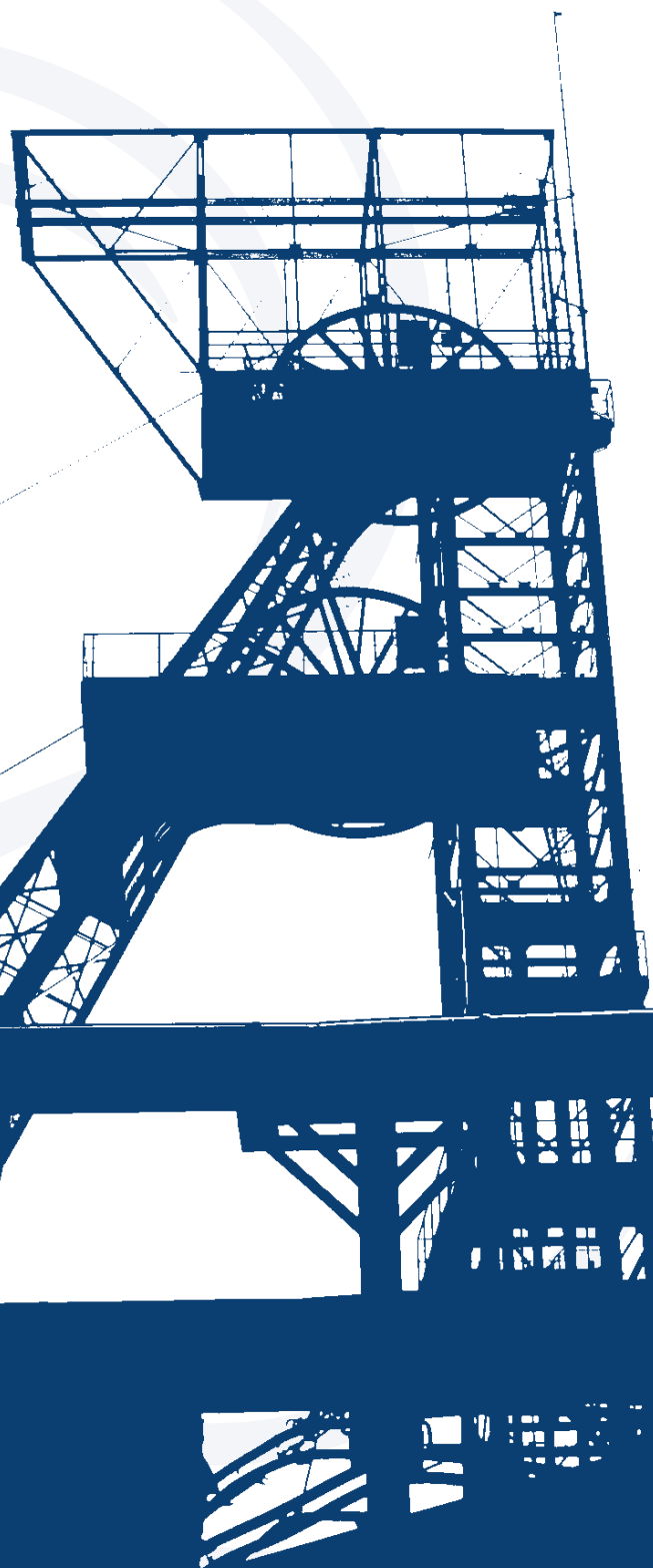




Prairie Mining
Limited

ANNUAL REPORT
ROCZNY RAPORT

2018



CORPORATE DIRECTORY | ZBIÓR DANYCH KORPORACYJNYCH

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 Dylan Browne	Company Secretary

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Ernst & Young Audyt Polska sp. z. o.o.

Australia:

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GPW Code: PDZ

United Kingdom:

London Stock Exchange (Main Board)
LSE Code: PDZ

Australia:

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ASX Code: PDZ

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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 2018 ("Consolidated Entity" or "Group").

OPERATING AND FINANCIAL REVIEW

Operations

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

Possible Co-operation between Prairie and JSW

- During the year, Prairie and Jastrzębska Spółka Węglowa SA ("JSW") entered into a non-disclosure agreement to exchange technical and commercial information in order to facilitate substantial and more advanced discussions regarding any potential co-operation or transaction(s) options in respect of Prairie's Polish coking coal projects.
- A number of meetings were held during the year between the Company and JSW while Prairie made available information to JSW in relation to both the Debiensko Mine ("Debiensko") and Jan Karski Mine ("Jan Karski") to allow JSW to conduct assessments of their feasibility and economics.
- In the latest public statement made by JSW, they reported that their due diligence had been finalised and, together with their advisors, were working on an asset valuation. They also disclosed that their completed technical due diligence of Debiensko and Jan Karski showed that both these projects meet JSW's expectations as to the quality of coal. JSW also announced that further steps towards a possible transaction between Prairie and JSW would likely take place from October.

Debiensko Mine (Premium Hard Coking Coal)

- Mine site redevelopment planning continued at Debiensko throughout the year towards the completion of initial demolition works, pre-qualification of study contractors, and preparation for an infill drill program to increase JORC Measured and Indicated Resources.
- Prairie held discussions with regional steel makers and coke producers for future coking coal sales and offtake.
- Hard coking coal prices traded at price levels of ~US\$180/t FOB Australia.
- Market analysts forecast underinvestment in new coking coal mine development has potential to result in sustained high coking coal prices.
- European Commission continues to designate coking coal as a Critical Raw Material.

Jan Karski Mine (Semi-Soft Coking Coal)

- Prairie continued to use modern exploration techniques to transform Jan Karski with drill results re-affirming the capability of the project to produce high value ultra-low ash semi-soft coking coal, known as Type 34 coal in Poland. Coking coal quality results announced during the year are superior to the drill results announced in May 2017, and further confirm that Jan Karski is a globally significant semi-soft coking coal / Type 34 coking coal deposit with the potential to produce a high value ultra-low ash SSCC with an exceptional CSR and a high 75% coking coal product split.
- Spatial development plan approved at Jan Karski meaning the rezoning of 56 hectares of agricultural land for industrial use is complete which allows for construction of a mine site, shafts and associated surface infrastructure.
- Following legal proceedings filed against Poland's Ministry of Environment ("MoE") due to its failure to grant Prairie with a Mining Usufruct Agreement at the Jan Karski Mine:
 - the Polish Civil Court ruled in Prairie's favour by granting an injunction preventing the MoE from granting any prospecting, exploration or mining concession and concluding usufruct agreements with any other party until the full court proceeding has concluded; and
 - the decision provides security of tenure over the Jan Karski concessions and effectively safeguards Prairie's rights at the project until full court proceedings are concluded.
- The Lublin Regional Director for the Environment issued an official notification indicating that the process to establish an Environmental Consent decision for Jan Karski would be extended past 30 June 2018 due to further information requests to supplement Prairie's original Environmental and Social Impact Assessment and ongoing local authority and public consultation.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Corporate

- In July 2017, Prairie and CD Capital completed an additional investment of US\$2.0 million (\$2.6 million) in the form of a non-redeemable, non-interest-bearing convertible loan note ("Loan Note 2").
- Prairie remains in a financially strong position with cash reserves of A\$11 million at 30 June 2018.

Debiensko Mine

Debiensko, is a 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-Szczygłowice Mine in the north west and the Budryk Mine in the north east, both owned and operated by JSW, Europe's leading producer of hard coking coal.

The Debiensko mine was historically operated by various Polish mining companies until 2000 when mining operations were terminated due to a major government led restructuring of the coal sector caused by a downturn in global coal prices. In early 2006 New World Resources Plc ("NWR") acquired Debiensko and commenced planning for Debiensko to comply with Polish mining standards, with the aim of accessing and mining hard coking coal seams. In 2008, the 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.

Preparation for the Next Phase of Project Studies

Prairie continues to analyse the drill hole data which will be used for engineering design of foundations of structures associated with the shafts, coal handling and preparation plant ("CHPP") and other surface facilities. These holes are essential in order to assess the soil conditions, properly design structural foundations and thus provide more accurate pricing in the tenders as required for a feasibility study.

Prairie's team have also designed an infill drilling program that when undertaken will upgrade more of the resource base at Debiensko to the Measured and Indicated resource categories and support JORC compliant reserve estimation.

Jan Karski Mine

Jan Karski is a large scale semi-soft coking coal project located in the Lublin Coal Basin in south east Poland. The Lublin Coal Basin is an established coal producing province which is well serviced by modern and highly efficient infrastructure, offering the potential for low capital intensity mine development. Jan Karski is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982 and is the lowest cost hard coal producer in Europe.

Prairie's use of modern exploration techniques continues to transform Jan Karski with latest drill results re-affirming the capability of the project to produce high value ultra-low ash semi-soft coking coal ("SSCC"), known as Type 34 coal in Poland whilst confirming Jan Karski as a globally significant SSCC / Type 34 coking coal deposit with the potential to produce a high value ultra-low ash SSCC with a coking coal product split of up to 75%.

Key benefits for the local community and the Lublin and Chelm regions associated with the development, construction and operation of Jan Karski have been recognised as the following:

- creation of 2,000 direct employment positions and 10,000 indirect jobs for the region once operational;
- increasing skills of the workforce through the implementation of International Standard training programmes;
- stimulating the development of education, health services and communications within the region; and
- building a mine that creates new employment for generations to come and career paths for families to remain in the region.

Polish Civil Court Grants Injunction in Prairie's Favour against Poland's Ministry of Environment

On 3 April 2018, Prairie announced that it had commenced legal proceedings against Poland's MoE due to its failure to grant Prairie a Mining Usufruct Agreement over the concessions which form the Jan Karski Mine and in order to protect the Company's security of tenure over the project.

Pursuant to the initiated legal proceedings:

- The Regional Civil Court in Warsaw ruled in Prairie's favour by granting an injunction preventing the MoE from granting prospecting, exploration or mining concessions and concluding usufruct agreements with any other party until full court proceedings are concluded; and
- The decision provides security of tenure over the Jan Karski concessions and effectively safeguards Prairie's rights at the project until full court proceedings are concluded.

The Regional Civil Court in Warsaw has issued a verdict that forms an injunction preventing the MoE from concluding exploration or mining usufruct agreement(s) regarding the Jan Karski Mine area (including the "Lublin" deposit, as well as the former K-4-5, K-6-7, K-8 and K-9 concession areas) with any party, other than PD Co Sp. z. o.o. (Prairie Mining's wholly owned Polish subsidiary). The Court has also ordered that the MoE does not grant any concessions (for prospecting, exploration and/or mining) to any party other than PD Co Sp. z. o.o. This highly favourable court ruling was issued in response to Prairie's application submitted as part of the legal proceedings commenced by Prairie to protect its tenure at Jan Karski.

As a result of the ruling by the Regional Civil Court in Warsaw, security of tenure over the Jan Karski concessions will be safeguarded until the full court proceeding is concluded. It is anticipated that full court proceeding could take 12 months or more to complete.

In the justification to the Court's ruling, the judge stated that: "*Based on the evidence one may at this point state that the plaintiff (being Prairie) enjoys the right to request conclusion of the requested mining usufruct agreement for the "Lublin" hard coal area (otherwise known as Jan Karski) resulting from Article 15 of the Geological and Mining Law.*"

Prairie has provided the MoE with all documents required by Polish Law to conclude a Mining Usufruct Agreement, including the Geological Documentation approval and an official application for a Mining Usufruct Agreement.

To date the MoE has not provided Prairie with a Mining Usufruct Agreement for Jan Karski.

Based on professional advice, Prairie considers that the MoE has breached the Polish Geological and Mining Law ("GML") and other Polish laws and is strongly defending its position.

The Company will also consider any other actions necessary to ensure its concession rights are reserved which may result in the Company taking further action against the MoE including invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time.

Regional Director for the Environment sets a new deadline for issuing an Environmental Consent Decision

Prairie completed an Environmental and Social Impact Assessment and made submissions to the Lublin Regional Director for the Environment ("RDOS") for an Environmental Consent decision for Jan Karski in October 2017. During the year, the RDOS issued a notice indicating that the Environmental Proceedings would be delayed further, subject to the receipt of additional information requested by the RDOS which the Company, together with its appointed environmental consultants, are working to provide. During the year, there was a change of personnel fulfilling the functions of the Chairman and Deputy Chairman of the Lublin RDOS.

Corporate

Possible Co-Operation between Prairie and JSW

During the year, Prairie and JSW entered into a Non-Disclosure Agreement ("NDA") with respect to potential co-operation regarding Prairie's two Polish coal projects. The purpose of the NDA was to allow for the exchange of technical and commercial information in order to facilitate substantial and more advanced discussions regarding any potential transaction(s) options in respect of Prairie's projects.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Corporate (Continued)

Possible Co-Operation between Prairie and JSW (Continued)

Subsequent to the end of the year, Prairie noted press articles regarding comments by representatives from JSW on possible transaction(s) between the Company and JSW with respect to Prairie's Polish coal projects.

The Company advises that discussions continue to take place as part of the exchange of technical and commercial information. Commercial discussions continue to be at a preliminary stage and that even if they move onto discussions of specific transactions terms there can be no certainty as to whether any transaction(s) will be agreed, or the potential form of such transaction(s). The Company expects further exchange of information will continue with JSW.

In the latest public statement made by JSW, they reported that their due diligence had been finalised and, together with their advisors, were working on an asset valuation. They also disclosed that their completed technical due diligence of Debiensko and Jan Karski showed that both these projects meet JSW's expectations as to the quality of coal. JSW also announced that further steps towards a possible transaction between Prairie and JSW would likely take place in October.

Any potential transaction(s), should they occur, may be subject to a number of conditions including, but not limited to, obtaining positive evaluations and expert opinions, necessary corporate approvals, consents and approvals related to funding, consents from Poland's Office of Competition and Consumer Protection (UOKiK) if required, and any other requirements that may relate to the strategy, objectives and regulatory regimes applicable to the respective issuers.

The NDA, signed at the end of March 2018, provides for the initial due diligence process to be conducted until the end of September 2018, which may be extended by mutual agreement of both parties. Commercial discussions, if any, may then take place subsequent to September 2018.

Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2018 was \$19,382,454 (2017: \$11,482,002). Significant items contributing to the current year loss and the substantial differences from the previous financial year include:

- (i) Non-cash fair value loss of \$9,884,328 (2017: \$4,264,925) attributable to 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 which was derecognised during the year following the conversion of Loan Note 1. The instrument was a non-cash derivative liability which was settled during the year via the issue of 44,776,120 Ordinary Shares and 22,388,060 unlisted options exercisable at \$0.60 each on or before 30 May 2021 ("CD Options") to CD Capital pursuant to the investment agreement completed in September 2015.

The Company did not pay any cash to settle the liability with the Company's cash reserve unaffected by the derecognition of the conversion right

The commercial intentions of both CD Capital and the Company were to always enter into an equity type arrangement however to be in compliance with the accounting standards, the conversion right has, up and until derecognition, been accounted for as a financial liability with the non-cash fair value movements being recognised in profit and loss.

- (ii) Exploration and Evaluation expenses of \$6,774,136 (2017: \$6,560,343), 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) completed drilling at Jan Karski which re-affirmed the capability of the project to produce SSCC; (ii) permitting activities continued at Jan Karski including submission of an ESIA and approval of spatial development plans; and (iii) mine site redevelopment planning continued at Debiensko including advancement of demolition works pre-qualification of study contractors and preparation for an infill drill program to increase JORC Measured and Indicated Resources;

- (iii) Business development expenses of \$738,097 (2017: \$1,474,077) 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;
- (iv) Other expenses of \$18,443 (2017: \$521,502) which in 2017 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;
- (v) Non-cash share-based payment expense of \$1,316,624 (2017: gain of \$392,275) 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 expense in share-based payments in 2018 compared to an expense in 2017 is attributable to the forfeiture of 4.4 million unvested Performance Rights in 2017;
- (vi) Revenue of \$826,883 (2017: \$1,340,749) consisting of interest income of \$333,291 (2017: \$368,380) and the receipt of \$493,592 (2017: \$972,369) of gas and property lease income derived since acquiring Karbonia in October 2016; and
- (vii) Other income of nil (2017: \$650,000) which was attributable to the receipt of \$650,000 in 2017 for the sale of the base metals project.

Financial Position

At 30 June 2018, the Company had cash reserves of \$11,022,333 (2017: \$16,826,854) placing it in a strong financial position.

At 30 June 2018, the Company had net assets of \$12,445,698 (2017: \$13,095,130), a decrease of 5% compared with the previous year. This is largely attributable to the decrease cash reserves and receivables which was slightly offset by the decrease in financial liabilities.

Business Strategies and Prospects for Future Financial Years

Prairie's strategy is to create long-term shareholder value by 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:

- Continue in its discussions with JSW with respect to potential co-operation regarding Debiensko and Jan Karski;
- Continue with the legal proceedings and appeals against the MoE with respect to Debiensko and Jan Karski;
- Preparation for an in-fill drill program to increase JORC measured and indicated resources to support future feasibility studies at Debiensko;
- Preparation of a re-engineered mine plan to produce a feasibility study to international standards with a focus on near term production at Debiensko;
- Advance discussions with regional steel makers and coke producers for future coking coal sales and offtake at Debiensko; and
- Continue project permitting activities including obtaining an Environmental Consent Decision at Jan Karski.

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:

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Business Strategies and Prospects for Future Financial Years (Continued)

Risk of maintaining project concessions - The Company's mining exploration and development activities at Debiensko and Jan Karski 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, in July 2015, Prairie announced that it had secured the Exclusive Right to apply for a Mining Concession for Jan Karski as a result of its Geological Documentation for the Jan Karski deposit being approved by Poland's MoE. The approved Geological Documentation covers areas of all four 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. As a result of the Exclusive Right, Prairie was the only entity with a legal right to lodge a Mining Concession application over Jan Karski for the period up and until 2 April 2018. Under the Polish GML, a Mining Concession application comprises the submission of a Deposit Development Plan ("DDP"), approval of a spatial development plan (rezoning of land for mining use) and an Environmental Consent decision. Prairie has previously announced that the DDP and spatial development plans for Jan Karski have already been approved.

However, as of the date of this report, Prairie has not yet received the required Environmental Consent decision, which remains pending. Prairie completed an Environmental and Social Impact Assessment and made submissions to RDOS for an Environmental Consent decision in October 2017. Prairie has not been able to apply for a Mining Concession for Jan Karski due to the delay in the issuance of an Environmental Consent decision. However, the Environmental Consent proceedings continue to progress and the Company has received notice from the RDOS to provide supplementary information to the originally submitted Environmental & Social Impact Assessment. There are no assurances that the Environmental Consent Decision will be awarded to the Company.

The approval of Prairie's Geological Documentation in 2015 also conferred upon Prairie the legal right to apply for a Mining Usufruct Agreement over Jan Karski for an additional 12-month period beyond April 2018, which precludes any other parties being granted any licence over all or part of the Jan Karski concessions. Under Polish law, the MoE is strictly obligated, within three months of Prairie making an application for a Mining Usufruct Agreement, to grant the agreement. It should be noted that the MoE confirmed Prairie's priority right in two written statements (i.e. in a final administrative decision dated 11 February 2016 and in a formal letter dated 13 April 2016). Prairie applied to the MoE for a Mining Usufruct Agreement over Jan Karski in late December 2017. As of the date of this report the MoE has not made available to Prairie a Mining Usufruct Agreement for Jan Karski, therefore breaching the three-month obligatory period for the agreement to be concluded. Legal advice provided to Prairie concludes that failure of the MoE to grant Prairie the Mining Usufruct Agreement is a breach of Polish law. Accordingly, the Company commenced legal proceedings against the MoE through the Polish courts in order to protect the Company's security of tenure over the Jan Karski concessions. Since the MoE has not provided a decision within three months regarding Prairie's Mining Usufruct application, the Polish civil court has the power to enforce conclusion of a Usufruct Agreement in place of the MoE. In the event that a Mining Usufruct Agreement is not made available to the Company on acceptable terms or the Company does not enter into a Mining Usufruct Agreement for any other reason, other parties may be able to apply for exploration or mining rights for all or part of the Jan Karski concession area.

However, given that the Civil Court has approved Prairie's motion for an injunction against the MoE, as described above, the MoE is now prevented from entering into a Usufruct agreement or concession with any other party besides Prairie until the full court proceedings are concluded.

Under the terms of the Debiensko Mining Concession issued in 2008 by the MoE (which is valid for 50 years from grant date), commencement of production was to occur by 1 January 2018. In December 2016, following the acquisition of Debiensko, Prairie applied to the MoE to amend the 50 year Debiensko Mining Concession. The purpose of the concession amendment was to extend the time stipulated in the Mining Concession for first production of coal from 2018 to 2025. Prairie has now received an initial and appealable, first instance decision from the MoE that has denied the Company's amendment application. However, Prairie continues to have valid tenure and ownership of land at Debiensko. Not meeting the production timeframe stipulated in the concession does not immediately infringe on the validity and expiry date of the Debiensko Mining Concession, which is June 2058. Prairie also holds a valid environmental consent decision enabling mine construction. Prairie has appealed the MoE's decision on the basis that its justification for denial is fundamentally flawed for a number of reasons including failure to consider the requirements of the law and public interest in Poland, and the relevant facts of the Company and its amendment application. Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding the Debiensko concession. Prairie's legal team has lodged an appeal, which points out the deficiencies of the MoE's first instance decision. As at the date of this report, Prairie has not received an official response in relation to this appeal.

However, if Prairie's appeal is unsuccessful, then this may lead to the commencement of proceedings by the MoE to limit or withdraw the Debiensko concession. Prairie also has the right of further appeal to Poland's administrative courts. The Company will consider any other actions necessary to ensure its concession rights are preserved, which may result in the Company taking further action against the MoE including invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time. There is however no assurance that such appeals, legal proceedings, applications (or renewals or alterations) of the Company concessions will be granted or that such applications, renewals, alterations, rights and title interests will not be revoked or significantly altered. If such appeals, legal proceedings, applications, renewals or alterations of concessions applied for are not successful or granted or are in fact revoked as the case may be in the future, there is a risk that this may have a material adverse effect on the financial performance and operations at Jan Karski, Debiensko, the Company and on also the value of the Company's securities.

- *Co-operation between Prairie and JSW may not occur* - Any transaction(s), should it/they occur, may be subject to a number of conditions including, but not limited to, obtaining positive evaluations and expert opinions, necessary corporate approvals, consents and approvals related to funding, consents from Poland's Office of Competition and Consumer Protection (UOKiK) if required, and any other requirements that may relate to the strategy, objectives and regulatory regimes applicable to the respective issuers, and which could also prevent a transaction from occurring or even completing. The non-occurrence of a transaction could also have a material impact on the value of the Company's securities.
- *The Company's activities will require further capital in future years* – At the date of this report, the Company has cash of approximately \$11 million which places it in a strong 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.

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 their \$0.60 CD Options. 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. 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 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 Exploration Concession which comprises of the Jan Karski Mine). 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.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Business Strategies and Prospects for Future Financial Years (Continued)

If the Supreme Administrative Court does cancel the MoE's decision, the MoE will be required to re-assess Bogdanka's Mining Concession application. As discussed above Bogdanka has in the past raised several appeals challenging the Company's title to the Exploration Concessions comprising the 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 the Jan Karski Mine development timeline. Furthermore, during the financial year, Bogdanka filed a mining concession application for the K-6-7 area subsequent to the MoE not providing Prairie with a Mining Usufruct Agreement as discussed above. However, given that the Civil Court has approved Prairie's motion for an injunction against the MoE, the MoE is unable to grant a mining concession for K-6-7 to Bogdanka (or any other party other than Prairie) until the full court proceedings are concluded.

- *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, foreign ownership of coal projects and the movement to a nationalistic policy may adversely affect the permitting, approvals process, operations and/or profitability of the Company. The Company continues to consult with the various levels of Government but there can be no assurances that current or 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. For example, recent legislative changes and proposed legislative changes initiated by Poland's governing Law & Justice party have called into question the independence of the judiciary and subsequently the rule of law in Poland. In December 2017, the Council of Europe's Commission for Democracy through Law ("Venice Commission") found that the cumulative effect of proposed reforms to two laws and recently adopted amendments to a third law "puts at serious risk" the independence of "all parts" of the Polish judiciary. The opinion concerned two drafts recently submitted by the Polish President to the Sejm (Polish Parliament), to amend the Act on the National Council of the Judiciary and the Act on the Supreme Court, as well as recently already adopted amendments to the Act on Ordinary Courts. Additionally, and subsequent to the end of the financial year, the European Commission formally notified Poland that it had initiated infringement proceedings against the country because of the adoption of the controversial amendments to the Supreme Court Act.
- *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 activities 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

Unless otherwise stated, Directors held their office from 1 July 2017 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 Constellation Resources Limited (November 2017 – present), 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) and Syntonic Limited (April 2010 – June 2017).

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.

DIRECTORS' REPORT

(Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

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 held a directorship 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 Constellation Resources Limited (July 2016 – present), Apollo Minerals Limited (July 2016 – present), Salt Lake Potash Limited (August 2014 – present), Equatorial Resources Limited (November 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Piedmont Lithium Limited (September 2009 – August 2018) 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 (Chartered Secretary) 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 exploration and development companies operating in the resources sector, based from London and Perth, including Apollo Minerals Limited, Berkeley Energia Limited and Papillon Resources Limited. Mr Browne successfully listed Prairie on the Main Board of the London Stock Exchange and the Warsaw Stock Exchange in 2015 and recently oversaw Berkeley's listings on the Main Board LSE and the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. 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 Debiensko and Jan Karski. No significant change in nature of these activities occurred during the year.

EARNINGS PER SHARE

	2018 Cents	2017 Cents
Basic and diluted loss per share	(10.99)	(7.42)

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 (2017: 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 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;
- (iii) On 21 February 2018, Prairie announced that drill results re-affirming the capability of the project to produce high value ultra-low ash SSCC (instead of thermal coal) known as Type 34 coal in Poland; and
- (iv) On 30 May 2018, the Company announced that Loan Note 1 issued to CD Capital had converted via the issue of 44,776,120 Ordinary Shares and 22,388,060 CD Options.

SIGNIFICANT EVENTS AFTER BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2018, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2018, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2018, of the Consolidated Entity.

DIRECTORS' REPORT

(Continued)

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	-	2,100,000
Ms Carmel Daniele ⁴	44,776,120	22,388,060 ⁵	-
Mr Thomas Todd	2,800,000	-	-
Mr Mark Pearce	3,000,000	-	-
Mr Todd Hannigan	3,504,223	-	-

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 also has an interest in a convertible note (Loan Note 2) and the right of CD Capital to acquire 5,711,804 Ordinary shares through the issue of a \$0.46 convertible note.

⁵ As part of the investment agreement completed with CD Capital in September 2015 and following conversion of Loan Note 1 in May 2018, CD Capital were issued with 22,388,060 unlisted options exercisable at \$0.60 each on or before 30 May 2021 (CD Options).

SHARE OPTIONS AND PERFORMANCE RIGHTS

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

- 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;
- 22,388,060 CD Options exercisable at \$0.60 each on or before 30 May 2021;
- 10,675,000 Performance Rights with various vesting conditions and expiry dates between 31 December 2018 and 31 December 2020; 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 2018, nil Ordinary Shares have been issued as a result of the exercise of Incentive Options, nil Ordinary Shares have been issued as a result of the conversion of Performance Rights and 44,776,120 Ordinary Shares were issued on conversion of Loan Note 1. 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, nil Ordinary Shares have been issued as a result of the conversion of Performance Rights and nil Ordinary Shares have been issued on the conversion of Loan Note 2 or the CD Options.

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

Other KMP

Mr Miroslaw Taras	Group Executive – Poland
Mr Simon Kersey	Chief Financial Officer
Mr Dylan Browne	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July 2017 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.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration (Continued)

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 2018 financial year, a total cash incentive of \$134,361 (2017: \$256,487) was paid, or is payable, to KMP on achievement of KPIs as set by the Board which included: (i) completed drilling at Jan Karski which re-affirmed the capability of the project to produce SSCC; (ii) permitting activities continued at Jan Karski including submission of an ESIA and approval of spatial development plans; and (iii) mine site redevelopment planning continued at Debiensko including advancement of demolition works pre-qualification of study contractors and preparation for an infill drill program to increase JORC Measured and Indicated Resources.

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.

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

- (a) **Decision to Commence Construction** means a Board decision for the commencement of construction activities (including securing adequate project finance to enable construction to commence) for Jan Karski (including but not limited to 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;
- (b) **Debiensko Feasibility Study** means the announcement on ASX by the Company of a positive Feasibility Study at Debiensko before 31 December 2019; and
- (c) **Decision to Commence Underground Mining Construction means** a Board decision for the 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 (2017: \$36,000) (excluding post-employment benefits).

Fees for Non-Executive Directors were set at \$20,000 per annum (2017: \$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 2018 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.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

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.

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	Total	Performance related %
		Salary & fees \$	Cash Incentive Payments \$	Living Allowance \$	Post-employment benefits \$	Share-based payments \$		
Directors								
Ian Middlemas	2018	36,000	-	-	3,420	-	39,420	-
	2017	36,000	-	-	3,420	-	39,420	-
Benjamin Stoikovich	2018	436,396	134,361	-	-	75,003	645,760	32.4
	2017	376,963	169,233	-	-	(163,617)	382,579	44.2
Carmel Daniele ¹	2018	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-
Thomas Todd	2018	20,000	-	-	1,900	-	21,900	-
	2017	20,000	-	-	1,900	-	21,900	-
Mark Pearce	2018	20,000	-	-	1,900	-	21,900	-
	2017	20,000	-	-	1,900	-	21,900	-
Todd Hannigan	2018	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-
Other KMP								
Miroslaw Taras	2018	117,213	-	-	-	72,582	189,795	38.2
	2017	76,533	24,371	-	-	36,403	137,307	44.3
Simon Kersey	2018	278,927	-	-	-	107,455	386,382	27.8
	2017	68,644	21,549	-	-	11,481	101,674	32.5
Dylan Browne	2018	118,393	-	-	-	14,133	132,526	10.7
	2017	128,244	16,914	-	-	15,341	160,499	20.1
Total	2018	1,026,929	134,361	-	7,220	269,173	1,437,683	
	2017	726,384	232,067	-	7,220	(100,392)	865,279	

Notes:

¹ During the year Ms Daniele waived her Non-Executive Director remuneration.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

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:

2018	Security	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value ¹ \$	Number Granted	Number Vested
Other KMP								
Benjamin Stoikovich	Rights	21 Aug 17	31 Dec 19	- ³	-	0.500	640,000	-
	Rights	21 Aug 17	31 Dec 20	- ⁴	-	0.500	960,000	-
Miroslaw Taras	Rights	21 Aug 17	31 Dec 18	- ⁵	-	0.500	100,000	-
	Rights	21 Aug 17	31 Dec 19	- ³	-	0.500	300,000	-
	Rights	21 Aug 17	31 Dec 20	- ⁴	-	0.500	300,000	-
Dylan Browne	Rights	21 Aug 17	31 Dec 19	- ³	-	0.500	130,000	-
	Rights	21 Aug 17	31 Dec 20	- ⁴	-	0.500	195,000	-

Notes:

¹ For details on the valuation of the Incentive Options and Performance Rights, including models and assumptions used, please refer to Note 19 to the financial statements.

² Each Incentive Option or Performance Right converts into one Ordinary Share of Prairie Mining Limited.

³ Vest on satisfaction of the Debiensko Feasibility Study milestone.

⁴ Vest on satisfaction of the Decision to Commence Underground Mining Construction at Debiensko Milestone.

⁵ Vest on satisfaction of the Decision to Commence Construction at Jan Karski Milestone.

There were no Incentive Options granted or exercised by any KMP of the Group during the 2018 financial year.

Employment Contracts with Directors and KMP

During the financial year, Mr Stoikovich signed an updated appointment letter dated 21 June 2018, 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. Under the updated appointment letter, Mr Stoikovich receives a fixed fee of £25,000 per annum.

During the financial year, Windellama Capital Limited, a company of which Mr Stoikovich is a director and shareholder, had 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 is 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, was 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 could be terminated by either Windellama Capital Limited or the Company by giving twelve months' notice. No amount was 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 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, had a letter of appointment dated 1 October 2015 confirming the terms and conditions of his appointment. Mr Browne's appointment letter was terminable pursuant to the Company's Constitution and he received a fee of £6,000 per annum pursuant to this appointment letter. In addition, Candyl Limited ("Candyl"), a company of which Mr Browne was a director and shareholder, had a consultancy agreement with the Company, which specified the duties and obligations to be fulfilled by Mr Browne as the Company Secretary. Either party could terminate the agreement with three months written notice. No amount was payable in the event of termination for material breach of contract, gross misconduct or neglect. Candyl received an annual consultancy fee of £63,000. Both the appointment letter and Candyl consulting agreement were terminated effective 31 October 2017. On 1 November 2017, Mr Browne entered into a new consulting agreement which specified the duties and obligations to be fulfilled by Mr Browne as the Company Secretary. Either party can terminate the new agreement with three months written notice or payment in lieu. No amount is payable in the event of termination for material breach of contract, gross misconduct or neglect. Under the new consultancy agreement, Mr Browne receives a consultancy fee of \$10,000 per month.

Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2018 (2017: 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 (2017: \$150,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer of \$12,500 (2017: \$12,500) 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 2018, \$12,500 (2017: \$12,500) was included as a current liability in the Statement of Financial Position. From 1 July 2018, the monthly retainer was altered to \$20,000 per month.

As founder and controller of CD Capital, Ms Daniele has an interest in 22,388,060 \$0.60 CD Options (which may result in the issue of an additional 22,388,060 Ordinary Shares) and an interest for CD Capital to convert Loan Note 2 into 5,711,804 Ordinary shares through the issue of the \$0.46 convertible note.

Equity instruments held by KMP

Incentive Option and Performance Right holdings of Key Management Personnel

2018	Held at 1 July 2017	Granted as Remuner- ation	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2018	Vested and exercise- able at 30 June 2018
Directors						
Ian Middlemas	-	-	-	-	-	-
Benjamin Stoikovich	1,500,000	1,600,000	-	(1,000,000) ¹	2,100,000	-
Carmel Daniele	-	-	-	22,388,060 ³	-	22,388,060
Thomas Todd	1,400,000	-	-	(1,400,000) ²	-	-
Mark Pearce	-	-	-	-	-	-
Todd Hannigan	1,400,000	-	-	(1,400,000) ²	-	-
Other KMP						
Miroslaw Taras	700,000	700,000	-	(350,000) ¹	1,050,000	-
Simon Kersey	660,000	-	-	-	660,000	-
Dylan Browne	350,000	325,000	-	(200,000) ¹	475,000	-

Notes:

¹ Forfeiture of Performance Rights on 31 December 2017 as the performance conditions had not been achieved prior to the expiry date.

² On 30 June 2018, 1,400,000 Incentive Options held jointly by Mr Todd and Mr Hannigan which were granted to them on 10 September 2014 expired.

³ As founder and controller of CD Capital, Ms Daniele was deemed to have an interest in the CD Options issued to CD Capital following conversion of Loan Note 1 during the year.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Shareholdings of Key Management Personnel

2018	Held at 1 July 2017	Granted as Remuneration	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2018
Directors					
Ian Middlemas	10,600,000	-	-	-	10,600,000
Benjamin Stoikovich	1,500,000	-	-	-	1,500,000
Carmel Daniele	-	-	-	44,776,120 ²	44,776,120
Thomas Todd	2,800,000	-	-	-	2,800,000
Mark Pearce	3,000,000	-	-	-	3,000,000
Todd Hannigan	3,504,223	-	-	-	3,504,223
Other KMP					
Mirosław Taras	150,000	-	-	-	150,000
Simon Kersey	370,000	-	-	(370,000) ¹	-
Dylan Browne	160,000	-	-	(160,000) ¹	-

Notes:

¹ Sold on market.

² As founder and controller of CD Capital, Ms Daniele was deemed to have an interest in the 44,776,120 Ordinary Shares issued to CD Capital on conversion of Loan Note 1 during the year.

End of Remuneration Report

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	2	2
Benjamin Stoikovich	2	2
Carmel Daniele	2	2
Thomas Todd	2	1
Mark Pearce	2	2
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.

	2018 \$	2017 \$
Preparation of income tax return	11,124	13,905

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2018 (2017: nil).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 22 of the Directors' Report.

Signed in accordance with a resolution of the Directors.



Benjamin Stoikovich
Director

27 September 2018

Forward Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on Prairie's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Prairie, which could cause actual results to differ materially from such statements. Prairie makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.

Competent Person Statements

The information in this report that relates to Exploration Results was extracted from Prairie's announcement dated 21 February 2018 entitled "Drill Results Affirm Jan Karski's Status As A Globally Significant Semi-Soft (Type 34) Coking Coal Project" 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



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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 2018, 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

T S Hammond
Partner
27 September 2018

**CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2018



	Note	2018 \$	2017 \$
Revenue	2(a)	826,883	1,340,749
Other income	2(b)	-	650,000
Exploration and evaluation expenses		(6,774,136)	(6,560,343)
Employment expenses	3	(539,471)	(156,171)
Administration and corporate expenses		(380,021)	(454,807)
Occupancy expenses		(595,103)	(433,201)
Share-based payment expenses	19	(1,316,624)	392,275
Business development expenses		(738,097)	(1,474,077)
Other expenses		18,443	(521,502)
Non-cash fair value movements	4	(9,884,328)	(4,264,925)
Loss before income tax		(19,382,454)	(11,482,002)
Income tax expense	5	-	-
Net loss for the year		(19,382,454)	(11,482,002)
Net loss attributable to members of Prairie Mining Limited		(19,382,454)	(11,482,002)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		368,311	695,252
Total other comprehensive income/(loss) for the year, net of tax		368,311	695,252
Total comprehensive loss for the year, net of tax		(19,014,143)	(10,786,750)
Total comprehensive loss attributable to members of Prairie Mining Limited		(19,014,143)	(10,786,750)
Basic and diluted loss per share from (cents per share)	15	(10.99)	(7.42)

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 2018

	Note	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	14(b)	11,022,333	16,826,854
Trade and other receivables	6	953,528	1,094,997
Total Current Assets		11,975,861	17,921,851
Non-current Assets			
Property, plant and equipment	7	2,363,151	2,779,526
Exploration and evaluation assets	8	2,656,968	2,603,172
Total Non-current Assets		5,020,119	5,382,698
TOTAL ASSETS		16,995,980	23,304,549
LIABILITIES			
Current Liabilities			
Trade and other payables	9	865,265	2,109,127
Provisions	11	532,820	580,129
Other financial liabilities – cash settlement	10	1,891,573	1,783,283
Other financial liabilities – non-cash settlement	10	-	4,600,746
Total Current Liabilities		3,289,658	9,073,285
Non-Current Liabilities			
Provisions	11	1,260,624	1,136,134
Total Current Liabilities		1,260,624	1,136,134
TOTAL LIABILITIES		4,550,282	10,209,419
NET ASSETS		12,445,698	13,095,130
EQUITY			
Contributed equity	12	75,525,800	58,477,713
Reserves	13	3,583,474	2,258,339
Accumulated losses		(66,663,576)	(47,640,922)
TOTAL EQUITY		12,445,698	13,095,130

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 2018



	Contributed Equity	Share- Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2017	58,477,713	1,529,894	728,445	(47,640,922)	13,095,130
Net loss for the year	-	-	-	(19,382,454)	(19,382,454)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	368,311	-	368,311
Total comprehensive income/(loss) for the period	-	-	368,311	(19,382,454)	(19,014,143)
Conversion right of Loan Note 1	8,283,582	-	-	-	8,283,582
Share issue costs	(43,000)	-	-	-	(43,000)
Issue of convertible note (note 12(a))	2,627,430	-	-	-	2,627,430
Convertible note issue costs	(27,418)	-	-	-	(27,418)
Issue of CD Options	6,207,493	-	-	-	6,207,493
Expiry of vested Incentive Options	-	(359,800)	-	359,800	-
Forfeiture of unvested Performance Rights	-	(1,194,000)	-	-	(1,194,000)
Recognition of share-based payments	-	2,510,624	-	-	2,510,624
Balance at 30 June 2018	75,525,800	2,486,718	1,096,756	(66,663,576)	12,445,698
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)
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

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 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(9,589,237)	(10,411,638)
Proceeds from property and gas sales		504,702	498,094
Interest received from third parties		370,106	368,380
NET CASH FLOWS USED IN OPERATING ACTIVITIES	14(a)	(8,714,429)	(9,545,164)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(65,450)	(219,071)
Proceed from sale of property		495,008	-
Purchase of controlled entity	23	-	(742,367)
Proceeds from sale of base metals project		-	650,000
Recovery of pre-paid land deposit		-	1,990,895
NET CASH FLOWS FROM IN INVESTING ACTIVITIES		429,558	1,679,457
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	6,935,489
Payments for share issue costs		(92,469)	(332,431)
Proceeds from issues of convertible note		2,627,430	-
Payments for issue of convertible note		(54,611)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,480,350	6,603,058
Net increase/(decrease) in cash and cash equivalents		(5,804,521)	(1,262,649)
Net foreign exchange differences		-	26,384
Cash and cash equivalents at beginning of year		16,826,854	18,063,119
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14(b)	11,022,333	16,826,854

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

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**



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 2018 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 2018 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 certain financial liabilities which have 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 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* which clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not effected by possible future changes in the carrying amount or expected manner of recovery of the asset;
- (ii) AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107; Statement of Cash Flows; and*
- (iii) AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements to Australian Accounting Standards 2012–2014 Cycle including AASB 5 Non-current Assets Held for Sale and Discontinued Operations and AASB 12 Disclosure of Interests in Other Entities.*

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 2018. These are outlined in the table overleaf, but these are not expected to have any significant impact on the Group's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standard/Interpretation	Application date of standard	Application date for Group
AASB 9 <i>Financial Instruments</i> , and relevant amending standards	1 January 2018	1 July 2018
AASB 15 <i>Revenue from Contracts with Customers</i> , and relevant amending standards	1 January 2018	1 July 2018
AASB 2016-5 <i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018	1 July 2018
AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018	1 July 2018
AASB 16 <i>Leases</i>	1 January 2019	1 July 2019
AASB 2018-1 <i>Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</i>	1 January 2019	1 July 2018

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 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.

(f) Investments and Other Financial Assets (Continued)

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.

	2018	2017
Major depreciation and amortisation periods are:		
Buildings:	2% - 40%	2% - 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. 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 Liabilities

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 initially measured at fair value.

Subsequent measurement

Subsequent to initial recognition, the contingent consideration is carried at amortised cost with remeasurements recognised 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income Tax (Continued)

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 acquisition 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 net carrying value of trade receivables and payables 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

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 19.

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 8) - the Group's accounting policy for exploration and evaluation assets is set out in Note 1(i). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. The determination of an area of interest requires judgement.
- Financial liabilities through Profit or Loss (Note 10 and Note 22(h)) - Convertible notes and financial liabilities through Profit or Loss – accounting for convertible notes requires judgement in respect of whether the host contract is debt or equity. Estimating fair value for embedded derivatives requires the determination of the most appropriate valuation model and the determination of the most appropriate inputs to the valuation model. The assumptions used for estimating the fair value of the embedded derivative is disclosed in Note 22(h).
- Share-Based Payments (Note 19) - The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. Estimating fair value for share-based payment transactions requires the determination of the most appropriate valuation model. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumption and models used for estimating the fair value for share-based payment transactions are disclosed in Note 19.
- Functional currency of foreign operations (Note 220) - determination of the functional currency of foreign subsidiaries requires judgement regarding the primary currency of labour, material and exploration spend in that subsidiary.

2. REVENUE AND OTHER INCOME

	2018 \$	2017 \$
(a) Revenue		
Interest income	333,291	368,380
Gas and property lease income	493,592	972,369
	826,883	1,340,749
(b) Other Income		
Sale of base metals project	-	650,000
	-	650,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(Continued)

3. EXPENSES

	Note	2018 \$	2017 \$
(a) Employee benefits expense			
Salaries and wages		(528,333)	(139,384)
Superannuation expense		(7,220)	(7,220)
Other employee expenses		(3,918)	(9,567)
Employment expenses		(539,471)	(156,171)
Share-based payment (expense)/reversal	19(a)	(1,316,624)	392,275
Employment expenses recorded in exploration and evaluation expenses		(687,970)	(612,860)
Employment expenses recorded in business development expenses		-	(252,083)
Total employment expenses included in profit or loss		(2,544,065)	(628,839)

4. FAIR VALUE MOVEMENTS

	Note	2018 \$	2017 \$
Fair value loss on financial liabilities at fair value through profit and loss	10	(9,884,328)	(4,264,925)
		(9,884,328)	(4,264,925)

Notes:

¹ The fair value movements are a result of the fair value measurements of the conversion rights (i.e. the right to receive Ordinary Shares and the CD Options) associated with Loan Note 1. During the year, this financial liability increased in size as the share price of the Company increased. Upon Loan Note 1 converting into Ordinary Shares during the year, the Company issued the CD Options and the associated financial liabilities have been reclassified from a liability to equity and required no cash settlement. Please refer to Notes 10 and 12(a) for further disclosure.

5. INCOME TAX

	2018 \$	2017 \$
(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	-	-

	2018 \$	2017 \$
(b) Reconciliation between tax expense and accounting loss before income tax		
Accounting loss before income tax	(19,382,454)	(11,482,002)
At the domestic income tax rate of 27.5% (2017: 27.5%)	(5,330,175)	(3,157,551)
Effect of decrease in Australian income tax rate	-	174,611
Expenditure not allowable for income tax purposes	3,272,302	1,576,104
Deferred tax assets not brought to account	1,508,087	1,034,964
Effect of different tax rates of subsidiaries operating in other jurisdictions	549,786	371,872
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	10,564	20,688
Deferred tax assets used to offset deferred tax liabilities	(10,564)	(20,688)
	-	-
Deferred Tax Assets		
Accrued expenditure	9,900	12,925
Capital allowances	3,423,873	2,792,015
Tax losses available to offset against future taxable income	3,206,769	2,337,638
Deferred tax assets used to offset deferred tax liabilities	(10,564)	(20,688)
Movement in deferred tax assets not brought to account	(6,629,978)	(5,121,890)
	-	-

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.

(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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**
(Continued)

6. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Trade receivables	309,545	266,389
Accrued interest	38,414	75,229
Deposits/prepayments	437,402	585,485
GST and other receivables	168,167	167,894
	953,528	1,094,997

Note:

¹ As at 30 June 2018, no amounts are past due or impaired.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		\$	\$
(a) Property, Plant and Equipment			
Gross carrying amount at cost		2,605,064	2,970,271
Accumulated Depreciation		(241,913)	(190,745)
Carrying amount at end of year		2,363,151	2,779,526
(b) Reconciliation			
Carrying amount at the start of the year		2,779,526	98,140
Acquired on acquisition of controlled entity	23	-	2,527,356
Additions		65,450	184,896
Disposals		(457,979)	
Depreciation charge		(106,716)	(65,899)
Exchange rate differences on translation of foreign operations		82,870	35,033
Carrying amount at end of year		2,363,151	2,779,526

8. EXPLORATION AND EVALUATION ASSETS

	Note	2018	2017
		\$	\$
(a) Areas of Interest			
Jan Kariski Mine ¹		530,000	530,000
Debiensko Mine ²		2,126,968	2,073,172
Carrying amount at end of year³		2,656,968	2,603,172
(b) Reconciliation			
Carrying amount at the start of the year		2,603,172	530,000
Acquired on acquisition of controlled entity	23	-	2,047,034
Exchange rate differences on translation of foreign operations		53,796	26,138
Carrying amount at end of year³		2,656,968	2,603,172

Notes:

¹ In July 2015, Prairie announced that it had secured the Exclusive Right to apply for a Mining Concession for Jan Karski as a result of its Geological Documentation for the Jan Karski deposit being approved by Poland's MoE. The approved Geological Documentation covers areas of all four 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. As a result of the Exclusive Right, Prairie was the only entity with a legal right to lodge a Mining Concession application over Jan Karski for the period up and until 2 April 2018. Under the Polish GML, a Mining Concession application comprises the submission of a Deposit Development Plan ("DDP"), approval of a spatial development plan (rezoning of land for mining use) and an Environmental Consent decision. Prairie has previously announced that the DDP and spatial development plans for Jan Karski have already been approved.

However, as of the date of this report, Prairie has not yet received the required Environmental Consent decision, which remains pending. Prairie completed an Environmental and Social Impact Assessment and made submissions to RDOS for an Environmental Consent decision in October 2017. Prairie has not been able to apply for a Mining Concession for Jan Karski due to the delay in the issuance of an Environmental Consent decision. However, the Environmental Consent proceedings continue to progress and the Company has received notice from the RDOS to provide supplementary information to the originally submitted Environmental & Social Impact Assessment.

The approval of Prairie's Geological Documentation in 2015 also conferred upon Prairie the legal right to apply for a Mining Usufruct Agreement over Jan Karski for an additional 12-month period beyond April 2018, which precludes any other parties being granted any licence over all or part of the Jan Karski concessions. Under Polish law, the MoE is strictly obligated, within three months of Prairie making an application for a Mining Usufruct Agreement, to grant the agreement. It should be noted that the MoE confirmed Prairie's priority right in two written statements (i.e. in a final administrative decision dated 11 February 2016 and in a formal letter dated 13 April 2016). Prairie applied to the MoE for a Mining Usufruct Agreement over Jan Karski in late December 2017. As of the date of this report the MoE has not made available to Prairie a Mining Usufruct Agreement for Jan Karski, therefore breaching the three-month obligatory period for the agreement to be concluded. Legal advice provided to Prairie concludes that failure of the MoE to grant Prairie the Mining Usufruct Agreement is a breach of Polish law. Accordingly, the Company commenced legal proceedings against the MoE through the Polish courts in order to protect the Company's security of tenure over the Jan Karski concessions. Since the MoE has not provided a decision within three months regarding Prairie's Mining Usufruct application, the Polish civil court has the power to enforce conclusion of a Usufruct Agreement in place of the MoE. In the event that a Mining Usufruct Agreement is not made available to the Company on acceptable terms or the Company does not enter into a Mining Usufruct Agreement for any other reason, other parties may be able to apply for exploration or mining rights for all or part of the Jan Karski concession area. However, given that the Civil Court has approved Prairie's motion for an injunction against the MoE, as described above, the MoE is now prevented from entering into a Usufruct agreement or concession with any other party besides Prairie until the full court proceeding has concluded.

² Under the terms of the Debiensko Mining Concession issued in 2008 by the MoE (which is valid for 50 years from grant date), commencement of production was to occur by 1 January 2018. In December 2016, following the acquisition of Debiensko, Prairie applied to the MoE to amend the 50 year Debiensko Mining Concession. The purpose of the concession amendment was to extend the time stipulated in the Mining Concession for first production of coal from 2018 to 2025. Prairie has now received an initial and appealable, first instance decision from the MoE that has denied the Company's amendment application. However, Prairie continues to have valid tenure and ownership of land at Debiensko. Not meeting the production timeframe stipulated in the concession does not immediately infringe on the validity and expiry date of the Debiensko Mining Concession, which is June 2058. Prairie also holds a valid environmental consent decision enabling mine construction. Prairie will appeal the MoE's decision on the basis that its justification for denial is fundamentally flawed for a number of reasons including failure to take into account the requirements of the law and public interest in Poland, and the relevant facts of the Company and its amendment application. Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding the Debiensko concession. Prairie's legal team is in the process of preparing this appeal, which will point out the deficiencies of the MoE's first instance decision. However, if Prairie's appeal is unsuccessful, then this may lead to the commencement of proceedings by the MoE to limit or withdraw the Debiensko concession. Prairie also has the right of further appeal to Poland's administrative courts. The Company will consider any other actions necessary to ensure its concession rights are preserved, which may result in the Company taking further action against the MoE including invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time.

³ 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.

9. TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade and other payables	865,265	2,109,127
	865,265	2,109,127

Notes:

¹ Refer to note 23 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(Continued)

10. OTHER FINANCIAL LIABILITIES

	Note	2018 \$	2017 \$
<i>Financial liabilities at fair value through profit or loss:</i>			
(a) Cash settlement required			
Contingent consideration carried at amortised cost	23	1,891,573	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	12(a)	-	4,600,746

Note:

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 (which was converted into shares effective 25 May 2018);
- On conversion of the Loan Note 1, agreement to grant CD Capital the CD Options for a further investment in Prairie of \$13 million once exercised (the CD Options were issued on 30 May 2018); and
- a priority right for CD Capital to invest a further A\$55 million in any future funding conducted by Prairie.

Due to the conversion terms of Loan Note 1 and the agreement to issue the CD Options, the Company was required under the accounting standards to account for this conversion right as a financial derivative liability through profit and loss, despite the Company only having to issue unlisted options (the CD Options) and there being no obligation to extinguish Loan Note 1 using the Company's cash and cash equivalents. On 25 May 2018, the Company converted Loan Note 1, issued the CD Options and derecognised the derivative liability. Please refer to Note 12(a) for further information

11. PROVISIONS

	2018 \$	2017 \$
PROVISIONS		
(a) Current Provisions:		
Provisions for the protection against mining damage at Debiensko ¹	195,463	245,587
Annual leave provision	122,251	124,876
Other ²	215,106	209,666
	532,820	580,129
(b) Non-Current Provisions:		
Provisions for the protection against mining damage at Debiensko ¹	1,260,624	1,136,134
	1,260,624	1,136,134

Notes:

¹ As Debiensko was previously an operating mine, 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 (\$215,106) 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 30 November 2019.

12. CONTRIBUTED EQUITY

	Note	2018 \$	2017 \$
(a) Issued and Unissued Capital			
212,275,089 (2017: 167,498,969) fully paid Ordinary Shares	12(b)	66,718,295	45,349,612
Loan Note 1 exchangeable into fully paid ordinary shares at \$0.335 per share, net of transaction costs ¹	12(b)	-	13,128,101
Loan Note 2 exchangeable into fully paid ordinary shares at \$0.46 per share, net of transaction costs ³		2,600,012	-
Issue of CD Options ²	10(b)	6,207,493	-
Total Contributed Equity		75,525,800	58,477,713

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 was structured as follows:
 - Issue of the convertible note upfront (which was converted into shares effective 25 May 2018);
 - 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 (the CD Options were issued on 30 May 2018); and
 - a priority right for CD Capital to invest a further A\$55 million in any future funding conducted by Prairie.
- ² Prior to Loan Note 1 being converted, the conversion rights (the issue of Ordinary Shares and issue of CD Options) needed to be considered and accounted for separately. The conversion right was required to be carried at fair value through profit and loss and results in the fair value movements of the conversion right and embedded derivative to be recognised in profit and loss for the period. On 25 May 2018, the Company converted Loan Note 1 and issued 44.8 million Ordinary Shares and the 22.3 million CD Options to CD Capital. The fair value of the derivative liabilities at 25 May 2018 was assessed to be \$14,485,075 (30 June 2017: \$4,600,746). The non-cash fair value loss arising from the movement in the derivative was therefore \$9,884,328 (2017: \$4,264,002). On 25 May 2018, following conversion of Loan Note 1 and the issue of CD Options, the conversion right and embedded derivative were derecognised as financial liabilities. Please refer to Note 0 and 10 for further disclosure. The CD Options are exercisable at \$0.60 each on or before 30 May 2021. The options are freely transferable provided the transfer complies with the Corporations Act 2001.
- ³ On 2 July 2017, Prairie and CD Capital completed an additional investment of US\$2.0 million (A\$2.6 million) in the form of the non-redeemable, non-interest-bearing convertible Loan Note 2. The Loan Note 2 is convertible into ordinary shares of Prairie at an issue price of A\$0.46 per share. Transaction costs amounted to \$27,418. Other key terms of the Loan Note 2 include the following:
 - Loan Note 2 is non-interest bearing;
 - Loan Note 2 is only repayable in an event of breach of the terms of the Loan Note 2 agreements;
 - Loan Note 2 could not be converted until after 1 April 2018 by either party;
 - Prairie has the right, whilst no Event of Default exists, to convert all or part of the outstanding principal amount of Loan Note 2 into shares at the conversion price of \$0.46 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 after 1 April 2018 provided that the 30-day VWAP of Prairie's shares exceeds the conversion price of \$0.46 per share.
 - Loan Note 2 does not provide CD Capital with any right to participate in any new issues of securities.
 - CD Capital has the right to convert all or part of the outstanding principal amount of the Notes into shares at the conversion price of \$0.46 per share provided that:
 - Loan Note 1 has been converted into Prairie shares; and
 - The CD Options have been exercised into Prairie shares.
 - 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 \$0.46 of Loan Note 2 will be adjusted so that the number of Prairie shares received by CD Capital on conversion of Loan Note 2 is the same as if Loan Note 2 were converted prior to relevant event.
 - The occurrence of an Event of Default entitles CD Capital to declare the principal amount of the Loan Note 2 immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Company.
 - Each of the following events is an "Event of Default" in relation to the Loan Note 2:
 - 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 Company breaches a covenant or condition of the Notes or associated agreements 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 A\$1 million) its rights under Loan Note 2 to any third party by giving written notice to Prairie provided the third party has provided a deed of assumption. Assignment of Loan Note 2 will not result in the assignment of the rights and obligations under the subscription agreement or investment agreement from Loan Note 1.
 - 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 2, the and all other 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**
(Continued)

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

Date	Details	Number of Ordinary Shares	\$
1 Jul 17	Opening balance	167,498,969	45,349,612
30 May 18	Issue of shares on conversion of Loan Note 1, net of transaction costs	44,776,120	13,128,101
30 May 18	Conversion right of Loan Note 1 reclassified to equity	-	8,283,582
Jul 17 to Jun 18	Share issue costs	-	(43,000)
30 Jun 18	Closing balance	212,275,089	66,718,295
1 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

(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 13(c) or the conversion of Performance Rights in accordance with Note 13(d) will rank equally in all respects with the Company's existing Ordinary Shares.

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.

13. RESERVES

	Note	2018 \$	2017 \$
Share-based-payments reserve	13(b)	2,486,718	1,529,894
Foreign currency translation reserve		1,096,756	728,445
		3,583,474	2,258,339

(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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**
(Continued)

13. RESERVES (Continued)

(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 17	Opening balance	2,700,000	6,800,000	1,529,894
21 Aug 17	Grant of Performance Rights	-	5,775,000	-
15 Sep 17	Grant of Incentive Options	500,000	-	-
31 Dec 17	Forfeiture of Performance Rights	-	(3,150,000)	(1,134,010)
07 Apr 18	Grant of Performance Rights	-	1,500,000	-
23 Mar 18	Forfeiture of Performance Rights	-	(250,000)	(59,990)
30 Jun 18	Expiry of Incentive Options	(1,400,000)	-	(359,800)
Jul 17 to Jun 18	Share-based payments expense	-	-	2,510,624
30 Jun 18	Closing balance	1,800,000	10,675,000	2,486,718
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	-
30 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

(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:
 - 200,000 Incentive Options exercisable at \$0.50 each on or before 31 March 2020;
 - 900,000 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);
- 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:
 - 3,075,000 Performance Rights expiring 31 December 2018;
 - 3,200,000 Performance Rights expiring 31 December 2019; and
 - 4,400,000 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.

14. STATEMENT OF CASH FLOWS

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

	2018 \$	2017 \$
Net loss for the year	(19,382,454)	(11,482,002)
Adjustments		
Depreciation of plant and equipment	106,716	65,899
Share-based payment expense/(reversal)	1,316,624	(392,275)
Unrealised foreign exchange movement	496,706	(308,036)
Fair value (gain)/loss on financial liabilities at fair value through profit and loss	9,884,328	4,264,925
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	141,470	(829,363)
Increase/(decrease) in trade and other payables	(1,310,664)	(532,919)
Increase/(decrease) in provisions	32,845	(331,393)
Net cash outflow from operating activities	(8,714,429)	(9,545,165)
(b) Reconciliation of Cash		
Cash at bank and on hand	3,022,333	4,826,854
Deposits at call	8,000,000	12,000,000
	11,022,333	16,826,854

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(Continued)

14. STATEMENT OF CASH FLOWS (Continued)

(c) Non-cash Financing and Investing Activities

At 30 June 2018, an amount of nil (30 June 2017: \$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 19(a).

15. EARNINGS PER SHARE

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

	2018 \$	2017 \$
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	(19,382,454)	(11,482,002)
	Number of Ordinary Shares 2018	Number of Ordinary Shares 2017
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	171,424,547	154,717,188
Weighted average number of Ordinary Shares upon conversion of Loan Note 2	4,898,068	-
	176,322,615	154,717,188

(a) Non-Dilutive Securities

As at balance date, 1,800,000 Incentive Options, 10,675,000 Performance Rights and 22,388,060 CD Options (which represent 35,762,160 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2018

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.

16. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest	
		2018 %	2017 %
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	100
Karski 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 17 below.

17. 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

Other KMP

Mr Mirosław Taras	Group Executive – Poland
Mr Simon Kersey	Chief Financial Officer
Mr Dylan Browne	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July 2017 until the date of this report.

	2018	2017
	\$	\$
Short-term employee benefits	1,161,290	1,221,030
Post-employment benefits	7,220	7,220
Share-based payments	269,173	(69,806)
Total compensation	1,437,683	1,158,444

(b) Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2018 (2017: 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 (2017: \$150,000) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
(Continued)

18. PARENT ENTITY DISCLOSURES

	2018	2017
	\$	\$
(a) Financial Position		
Assets		
Current assets	10,897,769	17,679,966
Non-current assets	662,721	688,308
Total assets	11,560,490	18,368,274
Liabilities		
Current liabilities	412,414	769,694
Total liabilities	412,414	769,694
Equity		
Contributed equity	64,642,162	45,349,652
Reserves	2,486,718	1,529,894
Accumulated losses	(55,980,804)	(29,280,926)
Total equity	11,148,076	17,598,620
(b) Financial Performance		
Profit/(loss) for the year	(27,059,678)	(7,170,828)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	(27,059,678)	(7,170,828)

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries. Refer to Note 24 for details of contingent assets and liabilities.

19. 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:

	2018	2017
	\$	\$
Expense arising from equity-settled share-based payment transactions ¹	(1,316,624)	488,309
Issue of shares to consultant as part of their annual fees fee (profit & loss)	-	(96,034)
Total share-based payments recognised during the year	(1,316,624)	392,275

Note:

¹ There was a share-based payment reversal in 2017 due to the forfeiture of 4,397,000 Performance Rights as a result of the relevant 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:

2018 Option Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	500,000	15 Sep 17	31 Mar 20	30 Jun 18	0.600	0.300

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

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	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding at beginning of year	2,700,000	\$0.567	8,225,000	\$0.445
Granted by the Company during the year	500,000	\$0.600	1,300,000	\$0.692
Forfeited/cancelled/lapsed	(1,400,000)	\$0.450	(2,805,000)	\$0.491
Exercised during the year	-	-	(4,020,000)	\$0.410
Outstanding at end of year	1,800,000	\$0.667	2,700,000	\$0.567

The outstanding balance of options as at 30 June 2018 is represented by:

- 200,000 Incentive Options exercisable at \$0.50 each on or before 31 March 2020;
- 900,000 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:

2018 Rights Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	925,000	21 Aug 17	31 Dec 18	31 Dec 18	-	0.500
Series 2	2,130,000	21 Aug 17	31 Dec 19	31 Dec 19	-	0.500
Series 3	2,720,000	21 Aug 17	31 Dec 20	31 Dec 20	-	0.500
Series 4	750,000	6 Feb 18	31 Dec 18	31 Dec 18	-	0.520
Series 5	750,000	6 Feb 18	31 Dec 19	31 Dec 19	-	0.520

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**
(Continued)

19. SHARE-BASED PAYMENTS (Continued)

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

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

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:

Performance Rights	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding at beginning of year	6,800,000	-	9,397,000	-
Granted by the Company during the year	7,275,000	-	1,800,000	-
Forfeited/cancelled/lapsed/expired	(3,400,000)	-	(4,397,000)	-
Converted during the year	-	-	-	-
Outstanding at end of year	10,675,000	-	6,800,000	-

The outstanding balance of Performance Rights as at 30 June 2018 is represented by:

- 3,075,000 Performance Rights expiring 31 December 2018;
- 3,200,000 Performance Rights expiring 31 December 2019; and
- 4,400,000 Performance Rights expiring on 31 December 2020.

(c) Weighted Average Remaining Contractual Life

At 30 June 2018, the weighted average remaining contractual life of Incentive Options on issue that had been granted as share-based payments was 1.75 years (2017: 1.84 years) and of Performance Rights granted as share-based payments was 1.63 years (2017: 1.54 years).

(d) Range of Exercise Prices

At 30 June 2018, the range of exercise prices of Incentive Options on issue that had been granted as share-based payments was \$0.50 to \$0.80 (2017: \$0.45 to \$0.80). 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 2018 was \$0.300 (2017: \$0.271). The weighted average fair value of Performance Rights granted as share-based payments by the Group during the year ended 30 June 2018 was \$0.504 (2017: \$0.510).

(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:

2018 Inputs	Series 1
Exercise price	\$0.600
Grant date share price	\$0.610
Dividend yield ¹	-
Volatility ²	90%
Risk-free interest rate	2.08%
Grant date	15 Sep 17
Issue date	15 Sep 17
Expiry date	31 Mar 20
Expected life of option ³	2.54 years
Fair value at grant date	\$0.300

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.

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

2018 Inputs	Series 1	Series 2	Series 3	Series 4	Series 5
Grant date share price	\$0.500	\$0.500	\$0.500	\$0.520	\$0.520
Grant date	21 Aug 17	21 Aug 17	21 Aug 17	6 Feb 18	6 Feb 18
Issue date	21 Aug 17	21 Aug 17	21 Aug 17	6 Feb 18	6 Feb 18
Expiry date	31 Dec 18	31 Dec 19	31 Dec 20	31 Dec 18	31 Dec 19
Expected life of right ¹	1.36 years	2.36 years	3.36 years	0.90 years	1.9 years
Fair value at grant date	\$0.500	\$0.500	\$0.500	\$0.520	\$0.520

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

20. AUDITORS' REMUNERATION

The auditor of Prairie Mining Limited is Ernst & Young.

	2018	2017
	\$	\$
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	30,300	38,190
• Ernst and Young – Australia: preparation of income tax return	11,124	13,905
• Ernst and Young related practises: an audit or review of the financial report of any other entity in the consolidated group	31,000	25,860
	72,424	77,955

21. 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.

	2018	2017
	\$	\$
(a) Reconciliation of Non-Current Assets by Geographical Location		
Poland	4,887,397	5,223,532
United Kingdom	132,721	159,166
	5,020,118	5,382,698
(b) Revenue by Geographical Location		
Poland	493,592	972,369
Australia	333,291	368,380
	826,883	1,340,749

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise receivables, payables, 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:

	2018	2017
	\$	\$
Cash and cash equivalents	11,022,333	16,826,854
Trade and other receivables	953,528	1,094,997
	11,975,861	17,921,851

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 2018, none (2017: 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 2018 and 2017, 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
	\$	\$	\$	\$	\$
2018					
Financial Liabilities					
Trade and other payables	865,265	-	-	-	865,265
Contingent consideration	-	1,891,573	-	-	1,891,573
	865,265	1,891,573	-	-	2,756,838
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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**
(Continued)

22. 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:

	2018	2017
	\$	\$
Interest-bearing financial instruments		
Cash at bank and on hand	3,022,333	4,826,854
Deposits at Call	8,000,000	12,000,000
	11,022,333	16,826,854

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 2.23% (2017: 2.28%).

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 2017.

	Profit or loss		Other Comprehensive Income	
	+ 100 basis points \$	- 100 basis points \$	+ 100 basis points \$	- 100 basis points \$
2018				
Group				
Cash and cash equivalents	111,983	(111,983)	-	-
2017				
Group				
Cash and cash equivalents	168,268	(168,268)	-	-

(e) Commodity Price Risk

The Group has no exposure to commodity price risk on its financial instruments at 30 June 2018. No hedging or derivative transactions have been used to manage commodity price risk.

(f) Capital Management

The Group defines its Capital as total equity of the Group, being \$12,445,698 as at 30 June 2018 (2017: \$13,095,130). 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.

(g) 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 2018 and 30 June 2017, 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:				
2018				
Financial liabilities at fair value through profit and loss:				
Conversion right attached to Loan Note 1 at fair value through profit and loss at date of conversion	-	14,485,075	-	14,485,075
2017				
Financial liabilities at fair value through profit and loss:				
Conversion right and derivative liability attached to Loan Note 1 at fair value through profit and loss	-	4,600,746	-	4,600,746

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) 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 CD Options attached to Loan Note 1 for the past two years are as follows (Please refer to note 10 for further details):

	2018 Assumptions ¹	2017 Assumptions
Exercise price	\$0.60	\$0.60
Valuation date share price	\$0.52	\$0.50
Dividend yield ²	-	-
Volatility ³	90%	90%
Risk-free interest rate	2.16%	1.94%
Number of CD Options	22,388,060	22,388,060
Issue date	-	11-Sep-14
Estimated Expiry date	30-May-21	20-Sep-20
Expected life of CD Option	3 years	3.12 years ⁴
Discount Applied ⁴	-	25%
Fair value per CD Option	\$0.277	\$0.015

Notes:

¹ At measurement date of 25 May 2018.

² The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

³ The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

⁴ Based on management's best estimates of Loan Note 1 converting.

The conversion right also included a fair value calculation of Loan Note 1 at the date of conversion are as follows:

	Loan Note 1
Conversion price	\$0.335
Valuation date share price	\$0.520
Number of Ordinary Shares	44,776,120
Fair value per share	\$0.185

(h) 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:

2018	PLN	EUR	AUD	Total Equivalent AUD
Financial assets				
Cash and cash equivalents	892,193	-	10,701,196	11,022,333
Trade and other receivables	1,580,448	-	384,659	953,528
	2,472,641	-	11,085,855	11,975,861
Financial liabilities				
Trade and other payables	(1,255,204)	-	(413,465)	(865,265)
Contingent consideration	-	(1,200,000)	-	(1,891,572)
	(1,255,204)	(1,200,000)	(413,465)	(2,756,837)
Net exposure	1,217,437	(1,200,000)	10,672,390	9,219,023

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
2018 Group				
AUD to PLN	43,821	(43,821)	43,821	(43,821)
AUD to EUR	178,333	(178,333)	178,333	(178,333)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

23. ACQUISITION OF CONTROLLED ENTITY

On 10 October 2016, the Company completed the acquisition of Karbonia S.A. which holds the Debiensko Mine. 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

Note:

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 \$1,891,572 (2017: \$1,783,283) and is disclosed as an other financial liability in note 10. The foreign exchange loss arising from the remeasurement in the carrying value of the contingent consideration was \$108,289 for year. Please refer to note 10 for further disclosure.

24. 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 2018 financial year.

(ii) Contingent Liability

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2018 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. 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. 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.

25. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2018 of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2018, of the Consolidated Entity;
or
- the state of affairs, in financial years subsequent to 30 June 2018, 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 2018 and of its performance for the year ended 30 June 2018; 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 2018.

On behalf of the Board



Benjamin Stoikovich
Director

27 September 2018



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Independent auditor's report to the members of Prairie Mining Limited

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 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2018 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 judgment, 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 below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDITOR'S REPORT (Continued)



1. Accounting for convertible notes

Why significant

During the year the Group converted a previously issued convertible note through the issue of ordinary shares and options in the Company. The accounting applied in relation to the convertible note prior to conversion included the recognition of a derivative liability in respect of the conversion right.

During the year the Group also issued a convertible note which has been classified as equity.

The details of these convertible notes, including the valuation of the derivative liability at conversion, are disclosed in Notes 4, 10 and 12.

The accounting treatment for convertible notes is complex and requires the exercise of judgement in determining the classification of the host contract as debt or equity and in valuing any embedded derivatives contained within the agreement.

Due to the complexity of the accounting treatment, and the related estimation uncertainty, this was considered a key audit matter.

How our audit addressed the KAM

We evaluated the Group's accounting treatment of the convertible notes. In obtaining sufficient audit evidence, we:

- ▶ Reviewed management's assessment of the applicable accounting treatment for the convertible notes
- ▶ Inspected the terms of the convertible notes, including the terms of conversion
- ▶ Assessed the methodologies, inputs and assumptions used by the Group in determining the fair value of the derivative financial liability. In doing so we involved our own valuation specialists
- ▶ Considered the adequacy of the Group's disclosures in respect of the convertible notes, including the fair value measurement of the embedded derivative.

2. Exploration and evaluation expenditure assets

Why significant

As disclosed in Note 8, as at 30 June 2018 the Group held exploration and evaluation expenditure assets of \$2,656,968. Note 8 also describes the status of various legal proceedings in respect of the Group's projects.

The carrying value of exploration and evaluation expenditure assets are assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation assets may exceed their recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgements including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. During the year, the Group determined that there had been no indicators of impairment.

How our audit addressed the KAM

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 license agreements and correspondence with relevant government agencies
- ▶ Considered the status of the legal proceedings in respect of the Group's projects
- ▶ Considered the Group's intention to carry out further exploration and evaluation activity in the relevant exploration area, which included an assessment of the Group's cash flow forecast model and discussions with senior management as to the intentions and strategy of the Group
- ▶ Assessed recent exploration and evaluation activity in the relevant licence area to determine if there are any negative indicators that would suggest a potential impairment of the asset
- ▶ Considered whether the exploration activities within each area of interest have reached a stage where the determination of commercially viable resource estimates could be made
- ▶ Assessed the adequacy of the disclosure included in the financial report.



3. Share-based payments

Why significant

As disclosed in Note 19, 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 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.

How our audit addressed the KAM

For awards granted or vesting during the year, in performing our procedures, we:

- ▶ Assessed the assumptions used in the fair value calculation including the share price of the underlying equity, grant date and other key assumptions
- ▶ Assessed the vesting period assumptions and probability of achievement
- ▶ Assessed the adequacy of the disclosure included in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)



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 judgment 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

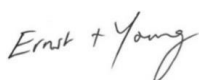
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2018

In our opinion, the Remuneration Report of Prairie Mining Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

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



T S Hammond
Partner
Perth
27 September 2018

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 2018, 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 2018, 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.

MINERAL RESOURCE AND ORE RESERVES STATEMENT

1. COAL RESOURCES – JAN KARSKI

The Company's Coal Resources as at 30 June 2018 and 2017, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

Jan Karski Coal Resource Estimate for 30 June 2018 and 30 June 2017				Jan Karski Coal Quality Statistics (Air Dried) of In-situ Coal Resources for 30 June 2018 and 30 June 2017		
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.

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.

Analysis results from Jan Karski Kulik 1 borehole – 391 seam		
COKING PROPERTIES		
FSI		7.0
Roga Index		82
CSR	%	54.0
CRI	%	36.5
Ash in Coke	%	5.8
Sulphur in Coke	%	0.78
Giesler Plastometer		
Initial Softening	°C	404
Max Fluidity temp	°C	440
Resolidification	°C	463
Max Fluidity	ddpm	268
ASTM Dilation		
Softening Temperature	°C	380
Max Contraction Temp	°C	420
Max Dilation Temp	°C	450
Max Dilation	% D	64
PROXIMATE ANALYSIS		
Inherent moisture	adb%	1.73
Ash	adb%	3.45
Volatile Matter	adb%	35.5
OTHER COAL PROPERTIES		
Sulphur	ar%	1.00
Rank (Ro)		0.85
Vitrinite	%	84

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:

2018 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

2018 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

2018 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 2018 and 2017, 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 2018 and 30 June 2017		
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

MINERAL RESOURCE AND ORE RESERVES STATEMENT (Continued)

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).

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 and a holder of shares and performance rights. 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 Ben Stoikovich, a Competent Person, Member of the Institute of Materials, Minerals and Mining (IOM³). Mr Stoikovich is the CEO of the Company and a holder of shares and performance rights in Prairie. Mr Stoikovich 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 Stoikovich 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.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 31 August 2018.

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	59,287,273	27.93%
CD Capital Natural Resources Fund III LP	44,776,120	21.09%
Computershare Clearing Pty Ltd <CCNL DI A/C>	20,260,669	9.54%
Citicorp Nominees Pty Limited	15,844,345	7.46%
Arredo Pty Ltd	10,600,000	4.99%
Bouchi Pty Ltd	3,353,700	1.58%
Mr John Paul Welborn	2,950,000	1.39%
T2 Resources Pty Ltd	2,800,000	1.32%
Mr Mark Pearce + Mrs Natasha Pearce <NMLP Family A/C>	2,500,000	1.18%
HSBC Custody Nominees (Australia) Limited	2,444,156	1.15%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	2,022,121	0.95%
Mr Angus William Johnson + Mrs Lindy Johnson <The Dena Super Fund A/C>	1,542,106	0.73%
Jetosea Pty Limited	1,489,716	0.70%
Mr Terry Patrick Coffey + Hawkes Bay Nominees Limited <Williams Family NO 2 A/C>	1,408,141	0.66%
Cabbdeg Investments Pty Ltd	1,285,000	0.61%
Mr James Howard Nigel Smalley	850,000	0.40%
BNP Paribas Noms Pty Ltd <DRP>	846,611	0.40%
BNP Paribas Nominees Pty Ltd <Jarvis A/C Non Treaty DRP>	804,000	0.38%
WHITAKER WRIGHT NL	800,000	0.38%
Mr Arthur Douglas Wayne + Mrs Janice Beryl Wayne <Daisy Blue Super Fund A/C>	799,296	0.38%
Total Top 20	176,663,254	83.22%
Others	35,611,835	16.78%
Total Ordinary Shares on Issue	212,275,089	100.00%

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of holders by size of holding:

Distribution	Ordinary Shares	
	Number of Shareholders	Number of Ordinary Shares
1 – 1,000	624	145,982
1,001 – 5,000	266	754,159
5,001 – 10,000	157	1,324,820
10,001 – 100,000	316	11,606,773
More than 100,000	103	194,443,355
Totals	1,466	212,275,089

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

ASX ADDITIONAL INFORMATION (Continued)

3. VOTING RIGHTS

See Note 12(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
CD Capital Natural Resources Fund III LP	44,776,120

5. UNQUOTED SECURITIES

The names of the security holders holding 20% or more of an unlisted class of security at 31 August 2018, other than those securities issued or acquired under an employee incentive scheme, are listed below:

Holder	\$0.50 Unlisted Options Expiring 31 March 2020	\$0.60 Unlisted Options Expiring 31 March 2020	\$0.60 Unlisted Options Expiring 31 May 2021	\$0.80 Unlisted Options Expiring 31 March 2020
Sapan Ghai	200,000	400,000	-	700,000
Hannes Huster	-	500,000	-	-
CD Capital Natural Resources Fund III LP	-	-	22,388,060	-
Others (holding less than 20%)	-	-	-	-
Total	200,000	900,000	22,388,060	700,000
<i>Total holders</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>1</i>

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 2018, 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
Debiensko, Poland	Debiensko 1 ²	100	Granted	Mining
Debiensko, Poland	Kaczycze 1	100	Granted	Mining & Exploration (includes gas rights)

Notes:

¹ In July 2015, Prairie announced that it had secured the Exclusive Right to apply for a Mining Concession for Jan Karski as a result of its Geological Documentation for the Jan Karski deposit being approved by Poland's MoE. The approved Geological Documentation covers areas of all four 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. As a result of the Exclusive Right, Prairie was the only entity with a legal right to lodge a Mining Concession application over Jan Karski for the period up and until 2 April 2018. Under the Polish GML, a Mining Concession application comprises the submission of a Deposit Development Plan ("DDP"), approval of a spatial development plan (rezoning of land for mining use) and an Environmental Consent decision. Prairie has previously announced that the DDP and spatial development plans for Jan Karski have already been approved.

However, as of the date of this report, Prairie has not yet received the required Environmental Consent decision, which remains pending. Prairie completed an Environmental and Social Impact Assessment and made submissions to RDOS for an Environmental Consent decision in October 2017. Prairie has not been able to apply for a Mining Concession for Jan Karski due to the delay in the issuance of an Environmental Consent decision. However, the Environmental Consent proceedings continue to progress and the Company has received notice from the RDOS to provide supplementary information to the originally submitted Environmental & Social Impact Assessment.

The approval of Prairie's Geological Documentation in 2015 also conferred upon Prairie the legal right to apply for a Mining Usufruct Agreement over Jan Karski for an additional 12-month period beyond April 2018, which precludes any other parties being granted any licence over all or part of the Jan Karski concessions. Under Polish law, the MoE is strictly obligated, within three months of Prairie making an application for a Mining Usufruct Agreement, to grant the agreement. It should be noted that the MoE confirmed Prairie's priority right in two written statements (i.e. in a final administrative decision dated 11 February 2016 and in a formal letter dated 13 April 2016). Prairie applied to the MoE for a Mining Usufruct Agreement over Jan Karski in late December 2017. As of the date of this report the MoE has not made available to Prairie a Mining Usufruct Agreement for Jan Karski, therefore breaching the three-month obligatory period for the agreement to be concluded. Legal advice provided to Prairie concludes that failure of the MoE to grant Prairie the Mining Usufruct Agreement is a breach of Polish law. Accordingly, the Company commenced legal proceedings against the MoE through the Polish courts in order to protect the Company's security of tenure over the Jan Karski concessions. Since the MoE has not provided a decision within three months regarding Prairie's Mining Usufruct application, the Polish civil court has the power to enforce conclusion of a Usufruct Agreement in place of the MoE. In the event that a Mining Usufruct Agreement is not made available to the Company on acceptable terms or the Company does not enter into a Mining Usufruct Agreement for any other reason, other parties may be able to apply for exploration or mining rights for all or part of the Jan Karski concession area. However, given that the Civil Court has approved Prairie's motion for an injunction against the MoE, as described above, the MoE is now prevented from entering into a Usufruct agreement or concession with any other party besides Prairie until the full court proceeding has concluded.

² Under the terms of the Debiensko Mining Concession issued in 2008 by the MoE (which is valid for 50 years from grant date), commencement of production was to occur by 1 January 2018. In December 2016, following the acquisition of Debiensko, Prairie applied to the MoE to amend the 50 year Debiensko Mining Concession. The purpose of the concession amendment was to extend the time stipulated in the Mining Concession for first production of coal from 2018 to 2025. Prairie has now received an initial and appealable, first instance decision from the MoE that has denied the Company's amendment application. However, Prairie continues to have valid tenure and ownership of land at Debiensko. Not meeting the production timeframe stipulated in the concession does not immediately infringe on the validity and expiry date of the Debiensko Mining Concession, which is June 2058. Prairie also holds a valid environmental consent decision enabling mine construction. Prairie will appeal the MoE's decision on the basis that its justification for denial is fundamentally flawed for a number of reasons including failure to take into account the requirements of the law and public interest in Poland, and the relevant facts of the Company and its amendment application. Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding the Debiensko concession. Prairie's legal team is in the process of preparing this appeal, which will point out the deficiencies of the MoE's first instance decision. However, if Prairie's appeal is unsuccessful, then this may lead to the commencement of proceedings by the MoE to limit or withdraw the Debiensko concession. Prairie also has the right of further appeal to Poland's administrative courts. The Company will consider any other actions necessary to ensure its concession rights are preserved, which may result in the Company taking further action against the MoE including invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time.



Prairie Mining
Limited

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