



Prairie Mining
Limited

ASX RELEASE | 30 JANUARY 2015

DECEMBER 2014 QUARTERLY REPORT

Prairie Mining Limited ("**Prairie**" or the "**Company**") is pleased to present its quarterly report for the period ending 31 December 2014.

Highlights during, and subsequent to, the quarter include:

HIGHLIGHTS:

- **Pre-Feasibility Study ("PFS")** – halfway point reached in the PFS for the Lublin Coal Project ("**LCP**" or "**Project**") with the PFS on track for completion during the first half of 2015. The PFS is being conducted by Golder Associates and Royal HaskoningDHV and has been designed to comply with international best practise in all study areas in order to promote a seamless transition to the Bankable Feasibility Study stage;
- **Permitting** – the Company completed its exploration works program agreed with the Polish government under its exploration concessions, including drilling of seven boreholes, and submitted Geological Documentation to the Polish government in December 2014. Approval of Geological Documentation would trigger a three (3) year priority right for Prairie to apply for a Mining Concession for the LCP;
- **Ministry Rejects Bogdanka Appeal** – the Polish Ministry of Environment ("**MoE**") officially rejected Lubelski Węgiel BOGDANKA S.A.'s ("**Bogdanka**") appeal regarding the MoE's initial decision to deny their application for a Mining Concession over Prairie's K-6-7 Concession;
- **European Coal Marketing Studies** – Wood Mackenzie continued with European coal marketing studies for the Project which will be completed alongside the PFS during the first half of 2015;
- **Environmental and Social Impact Assessment ("ESIA")** – Continued baseline studies for the ESIA, the completion of which is a pre-requisite for the grant of a mining licence over the Company's concessions;
- **Strong Community Support** – Prairie received strong community support at a regional press conference in Lublin that was held to announce the new name of Prairie's future mine at the LCP; and
- **Agreements signed with the MoE** – the Company signed agreements with the MoE providing access to further detailed historical exploration data for the K-4-5, K-8 and K-9 concessions at the LCP.

GOING FORWARD:

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

- Advancement of the PFS with completion expected mid-2015;
- Publication of drilling results and core analysis from completed boreholes;
- Further washability and clean coal yield analysis;
- Reporting of additional metallurgical and thermal coal quality results which will be used to determine potential product quality and yields and to facilitate future marketing discussions with potential off-takers and end-users;
- Completion of comprehensive thermal and metallurgical coal marketing studies encompassing export and domestic marketing opportunities for the LCP; and
- Approval of Geological Documentation by the MoE and subsequent completion of the Deposit Development Plan which would form the key component of the Mining Concession Application for the LCP.



Figure 1: LCP Target Export Locations

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LUBLIN COAL PROJECT

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

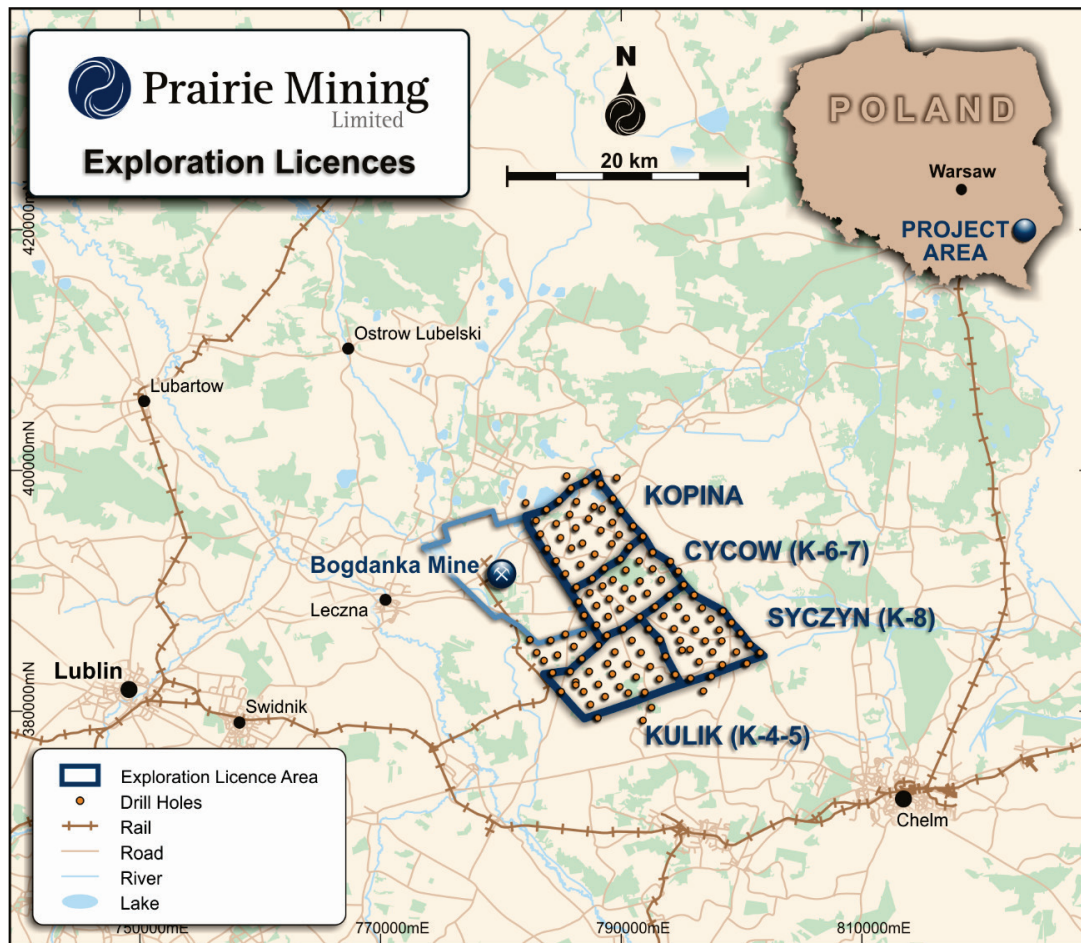


Figure 2: Lublin Coal Project Exploration Concessions

Pre-Feasibility Study

In September 2014, Prairie announced that it had commenced work on a Pre-Feasibility Study (“PFS”) for the LCP using a joint team of consultants from Golder Associates (UK) Ltd (“Golder”) and Royal HaskoningDHV (“RHDHV”). The PFS has been designed to comply with international best practise in all study areas in order to support detailed technical and financial due diligence by strategic equity partners, offtakers, financial institutions and to promote a seamless transition to the Bankable Feasibility Study stage.

The PFS study work has now reached the mid-way point and is on track for publication mid-2015. Major work items completed so far as part of the PFS study program include:

- Hydrogeology: translation and collation of paper data records and the creation of hydrogeological conceptual models and groundwater management models;
- Geology: Modelling of coal resources almost complete in relation to a coal resource upgrade that will support the PFS mine plan. The resource upgrade is based on historical drilling data and the results of Prairie’s recently completed drilling program RHDHV have also undertaken additional interpretive work on the structural geology;
- Mine Design: Parameters agreed for mine design and mine layout, and mine planning model being prepared for scheduling;
- Geotechnical Analysis: Review and analysis of rock testing results based on Prairie’s completed drilling program, and comparison of these results with those from historical drilling data;
- Preliminary concepts of the site layout for mine site, coal processing plant, rail loading area and stockpile completed;
- Performance requirements for materials handling system completed;

- Coal Handling & Processing Plant: Preliminary flowsheet designs completed; and
- Waste Management: Parameters agreed for waste management system.

Prairie's PFS team will now focus on the completion of the PFS including completion of the following major work streams:

- Drafting of the resource report for the "Update" to the current Coal Resource Estimate;
- Shaft sinking and hoisting design;
- Geotechnical parameters for roof support system and optimised longwall panel layouts;
- Mine development and production scheduling;
- Finalisation of all surface engineering and transport systems;
- Finalising CHPP design;
- Waste management;
- Staffing requirements;
- Estimates of capital and operating costs; and
- Study reporting.

As part of the PFS work program, Prairie's team is also compiling a detailed schedule of works required for the Definitive Feasibility Study ("**DFS**") for the LCP.

Submission of Geological Documentation

During the quarter, Prairie completed a major project development milestone with the formal submission of Geological Documentation to the Ministry of Environment ("**MoE**") for the four concession areas comprising the LCP.

The Geological Documentation is a resource estimate prepared according to the standards prescribed in the Polish resource reporting code.

Upon approval of Geological Documentation, the holder of the Exploration Concession is entitled to a three (3) year priority right to apply for a Mining Concession. A Mining Concession application in Poland comprises the submission of a Deposit Development Plan along with an Environmental & Social Impact Assessment and rezoning plan that has been approved by local authorities. The Deposit Development Plan is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations.

In February 2014, Prairie announced that it had appointed local Polish consultancy GEO-EKO-WIERT to prepare Geological Documentation for the LCP. GEO-EKO-WIERT carried out resource modelling and estimation work on the LCP based on historical drilling and also from the results of the drilling program that Prairie completed in August 2014 (refer ASX Announcement 28 August 2014). GEO-EKO-WIERT completed the Geological Documentation in December 2014 and has now submitted it to the MoE for approval.

The Deposit Development Plan for the LCP will also be prepared by GEO-EKO-WIERT and is due for completion during 2015.

Coal Marketing Studies

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

Prairie appointed global energy, metals and mining research and consultancy group Wood Mackenzie to conduct European coal marketing studies for the LCP.

The marketing studies have reached the midway point and the results will be released to the market when finalised.

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

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

Environmental & Social Impact Assessment

Prairie recently completed a number of major work program items in relation to its ongoing Environmental Impact Assessment ("**ESIA**") for the LCP. Prairie's ESIA, being conducted by Multiconsult (formerly WS Atkins), is an extensive study that includes a wide range of environmental monitoring programs, field surveys, ecosystem sensitivity assessments, socio-economic surveys and a detailed community study and stakeholder engagement plan. The scope of Prairie's ESIA has been defined to meet Polish, European Union and international standards, including compliance with the Equator Principles as required by Equator Principles Financial Institutions, to support the future financing of the Project.

Prior to the commencement of the environmental baseline field work studies for the LCP, Prairie's ESIA study team completed a desktop review of the available environmental and social data for its concession areas. Given the fact that existing mining operations exist adjacent to Prairie's concessions, Prairie has benefitted by having access to a significant quantity of existing data for the region which represent actual mining conditions, including surface water flows and quality, some information on groundwater and ground levels after subsidence, noise and waste characteristics. This data, where it relates to areas already affected by the existing mine; will assist Prairie in the accuracy of its predictions of impacts resulting from new mining activity.

Following completion of this desktop review, Multiconsult has immediately commenced with the required baseline studies to obtain data that was not already publicly available. The baseline studies are now underway for all concession areas at the LCP, and will continue for some time to capture seasonal differences.

The Company has also completed its internal Stakeholder Engagement Plan which is a key component of the ESIA process, and will ensure that the Company communicates effectively with all relevant stakeholders of the Project.

Prairie is on track to complete all environmental baseline studies by the middle of 2015 and submit its completed ESIA report(s) to the Polish authorities before the end of 2015. The submitted ESIA will provide the Polish authorities with sufficient information to award an Environmental Consent Decision, which is a pre-requisite for the granting of a Mining Concession over the Company's concessions.

Strong Community Support

During the quarter, Prairie announced that the coal mine to be constructed at the LCP will be named the "Jan Karski Mine". The mine will be named in honour of Polish World War II resistance movement hero, diplomat, and academic, Mr Jan Karski, whose memory is deeply honoured and respected in the Lublin region. The naming of Prairie's new mine was announced at a press conference held on 2 December 2014 at the Royal Castle in Lublin. The press conference received wide coverage in local and national press publications and television with several attendees, as listed below, including senior Polish and Australian officials, community leaders, local and national press and Company management and directors:

- Mrs Jean Dunn, Australian Ambassador to Poland;
- Mr Steve Rank, Head of Austrade in Poland
- Mr Slawomir Sosnowski, Marshal of Lublin Province;
- Mr Krzysztof Żuk, President of Lublin;
- Mrs Patrycja Wolinska- Bartkiewicz, former Deputy Minister of Infrastructure in Poland and a current Member of the Supervisory Board of Prairie's Polish subsidiary company PD Co sp. z o.o. ("PD Co");
- Mr Janusz Jakimowicz, Chairmen of Board of PD Co; and
- Mr Taso Arima, Executive Director, Prairie Mining Limited.

In his speech, the Marshal of the Lublin Province Mr Slawomir Sosnowski, who governs the region, said: *"I would like to ensure that the Provincial Government and Local-Government will make every effort to facilitate Prairie's investment and development in accordance with their plans and schedules. The Lublin region is in dire need of new jobs. It is my hope that this investment will fulfil our expectations in this matter to a great extent. Our province pays the highest energy bills among all provinces in Poland. I hope we can solve this problem in the future. This is why today we all realize the importance of this investment."*



Mr Janusz Jakimowicz, Chairman of the Board of PD Co.



Mrs Jean Dunn, Australian Ambassador to Poland

Historical Exploration Data Agreements

During the quarter, the Company entered 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. The data comprises additional analysis from boreholes completed at these concessions by the Polish government between the 1960's and 1980's, including full geotechnical, down-hole geophysics, hydrogeological, seismic and coal quality analysis.

In February 2014 (refer to ASX Release on 13 February 2014), the Company entered into a similar historical agreement for the K-6-7 concession.

Commercial terms of the Historical Exploration Data Agreements

Terms of the agreement include the following:

- 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;
- Upon the grant of a mining concession at the Project by the MoE, the balance is payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of the mining concession;
- Indexation, calculated using the annual average consumer goods index in Poland (for the period from the year of signing the agreement to the year preceding the fee due date), will be applied to the quarterly instalments;
- The term of the agreement is 30 months which can be automatically extended in the event that a mining concession is granted at the Project; and
- Use of the historical exploration data can be extended for an additional year by paying an additional 10% of the overall fee. This amount will be credited towards the overall fee.

Concession Update

In 2014, Lubelski Węgiel BOGDANKA S.A ("**Bogdanka**") submitted to the MoE a Mining Concession application over the K-6-7 area of the Lublin Coal Basin for which Prairie currently holds a valid and exclusive Exploration Concession and associated Usufruct Agreement through Prairie's 100% owned Polish subsidiary PD Co sp. z o.o. ("**PD Co**"). The K-6-7 area forms an integral part of Prairie's LCP. The MoE officially rejected Bogdanka's application for a Mining Concession in September 2014, which Bogdanka subsequently appealed.

During the quarter, the MoE officially rejected Bogdanka's appeal denying Bogdanka's application for a Mining Concession over the Company's K-6-7 concession.

This final decision by the MoE emphasises that under the Polish Geological and Mining Law (2011) ("**GML**"), a clear and exclusive legal pathway exists for Prairie to progress unimpeded from an Exploration Concession to a Mining Concession: *"The priority right to conclude a mining usufruct agreement constitutes a preference for those investors who bore the costs related to the exploration of the deposit...as of the decision issuance date, the only entity which, after fulfilment of the requirements set out in the act, could apply for a priority right in establishing of a mining usufruct on the basis of Article 15 of the Geological and Mining Law is PD Co sp. z o.o."*

The MoE's final decision confirms Prairie's security of tenure and exclusive right to take the K-6-7 concession, as part of the LCP, through to mining production.

Corporate

Remuneration of Executive Director

Following a review, the Board has resolved that Mr Arima's fixed remuneration component has been revised to \$50,000 per annum exclusive of superannuation, effective from 1 February 2015.

Shareholding in B2Gold

As at the 31 December 2014, the Company held 4.9 million fully paid shares in B2Gold Corp. (TSX:BTO) ("**B2Gold**"). During the quarter, the Company sold 1.0 million shares held in B2Gold for net proceeds of approximately \$1.95 million. The B2Gold shares are classified as held-for-trading current financial assets on Prairie's Statement of Financial Position.

Financial Position

As at 31 December 2014, the Company had cash and cash equivalents plus listed securities of approximately \$11.6 million and no debt.

Exploration Tenement Information

The management team and the financial capital of Prairie are 100% focused on the development of the Lublin Coal Project in Poland. The Company holds an historical interest in two base metals projects, Prairie Downs and Perenjori. In 2013, the Prairie Downs project was farmed out to third party developers and as a result, this project does not require the commitment of Prairie's financial or managerial resources, however, it does provide the Company with exposure to potential upside should exploration programs at these projects prove to be positive. As at 31 December 2014, the Company has an interest in the following projects:

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

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

[#] Subsequent to the end of the quarter, the Company surrendered the Perenjori tenement.

Forward Looking Statements

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

Cautionary Statement

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

Competent Person Statements

The information in this announcement that relates to the Exploration Results, Coal Resources, Production Targets and the Scoping Study was extracted from Prairie's ASX announcements dated 23 September 2014 entitled 'Annual Report to shareholders', 28 April 2014 entitled 'Scoping Study Confirms Potential for World Class High Margin Met and Thermal Coal Project' and 13 March 2014 entitled 'Initial Washability Results Display Exceptionally High Yields' which are available to view on the Company's website at www.pdz.com.au.

The information in the original ASX announcements that related to Exploration Results and Coal Resources is based on information compiled or reviewed by Dr Richard Lowman, a Competent Person who is a Fellow of the Geological Society of London. Dr Lowman is employed by independent consultants Wardell Armstrong LLP which owns Wardell Armstrong Limited. Dr Lowman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Information in the original ASX announcement that relates to Production Targets and the Scoping Study is based on information compiled or reviewed by Mr Robin Dean who is a Competent Person and is a member of the Institute of Materials, Minerals and Mining (UK). Mr Dean is employed by independent consultants Wardell Armstrong LLP which owns Wardell Armstrong Limited. Mr Dean has sufficient experience that is relevant to the type of mining operation under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Prairie Mining Limited

ABN

23 008 677 852

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(1,444)	(3,459)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(125)	(294)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	12	44
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	(a) Business development costs	(195)	(519)
Net Operating Cash Flows		(1,752)	(4,228)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(14)	(22)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	1,950	3,689
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		1,936	3,667
1.13	Total operating and investing cash flows (carried forward)	184	(561)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	184	(561)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	75	77
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	(a) Share issue transaction costs	(2)	(4)
	Net financing cash flows	73	73
	Net increase (decrease) in cash held	257	(488)
1.20	Cash at beginning of quarter/year to date	1,834	2,580
1.21	Exchange rate adjustments to item 1.20	(43)	(44)
1.22	Cash at end of quarter	2,048	2,048

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	139
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

Not applicable

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

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

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

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

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

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,048	1,334
5.2 Deposits at call	-	500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,048	1,834

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

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

+ See chapter 19 for defined terms.

Compliance statement

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

Sign here: Date: **30 January 2015**
(~~Director~~/Company secretary)

Print name: **Dylan Browne**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.