Phosphorus	*ad%*	0.034	Max Contraction Temp	°C	408
SO_3	*db%*	2.36				Max Dilation Temp	°C	433
Other	*db%*	1.72				Max Contraction	*% C*	32
						Max Dilation	*% D*	35

Jan Karski Coking Coal Key Quality Advantages

Ultra-low Ash

Washability analysis from the Cycow 9 borehole and previous boreholes drilled by Prairie across Jan Karski has demonstrated that due to the low inherent ash and excellent washability characteristics of the 391 seam, Jan Karski SSCC coal is unique with typical ash product level of less than 3% (air dried) and far superior to typical ash levels for major coking coal brands (both hard and soft) traded internationally and produced domestically in Europe. The figure below shows there is a range of ash specifications for SSCCs. With an average ash specification of 2.6%, the Jan Karski SSCC is an ultra-low ash product compared to all the comparison coals. Low ash provides a number of technical benefits including improved coke strength and caking properties, and reduced fuel rate in the blast furnace.



Jan Karski SSCC Ash Benchmarking

The ultra-low ash content increases the coals value-in-use to steel and coke makers, making the product highly saleable in both the domestic European and international markets. One of the key outcomes of utilising ultra-low ash coking coal to produce low ash coke ash is the resulting decreased fuel rate. This has a key environmental benefit for steel makers that results in a reduction in CO_2 emissions per tonne of hot metal produced.

Prairie's analysis predicts increasing global demand for ultra-low ash coking coal for blending with HCC, because of a continuing trend of rising average ash levels in globally traded hard coking coals. Premium hard coking coal resources with low ash are becoming increasingly scarce, forcing consumers to make concessions on HCC ash levels. Ultra-low ash coking coals for blending are becoming increasingly sought after by consumers seeking to "blend-down" the ash levels in their coke blends. This is a particular advantage for European steelmakers where EU regulations focus on reduced CO_2 emissions. This trend has important implications for the future marketability of Jan Karski ultra-low ash SSCC.

Coke Strength after Reaction

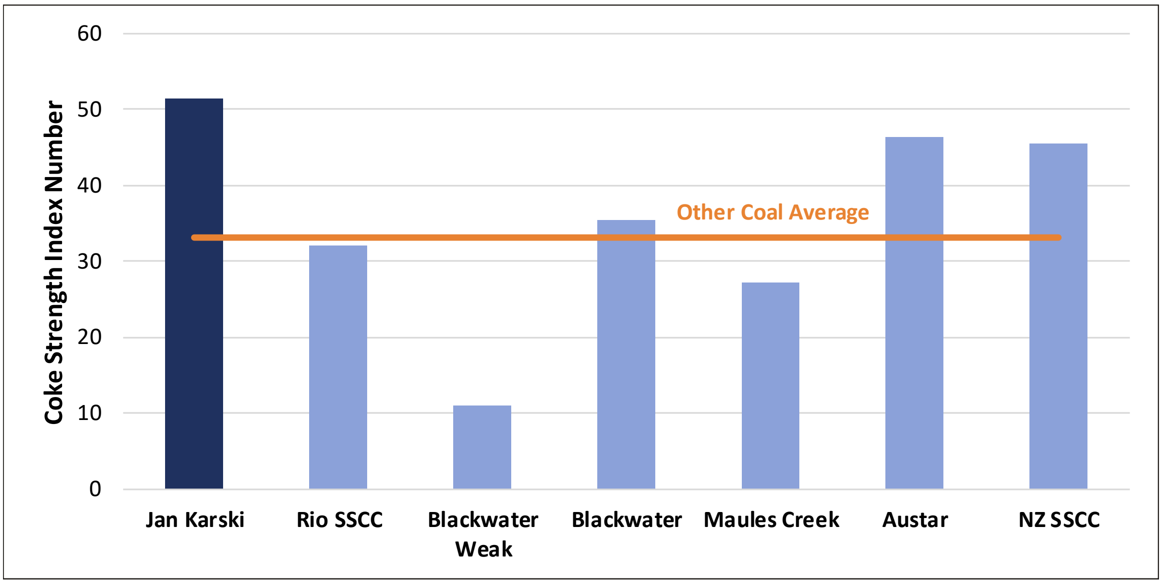
The figure below shows the measured CSR (51.5) of the 391 seam from Cycow 9 borehole at Jan Karski is at the top end of the range for semi-soft coking coal. A CSR figure of 51.5 shows the coal has the ability to form a coherent coke mass. The Jan Karski coal has a number of features conducive to forming good coke for a semi-soft type coal:

1. the coal is ultra-low ash and low inertinite, meaning the coke has few inertinites to bind;
2. the coal has higher rank for a semi-soft compared to typical Hunter Valley and Maules Creek semi-soft coking coals; and
3. the coal exhibits moderate fluidity and reasonable total dilatation.

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Jan Karski Coking Coal Key Quality Advantages (Continued)



Jan Karski Coke Strength Benchmarking

Further CSR analysis will be undertaken as part of future drilling programs.

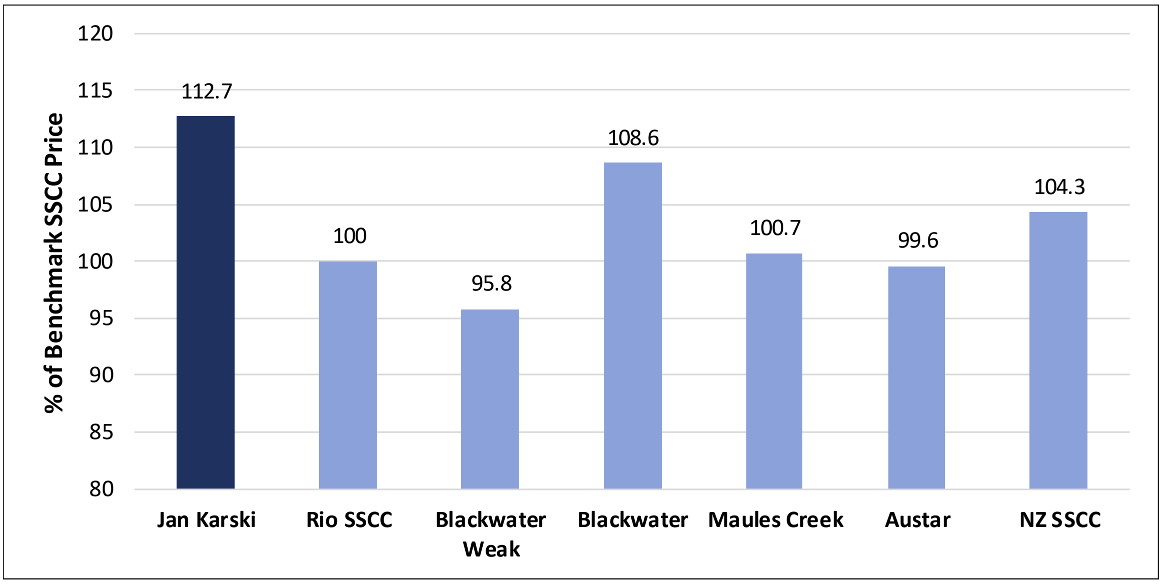
Other Positive Attributes

Other Jan Karski ultra-low ash SSCC quality positives are its high vitrinite content, and low phosphorous levels, mid-range FSI (5.5), Gray King Index (G5). The volatile matter is in the range typical for Australian traded SSCCs, with the rank of the Jan Karski coal being slightly higher and closer to a semi-hard coking coal specification.

Price Benchmarking

Independent coal market specialists CRL Energy Ltd ("CRL") were appointed by Prairie to analyse the potential value of Jan Karski ultra-low ash SSCC in the market. CRL took two approaches to price benchmarking. The first approach applied the method used by the Platts publication of international benchmark coal prices. The second was a proprietary approach adopted by CRL based on value in use assessment incorporating assumptions regarding a typical Western European coking coal blend used by steel makers and proportions of Jan Karski ultra-low ash SSCC included in the blend.

The Platts coal market publication shows a number of penalty/premium factors that can be used to calculate relative value of coking coals against a stated benchmark. The limit of this method is that it assumes all markets would derive the same value from a particular coal; this is not strictly applicable in all cases, since value is also a function of the other coals in the blend, coke versus PCI rate and plant configuration. The "benchmark" coal used in this evaluation is the Rio Tinto Hunter Valley semi-soft, hence this coal is calibrated at 100% of the benchmark. The Platts benchmarking shows the Jan Karski coal specification is valued at 112.7% of the Rio Tinto semi-soft specification. The only comparable coal is the Blackwater coking coal (which is more of a semi-hard type specification) and the NZ SSCC (a low ash semi-soft coking coal).



Platts Price Benchmarking Assessment

Both Platts benchmarking and value in use modelling show Jan Karski is a high value semi-soft, driven substantially by the ultra-low ash. The Platts specification benchmarking suggests Jan Karski should be priced at a 10% premium above the benchmark Rio Tinto Hunter Valley semi-soft coal.

China Coal Bankable Feasibility Study, EPC Contract and Financing

During the financial year, China Coal No.5 Construction Company Ltd ("China Coal") provided Prairie with a draft of the Jan Karski BFS and discussions were held with Chinese financing institutions. China Coal and Prairie continue to advance towards completion of the BFS by the end of 2017, which will provide the basis for an Engineering, Procurement, Construction ("EPC") contract and finalising a term sheet with Chinese financing institutions for a construction funding package for Jan Karski.

In November 2016, Prairie and China Coal, the second largest coal mining company in China and one of the world's most advanced and prolific shaft sinking and total underground coal mine construction companies, signed a landmark Strategic Co-operation Agreement to advance the financing and construction of Prairie's Jan Karski Mine in Poland.

Prairie and China Coal have been in discussions since 2014 regarding the potential for collaboration in designing and constructing Jan Karski.

Since 2014, Prairie's senior management and technical team have met with China Coal numerous times in China and inspected China Coal's various shaft sinking projects, mine construction sites and state of the art longwall coal mines operated by China Coal.

The Strategic Co-operation Agreement was signed confirming the intention of the parties to, on a best efforts basis:

(i) complete a BFS within the coming months, which will form the basis of Chinese bank credit approval for project finance;

(ii) based on the results of the BFS, enter into a complete EPC contract under which China Coal will construct the Jan Karski Mine; and

(iii) incorporate relevant Polish content into the design and construction phases, which will include working with a range of Polish specialists, sub-contractors and business partners.

It is the intention of the parties to enter into future binding agreements for China Coal to construct Jan Karski once the BFS is completed successfully and financing terms are agreed with Chinese financing institutions.

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Permitting Milestones

Prairie is currently working towards completing a mining concession application which, in Poland, comprises the submission of a Deposit Development Plan ("DDP"), an Environmental Social Impact Assessment ("ESIA") that is to be approved by regional authorities and approval of a spatial development plan (rezoning of land for mining use). The Company intends to formally lodge a mining concession application for Jan Karski in early 2018.

Prairie achieved a significant permitting milestone during the year following official approval by the Lublin Regional Mining Authority of the Jan Karski DDP, which now paves the way forward for the Company to submit a formal mining concession application.

The DDP is a mine technical-economic study which is prepared according to Polish government standards. Prairie is expecting Environmental Consent during the second half of 2017. A granted mining concession will be valid for up to 50 years.

Subsequent to the end of the year, Prairie also received formal approval of the spatial development plan (rezoning). This approval formally rezones 56 hectares of agricultural land for industrial use to allow for construction of a mine site, shafts and associated surface infrastructure at Jan Karski.

Sale of Prairie Downs Metals Project ("BMP")

During the financial year, Prairie completed the sale of the Prairie Downs Base Metals Project ("BMP") to Marindi Metals Limited ("Marindi") for a total of $1.15 million ($0.65 million received in 2017 (2016: nil; 2015: $0.5 million)).

Prairie now retains a 2.5% net smelter royalty over the BMP.

Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2017 was $11,482,002 (2016: $6,761,400). Significant items contributing to the current year loss and the substantial differences from the previous financial year include:

(i) Exploration and Evaluation expenses of $6,560,343 (2016: $4,830,109), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of rights to explore and up to the commencement of a bankable feasibility study for each separate area of interest. As a direct result of exploration and evaluation activities conducted during the year, the Group achieved key milestones including (i) completion of a Scoping Study at Debiensko; (ii) completion of an infrastructure study at Debiensko; (iii) completion of an independent marketing study at Debiensko; (iv) announcement of a maiden CRE at Debiensko; (v) substantial progress made on the BFS for Jan Karski; (vi) completed a borehole at Jan Karski which re-affirmed Jan Karski's potential to produce high value ultra-low ash SSCC; and (vii) received significant permitting milestones with the DDP and spatial rezoning approved paving the way for a mining concession application in early 2018 at Jan Karski.

(ii) Business development expenses of $1,474,077 (2016: $1,219,309) which includes expenses in relation to the Group's investor relations activities, including brokerage fees, public relations, digital marketing, travel costs, attendances at conferences and business development consultant costs;

(iii) Other expenses of $521,502 (2016: nil) which relates to legal, accounting and other consultant costs in relation to the extensive due diligence and legal process conducted by the Company to effectively execute the acquisition of Karbonia;

(iv) Non-cash share-based payment gain of $392,275 (2016: expense $1,723,271) due to incentive securities issued to key management personnel and other key employees and consultants of the Group as part of the long-term incentive plan to reward key management personnel and other key employees and consultants for the long term performance of the Group. The expense results from the Group's accounting policy of expensing the fair value (determined using an appropriate pricing model) of incentive securities granted on a straight-line basis over the vesting period of the options and rights. The gain in share-based payments in 2017 compared to an expense in 2016 is attributable to the forfeiture of 4.4 million unvested Performance Rights during the year;

(v) Non-cash fair value loss of $4,264,925 (2016: gain of $1,765,429) which is attributable to a $4,264,925 loss (2016: gain of 632,463) on the conversion right of the original CD Capital convertible loan note ("Loan Note 1") accounted for as a financial liability at fair value through profit and loss. This is a non-cash derivative instrument liability of which the Company will never be required to outlay any cash to settle. The financial liability only arises from the requirement to issue unlisted options in the Company following conversion of Loan Note 1. There was also a nil (2016: $1,132,966) fair value gain on the B2Gold Corp financial assets, classified as fair value through profit and loss, as the Company disposed of its entire B2Gold holding during the 30 June 2016 financial year;

(vi) Revenue of $1,340,749 (2016: $309,969) consisting of interest revenue of $368,380 (2016: $309,969) and the receipt of $972,369 (2016: nil) of gas and property lease income derived since acquiring Karbonia in October 2016; and

(vii) Other income of $650,000 (2016: nil) is attributable to the receipt of $650,000 (2016: nil) on the sale of the BMP to Marindi.

Financial Position

At 30 June 2017, the Company had cash reserves of $16,826,854 (2016: $18,063,119) placing it in an excellent position to conduct its planned development activities at Debiensko and Jan Karski.

At 30 June 2017, the Company had net assets of $13,095,130 (2016: $17,815,760), a decrease of 26% compared with the previous year. This is largely attributable to the investment made in Karbonia, the increase in non-cash financial liabilities and the loss for the financial year.

Business Strategies and Prospects for Future Financial Years

Prairie's strategy is to create long-term shareholder value by creating synergies and developing both Debiensko and the Jan Karski in Poland.

To date, the Group has not commenced production of any minerals. To achieve its objective, the Group currently has the following business strategies and prospects:

- preparation for an in-fill drill program to increase JORC measured and indicated resources to support future feasibility studies at Debiensko;
- completion of a re-engineered mine plan to produce a feasibility study to international standards with a focus on near term production at Debiensko;
- advancing discussions with regional steel makers and coke producers for future coking coal sales and offtake at Debiensko;
- complete the mining concession amendment at Debiensko;
- furthering discussions with a select group of Chinese financing institutions as China Coal nears completion of its BFS;
- based on the results of the BFS, enter into a complete EPC contract under which China Coal will construct the Jan Karski mine;
- continuing project permitting activities including obtaining an Environmental Consent Decision and complete the land acquisition process at Jan Karski; and
- formally lodging a mining concession application for Jan Karski in early 2018.

All of these activities are inherently risky and the Board is unable to provide certainty of the expected results of these activities, or that any or all of these likely activities will be achieved. The material business risks faced by the Group that could have an effect on the Group's future prospects, and how the Group manages these risks, include the following:

- *The Company's activities will require further capital in future years* – At the date of this report, the Company has cash of approximately $18 million which places it in an excellent position to conduct its current planned exploration and development activities at Debiensko and Jan Karski. However, the ability of the Company to finance capital investment in future years for the construction and future operation of the Company's projects is dependent, among other things, on the Company's ability to raise additional future funding either through equity or debt financing. Any failure to obtain sufficient financing in the future may result in delaying or indefinite postponement of any future construction of the projects or even a loss of property interest (in the future). The key items which the Company would require further funding in future years would be for the construction of the mines at each project.

OPERATING AND FINANCIAL REVIEW (Continued)

Business Strategies and Prospects for Future Financial Years (Continued)

In this regard, and pursuant to the CD Capital investment agreement, CD Capital has a first right to invest a further $55 million in any future fund raise conducted by the Company, plus CD Capital will have the ability to inject a further $13 million through the exercise of $0.60 options to be held in the Company. There is however no guarantee that CD Capital would take up this right in the future (or exercise their options). There is also a risk that the Company's obligation to offer CD Capital a first right of refusal on any future fund raising could prejudice the Company's ability to raise funds from investors other than CD Capital. However, the Company considers that it would not be necessary to undertake such development actions until it has secured financing to do so and the timing for commencement of such actions would accordingly depend on the date that such financing is secured. If, in the unlikely event that future financing cannot be secured, the Group has the flexibility and ability to significantly reduce its ongoing expenditure.

The Company has also signed a Strategic Co-operation Agreement with China Coal for the financing and construction of Jan Karski. Subsequent to the end of the financial year, China Coal and Prairie continue to advance towards completion of the BFS, which will provide the basis for an EPC contract and finalising a term sheet with Chinese financing institutions for a construction funding package for Jan Karski.

Furthermore, the Company's board of directors has a successful track record of fundraising for natural resources projects, including large scale coal projects, and has completed successful financing transactions with strategic partners, large institutional fund managers, off-take partners and traders and project finance lenders.

There is however no guarantee that the then prevailing market conditions will allow for a future fundraising or that new investors will be prepared to subscribe for ordinary shares or at the price at which they are willing to do so in the future. Failure to obtain sufficient future financing may result in delaying or indefinite postponement of appraisal and any development of the Company's projects in the future, a loss of the Company's personnel and ultimately a loss of its interest in the projects. There can be no assurance that additional future capital or other types of financing will be available, if needed, or that, if available, the terms of such future financing will be favourable to the Company.

If the Company obtains debt financing in the future, it will be exposed to the risk of leverage and its activities could become subject to restrictive loan and lease covenants and undertakings. If the Company obtains future equity financing other than on a pro rata basis to existing Shareholders, the future percentage ownership of the existing Shareholders may be reduced, Shareholders may then experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. There can be no assurance that the Company would be successful in overcoming these risks in the future or any other problems encountered in connection with such financings.

- *Risk of failure to amend the Debiensko mining concession* – The Company's mining exploration and development activities at Debiensko are dependent upon the alteration of, or as the case may be, the maintenance of appropriate licences, concessions, leases, claims, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of concessions, obtaining renewals, or attaining concessions alterations, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licences, concessions, leases, claims, permits or consents it holds will be renewed and altered as and when required. In this regard the Company has made an application to the Polish MoE to amend the Debiensko mining concession (which is valid until 2048) to alter the commencement of production from 2018 to 2025. There is no assurance that such applications (or renewals or alterations) of the concession will be granted or that such applications, renewals, alterations, rights and title interests will not be revoked or significantly altered. If such applications, renewals or alterations of concessions applied for are not granted or are in fact revoked in the future, there is a risk that this may have a material adverse effect on the financial performance and operations at Debiensko, the Company and on the value of the Company's securities. Under Poland's Geological and Mining Law, the MoE is required to view any application to modify a concession in the same manner as any initial application for a concession, in that the award of the concession is not in detriment to public interest (building a mine is considered to be in the best interest of the public), does not particularly breach any environmental laws (Karbonia was awarded with an environmental consent decision prior to being granted with the mining concession) and is not in breach of the spatial development plan (Karbonia was granted with spatial approval prior to the award of the mining concession).
- *Risk of further challenges by Bogdanka* – Since April 2015, Lubelski Wegiel Bogdanka ("Bogdanka") has made a number of applications and appeals to the Polish MoE seeking a mining concession application over the Company's K-6-7 exploration concession and priority right (only one concession area that comprises of Jan Karski). All applications and appeals previously made by Bogdanka have been outright rejected.

However Bogdanka has made a further appeal to the Supreme Administrative Court (with no court hearing being scheduled to date). The Supreme Administrative Court has no authority to grant Bogdanka a mining concession but it may however cancel the MoE's previous rejection decision. If the Supreme Administrative Court does cancel the MoE decision, the MoE will be required to re-assess Bogdanka's mining concession application. These proceedings do not relate to the Prairie's valid and existing priority right to apply for a mining concession over the K-6-7 area. As discussed above, Bogdanka has in the past raised several appeals challenging the Company's title to the exploration concessions comprising Jan Karski mine. There is therefore no guarantee that Bogdanka will not seek to file further appeals to future decisions taken by government departments in the course of Jan Karski's development timeline.

- *Operations conducted in an emerging market* – The Company's operations are located in Poland and will be exposed to related risks and uncertainties associated with this jurisdiction. Changes in mining or investment policies, laws or regulations (or the application thereof) or shifts in political attitude in Poland, in particular to mining, use of coal, and foreign ownership of coal projects may adversely affect the operation or profitability of the Company. The Company continues to consult with the various levels of Government but there can be no assurances that the future political developments in Poland will not directly impact the Company's operations or its ability to attract funding for its operations. The Company also competes with many other companies in Poland, including companies with established mining operations. Some of these companies have greater financial resources and political influence than the Company and, as a result, may be in a better position to compete with or impede the Company's current or future activities.

- *The Company may be adversely affected by fluctuations in coal prices and/or foreign exchange* – The price of coal fluctuates widely and is affected by numerous factors beyond the control of the Company. Coal prices are currently high compared to previous levels but there is no guarantee that prices will remain at this level in the future. Future production, if any, from the Company's mineral properties and its profitability will be dependent upon the price of coal being adequate to make these properties economic. Current and planned development activities are predominantly denominated in Euros and the Company's ability to fund these activates may be adversely affected if the Australian dollar continues to fall against the Euro. The Company currently does not engage in any hedging or derivative transactions to manage commodity price or foreign exchange risk. As the Company's operations change, this policy will be reviewed periodically going forward.

DIRECTORS

The names and details of the Group's Directors in office at any time during the financial year or since the end of the financial year are:

Directors:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director
Mr Emil Morfett	Non-Executive Director (resigned 31 July 2016)

Unless otherwise stated, Directors held their office from 1 July 2016 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas *B.Com, CA*
Chairman

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a Director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Apollo Minerals Limited (July 2016 – present), Cradle Resources Limited (May 2016 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), Piedmont Lithium Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Syntonic Limited (April 2010 – June 2017) and Papillon Resources Limited (May 2011 – October 2014).

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Benjamin Stoikovich *B.Eng, M.Eng, M.Sc, CEng, CEnv*
Director and CEO

Mr Stoikovich is a mining engineer and professional corporate finance executive. He has extensive experience in the resources sector gained initially as an underground Longwall Coal Mining Engineer with BHP Billiton where he was responsible for underground longwall mine operations and permitting, and more recently as a senior executive within the investment banking sector in London where he gained experience in mergers and acquisitions, debt and off take financing.

He has a Bachelor of Mining Engineering degree from the University of NSW; a Master of Environmental Engineering from the University of Wollongong; and a M.Sc in Mineral Economics from Curtin University. Mr Stoikovich also holds a 1st Class Coal Mine Managers Ticket from the Coal Mine Qualifications Board (NSW, Australia) and is a registered Chartered Engineer (CEng) and Chartered Environmentalist (CEnv) in the United Kingdom.

Mr Stoikovich was appointed a Director of the Company on 17 June 2013. During the three year period to the end of the financial year, Mr Stoikovich has not held any other directorships in listed companies.

Ms Carmel Daniele *B.Ec, CA*
Non-Executive Director

Ms Carmel Daniele is the founder and Chief Investment Officer of CD Capital in London. Ms Daniele has over 20 years of global natural resources investment experience, ten of which was spent with Newmont Mining/Normandy Mining and acquired companies. As a Senior Executive (Corporate Advisory) at Newmont she structured cross-border M&As including the three-way merger between Franco-Nevada, Newmont and Normandy. Post-merger Ms Daniele structured the divestment of various non-core mining assets around the world for the merchant banking arm, Newmont Capital. Ms Daniele started off her career at Deloitte Touche Tohmatsu. Prior to setting up CD Capital in London in 2006, Ms Daniele was an investment advisor to RAB Capital's Special Situations Fund on sourcing and negotiating natural resource private equity investments. Ms Daniele holds a Master of Laws (Corporate & Commercial) and Bachelor of Economics from the University of Adelaide and is a Fellow of the Institute of Chartered Accountants.

Ms Daniele was appointed a Director on 21 September 2015. During the three year period to the end of the financial year, Ms Daniele has not held any other directorships in listed companies.

Mr Thomas Todd *B.Sc (Hons), CA*
Non-Executive Director

Mr Todd was the Chief Financial Officer of Aston Resources from 2009 to November 2011. Prior to Aston Resources, Mr Todd was Chief Financial Officer of Custom Mining, where his experience included project acquisition and funding of project development for the Middlemount project to the sale of the company to Macarthur Coal. A graduate of Imperial College, Mr Todd holds a Bachelor of Physics with first class Honours. He is a Chartered Accountant (The Institute of Chartered Accountants in England and Wales) and a graduate of the Australian Institute of Company Directors.

Mr Todd was appointed a Director on 16 September 2014. During the three year period to the end of the financial year, Mr Todd has been an alternate director in Paringa Resources Limited (May 2014 – Present).

Mr Mark Pearce *B.Bus, CA, FCIS, FFin*
Non-Executive Director

Mr Pearce is a Chartered Accountant and is currently a Director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and Administrators and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Pearce has held directorships in Apollo Minerals Limited (July 2016 – present), Salt Lake Potash Limited (August 2014 – present), Equatorial Resources Limited (November 2009 – present), Piedmont Lithium Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present) and Syntonic Limited (April 2010 – October 2016).

Mr Todd Hannigan *B.Eng (Hons)*
Alternate Director for Mr Thomas Todd

Mr Hannigan was the Chief Executive Officer of Aston Resources from 2010 to 2011. During this time, the company significantly progressed the Maules Creek project, including upgrades to the project's resources and reserves, completion of all technical and design work for the Definitive Feasibility Study, negotiation of two major project stake sales and joint venture agreements, securement of port and rail access and progression of planning approvals to final stages. Mr Hannigan has worked internationally in the mining and resources sector for over 18 years with Aston Resources, Xstrata Coal, Hanson PLC, BHP Billiton and MIM.

Mr Hannigan was appointed as Alternate for Mr Thomas Todd on 16 September 2014. During the three year period to the end of the financial year, Mr Hannigan has held a directorship in Paringa Resources Limited (May 2014 – Present).

Mr Dylan Browne *B.Com, CA, AGIA*
Company Secretary

Mr Browne is a Chartered Accountant and Associate Member of the Governance Institute of Australia who is currently Company Secretary for a number of ASX and European listed companies that operate in the resources sector. He commenced his career at a large international accounting firm and has since been involved with a number of companies operating in the resources sector including Papillon Resources Limited and Berkeley Energia Limited. Mr Browne was appointed Company Secretary of the Company on 25 October 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of the exploration and development of resource projects. No significant change in nature of these activities occurred during the year.

EARNINGS PER SHARE

	2017 Cents	2016 Cents
Basic and diluted loss per share	**(7.42)**	(4.52)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Group during the financial year.

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made (2016: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year other than the following:

(i) On 11 October 2016, completed the acquisition of Debiensko transforming Prairie into a hard coking coal company complementing Prairie's advanced Jan Karski project, and creating a multi-project coking coal development company based in Poland to supply European industry;

(ii) On 2 November 2016, Prairie and China Coal, the second largest coal mining company in China and one of the world's most advanced and prolific shaft sinking and total underground coal mine construction companies, signed a landmark Strategic Co-operation Agreement to advance the financing and construction of Jan Karski;

(iii) On 23 January 2017, Prairie announced that the results of preliminary coal quality analysis from a borehole drilled at Debiensko confirming that the project hosts a range of premium quality hard coking coals comparable to internationally traded benchmark coking coals;

(iv) On 1 February 2017, the Company announced a maiden CRE of 301 million tonnes of hard coking coal at Debiensko;

(v) On 16 March 2017, a positive Scoping Study was announced which illustrates the potential for Debiensko to be a globally significant hard coking coal project with robust economics positioning the Company to become a large scale, low cost and long life premium hard coking coal supplier;

(vi) On 3 April 2017, the Company successfully completed a placing of 11.5 million new ordinary shares to a number of UK based high quality institutional investors to raise approximately £3.2 million (~A$5.5 million) before costs;

(vii) On 1 May 2017, the Company announced coal quality results which have confirmed Jan Karski's potential to produce high value ultra-low ash semi-soft coking coal; and

(viii) On 25 May 2017, Prairie achieved a significant permitting milestone following official approval by the Lublin Regional Mining Authority of the Jan Karski DDP.

SIGNIFICANT EVENTS AFTER BALANCE DATE

(i) On 6 July 2017, Prairie and CD Capital completed an additional investment of US$2.0 million (A$2.6 million) in the form of non-redeemable, non-interest-bearing convertible Loan Note 2;

(ii) On 23 August 2017, Prairie announced that the spatial development plan had been approved at Jan Karski by the MoE meaning the rezoning of 56 hectares of agricultural land for industrial use is complete allowing for construction of a mine site, shafts and associated surface infrastructure at Jan Karski; and

(iii) On 25 August 2017, the Company issued 5,775,000 Performance Rights which do not have an exercise price but are subject to various performance conditions to be satisfied prior to the relevant expiry dates between 31 December 2017 and 31 December 2020.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2017, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2017, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2017, of the Consolidated Entity.

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in securities at the date of this report		
	Ordinary Shares[1]	Incentive Options[2]	Performance Rights[3]
Mr Ian Middlemas	10,600,000	-	-
Mr Benjamin Stoikovich	1,500,000	-	3,100,000
Ms Carmel Daniele[4]	-	-	-
Mr Thomas Todd	2,800,000	1,400,000[5]	-
Mr Mark Pearce	3,000,000	-	-
Mr Todd Hannigan	3,504,223	1,400,000[5]	-

Notes:

1 "Ordinary Shares" means fully paid Ordinary Shares in the capital of the Company.
2 "Incentive Options" means an option to subscribe for one Ordinary Share in the capital of the Company.
3 "Performance Rights" means Performance Rights issued by the Company that convert to one Ordinary Share in the capital of the Company upon vesting of various performance conditions.
4 As founder and controller of CD Capital, Ms Daniele has an interest in the convertible notes and the right of CD Capital to acquire 44,776,119 Ordinary Shares and 21,388,060 $0.60 CD Options which may result in the issue of an additional 21,388,060 Ordinary Shares. Subsequent to the end of the financial year, Ms Daniele also acquired an interest for CD Capital to acquire a further 5,711,804 Ordinary shares through the issue of a $0.46 convertible note.
5 On 11 September 2014, 1,400,000 Incentive Options were issued to T2 Resources Pty Ltd, a Company in which Messrs Todd and Hannigan are directors and shareholders.

SHARE OPTIONS AND PERFORMANCE RIGHTS

At the date of this report the following Options and Performance Rights have been issued over unissued Ordinary Shares of the Company:

- 1,400,000 Incentive Options exercisable at $0.45 each on or before 30 June 2018;
- 200,000 Incentive Options exercisable at $0.50 each on or before 31 March 2020;
- 400,000 Incentive Options exercisable at $0.60 each on or before 31 March 2020;
- 700,000 Incentive Options exercisable at $0.80 each on or before 31 March 2020;
- 12,575,000 Performance Rights with various vesting conditions and expiry dates between 31 December 2017 and 31 December 2020;
- Convertible note with a principal amount of $15,000,000, exchangeable into 44,776,120 ordinary shares at a conversion price of $0.335 per share with no expiry date (Loan Note 1);
- Agreement to issue 22,388,060 Options exercisable at $0.60 each expiring 3 years after conversion of Loan Note 1; and
- Convertible loan note with a principal amount of $2,627,430, convertible into 5,711,805 ordinary shares at a conversion price of $0.46 per share with no expiry date (Loan Note 2).

During the year ended 30 June 2017, 4,020,000 Ordinary Shares have been issued as a result of the exercise of 4,020,000 Incentive Options, and nil Ordinary Shares have been issued as a result of the conversion of Performance Rights. Subsequent to year end and up until the date of this report, nil Ordinary Shares have been issued as a result of the exercise of Incentive Options, and nil Ordinary Shares have been issued as a result of the conversion of Performance Rights.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a Director or officer of the Company or Group for any liability caused as such a Director or officer and any legal costs incurred by a Director or officer in defending an action for any liability caused as such a Director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During the financial year, an annualised insurance premium was paid to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director
Mr Emil Morfett	Non-Executive Director (resigned 31 July 2016)

Other KMP

Mr Miroslaw Taras	Group Executive – Poland (appointed 13 October 2016)
Mr Artur Kluczny	Group Executive – Poland
Mr Simon Kersey	Chief Financial Officer (appointed 1 April 2017)
Mr Dylan Browne	Company Secretary
Mr Janusz Jakimowicz	Group Executive – Poland (resigned 13 July 2016)

Unless otherwise disclosed, the KMP held their position from 1 July 2016 until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors. In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

(a) the Group is currently focused on undertaking exploration, appraisal and development activities;

(b) risks associated with small cap resource companies whilst exploring and developing projects; and

(c) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and health care benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive ("STI")

Some executives are entitled to an annual cash incentive payment upon achieving various key performance indicators ("KPI's"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as successful commencement and/or completion of exploration activities (e.g. commencement/completion of exploration programs within budgeted timeframes and costs), establishment of government relationship (e.g. establish and maintain sound working relationships with government and officialdom), development activities (e.g. completion of infrastructure studies and commercial agreements), corporate activities (e.g. recruitment of key personnel and representation of the company at international conferences) and business development activities (e.g. corporate transactions and capital raisings). These measures were chosen as the Board believes they represent the key drivers in the short and medium term success of the Company's development. On an annual basis, and subsequent to year end, the Board assesses performance against each individual executive's KPI criteria. During the 2017 financial year, a total cash incentive of $256,487 (2016: Nil) was paid, or is payable, to KMP on achievement of KPIs as set by the Board which included: (i) Completed the acquisition of Karbonia after managing an intensive due diligence program; (ii) Completion of a positive Scoping Study for Debiensko; (iii) Completed the successful placement in April 2017 raising £3.2m and introducing prominent London fund managers to the Prairie share register; (iv) Agreed the additional US$2.0m Loan Note 2 investment with strategic partners CD Capital; (v) Announcement that the DDP for Jan Karski had been approved (vi) Establishing Jan Karski as an ultra-low ash premium semi-soft coking coal supplier; and (vii) Entered into a Strategic Co-operation Agreement with China Coal in November 2016 to complete a BFS for Jan Karski, and to provide Chinese bank debt funding in relation to a China Coal EPC contract;

Performance Based Remuneration – Long Term Incentive

The Group has adopted a long-term incentive plan ("LTIP") comprising the "Prairie Employee and Contractors Performance Rights Plan" (the "Plan") to reward KMP and key staff (including eligible employees and contractors) for long-term performance. Shareholders approved the Plan in November 2013 at an Annual General Meeting of Shareholders and on 17 August 2017 shareholders approved an amended and renewal of the Plan.

The Plan provides for the issuance of unlisted Performance Rights which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

To achieve its corporate objectives the Company needs to attract and retain its key staff, whether employees or contractors. The Board believes that grants made to eligible participants under the Plan provides a powerful tool to underpin the Company's employment and engagement strategy, and that the implementation of the Plan will:

(a) enable the Company to recruit, incentivise and retain KMP and other eligible employees and contractors to assist with the completion of and achievement of the Company's strategic objectives;

(b) link the reward of eligible employees and contractors with the achievements of strategic goals and the long term performance of the Company;

(c) align the financial interests of eligible participants of the Plan with those of Shareholders; and

(d) provide incentives to eligible employees and contractors of the Plan to focus on superior performance that creates Shareholder value.

Performance Rights granted under the Plan to eligible participants will be linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. The Performance Rights also vest where there is a change of control of the Company. Upon Performance Rights vesting, Ordinary Shares are automatically issued for no consideration. If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration (Continued)

Performance Based Remuneration – Long Term Incentive (Continued)

During the financial year, Performance Rights were granted (and were on issue) to certain KMP and other employees with the following performance conditions:

(a) **Mining Concession Milestone** means the granting of a mining concession at Jan Karski before 31 December 2017;

(b) **Decision to Commence Construction** means a Board decision to commencement of construction activities (including securing adequate project finance to enable construction to commence) for Jan Karski (including but not limited the commencement of ground breaking for the construction of infrastructure, coal processing and/or coal breaker station facilities), in accordance with the activities outlined in the project development schedule and budget approved by the Board and forming part of a technical study before 31 December 2018;

(c) **Debiensko Feasibility Study** means the announcement on ASX by the Company of a positive Feasibility Study at Debiensko before 31 December 2019; and;

(d) **Decision to Commence Underground Mining Construction means** a Board decision to commencement of construction activities (including securing adequate project finance to enable construction to commence) for Debiensko (including but not limited the commencement of ground breaking for the construction of infrastructure, coal processing and/or coal breaker station facilities), in accordance with the activities outlined in the project development schedule and budget approved by the Board and forming part of a technical study before 31 December 2020.

In addition, the Group may choose to provide unlisted Incentive Options to some KMP as part of their remuneration and incentive arrangements in order to attract and retain their services and to provide an incentive linked to the performance of the Group. The Board's policy is to grant Incentive Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, any Incentive Options granted to KMP are generally only of benefit if the KMP performed to the level whereby the value of the Group increased sufficiently to warrant exercising the Incentive Options granted.

Other than service-based vesting conditions (if any), there are generally no additional performance criteria attached to any Incentive Options granted to KMP, as given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered that the performance of the KMP and the performance and value of the Group are closely related.

The Company prohibits executives entering into arrangements to limit their exposure to Incentive Options and Performance Rights granted as part of their remuneration package.

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Incentive Options may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Incentive Options in order to secure and retain their services.

Fees for the Chairman were set at $36,000 per annum (2016: $36,000) (excluding post-employment benefits).

Fees for Non-Executive Directors' were set at $20,000 per annum (2016: $20,000) (excluding post-employment benefits). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

During the 2017 financial year, no Incentive Options or Performance Rights were granted to Non-Executive Directors.

The Company prohibits Non-Executive Directors entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash incentive payments are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP may receive Incentive Options in the future which generally will be of greater value to KMP if the value of the Company's shares increases sufficiently to warrant exercising the Incentive Options.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

REMUNERATION REPORT (AUDITED) (Continued)

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director and KMP of Prairie Mining Limited are as follows:

		Short-term benefits				Non-Cash		
		Salary & fees $	Cash Incentive Payments $	Living Allowance $	Post-employment benefits $	Share-based payments $	Total $	Performance related %
Directors								
Ian Middlemas	**2017**	**36,000**	**-**	**-**	**3,420**	**-**	**39,420**	**-**
	2016	36,000	-	-	3,420	-	39,420	-
Benjamin Stoikovich	**2017**	**376,963**	**169,233**	**-**	**-**	**(163,617)**	**382,579**	**44.2**
	2016	452,718	-	-	-	276,999	729,717	38.0
Carmel Daniele[1]	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2016	-	-	-	-	-	-	-
Thomas Todd	**2017**	**20,000**	**-**	**-**	**1,900**	**-**	**21,900**	**-**
	2016	20,000	-	-	1,900	-	21,900	-
Mark Pearce	**2017**	**20,000**	**-**	**-**	**1,900**	**-**	**21,900**	**-**
	2016	20,000	-	-	1,900	-	21,900	
Todd Hannigan	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2016	-	-	-	-	-	-	-
Emil Morfett[1,2]	**2017**	**2,706**	**-**	**-**	**-**	**-**	**2,706**	**-**
	2016	30,147	-	-	-	-	30,147	-
Anastasios Arima[3]	2016	11,174	-	-	1,062	-	12,236	-
John Welborn[3]	2016	4,470	-	-	425	-	4,895	-
Other KMP								
Miroslaw Taras[4]	**2017**	**76,533**	**24,371**	**-**	**-**	**36,403**	**137,307**	**44.3**
Artur Kluczny	**2017**	**124,457**	**24,420**	**-**	**-**	**(49,005)**	**99,872**	**-**
	2016	131,776	-	-	-	146,081	277,857	52.6
Simon Kersey[5]	**2017**	**68,644**	**21,549**	**-**	**-**	**11,481**	**101,674**	**32.5**
Dylan Browne	**2017**	**128,244**	**16,914**	**-**	**-**	**15,341**	**160,499**	**20.1**
	2016	102,177	-	-	-	64,151	166,328	38.6
Janusz Jakimowicz[6]	**2017**	**97,378**	**-**	**13,618**	**-**	**79,591**	**190,587**	**41.8**
	2016	332,504	-	49,437	-	592,433	974,374	60.8
Hugo Schumann[7]	2016	79,767	-	-	-	283,500	363,267	78.0
Total	**2017**	**950,925**	**256,487**	**13,618**	**7,220**	**(69,806)**	**1,158,444**	
	2016	1,220,733	-	49,437	8,707	1,363,164	2,642,041	

Notes:
1 During the year Ms Daniele waived her Non-Executive Director remuneration.
2 Mr Morfett was appointed on 21 September 2015 and resigned on 31 July 2016.
3 Messrs Arima and Welborn resigned on 21 September 2015.
4 Mr Taras was appointed as Group Executive – Poland on 13 October 2016.
5 Mr Kersey was appointed as Chief Financial Officer on 1 April 2017.
6 Mr Jakimowicz resigned as Group Executive – Poland on 13 July 2016 by giving 3 months' notice pursuant to his contract with the Group.
7 Mr Schumann resigned as Corporate Manager on 31 December 2015.

Incentive Options and Performance Rights Granted to KMP

Details of Incentive Options and Performance Rights granted as part of remuneration by the Company to each KMP of the Group during the financial year is as follows:

2017	Security	Grant Date	Expiry Date	Vesting Date	Exercise Price $	Grant Date Fair Value[1] $	Number Granted	Number Vested
Other KMP								
Simon Kersey	Rights	23 May 17	31 Dec 19	31 Dec 19	-	0.510	264,000	-
	Rights	23 May 17	31 Dec 20	31 Dec 20	-	0.510	396,000	-

Notes:
1. For details on the valuation of the Incentive Options and Performance Rights, including models and assumptions used, please refer to Note 20 to the financial statements.
2. Each Incentive Option or Performance Right converts into one Ordinary Share of Prairie Mining Limited.

Details of the values of Incentive Options granted, exercised or lapsed for each KMP of the Group during the 2017 financial year are as follows:

2017	Value of Options Granted during the Year[1] $	Value of Options exercised during the year $	Value of Options included in remuneration report for the year $	Remuneration for the year that consists of options %
Director				
Benjamin Stoikovich	-	255,000[2]	23,155	3.8
Other KMP				
Dylan Browne	-	11,200[3]	-	-

Notes:
1. For details on the valuation of the Incentive Options, including models and assumptions used, please refer to Note 20.
2. On 16 June 2017, Mr Stoikovich exercised 1,500,000 Incentive Options. The value of the Incentive Options exercised is calculated by using the closing price on that date, being $0.52, less the exercise price $0.35.
3. On 16 June 2017, Mr Browne exercised 160,000 Incentive Options. The value of the Incentive Options exercised is calculated by using the closing price on that date, being $0.52, less the exercise price $0.45.

Employment Contracts with Directors and KMP

Mr Stoikovich has signed an appointment letter with an effective appointment date of 17 June 2013, under the terms of which he agrees to serve as a Director of the Company. Mr Stoikovich's appointment letter is terminable, pursuant to the Company's Constitution, by giving the Company notice in writing. Mr Stoikovich receives a fixed fee of £25,000 per annum pursuant to this appointment letter.

Windellama Capital Limited, a company of which Mr. Stoikovich is a director and shareholder, has a consulting agreement with the Company to provide project management and capital raising services (CEO services) related to Debiensko and Jan Karski. Under this agreement, Windellama Capital Limited will be paid a fixed annual consultancy fee of £225,000 per annum and an annual incentive payment of up to £100,000 payable upon the successful completion of key project milestones as determined by the Board. In addition, Windellama Capital Limited, subject to meeting the requirements of the Corporations Act and where necessary receiving the appropriate approvals, will be entitled to receive a payment incentive worth the annual fixed directors fees and consultancy fee in the event of a change of control clause being triggered with the Company. The consulting contract may be terminated by either Windellama Capital Limited or the Company by giving twelve months' notice. No amount is payable to Windellama in the event of termination of the contract arising from negligence or incompetence in regard to the performance of services specified in the contract.

Mr Taras, was appointed as Group Executive – Poland on 13 October 2016. He has a consultancy agreement with the company dated 1 March 2015 and amended effective 1 September 2015, which provides for a consulting fee of PLN22,500 per month for strategic advisory services. The contract may be terminated by either party by giving one months' notice. Mr Taras also receives a fixed Management Board fee for PD Co sp. z o.o. (Jan Karski) of PLN4,400 per month.

Mr Kluczny, was appointed as Group Executive – Poland on 25 November 2014. He has a consultancy agreement with the company dated 12 December 2013 and amended effective 1 November 2014, which provides for a consulting fee of PLN26,600 per month for strategic advisory services. The contract may be terminated by either party by giving three months' notice.

REMUNERATION REPORT (AUDITED) (Continued)

Employment Contracts with Directors and KMP (Continued)

Mr Simon Kersey, Chief Financial Officer, is engaged under a consultancy deed with Cheyney Resources Limited ("Cheyney") dated 1 April 2017. The agreement specifies the duties and obligations to be fulfilled by Mr Kersey as the Chief Financial Officer. The Company may terminate the agreement with three months written notice. No amount is payable in the event of termination for material breach of contract, gross misconduct or neglect. Cheyney receives an annual consultancy fee of £160,000 and will be eligible for a cash incentive of up to £50,000 per annum to be paid upon successful completion of KPIs. In addition, Cheyney, will be entitled to receive a payment incentive worth 6 months of the annual consultancy fee in the event of a change of control clause being triggered with the Company.

Mr Browne, Company Secretary, has a letter of appointment dated 1 October 2015 confirming the terms and conditions of his appointment. Mr Browne's appointment letter is terminable pursuant to the Company's Constitution. Mr Browne receives a fee of £6,000 per annum pursuant to this appointment letter. In addition Candyl Limited ('Candyl'), a company of which Mr Browne is a director and shareholder, has a consultancy agreement with the Company, which specifies the duties and obligations to be fulfilled by Mr Browne as the Company Secretary. Either party may terminate the agreement with three months written notice. No amount is payable in the event of termination for material breach of contract, gross misconduct or neglect. Candyl receives an annual consultancy fee of £63,000.

Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2017 (2016: Nil).

Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid or is payable $150,000 (2016: $217,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income. At 30 June 2017, $12,500 (2016: $12,500) was included as a current liability in the Statement of Financial Position.

As founder and controller of CD Capital, Ms Daniele has an interest in Loan Note 1 (the right of CD Capital to acquire 44,776,119 Ordinary Shares and 21,388,060 $0.60 CD Options which may result in the issue of an additional 21,388,060 Ordinary Shares). Subsequent to the end of the financial year, Ms Daniele also acquired an interest for CD Capital to acquire Loan Note 2 (a further 5,711,804 Ordinary shares through the issue of a $0.46 convertible note).

Equity instruments held by KMP

Incentive Option and Performance Right holdings of Key Management Personnel

2017	Held at 1 July 2016	Granted as Remuneration	Vested Options and Rights Exercised	Net Other Change	Held at 30 June 2017	Vested and exercise-able at 30 June 2017
Directors						
Ian Middlemas	-	-	-	-	-	-
Benjamin Stoikovich	5,500,000	-	(1,500,000)	(2,500,000)[1]	1,500,000	-
Carmel Daniele	-	-	-	-	-	-
Thomas Todd	1,400,000	-	-	-	1,400,000	-
Mark Pearce	-	-	-	-	-	-
Todd Hannigan	1,400,000	-	-	-	1,400,000	-
Emil Morfett	-	-	-	-	-[2]	-
Other KMP						
Miroslaw Taras	850,000[3]	-	-	(150,000)[4]	700,000	-
Artur Kluczny	925,000			(475,000)[4]	450,000	-
Simon Kersey	-[5]	660,000	-	-	660,000	-
Dylan Browne	875,000	-	(160,000)	(365,000)[4]	350,000	-
Janusz Jakimowicz	2,400,000	-	-	-	2,400,000[6]	-

Notes:
1 On 30 June 2017, 1,500,000 Incentive Options exercisable at $0.45 each and 1,000,000 Performance Rights expired and were forfeited respectively.
2 As at date of resignation being 31 July 2016.
3 As at date of appointment being 13 October 2016.
4 Forfeiture of Performance Rights on 30 June 2017 as the performance conditions had not been achieved.
5 As at appointment date being 1 April 2017.
6 As at date of resignation being 13 July 2016.

Shareholdings of Key Management Personnel

2017	Held at 1 July 2016	Granted as Remuneration	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2017
Directors					
Ian Middlemas	10,600,000	-	-	-	10,600,000
Benjamin Stoikovich	-	-	1,500,000	-	1,500,000
Carmel Daniele	-	-	-	-	-
Thomas Todd	2,800,000	-	-	-	2,800,000
Mark Pearce	3,000,000	-	-	-	3,000,000
Todd Hannigan	3,504,223	-	-	-	3,504,223
Emil Morfett	-	-	-	-	-[1]
Other KMP					
Miroslaw Taras	150,000[2]	-	-	-	150,000
Artur Kluczny	570,238	-	-	-	570,238
Simon Kersey	370,000[3]	-	-	-	370,000
Dylan Browne	-	-	160,000	-	160,000
Janusz Jakimowicz	3,451,931	-	-	-	3,451,931[4]

Notes:
1 As at date of resignation being 31 July 2016.
2 As at date of appointment being 13 October 2016.
3 As at date of appointment being 1 April 2017.
4 As at date of resignation being 16 July 2016.

End of Remuneration Report

DIRECTORS' REPORT
(Continued)

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Board Meetings	
	Number eligible to attend	Number attended
Ian Middlemas	4	4
Benjamin Stoikovich	4	4
Carmel Daniele	4	3
Thomas Todd	4	4
Mark Pearce	4	4
Todd Hannigan (Alternate director to Mr Todd)	-	-

There were no Board committees during the financial year. The Board as a whole currently performs the functions of an Audit Committee, Risk Committee, Nomination Committee, and Remuneration Committee, however this will be reviewed should the size and nature of the Company's activities change.

NON-AUDIT SERVICES

Non-audit services provided by our auditors, Ernst & Young and related entities, are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

	2017 $	2016 $
Preparation of income tax return	**13,905**	8,000

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2017 (2016: nil).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 30 of the Directors' Report.

Signed in accordance with a resolution of the Directors.

B. Stoik

Benjamin Stoikovich
Director

29 September 2017

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 primary purpose of the Scoping Study is to establish whether or not to proceed to the next stage of feasibility studies and has been prepared to an accuracy level of ±30%. The Scoping Study results should not be considered a profit forecast or production forecast.

The Scoping Study is a preliminary technical and economic study of the potential viability of Debiensko. In accordance with the ASX listing rules, the Company advises that the Scoping Study referred to in this report 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 Production Target referred to in this report is based on 64% Indicated Resources and 36% Inferred Resources for the mine life covered under the Scoping Study. In accordance with the 26 year mine plan incorporated into the Scoping Study, the first 14 years of production will come exclusively from Indicated Resources. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Measured or Indicated Mineral Resources or that the Production Target or preliminary economic assessment will be realised.

The Scoping Study is based on the material assumptions outlined elsewhere in this report. These include assumptions about the availability of funding. While the Company considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Scoping Study will be achieved.

To achieve the potential mine development outcomes indicated in the Scoping Study, additional funding will be required. Investors should note that there is no certainty that the Company will be able to raise funding when needed however the Company has concluded it has a reasonable basis for providing the forward looking statements included in this announcement and believes that it has a “reasonable basis” to expect it will be able to fund the development of Debiensko. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study.

Competent Person Statements

Debiensko

The information in this report that relates to Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Prairie’s announcement dated 16 March 2017 entitled “Scoping Study Indicates Debiensko Mine Restart Will Deliver Lowest Cost Hard Coking Coal into Europe”. The information in this announcement that relates to Exploration Results and Coal Resources was extracted from Prairies announcement dated 1 February 2017 entitled “Maiden 301 Million Tonnes Hard Coking Coal Resource Confirmed at Debiensko”. Both announcements referred to above are available to view on the Company’s website at www.pdz.com.au.

The information in the original announcement that relates to Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Mr Maarten Velzeboer, a Competent Person, Member of the Institute of Materials, Minerals and Mining (MIMMM). Mr Velzeboer has worked in deep coal mines in New South Wales and Queensland in Australia and the Karaganda Coalfield in Kazakhstan. Mr Velzeboer has been engaged in a senior capacity in the design and development of proposed mines in Queensland, Australia, Botswana and Venezuela. Mr Velzeboer is employed by independent consultants Royal HaskoningDHV. Mr Velzeboer has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration andto 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.

The information in the original announcement that relates to Exploration Results and Coal Resources is based on, and fairly represents information compiled or reviewed by Mr Jonathan O’Dell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy who is a consultant of the Company. Mr O’Dell has sufficient experience that 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.

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcements and; b) all material assumptions and technical parameters underpinning the Production Target, Coal Resource and related forecast financial information derived from the Production Target included in the original announcements continue to apply and have not materially changed; c) the form and context in which the relevant Competent Persons findings are presented in this announcement has not been materially modified from the original announcements.

Jan Karski

The information in this report that relates to Exploration Results was extracted from Prairie’s announcement dated 1 May 2017 entitled “Coking Coal Quality Results Establish Jan Karski as A High Value Ultra-Low Ash Coking Coal Mine” which is available to view on the Company’s website at www.pdz.com.au.

The information in the original announcement that relates to Exploration Results is based on, and fairly represents information compiled or reviewed by Mr Jonathan O’Dell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr O’Dell is a part time consultant of the Company. Mr O’Dell has sufficient experience that 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’.

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcements; b) all material assumptions and technical parameters of the Exploration Results included in the original 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 announcements.

AUDITOR'S INDEPENDENCE DECLARATION

Building a better working world

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Auditor's Independence Declaration to the Directors of Prairie Mining Limited

As lead auditor for the audit of Prairie Mining Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Prairie Mining Limited and the entities it controlled during the financial year.

Ernst & Young

G H Meyerowitz
Partner
29 September 2017

GHM:JT:PML:010

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue	2(a)	**1,340,749**	309,969
Other income	2(b)	**650,000**	-
Exploration and evaluation expenses		**(6,560,343)**	(4,830,109)
Employment expenses	3	**(156,171)**	(289,008)
Administration and corporate expenses		**(454,807)**	(310,083)
Occupancy expenses		**(433,201)**	(465,018)
Share-based payment expenses	20	**392,275**	(1,723,271)
Business development expenses		**(1,474,077)**	(1,219,309)
Other expenses		**(521,502)**	-
Non-cash fair value movements	4	**(4,264,925)**	1,765,429
Loss before income tax		**(11,482,002)**	(6,761,400)
Income tax expense	5	**-**	-
Net loss for the year		**(11,482,002)**	(6,761,400)
Net loss attributable to members of Prairie Mining Limited		**(11,482,002)**	(6,761,400)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**695,252**	10,230
Total other comprehensive income/(loss) for the year, net of tax		**695,252**	10,230
Total comprehensive loss for the year, net of tax		**(10,786,750)**	(6,751,170)
Total comprehensive loss attributable to members of Prairie Mining Limited		**(10,786,750)**	(6,751,170)
Basic and diluted loss per share from (cents per share)	16	**(7.42)**	(4.52)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	15(b)	**16,826,854**	18,063,119
Trade and other receivables	6	**1,094,997**	265,635
Other financial assets	7	**-**	-
Total Current Assets		**17,921,851**	18,328,754
Non-current Assets			
Property, plant and equipment	8	**2,779,526**	98,140
Exploration and evaluation assets	9	**2,603,172**	530,000
Total Non-current Assets		**5,382,698**	628,140
TOTAL ASSETS		**23,304,549**	18,956,894
LIABILITIES			
Current Liabilities			
Trade and other payables	10	**2,109,127**	805,313
Provisions	12	**580,129**	-
Other financial liabilities – cash settlement	11	**1,783,283**	-
Other financial liabilities – non-cash settlement	11	**4,600,746**	335,821
Total Current Liabilities		**9,073,285**	1,141,134
Non-Current Liabilities			
Provisions	12	**1,136,134**	-
Total Current Liabilities		**1,136,134**	-
TOTAL LIABILITIES		**10,209,419**	1,141,134
NET ASSETS		**13,095,130**	17,815,760
EQUITY			
Contributed equity	13	**58,477,713**	51,298,932
Reserves	14	**2,258,339**	3,043,493
Accumulated losses		**(47,640,922)**	(36,526,665)
TOTAL EQUITY		**13,095,130**	17,815,760

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2017

	Ordinary Shares	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2016	**51,298,932**	**3,010,300**	**33,193**	**(36,526,665)**	**17,815,760**
Net loss for the year	**-**	**-**	**-**	**(11,482,002)**	**(11,482,002)**
Other comprehensive income:					
Exchange differences on translation of foreign operations	**-**	**-**	**695,252**	**-**	**695,252**
Total comprehensive income/(loss) for the period	**-**	**-**	**695,252**	**(11,482,002)**	**(10,786,750)**
Transactions with owners recorded directly in equity					
Issue of ordinary shares	**5,382,522**	**-**	**-**	**-**	**5,382,522**
Exercise of Incentive Options	**1,649,000**	**-**	**-**	**-**	**1,649,000**
Share issue costs	**(477,091)**	**-**	**-**	**-**	**(477,091)**
Expiry of Incentive Options	**-**	**(367,745)**		**367,745**	**-**
Forfeiture of Performance Rights	**-**	**(1,626,437)**	**-**	**-**	**(1,626,437)**
Transfer from share-based payments	**624,350**	**(624,350)**	**-**	**-**	**-**
Recognition of share-based payments	**-**	**1,138,126**	**-**	**-**	**1,138,126**
Balance at 30 June 2017	**58,477,713**	**1,529,894**	**728,445**	**(47,640,922)**	**13,095,130**
Balance at 1 July 2015	36,649,571	2,597,720	22,963	(29,870,996)	9,399,258
Net loss for the year	-	-	-	(6,761,400)	(6,761,400)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	10,230	-	10,230
Total comprehensive income/(loss) for the period	-	-	10,230	(6,761,400)	(6,751,170)
Transactions with owners recorded directly in equity					
Issue of ordinary shares	321,248	-	-	-	321,248
Share issue costs	(4,900)	-	-	-	(4,900)
Issue of Convertible Note (Note 13)	15,000,000	-	-	-	15,000,000
Recognition of Conversion right attached to Convertible Note (Note 13)	(968,284)				(968,284)
Costs to issue convertible note	(903,663)	-	-	-	(903,663)
Transfer from share-based payments	1,204,960	(1,204,960)	-	-	-
Forfeiture of Performance Rights	-	(8,356)	-	8,356	-
Lapse of Incentive Options	-	(97,375)	-	97,375	-
Recognition of share-based payments	-	1,723,271	-	-	1,723,271
Balance at 30 June 2016	51,298,932	3,010,300	33,193	(36,526,665)	17,815,760

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(10,411,638)**	(7,304,600)
Proceeds from property and gas sales		**498,094**	-
Interest received from third parties		**368,380**	254,470
NET CASH FLOWS USED IN OPERATING ACTIVITIES	15(a)	**(9,545,164)**	(7,050,130)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(219,071)**	(76,600)
Purchase of controlled entity	24	**(742,367)**	-
Proceeds from sale of BMP		**650,000**	-
Recovery of pre-paid land deposit		**1,990,895**	-
Proceeds from sale of listed securities		**-**	8,702,720
NET CASH FLOWS FROM IN INVESTING ACTIVITIES		**1,679,457**	8,626,120
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**6,935,489**	-
Payments for share issue costs		**(332,431)**	(16,135)
Proceeds from issues of convertible note		**-**	15,000,000
Payments for issue of convertible note		**-**	(566,735)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**6,603,058**	14,417,130
Net increase/(decrease) in cash and cash equivalents		**(1,262,649)**	15,993,120
Net foreign exchange differences		**26,384**	(6,410)
Cash and cash equivalents at beginning of year		**18,063,119**	2,076,409
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15(b)	**16,826,854**	18,063,119

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Prairie Mining Limited ("Prairie" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2017 are stated to assist in a general understanding of the financial report.

Prairie Mining is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"), the London Stock Exchange and the Warsaw Stock Exchange.

The financial report of the Group for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis, except for the derivative financial liability which has been measured at fair value. The financial report is presented in Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

(i) AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation* which clarify the principle in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset;

(ii) AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* which clarify certain requirements in AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 7 Financial Instruments: Disclosures, AASB 119 Employee Benefits, and AASB 134 Interim Financial Reporting; and

(iii) AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101* which amends AASB 101 Presentation of Financial Statements to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2017. These are outlined in the table below and overleaf, but these are not expected to have any significant impact on the Group's financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Standard/Interpretation	Application date of standard	Application date for Group
AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*	1 January 2017	1 July 2017
AASB 9 *Financial Instruments*, and relevant amending standards	1 January 2018	1 July 2018
AASB 15 *Revenue from Contracts with Customers*, and relevant amending standards	1 January 2018	1 July 2018
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	1 January 2018	1 July 2018
AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018	1 July 2018
AASB 16 *Leases*	1 January 2019	1 July 2019

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2017 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(e) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance account for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Short term receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(f) Investments and Other Financial Assets

Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position. Loans and receivables are carried at amortised cost using the effective interest rate method.

Loans and receivables are carried at amortised cost using the effective interest rate method.

Impairment

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Property, Plant and Equipment

(i) Recognition and measurement

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

(ii) Depreciation and Amortisation.

Depreciation is provided on a straight-line basis on all property, plant and equipment.

	2017	2016
Major depreciation and amortisation periods are:		
Buildings:	**2% - 40%**	22% - 40%
Plant and equipment:	**22% - 40%**	22% - 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Exploration and Evaluation Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

Impairment

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days. Payables are carried at amortised cost.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Other Financial Liabilities

(i) Derivative Financial Liability

Initial recognition and measurement

Derivative liabilities are classified as held for trading and initially measured at fair value.

Subsequent measurement

Subsequent to initial recognition, derivatives are carried at fair value through profit or loss. Realised and unrealised gains and losses arising from changes in the fair value are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise.

Derecognition

Derivative liabilities are derecognised when the obligation under the liability is discharged or is cancelled.

(ii) Contingent Consideration Financial Liability

Initial recognition and measurement

The contingent consideration is carried at amortised cost and initially measured at fair value.

Subsequent measurement

Subsequent to initial recognition, the contingent consideration is carried at fair value through profit or loss. Realised and unrealised gains and losses arising from changes in the fair value are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise.

Derecognition

The contingent consideration will be derecognised when the obligation under the liability is discharged or cancelled.

(m) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(n) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income Tax (Continued)

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Prairie Mining Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(o) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured using the projected unit credit valuation method.

(p) Earnings per Share

Basic earnings per share (“EPS”) is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of acquistion is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(s) Impairment of non-current Assets

The Group assesses at each reporting date whether there is an indication that a non-current asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(t) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(u) Issued and Unissued Capital

Ordinary Shares and Unissued Milestone Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Foreign Currencies

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the Statement Profit or Loss and other Comprehensive Income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the other Comprehensive Income.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

(w) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 20.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(x) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets (Note 9)
- Financial liabilities through Profit or Loss (Note 11 and Note 23(h))
- Share-Based Payments (Note 20)
- Functional currency of foreign operations (Note 23(i))
- Asset acquisition and business combinations (Note 24)

2. REVENUE AND OTHER INCOME

	2017 $	2016 $
(a) Revenue		
Interest income	**368,380**	309,969
Gas and property lease income	**972,369**	-
	1,340,749	309,969
(b) Other Income		
Sale of BMP income	**650,000**	-
	650,000	-

3. EXPENSES

	Note	2017 $	2016 $
(a) Employee benefits expense			
Salaries and wages		**(139,384)**	(263,889)
Superannuation expense		**(7,220)**	(7,645)
Other employee expenses		**(9,567)**	(17,474)
Employment expenses		**(156,171)**	(289,008)
Share-based payment (expense)/reversal	20(a)	**392,275**	(1,723,271)
Employment expenses recorded in exploration and evaluation expenses		**(612,860)**	(714,527)
Employment expenses recorded in business development expenses		**(252,083)**	(292,814)
Total employment expenses included in profit or loss		**(628,839)**	(3,019,620)

4. FAIR VALUE MOVEMENTS

	Note	2017 $	2016 $
Fair value gain on financial assets at fair value through profit and loss	7	**-**	1,132,966
Fair value gain/(loss) on financial liabilities at fair value through profit and loss	11	**(4,264,925)**	632,463
		(4,264,925)	1,765,429

5. INCOME TAX

	2017 $	2016 $
(a) Recognised in the statement of comprehensive income		
Current income tax		
Current income tax benefit in respect of the current year	**-**	-
Deferred income tax		
Relating to origination and reversal of temporary differences	**-**	-
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	**-**	-

	2017 $	2016 $
(b) Reconciliation between tax expense and accounting loss before income tax		
Accounting loss before income tax	**(11,482,002)**	(6,761,400)
At the domestic income tax rate of 27.5% (2016: 30%)	**(3,157,551)**	(2,028,420)
Effect of decrease in Australian income tax rate	**174,611**	-
Expenditure not allowable for income tax purposes	**1,576,104**	1,290,102
Income not assessable for income tax purposes	**-**	(339,890)
Capital gains	**-**	387,524
Deferred tax assets not brought to account	**1,034,964**	454,991
Adjustments in respect of current income tax of previous years	**-**	(99,071)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**371,872**	334,764
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	**-**	-
(c) Deferred Tax Assets and Liabilities		
Deferred income tax at 30 June relates to the following:		
Deferred Tax Liabilities		
Receivables	**20,688**	16,939
Deferred tax assets used to offset deferred tax liabilities	**(20,688)**	(16,939)
	-	-
Deferred Tax Assets		
Accrued expenditure	**12,925**	10,500
Capital allowances	**2,792,015**	2,091,164
Property, plant and equipment	**-**	6,535
Tax losses available offset against future taxable income	**2,337,638**	2,332,088
Deferred tax assets used to offset deferred tax liabilities	**(20,688)**	(16,939)
Movement in deferred tax assets not brought to account	**(5,121,890)**	(4,423,348)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(e) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Prairie Mining Limited.

5. INCOME TAX (Continued)

(f) Polish tax Losses

Losses from one source of profits may offset income from other sources in the same tax year. Losses may be carried forward to the following five tax years to offset profits from all sources that are derived in those years. Up to 50% of the original loss may offset profits in any of the five tax years. Losses may not be carried back.

6. TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Trade receivables	**266,389**	13,271
Accrued interest	**75,229**	56,464
Deposits/prepayments	**585,485**	-
GST and other receivables	**167,894**	195,900
	1,094,997	265,635

7. CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Note	2017 $	2016 $
Held-for-trading financial assets reconciliation			
Carrying amount at the start of the year		**-**	7,569,754
Changes in fair value recognised in the Statement of Profit and Loss	4	**-**	1,132,966
Proceeds from sale of held-for-trading financial assets		**-**	(8,702,720)
		-	-

Note:
[1] During the previous financial year, the Company sold its remaining 3.75 million shares held in B2Gold Corp (TSX:BTO) ("B2Gold").

8. PROPERTY, PLANT AND EQUIPMENT

	Note	2017 $	2016 $
(a) Property, Plant and Equipment			
Gross carrying amount at cost		**2,970,271**	1,126,637
Accumulated Depreciation		**(190,745)**	(1,028,497)
Carrying amount at end of year		**2,779,526**	98,140
(b) Reconciliation			
Carrying at the start of the year, net of accumulated depreciation		**98,140**	58,097
Acquired on acquisition of controlled entity	24	**2,527,356**	-
Additions		**184,896**	83,146
Depreciation charge		**(65,899)**	(39,825)
Exchange rate differences on translation of foreign operations		**35,033**	(3,278)
Carrying amount at end of year		**2,779,526**	98,140

9. EXPLORATION AND EVALUATION ASSETS

	Note	2017 $	2016 $
(a) Areas of Interest			
Jan Karski		**530,000**	530,000
Debiensko		**2,073,172**	-
Carrying amount at end of year[1]		**2,603,172**	530,000
(b) Reconciliation			
Carrying amount at the start of the year		**530,000**	530,000
Acquired on acquisition of controlled entity	24	**2,047,034**	-
Exchange rate differences on translation of foreign operations		**26,138**	-
Carrying amount at end of year[1]		**2,603,172**	530,000

Note:

1 The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

10. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade and other payables	**2,109,127**	805,313
	2,109,127	805,313

Notes:

1 Refer to note 24 for the trade and other payables inherited as part of the Karbonia acquisition.
2 Trade payables are non-interest bearing and are normally settled on 30-day terms.
3 Other payables are non-interest bearing and have an average term of six months.

11. OTHER FINANCIAL LIABILITIES

	Note	2017 $	2016 $
Financial liabilities at fair value through profit or loss:			
(a) Cash settlement required			
Contingent consideration carried at amortised cost	24	**1,783,283**	-
(b) Non-cash settlement required			
Derivative liability - conversion right attached to Loan Note 1 at fair value through profit and loss[1]	13(a)	**4,600,746**	335,821

Note:

1 This is a non-cash derivative instrument liability of which the Company will never be required to outlay any cash to settle. The liability only arises from the requirement to issue unlisted options in the Company following conversion of Loan Note 1 and pursuant to AASB 132 and accounting for a derivative liability. Please refer to Note 13(a) for further information.

12. PROVISIONS

	2017 $	2016 $
PROVISIONS		
(a) Current Provisions:		
Provisions for the protection against mining damage at Debiensko[1]	**245,587**	-
Annual leave provision	**124,876**	-
Other[2]	**209,666**	-
	580,129	-
(b) Non-Current Provisions:		
Provisions for the protection against mining damage at Debiensko[1]	**1,136,134**	-
	1,136,134	-

Notes:

1 With Debiensko being an operating mine previously, Karbonia is required to pay out mining land damages to any surrounding land owner who makes a legitimate claim under Polish law.

2 In April 2012, Karbonia signed a power connection contract with the local power grid operator. The purpose of the contract was to connect Karbonia's future mining facilities at Debiensko to the power operator's power lines. The operator has incurred expenses amounting to PLN597,614 ($209,666) of which Karbonia would owe to the operator in the event that the contract is terminated (which both parties are entitled to do), or if power is not purchased from Tauron prior to 2018.

13. CONTRIBUTED EQUITY

	Note	2017 $	2016 $
(a) Issued and Unissued Capital			
167,498,969 (2016: 151,608,969) fully paid Ordinary Shares	13(b)	**45,349,612**	38,170,879
Convertible Note exchangeable into fully paid ordinary shares at $0.335 per share[1]		**15,000,000**	15,000,000
Recognition of conversion right attached to Convertible Note[2]		**(968,236)**	(968,284)
Costs incurred to issue convertible note		**(903,663)**	(903,663)
Total Contributed Equity		**58,477,713**	51,298,932

Notes:

1 In September 2015, Prairie completed an Investment Agreement with CD Capital by way of a private placement by PDZ Holdings (a wholly-owned subsidiary of Prairie which indirectly holds the Jan Karski Mine) of non-interest bearing convertible loan notes with an aggregate principal amount of $15 million to CD Capital, exchangeable for ordinary shares in Prairie at $0.335 per share (Loan Note 1). The $83 million transaction was approved by shareholders and is structured as follows:

- Issue of the convertible note upfront;
- On conversion of the Loan Note 1, grant CD Capital unlisted options in Prairie with an exercise price of A$0.60 per option ("CD Options") for a further investment in Prairie of $13 million once exercised; and
- a priority right for CD Capital to invest a further A$55 million in any future funding conducted by Prairie

Other key terms of the Loan Note 1 include the following:

- At any time while Loan Note 1 is outstanding, CD Capital has the right to convert all or part of the outstanding principal amount of Loan Note 1 into shares at the conversion price of $0.335 per share. Loan Note 1 must be converted in minimum amounts of $250,000 increments.
- Prairie has the right, whilst no Event of Default exists, to convert all or part of the outstanding principal amount of the Loan Note 1 into shares at the conversion price of $0.335 per share:
  - in the event of an unconditional takeover of the Company (acquisition of a relevant interest in at least 50% of Prairie shares pursuant to a takeover bid or by an Australian court approving a merger by way of a scheme of arrangement); or
  - at any time 12 months after the date of issue of the Convertible Note (being 19 July 2015) provided that the 30 day VWAP of Prairie's shares exceeds the conversion price of A$0.335 per share;
- Loan Note 1 does not provide CD Capital with any right to participate in any new issues of securities.
- If the Company reorganises its capital structure, such as by subdividing or consolidating the number of its shares, conducts a pro-rata offer to existing shareholders or distributes assets or securities to Shareholders, then the conversion price of $0.335 of Loan Note 1 will be adjusted so that the number of shares received by CD Capital on conversion of Loan Note 1 (assuming that all PDZ Holdings shares issued to CD Capital were exchanged for Prairie shares) is the same as if Loan Note 1 were converted prior to relevant event.
- The occurrence of an Event of Default entitles CD Capital to declare the principal amount of Loan Note 1 immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Group.
- Each of the following events is an "Event of Default" in relation to Loan Note 1:

- If any representation or warranty made by Prairie is false or misleading which is reasonably likely to be a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
    - If the Group breaches a covenant or condition of Loan Note 1 or Investment Agreement which is a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
    - An Insolvency Event occurs (i.e. winding up) in relation to the Group;
    - If the Group ceases to carry on a business; or
    - If the Group does not maintain the listing and trading of its shares on at least one of the ASX, LSE or WSE.
- CD Capital may assign, transfer or encumber in whole or in part (in amounts of at least $1 million) its rights under Loan Note 1 to any third party by giving written notice to the Prairie Group provided the third party has provided a deed of assumption. Assignment of Loan Note 1 will not result in the assignment of the rights and obligations under the Investment Agreement.
- A Material Adverse Effect means a material adverse effect on:
    - the Company or PDZ Holding's ability to perform any of their obligations under Loan Note 1, the Investment Agreement and all other documents to be executed and delivered by CD Capital to PDZ Holdings or the Group ("Transaction document");
    - the validity or enforceability of a Transaction Document; or
    - the assets, business, condition (financial or otherwise), prospects or operations of the Group.
- An Insolvency Event in relation to the Group means:
    - An order being made, or the Group passing a resolution, for its winding up.

2 Under AASB 132, the conversion rights (the issue of Ordinary Shares and subsequent issue of CD Options on conversion of Loan Note 1) of the Convertible Note needs to be considered and accounted for separately. This embedded derivative is required to be carried at fair value through profit and loss and results in the fair value movements of the conversion rights to be recognised in profit and loss for the period. The fair value of the derivative liability at 30 June 2016 and 30 June 2017 was assessed to be $335,821 and $4,600,746, respectively. The non-cash fair value loss arising from the movement in the derivative was $4,264,925. Please refer to Note 4 and 11 for further disclosure.

(b) Movements in Ordinary Shares During the Past Two Years Were as Follows:

Date	Details	Number of Ordinary Shares	$
01 Jul 16	**Opening balance**	**151,608,969**	**38,170,879**
2 Dec 16	Issue of shares to consultant as part of their fee	250,000	50,000
17 Mar 17	Issue of shares to consultants as part of their fee	120,000	46,034
3 Apr 17	Placement	11,500,000	5,286,440
Jun 17	Issue of shares on exercise of Incentive Options	4,020,000	1,649,000
Jul 16 to Jun 17	Transfer from share-based payment reserve	-	624,350
Jul 16 to Jun 17	Share issue costs	-	(477,091)
30 Jun 17	**Closing balance**	**167,498,969**	**45,349,612**
01 Jul 15	Opening balance	146,467,432	36,649,571
24 Jul 15	Issue of Shares on conversion of Performance Rights	1,885,000	-
30 Dec 15	Issue of shares to consultant as part of their fee in relation to the issue of convertible notes	1,492,537	321,248
16 Mar 16	Issue of Shares on conversion of Performance Rights	1,764,000	-
Jul 15 to Jun 16	Transfer from share-based payment reserve	-	1,204,960
Jul 15 to Jun 16	Share issue costs	-	(4,900)
30 Jun 16	Closing balance	151,608,969	38,170,879

(c) Rights Attaching to Ordinary Shares

The rights attaching to fully paid Ordinary Shares arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Incentive Options in accordance with Note 14(c) or the conversion of Performance Rights in accordance with Note 14(d) will rank equally in all respects with the Company's existing Ordinary Shares.

13. CONTRIBUTED EQUITY (Continued)

(c) Rights Attaching to Ordinary Shares (Continued)

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) Voting

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) Listing Rules

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

14. RESERVES

	Note	2017 $	2016 $
Share-based-payments reserve	14(b)	**1,529,894**	3,010,300
Foreign currency translation reserve		**728,445**	33,193
		2,258,339	3,043,493

(a) Nature and Purpose of Reserves

(i) Share-based payments reserve

The share-based payments reserve is used to record the fair value of Incentive Options and Performance Rights issued by the Group.

(ii) Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(v). The reserve is recognised in the Statement of Profit or Loss and other Comprehensive Income when the net investment is disposed of.

(b) Movements in share-based payments reserve during the past two years were as follows:

Date	Details	Number of Incentive Options	Number of Performance Rights	$
01 Jul 16	**Opening balance**	**8,225,000**	**9,397,000**	**3,010,300**
31 Dec 16	Forfeiture of Performance Rights	-	(1,200,000)	(396,001)
17 Mar 17	Grant of Incentive Options	1,300,000	-	-
23 May 17	Grant of Performance Rights	-	1,800,000	-
Jun 17	Exercise of Incentive Options	(4,020,000)	-	(624,350)
30 Jun 17	Expiry of Incentive Options	(2,805,000)	-	(367,745)
30 Jun 17	Forfeiture of Performance Rights	-	(3,197,000)	(1,230,436)
Jul 16 to Jun 17	Share-based payments expense	-	-	1,138,126
30 Jun 17	**Closing balance**	**2,700,000**	**6,800,000**	**1,529,894**
01 Jul 15	**Opening balance**	**10,975,000**	**6,032,000**	**2,597,720**
24 Jul 15	Conversion of Performance Rights	-	(1,885,000)	(649,300)
31 Jul 15	Forfeit of Performance Rights	-	(50,000)	(8,356)
21 Sep 15	Cancellation of $0.60 Incentive Options	(1,500,000)	-	-
2 Oct 15	Grant of Performance Rights	-	7,064,000	-
16 Mar 16	Conversion of Performance Rights	-	(1,764,000)	(555,660)
30 Jun 16	Expiry of Incentive Options	(1,250,000)	-	(97,375)
Jul 15 to Jun 16	Share-based payments expense			1,723,271
30 Jun 16	**Closing balance**	**8,225,000**	**9,397,000**	**3,010,300**

(c) Terms and Conditions of Incentive Options

The Incentive Options are granted based upon the following terms and conditions:

- Each Incentive Option entitles the holder the right to subscribe for one Ordinary Share upon the exercise of each Incentive Option;
- The Incentive Options outstanding at the end of the financial year have the following exercise prices and expiry dates:
  - 1,400,000 Incentive Options exercisable at $0.45 each on or before 30 June 2018.
  - 200,000 Incentive Options exercisable at $0.50 each on or before 31 March 2020;
  - 400,000 Incentive Options exercisable at $0.60 each on or before 31 March 2020; and
  - 700,000 Incentive Options exercisable at $0.80 each on or before 31 March 2020.
- The Incentive Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);

14. RESERVES (Continued)

(c) Terms and Conditions of Incentive Options (Continued)

- Ordinary Shares issued on exercise of the Incentive Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Incentive Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Incentive Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Incentive Options will be made by the Company.

(d) Terms and Conditions of Performance Rights

The unlisted performance share rights ("Performance Rights") are granted based upon the following terms and conditions:

- Each Performance Right automatically converts into one Ordinary Share upon vesting of the Performance Right;
- Each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- The Performance Rights outstanding at the end of the financial year have the following expiry dates:
  - 3,150,000 Performance Rights expiring 31 December 2017;
  - 1,650,000 Performance Rights expiring 31 December 2018;
  - 320,000 Performance Rights expiring 31 December 2019; and
  - 1,680,000 Performance Rights expiring on 31 December 2020.
- Ordinary Shares issued on conversion of the Performance Rights rank equally with the then Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon conversion of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- No application for quotation of the Performance Rights will be made by the Company; and
- Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

15. STATEMENT OF CASH FLOWS

(a) Reconciliation of the Profit after Tax to the Net Cash Flows from Operations

	2017 $	2016 $
Net loss for the year	**(11,482,002)**	(6,761,400)
Adjustments		
Depreciation of plant and equipment	**65,899**	39,824
Share-based payment expense/(reversal)	**(392,275)**	1,723,271
Unrealised foreign exchange gain	**(308,036)**	-
Fair value gain on financial assets at fair value through profit and loss		(1,132,966)
Fair value (gain)/loss on financial liabilities at fair value through profit and loss	**4,264,925**	(632,463)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(829,363)**	(67,757)
Increase/(decrease) in trade and other payables	**(532,919)**	(218,639)
Increase/(decrease) in provisions	**(331,393)**	-
Net cash outflow from operating activities	**(9,545,165)**	(7,050,130)

(b) Reconciliation of Cash

	2017	2016
Cash at bank and on hand	**4,826,854**	10,063,119
Deposits at call	**12,000,000**	8,000,000
	16,826,854	18,063,119

(c) Non-cash Financing and Investing Activities

30 June 2017

An amount of $96,034 was recognised as a share-based payment for the issue of shares to consultants as part their annual fees. Please refer to Note 20(a).

30 June 2016

An amount of $321,248 was recognised as a share-based payment for the issue of shares to a consultant as part their fee in relation to the issue of convertible notes. Please refer to Note 20(a).

16. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2017 $	2016 $
The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Net loss attributable to members of the Parent used in calculating basic and diluted earnings per share	**(11,482,002)**	(6,761,400)
	Number of Ordinary Shares 2017	**Number of Ordinary Shares 2016**
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	**154,717,188**	149,500,027

(a) Non-Dilutive Securities

As at balance date, 2,700,000 Incentive Options, 6,800,000 Performance Rights, 44,776,119 Shares on conversion of Loan Note 1 and 21,388,060 CD Options (which represent 75,664,179 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2017

Since 30 June 2017, the Company has issued 500,000 Incentive Options, 5,775,000 Performance Rights and 5,711,805 Shares convertible pursuant to Loan Note 2.

Other than as disclosed above, there have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

17. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest 2017 %	% Equity Interest 2016 %
Mineral Investments Pty Ltd	Australia	**100**	100
PDZ Holdings Pty Ltd	Australia	**100**	100
PDZ (UK) Limited	UK	**100**	100
PD CO Holdings (UK) Limited	UK	**100**	100
PD Co sp z o.o.	Poland	**100**	100
Karbonia S.A.	Poland	**100**	-
Chelm-Rol sp z o.o.	Poland	**100**	100

(b) Ultimate Parent

Prairie Mining Limited is the ultimate parent of the Group.

(c) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Key Management Personnel, including remuneration, are included at Note 18 below.

18. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director
Mr Emil Morfett	Non-Executive Director (resigned 31 July 2016)

Other KMP

Mr Miroslaw Taras	Group Executive – Poland (appointed 13 October 2016)
Mr Artur Kluczny	Group Executive – Poland
Mr Simon Kersey	Chief Financial Officer (appointed 1 April 2017)
Mr Dylan Browne	Company Secretary
Mr Janusz Jakimowicz	Group Executive – Poland (resigned 13 July 2016)

Unless otherwise disclosed, the KMP held their position from 1 July 2016 until the date of this report.

	2017 $	2016 $
Short-term employee benefits	**1,221,030**	1,270,170
Post-employment benefits	**7,220**	8,707
Share-based payments	**(69,806)**	1,363,164
Total compensation	**1,158,444**	2,642,041

(b) Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2017 (2016: Nil).

(c) Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid $150,000 (2016: $217,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income.

As founder and controller of CD Capital, Ms Daniele has an interest in Loan Note 1 (the right of CD Capital to acquire 44,776,119 Ordinary Shares and 21,388,060 $0.60 CD Options which may result in the issue of an additional 21,388,060 Ordinary Shares). Subsequent to the end of the financial year, Ms Daniele also acquired an interest for CD Capital to acquire Loan Note 2 (a further 5,711,804 Ordinary shares through the issue of a $0.46 convertible note).

19. PARENT ENTITY DISCLOSURES

	2017 $	2016 $
(a) Financial Position		
Assets		
Current assets	**17,679,966**	18,818,482
Non-current assets	**688,308**	536,182
Total assets	**18,368,274**	19,354,664
Liabilities		
Current liabilities	**769,694**	651,329
Total liabilities	**769,694**	651,329
Equity		
Contributed equity	**45,349,652**	38,170,879
Reserves	**1,529,894**	3,010,300
Accumulated losses	**(29,280,926)**	(22,477,844)
Total equity	**17,598,620**	18,703,335
(b) Financial Performance		
Profit/(loss) for the year	**(7,170,828)**	7,460,025
Other comprehensive income/(loss)	**-**	-
Total comprehensive income/(loss)	**(7,170,828)**	7,460,025

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 25 for details of contingent assets and liabilities.

20. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payments

From time to time, the Group provides Incentive Options and Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	2017 $	2016 $
Expense arising from equity-settled share-based payment transactions[1]	**(488,309)**	1,723,271
Issue of shares to consultant as part of their annual fees fee (profit & loss)	**96,034**	-
Issue of shares to consultant as part of their fee in relation to the issue of convertible notes (equity)	**-**	321,248
Total share-based payments recognised during the year	**(392,275)**	2,044,519

Note:
1 Reversal due to 4,397,000 Performance Rights forfeited during the current year as a result of the performance conditions not being met.

(b) Summary of Incentive Options and Performance Rights Granted as Share-based Payments

The following Incentive Options were granted as share-based payments during the past two years:

2017 Option Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price $	Grant Date Fair Value $
Series 1	200,000	17 Mar 17	31 Mar 20	30 Sep 17	0.500	0.306
Series 2	400,000	17 Mar 17	31 Mar 20	31 Mar 18	0.600	0.286
Series 3	700,000	17 Mar 17	31 Mar 20	30 Sep 18	0.800	0.253

For the year ended 30 June 2016, there were no Incentive Options granted as share-based payments.

The following table illustrates the number and weighted average exercise prices ("WAEP") of Incentive Options granted as share-based payments at the beginning and end of the financial year:

Incentive Options	2017 Number	2017 WAEP	2016 Number	2016 WAEP
Outstanding at beginning of year	**8,225,000**	**$0.445**	10,975,000	$0.444
Granted by the Company during the year	**1,300,000**	**$0.692**	-	-
Forfeited/cancelled/lapsed	**(2,805,000)**	**$0.491**	(2,750,000)	$0.441
Exercised during the year	**(4,020,000)**	**$0.410**	-	-
Outstanding at end of year	**2,700,000**	**$0.567**	8,225,000	$0.445

The outstanding balance of options as at 30 June 2017 is represented by:

- 1,400,000 Incentive Options exercisable at $0.45 each on or before 30 June 2018;
- 200,000 Incentive Options exercisable at $0.50 each on or before 31 March 2020;
- 400,000 Incentive Options exercisable at $0.60 each on or before 31 March 2020; and
- 700,000 Incentive Options exercisable at $0.80 each on or before 31 March 2020.

The following Performance Rights were granted as share-based payments during the past two years:

2017 Rights Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price $	Grant Date Fair Value $
Series 1	1,000,000	23 May 17	31 Dec 17	31 Dec 17	-	0.510
Series 2	320,000	23 May 17	31 Dec 19	31 Dec 19	-	0.510
Series 3	480,000	23 May 17	31 Dec 20	31 Dec 20	-	0.510

2016 Rights Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price $	Grant Date Fair Value $
Series 1	1,764,000	2 Oct 15	31 Mar 16	31 Mar 16	-	0.315
Series 2	1,500,000	2 Oct 15	30 Jun 17	30 Jun 17	-	0.315
Series 3	2,150,000	2 Oct 15	31 Dec 17	31 Dec 17	-	0.315
Series 4	1,650,000	2 Oct 15	31 Dec 18	31 Dec 18	-	0.315

The following table illustrates the number and WAEP of Performance Rights granted as share-based payments at the beginning and end of the financial year:

20. SHARE-BASED PAYMENTS (Continued)

(b) Summary of Incentive Options and Performance Rights Granted as Share-based Payments (Cont'd)

Performance Rights	2017 Number	2017 WAEP	2016 Number	2016 WAEP
Outstanding at beginning of year	**9,397,000**	**-**	6,032,000	-
Granted by the Company during the year	**1,800,000**	**-**	7,064,000	-
Forfeited/cancelled/lapsed/expired	**(4,397,000)**	**-**	(50,000)	-
Converted during the year	**-**	**-**	(3,649,000)	-
Outstanding at end of year	**6,800,000**	**-**	9,397,000	-

The outstanding balance of Performance Rights as at 30 June 2017 is represented by:

- 3,150,000 Performance Rights expiring 31 December 2017;
- 1,650,000 Performance Rights expiring 31 December 2018;
- 320,000 Performance Rights expiring 31 December 2019; and
- 1,680,000 Performance Rights expiring on 31 December 2020.

(c) Weighted Average Remaining Contractual Life

At 30 June 2017, the weighted average remaining contractual life of Incentive Options on issue that had been granted as share-based payments was 1.84 years (2016: 1.17 years) and of Performance Rights granted as share-based payments was 1.54 years (2016: 1.72 years).

(d) Range of Exercise Prices

At 30 June 2017, the range of exercise prices of Incentive Options on issue that had been granted as share-based payments was $0.45 to $0.80 (2016: $0.35 to $0.60). Performance Rights have a nil exercise price.

(e) Weighted Average Fair Value

The weighted average fair value of Incentive Options granted as share-based payments by the Group during the year ended 30 June 2017 was $0.271 (2016: Nil). The weighted average fair value of Performance Rights granted as share-based payments by the Group during the year ended 30 June 2017 was $0.510 (2016: $0.315).

(f) Option and Rights Pricing Models

The fair value of the equity-settled share options and performance rights granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The table below lists the inputs to the valuation model used for share options granted by the Group during the last two years:

2017 Inputs	Series 1	Series 2	Series 3
Exercise price	$0.500	$0.600	$0.800
Grant date share price	$0.520	$0.520	$0.520
Dividend yield[1]	-	-	-
Volatility[2]	90%	90%	90%
Risk-free interest rate	2.01%	2.01%	2.01%
Grant date	17 Mar 17	17 Mar 17	17 Mar 17
Issue date	17 Mar 17	17 Mar 17	17 Mar 17
Expiry date	31 Mar 20	31 Mar 20	31 Mar 20
Expected life of option[3]	2.75 years	2.75 years	2.75 years
Fair value at grant date	$0.306	$0.286	$0.253

Notes:
1 The dividend yield reflects the assumption that the current dividend payout will remain unchanged.
2 The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.
3 The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

For the year ended 30 June 2016 no Incentive Options were issued.

The table below lists the inputs to the valuation model used for Performance Rights granted by the Group during the last two years:

2017 Inputs	Series 1	Series 2	Series 3
Grant date share price	$0.510	$0.510	$0.510
Grant date	23 May 17	23 May 17	23 May 17
Issue date	26 May 17	26 May 17	26 May 17
Expiry date	31 Dec 17	31 Dec 19	31 Dec 20
Expected life of right[1]	0.50 years	2.50 years	3.51 years
Fair value at grant date	$0.510	$0.510	$0.510

Notes:
1 The expected life of the rights is based on the expiry date of the rights as there is limited track record of the early exercise of rights.

2016 Inputs	Series 1[2]	Series 2	Series 3	Series 4
Grant date share price	$0.315	$0.315	$0.315	$0.315
Grant date	2 Oct 15	2 Oct 15	2 Oct 15	2 Oct 15
Issue date	2 Oct 15	2 Oct 15	2 Oct 15	2 Oct 15
Expiry date	31 Mar 16	30 Jun 17	31 Dec 17	31 Dec 18
Expected life of right[1]	0.50 years	1.75 years	2.25 years	3.25 years
Fair value at grant date	$0.315	$0.315	$0.315	$0.315

Notes:
1 The expected life of the rights is based on the expiry date of the rights as there is limited track record of the early exercise of rights.
2 This series of Performance Rights converted on 16 March 2016 into Ordinary Shares upon meeting the relevant milestone (PFS Milestone).

21. AUDITORS' REMUNERATION

The auditor of Prairie Mining Limited is Ernst & Young.

	2017 $	2016 $
Amounts received or due and receivable by Ernst & Young for:		
• Ernst and Young – Australia: an audit or review of the financial report of the Company and any other entity in the consolidated group	**38,190**	29,800
• Ernst and Young – Australia: preparation of income tax return	**13,905**	8,000
• Ernst and Young related practises: an audit or review of the financial report of any other entity in the consolidated group	**25,860**	-
	77,955	37,800

22. SEGMENT INFORMATION

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

	2017 $	2016 $
(a) Reconciliation of Non-Current Assets by Geographical Location		
Poland	**5,223,532**	628,140
United Kingdom	**159,166**	-
	5,382,698	628,140
(b) Revenue by Geographical Location		
Poland	**972,369**	-
Australia	**368,380**	309,969
	1,340,749	309,969

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables. There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2017 $	2016 $
Cash and cash equivalents	**16,826,854**	18,063,119
Trade and other receivables	**1,094,997**	265,635
	17,921,851	18,328,754

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Group's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2017, none (2016: none) of the Group's receivables are past due.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2017 and 2016, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
2017					
Financial Liabilities					
Trade and other payables	**2,109,127**	**-**	**-**	**-**	**2,109,127**
Contingent consideration	**-**	**1,783,283**	**-**	**-**	**1,783,283**
	2,109,127	**1,783,283**	**-**	**-**	**3,892,410**
2016					
Financial Liabilities					
Trade and other payables	**805,313**	**-**	**-**	**-**	**805,313**
	805,313	**-**	**-**	**-**	**805,313**

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the Group's exposure to variable interest rates was:

	2017 $	2016 $
Interest-bearing financial instruments		
Cash at bank and on hand	**4,826,854**	**10,063,119**
Deposits at Call	**12,000,000**	**8,000,000**
	16,826,854	**18,063,119**

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 2.28%% (2016: 1.22%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) Profit or Loss and Other Comprehensive Income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss		Other Comprehensive Income	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
2017				
Group				
Cash and cash equivalents	**168,268**	**(168,268)**	**-**	**-**
2016				
Group				
Cash and cash equivalents	180,632	(180,632)	-	-

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. No hedging or derivative transactions have been used to manage commodity price risk.

(g) Capital Management

The Group defines its Capital as total equity of the Group, being $13,095,130 as at 30 June 2017 (2016: $17,815,760). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(h) Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

At 30 June 2017 and 30 June 2016, the carrying value of the Group's financial assets and liabilities approximate their fair value.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in following table:

	Quoted Market Price (Level 1)	Valuation Technique (Level 2)	Valuation Technique (Level 3)	Total
Other financial liabilities:				
2017				
Financial liabilities at fair value through profit and loss:				
Derivative liability - conversion right attached to Loan Note 1 at fair value through profit and loss	**-**	**4,600,746**	**-**	**4,600,746**
2016				
Financial liabilities at fair value through profit and loss:				
Derivative liability - conversion right attached to Loan Note 1 at fair value through profit and loss	-	335,821	-	335,821

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(h) Fair Value (Continued)

An appropriate option pricing model was used to fair value the conversion rights attached to Loan Note 1. The assumptions used to determine the fair value of the conversion rights attached to Loan Note 1 for the past two years are as follows:

	2017 Assumptions	2016 Assumptions
Exercise price	$0.60	$0.60
Valuation date share price	$0.50	$0.16
Dividend yield[1]	-	-
Volatility[2]	90%	86%
Risk-free interest rate	1.94%	1.65%
Number of CD Options	22,388,060	22,388,060
Issue date	11-Sep-14	11-Sep-14
Estimated Expiry date	20-Sep-20	20-Sep-20
Expected life of CD Option[3]	3.12 years	4.22 years
Discount Applied[3]	25%	75%
Fair value	$0.206	$0.015

Notes:
1 The dividend yield reflects the assumption that the current dividend payout will remain unchanged.
2 The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.
3 Based on management's best estimates of Loan Note 1 converting.

(i) Foreign Currency Risk

As a result of activities overseas, the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income can be affected by movements in exchange rates. The Group has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is the Polish Zloty ("PLN").

It is the Group's policy not to enter into any hedging or derivative transactions to manage foreign currency risk. However the Group does hold some PLN cash and cash equivalents to fund its planned Polish operations over the next 12 months, given the majority of the Group's expenditure over this period is expected to be in PLN.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies was:

2017	PLN	EUR	AUD	Total Equivalent AUD
Financial assets				
Cash and cash equivalents	**909,064**	**-**	**16,507,920**	**16,826,854**
Trade and other receivables	**2,276,401**	**-**	**296,349**	**1,094,997**
	3,185,465	**-**	**16,804,269**	**17,921,851**
Financial liabilities				
Trade and other payables	**(3,817,923)**	**-**	**(769,654)**	**(2,109,127)**
Contingent consideration	**-**	**(1,200,000)**	**-**	**(1,783,283)**
	(3,817,923)	**-**	**(769,654)**	**(3,892,410)**
Net exposure	**(632,458)**	**(1,200,000)**	**16,034,615**	**14,029,441**

Foreign exchange rate sensitivity

At the reporting date, had the Australian Dollar appreciated or depreciated against the PLN, as illustrated in the table below, Profit or Loss and other Comprehensive Income would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2017				
Group				
AUD to PLN	**22,189**	**(22,189)**	**22,189**	**(22,189)**
AUD to EUR	**178,333**	**(178,333)**	**178,333**	**(178,333)**

24. ACQUISITION OF CONTROLLED ENTITY

On 10 October 2016, the Company completed the acquisition of Karbonia S.A. which holds the Debiensko project. The transaction is not considered to be a Business Combination and has been accounted for as an asset acquisition.

The total cost of the acquisition was $2,524,047 and comprised as follows:

	Relative Value on acquisition $
Exploration and evaluation assets	2,047,034
Cash and cash equivalents	27,232
Trade and other receivables	2,387,537
Property, plant & equipment	2,527,356
Trade and other payables	(2,355,738)
Provisions	(2,109,374)
Net Assets Acquired	**2,524,047**
Cost of Acquisition:	
Cash consideration	742,367
Contingent consideration[1]	1,781,680
	2,524,047

Notes:

[1] The Company acquired 100% of the shares of Karbonia for upfront cash consideration of €500,000 ($742,367) and by agreeing to pay a contingent cash consideration component of €1,500,000 upon certain project specific milestones being achieved, including approval of an amendment of the Debiensko mining concession to extend the start date of commencement of mining operations beyond 2018, and therefore facilitating Prairie's forward work program aimed at defining a "bankable" project at Debiensko according to international standards. As at the acquisition date, the fair value of the contingent consideration was estimated to be €1,200,000 ($1,781,680) based on the probability of meeting the project milestones and being granted approval to amend the Debiensko mining concession. As at the reporting date, and due to fluctuations in the foreign exchange rates between the Euro and Australian Dollar, the carrying value of the contingent consideration was estimated to be $1,783,283 and is disclosed as an other financial liability in note 11. The loss arising from the remeasurement in the carrying value of the contingent consideration was $1,603 for year. Please refer to note 11 for further disclosure.

25. CONTINGENT ASSETS AND LIABILITIES

(i) Contingent Assets

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2017 financial year.

(ii) Contingent Liability

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2017 financial year except for the following:

Historical Exploration Data

In the year ended 30 June 2014, the Company announced that it had entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical exploration data for the K-6-7 concession at the Project. Under the terms of the agreement, the Company was required to make a payment to the MoE of PLN1,911,709 (~A$690,500) for the right to use the historical exploration data. This amount constitutes 10% of the overall fee for the data. The term of the agreement is for 30 months and upon the grant of a mining license at the Project by the MoE, the balance is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a mining license.

In the year ended 30 June 2015, the Company entered into further agreements with the MoE to obtain full rights to use a completed set of detailed historical exploration data for the K-4-5, K-8 and K-9 concessions at the LCP. These agreements also give Prairie the legal title to use this data as part of the mine permitting process. Under the terms of the agreements, the Company was required to make a payment to the MoE of PLN3,682,248 (~A$1,292,017) for the right to use the historical exploration data. This amount constitutes 10% of the overall fee for the data. The term of the agreement is 30 months and upon the grant of a mining concession at the LCP by the MoE, the balance is payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of the mining concession.

26. EVENTS SUBSEQUENT TO BALANCE DATE

(i) On 6 July 2017, Prairie and CD Capital completed an additional investment of US$2.0 million (A$2.6 million) in the form of non-redeemable, non-interest-bearing convertible Loan Note 2;

(ii) On 23 August 2017, Prairie announced that the spatial development plan had been approved at Jan Karski by the MoE meaning the rezoning of 56 hectares of agricultural land for industrial use is complete allowing for construction of a mine site, shafts and associated surface infrastructure at Jan Karski; and

(iii) On 25 August 2017, the Company issued 5,775,000 Performance Rights which do not have an exercise price but are subject to various performance conditions to be satisfied prior to the relevant expiry dates between 31 December 2017 and 31 December 2020.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2017 of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2017, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2017, of the Consolidated Entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Prairie Mining Limited:

1. In the opinion of the Directors and to the best of their knowledge:

   (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:

      (i) Complying with the applicable Accounting Standards; and
      (ii) Giving a true and fair view of the assets, liabilities, financial position and profit or loss of the consolidated group and the undertakings included in the consolidation taken as a whole as at 30 June 2017 and of its performance for the year ended 30 June 2017; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(b) to the financial statements; and

3. To the best of the Directors' knowledge, the Directors' report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board

B. Stoik

Benjamin Stoikovich
Director

29 September 2017

Ernst & Young
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Independent auditor's report to the Members of Prairie Mining Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Prairie Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters, provide the basis for our audit opinion on the accompanying financial report.

GHM:JT:PML:009

1. Capitalised exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
The carrying value of exploration and evaluation assets is subjective as it is based on the Group's ability, and intention, to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the mineral reserves may not be commercially viable for extraction. Accordingly, the recoverability of capitalised exploration and evaluation assets was considered to be a key audit matter. Refer to Note 9 – *Exploration and Evaluation Assets* to the financial report for the amounts held on the consolidated statement of financial position by the Group as at 30 June 2017 and related disclosures.	We evaluated the Group's assessment of the recoverable amount of exploration and evaluation assets. In performing our procedures, we: ▶ considered the Group's right to explore in the relevant exploration area, which included obtaining and assessing supporting documentation such as licence agreements and correspondence with relevant government agencies ▶ considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area, which included an assessment of the Group's cash-flow forecast models, enquiries with senior management and Directors as to the intentions and strategy of the Group ▶ considered whether the Group had made an assessment that technical and commercial viability of extracting mineral resources had been demonstrated in considering whether it was appropriate to continue to classify the capitalised mineral exploration and evaluation expenditure as an exploration and evaluation asset We have also assessed the adequacy of the disclosures in Notes 1(i) and 9.

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2. Acquisition of Karbonia S.A.

Why significant	How our audit addressed the key audit matter
Accounting for the acquisition of Karbonia S.A. was considered to be a key audit matter due to the complexity and judgement required in the following areas: ▶ Consideration of whether the transaction was a business combination or asset acquisition ▶ Determination of the fair value of acquired assets and liabilities assumed, and the allocation of the excess consideration paid to exploration and evaluation assets on acquisition date ▶ Estimation of the fair value of the deferred consideration at acquisition date and at the reporting date. Refer to Note 24 to the financial report.	Our audit procedures included the following: ▶ Assessed whether the assets acquired and liabilities assumed constituted a business considering objective evidence as to inputs, processes and outputs of the acquired entity ▶ Considered the objectivity, independence and competence of the Group's external specialist used in the valuation of assets acquired and liabilities assumed ▶ Assessed the underlying data utilised in the purchase price allocation calculation ▶ Evaluated the assumptions and methodologies used by the Group to value the financial liability arising from the deferred consideration on acquisition and again at the reporting date. ▶ We assessed the adequacy of the financial report disclosures.

3. Share-based payments

Why significant	How our audit addressed the key audit matter
In the current year, the Group granted share-based payment awards in the form of performance rights and options. The awards vest subject to the achievement of certain vesting conditions. In determining the share-based payments expense the Group uses assumptions in respect of the achievement of future non-market performance conditions. Due to the complexity and judgemental estimates used in determining the valuation of the share-based payments and vesting period, we considered the Group's calculation of the share-based payments expense to be a key audit matter. Refer to Note 20 to the financial report for the share-based payment expense recognised for the year ended 30 June 2017 and related disclosures.	For awards granted or vesting during the year, in performing our procedures we: ▶ assessed the assumptions used in the Group's fair value calculation, being the share price of the underlying equity and grant date ▶ assessed the vesting period assumptions and probability of achievement. We also assessed the adequacy of the disclosures in Note 20.

Information other than the financial report and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 27 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Prairie Mining Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

G H Meyerowitz
Partner
Perth
29 September 2017

CORPORATE GOVERNANCE

Prairie Mining Limited and the entities it controls believe corporate governance is important for the Company in conducting its business activities.

The Board of Prairie has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company. These documents are available in the Corporate Governance section of the Company's website, www.pdz.com.au. These documents are reviewed annually to address any changes in governance practices and the law.

The Company's Corporate Governance Statement 2016, which explains how Prairie complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' in relation to the year ended 30 June 2016, is available in the Corporate Governance section of the Company's website, www.pdz.com.au and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

In addition to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' the Board has taken into account a number of important factors in determining its corporate governance policies and procedures, including the:

- relatively simple operations of the Company, which is focused on developing its two coal properties;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the relevant sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively moderate market capitalisation and economic value of the entity; and
- direct shareholder feedback.

1. COAL RESOURCES – JAN KARSKI

The Company's Coal Resources as at 30 June 2017 and 2016, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

Jan Karski Coal Resource Estimate for 30 June 2017 and 30 June 2016				Jan Karski Coal Quality Statistics (Air Dried) of In-situ Coal Resources for 30 June 2017 and 30 June 2016		
Coal Seam	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Parameter	391 Seam	389 Seam
391	164	87	251	Calorific Value kcal/kg:(MJ/Kg)	7,062 (29.57)	6,623 (27.73)
389	17	54	71	Ash %	10.27	14.43
Other Seams	171	235	406	Sulphur %	1.27	1.62
Total	352	376	728			

* The tonnage calculations for the Indicated Resource have included allowances for geological uncertainty (15%)
* Note: Apparent differences in totals may occur due to rounding

During the year, the Company conducted coal quality testwork which established the potential to produce high value ultra-low ash semi-soft coking coal at Jan Karski with a high CSR, with a high 75% product yield. These results have not yet been incorporated into the Jan Karski coal resource. Results of analysis have been provided below.

Analysis results from Cycow 9 borehole – 391 seam

TOTAL MOISTURE	*ar%*	10-12%	**ULTIMATE ANALYSIS**			**COKING PROPERTIES**		
			Carbon	*daf%*	81.90	***FSI***		**5.5**
PROXIMATE ANALYSIS			Hydrogen	*daf%*	5.42	***Gray King Coke***		**G5**
Inherent moisture	*adb%*	3.4	Nitrogen	*daf%*	1.91	***Roga Index***		**69**
Ash	*ar%*	2.6	Sulphur	*ad%*	1.16	***CSR***	*%*	**51.5**
Volatile Matter	*ar%*	33-36	Oxygen	*daf%*	7.10	*CRI*	*%*	39.1
Fixed Carbon	*ad%*	57				*Ash in Coke*	*%*	3.3
			RO(MAX) & MACERAL ANALYSIS			*Sulphur in Coke*	*%*	0.87
ASH CHEMISTRY			Vitrinite	%	74.40			
SiO_2	*db%*	33.32	Liptinite	%	13.20	*Giesler Plastometer*		
Al_2O_3	*db%*	29.63	Inertinite	%	12.4	Initial Softening	°C	379
Fe_2O_3	*db%*	20.30	Mineral Matter	%	0.00	Max Fluidity temp	°C	416
CaO	*db%*	4.49	RoMax	%	0.88	Resolidification	°C	435
MgO	*db%*	1.73				Max Fluidity	*ddpm*	90
TiO_2	*db%*	0.98	**OTHER COAL PROPERTIES**					
NaO_2	*db%*	0.96	Sulphur	*ar%*	1.09	*ASTM Dilation*		
K_2O	*db%*	1.10	HGI average	*ad%*	44	Softening Temperature	°C	370
P_2O_5	*db%*	3.41	Phosphorus	*ad%*	0.034	Max Contraction Temp	°C	408
SO_3	*db%*	2.36				Max Dilation Temp	°C	433
Other	*db%*	1.72				Max Contraction	*% C*	32
						Max Dilation	*% D*	35

As a result of the annual review of the Company's Coal Resources, there has been no change to the Coal Resources reported for Jan Karski.

MINERAL RESOURCE AND ORE RESERVES STATEMENT
(Continued)

2. COAL RESOURCES – DEBIENSKO

During the year, the Company completed a maiden coal resource estimate of 301 million tonnes of hard coking coal at Debiensko, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

2017 Debiensko Hard Coking Coal Resource (air dried basis)			
Seam	**Indicated (Mt)**	**Inferred (Mt)**	**Total Coal Resource In-Situ (Mt)**
401/1	20	22	**42**
402/1	-	53	**53**
403/1	-	34	**34**
403/2	-	39	**39**
404/1	-	30	**30**
404/9	35	20	**55**
405	38	10	**48**
Total	**93**	**208**	**301**

* Rounding errors may occur
** The Indicated and Inferred Resource tonnage calculations are reported with geological uncertainty of +/-10% and +/-15% respectively

2017 Debiensko Coal Quality Parameters at Debiensko							
Seam	**Parameters**	**Indicated**			**Inferred**		
		Range		**Weighted Average**	**Range**		**Weighted Average**
		From	**To**		**From**	**To**	
401/1	**Moisture%**	0.33	1.24	0.68	0.45	1.25	0.60
	Ash%	3.15	24.24	9.24	5.89	24.03	7.47
	VM%	24.69	31.51	27.75	20.86	31.92	25.42
	Sulphur%	0.37	1.60	0.74	0.48	1.58	0.63
	GCV	26,478	34,082	31,416	26,543	33,584	32,881
402/1	**Moisture%**	-	-	-	0.10	1.02	0.62
	Ash%	-	-	-	3.47	29.68	11.49
	VM%	-	-	-	19.36	31.61	25.28
	Sulphur%	-	-	-	0.27	2.18	0.72
	GCV	-	-	-	23,547	33,797	30,538
403/1	**Moisture%**	-	-	-	0.35	1.02	0.66
	Ash%	-	-	-	3.73	23.74	11.52
	VM%	-	-	-	16.73	32.13	25.83
	Sulphur%	-	-	-	0.29	0.75	0.49
	GCV	-	-	-	27,511	32,627	31,017
403/2	**Moisture%**	-	-	-	0.35	1.12	0.73
	Ash%	-	-	-	3.25	33.36	11.38
	VM%	-	-	-	23.64	31.28	26.75
	Sulphur%	-	-	-	0.40	1.87	0.67
	GCV	-	-	-	22,328	33,760	30,581

2017 Debiensko Coal Quality Parameters at Debiensko (Continued)							
Seam	Parameters	Indicated			Inferred		
		Range		Weighted Average	Range		Weighted Average
		From	To		From	To	
404/1	Moisture%	-	-	-	0.25	1.10	0.65
	Ash%	-	-	-	6.50	27.38	12.89
	VM%	-	-	-	17.81	31.58	25.04
	Sulphur%	-	-	-	0.35	0.81	0.54
	GCV	-	-	-	25,432	33,025	30,012
404/9	Moisture%	0.56	0.76	0.68	0.53	0.86	0.69
	Ash%	9.45	19.54	11.75	9.65	19.89	13.80
	VM%	20.97	32.95	26.80	15.57	31.05	23.20
	Sulphur%	0.20	1.14	0.60	0.20	1.14	0.41
	GCV	29,145	32,516	31,269	29,067	32,748	30,604
405	Moisture%	0.35	1.09	0.65	0.48	0.87	0.65
	Ash%	5.63	17.40	9.61	5.42	12.47	9.17
	VM%	19.40	28.33	23.52	15.33	28.70	22.47
	Sulphur%	0.29	0.48	0.35	0.27	0.93	0.37
	GCV	29,760	34,137	32,198	31,538	34,113	32,427

Note: all qualities are on an air dried basis except for volatile matter which is given on a dry ash free basis.

As a result of the annual review of the Company's Coal Resources, there has been no change to the Coal Resources reported for Debiensko.

3. COAL RESERVES – JAN KARSKI

The Company's Coal Reserves as at 30 June 2017 and 2016, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

Summary of Coal Reserves - Seams 389 and 391 at Jan Karski for 30 June 2017 and 30 June 2016		
Probable Coal Reserves	**Basis**	
Recoverable Coal Reserves	As Received	170Mt
Marketable Reserves (Saleable Product)	**As Received**	**139Mt**
Product Yield		81.9%

Notes
- Coal Reserves are stated on an as-received moisture content basis and include partings, interburden, out of seam dilution and 2% mining losses
- Marketable Reserves are stated on an as-received moisture content basis; estimated average clean coal moisture is 9.5%
- This table contains roundings and background weighted calculations

As a result of the annual review of the Company's Ore Reserves, there has been no change to the Ore Reserves reported for Jan Karski

4. GOVERNANCE OF COAL RESOURCES AND COAL RESERVES

The Company engages external consultants and competent persons (as determined pursuant to the JORC Code) to prepare and calculate estimates of its Coal Resources and Coal Reserves. Management and the Board review these estimates and underlying assumptions for reasonableness and accuracy. The results of the Coal Resource and Coal Reserve estimates are then reported in accordance with the requirements of the JORC Code and other applicable rules (including ASX Listing Rules).

4. GOVERNANCE OF COAL RESOURCES AND COAL RESERVES (Continued)

Where material changes occur during the year to a project, including project's size, title, exploration results or other technical information then previous Coal Resource and Coal Reserve estimates and market disclosures are reviewed for completeness.

The Company reviews its Coal Resources and Coal Reserves as at 30 June each year. Where a material change has occurred in the assumptions or data used in previously reported Coal Resources or Coal Reserve, then where possible a revised Coal Resource or Coal Reserve estimate will be prepared as part of the annual review process. However, there are circumstance where this may not be possible (e.g. an ongoing drilling programme), in which case a revised Coal Resource or Coal Reserve estimate will be prepared and reported as soon as practicable.

5. COMPETENT PERSON STATEMENT

Jan Karski

The information in this report that relates to Coal Resources is based on, and fairly represents, information compiled or reviewed by, Jonathan O'Dell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy who is a consultant of the Company. Mr O'Dell has sufficient experience that is relevant to the style of mineralisation and type of deposit 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 O'Dell consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Coal Reserves is based on, and fairly represents, information compiled or reviewed by Mr Maarten Velzeboer, a Competent Person, Member of the Institute of Materials, Minerals and Mining (MIMMM). Mr Velzeboer has worked in deep coal mines in New South Wales and Queensland in Australia and the Karaganda Coalfield in Kazakhstan. Mr Velzeboer has been engaged in a senior capacity in the design and development of proposed mines in Queensland, Australia, Botswana and Venezuela. Mr Velzeboer is employed by independent consultants Royal HaskoningDHV. Mr Velzeboer has sufficient experience that is relevant to the style of mineralisation and type of deposit 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 Velzeboer consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Debiensko

The information in this report that relates to Coal Resources is based on, and fairly represents information compiled or reviewed by Mr Jonathan O'Dell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy who is a consultant of the Company. Mr O'Dell has sufficient experience that 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. Mr O'Dell consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The shareholder information set out below was applicable as at 31 August 2017.

1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of listed securities are listed below:

Ordinary Shares

Name	Number of Ordinary Shares	Percentage of Ordinary Shares
J P Morgan Nominees Australia Limited	44,544,525	26.59%
Citicorp Nominees Pty Limited	17,219,034	10.28%
Computershare Clearing Pty Ltd <CCNL DI A/C>	15,350,363	9.16%
Arredo Pty Ltd	10,600,000	6.33%
Jetosea Pty Limited	3,544,913	2.12%
Bouchi Pty Ltd	3,353,700	2.00%
HSBC Custody Nominees (Australia) Limited	3,239,485	1.93%
Mr John Paul Welborn	3,200,000	1.91%
T2 Resources Pty Ltd	2,800,000	1.67%
Mr Mark Pearce + Mrs Natasha Pearce <NMLP Family A/C>	2,500,000	1.49%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	2,041,176	1.22%
Mr Angus William Johnson + Mrs Lindy Johnson <The Dena Super Fund A/C>	1,950,521	1.16%
Mr Terry Patrick Coffey + Hawkes Bay Nominees Limited <Williams Family NO 2 A/C>	1,650,000	0.99%
Cabbdeg Investments Pty Ltd	1,285,000	0.77%
Mr Paul Gabriel Sharbanee <The Scorpion Fund A/C>	1,220,000	0.73%
Barry Albert Lilly + Burnice June Lilly	1,200,000	0.72%
Mikado Corporation Pty Ltd <JFC Superannuation A/C>	1,200,000	0.72%
BNP Paribas Noms Pty Ltd <DRP>	1,058,168	0.63%
Jetosea Pty Ltd	1,043,130	0.62%
Mr James Howard Nigel Smalley	865,000	0.52%
Total Top 20	**119,865,015**	**71.56%**
Others	47,633,954	28.44%
Total Ordinary Shares on Issue	**167,498,969**	**100.00%**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of holders by size of holding:

	Ordinary Shares	
Distribution	Number of Shareholders	Number of Ordinary Shares
1 – 1,000	617	142,010
1,001 – 5,000	277	792,007
5,001 – 10,000	170	1,443,201
10,001 – 100,000	416	15,586,772
More than 100,000	125	149,534,979
Totals	**1,605**	**167,498,969**

There were 594 holders of less than a marketable parcel of Ordinary Shares.

3. VOTING RIGHTS

See Note 13(c) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder notices have been received by the following:

Substantial Shareholder	Number of Shares
Arredo Pty Ltd	10,600,000

5. UNQUOTED SECURITIES

The names of the security holders holding 20% or more of an unlisted class of security at 31 August 2017, other than those securities issued or acquired under an employee incentive scheme, are listed below:

Holder	$0.45 Unlisted Options Expiring 30 Jun 18	$0.50 Unlisted Options Expiring 31 Mar 20	$0.60 Unlisted Options Expiring 31 Mar 20	$0.80 Unlisted Options Expiring 31 Mar 20
T2 Resources Pty Ltd	1,400,000	-	-	-
Sapan Ghai	-	200,000	400,000	700,000
Others (holding less than 20%)	-	-	-	-
Total	**1,400,000**	**200,000**	**400,000**	**700,000**
Total holders	*1*	*1*	*1*	*1*

6. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Prairie Mining Limited's listed securities.

7. EXPLORATION INTERESTS

As at 31 August 2017, the Company has an interest in the following tenements:

Location	Tenement	Percentage Interest	Status	Tenement Type
Jan Karski, Poland	Jan Karski Mine Plan Area (K-4-5, K-6-7, K-8 and K-9)[1]	100	Granted	Exclusive Right to apply for a mining concession
Jan Karski, Poland	Kulik (K-4-5)	100	Granted	Exploration
Jan Karski, Poland	Syczyn (K-8)	100	Granted	Exploration
Jan Karski, Poland	Kopina (K-9)	100	Granted	Exploration
Jan Karski, Poland	Sawin-Zachód	100	Granted	Exploration
Debiensko, Poland	Debiensko 1	100	Granted	Mining
Debiensko, Poland	Kaczyce 1	100	Granted	Mining & Exploration (includes gas rights)

Notes:

1 On 1 July 2015, the Company announced that it had secured the Exclusive Right to apply for, and consequently be granted, a mining concession for Jan Karski. As a result of its geological documentation for Jan Karski deposit being approved, Prairie is now the only entity that can lodge a mining concession application over Jan Karski within a three (3) year period.

The approved geological documentation covers an area comprising of all four of the original exploration concessions granted to Prairie (K-4-5, K-6-7, K-8 and K-9) and includes the full extent of the targeted resources within the mine plan for Jan Karski. In this regard, no beneficial title interest has been surrendered by the Company when the K-6-7 exploration concession expired during the quarter. The Company intends to submit a mining concession application, over the mine plan area at Jan Karski (which includes K-6-7) within the next 12 months. Under Polish mining law, and owing to the Exclusive Right the Company has secured, Prairie is the only entity that may apply for and be granted a mining concession with respect to the K-6-7 area (the Exclusive Right also applies to the K-4-5, K-8 and K-9 areas of Jan Karski). There is no requirement for the Company to hold an exploration concession in order exercise the Exclusive Right and apply for a mining concession.


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