



**Prairie Mining**  
Limited

ASX RELEASE | 20 JULY 2015

## **CD CAPITAL TO INVEST UP TO A\$83 MILLION IN PRAIRIE'S LUBLIN COAL PROJECT**

- *Prairie has agreed the terms for an investment of up to A\$83 million from global natural resources private equity fund CD Capital to upgrade, expand and develop the Lublin Coal Project*
- *CD Capital have committed to be a key strategic funding partner in the upgrading, expansion and development of Prairie's Lublin Coal Project*
- *The investment is structured in three tranches as follows:*
  - *a private placement by PDZ Holdings Pty Ltd (a wholly-owned subsidiary of Prairie which indirectly holds the Lublin Coal Project) of non-interest bearing convertible loan notes with an aggregate principal amount of A\$15 million to CD Capital, exchangeable for ordinary shares of Prairie at A\$0.335 per share*
  - *the grant of unlisted options in Prairie with an exercise price of A\$0.60 per option for a further A\$13 million once exercised; and*
  - *a priority right for CD Capital to invest a further A\$55 million in any future funding conducted by Prairie*
- *The receipt by PDZ Holdings of the initial A\$15 million will fund the de-risking of the Project towards a construction decision*
- *The completion of the transaction will fully fund all required works up to a positive mine development decision at the Lublin Coal Project, including the completion of a Definitive Feasibility Study and all required permitting*
- *CD Capital securing rights to provide A\$55 million as part of future Prairie fund raising provides a solid platform for Prairie to progress project financing for the successful development of the Lublin Coal Project*
- *In recognition of the above, CD Capital has the right to appoint two directors to the Board of Prairie*
- *Based on current share capital, exchange of the loan notes will result in CD Capital holding approximately 30% of the ordinary shares of Prairie and exercise of the options will result in CD Capital acquiring an additional 15% shareholding (45% in total)*

Prairie Mining Limited ("Prairie" or "Company") is pleased to announce that it has executed an investment agreement with CD Capital Natural Resources Fund III LP ("CD Capital"). Subject to shareholder approval of the transaction, CD Capital will become a key strategic investor in Prairie via a private placement by PDZ Holdings Pty Ltd ("PDZ Holdings") (a wholly-owned subsidiary of Prairie which indirectly holds the Lublin Coal Project ("Project" or "LCP")) of non-interest bearing convertible loan notes ("Notes") with an aggregate principal amount of A\$15 million to CD Capital, which can be exchanged into ordinary (common) shares in Prairie at A\$0.335 per share. The transaction also involves, on exchange of the Notes, the grant of unlisted options in Prairie for a further A\$13 million once exercised and a further priority right to provide the Company or its subsidiaries with capital of A\$55 million as part of any future capital raising, whether equity or debt, by Prairie for the development of the LCP.

CD Capital is a global natural resources private equity fund with a proven track record of successfully identifying and investing in world-class mining and resource assets at the growth equity stage. CD Capital unlocks value in high quality mining projects through a strategic hands-on approach to development and has a long term investment horizon. CD Capital's underlying investor base is made up of professional institutional investors with strong representation from endowments and foundations.

ASX: PDZ | ABN: 23 008 677 852

Level 9 BGC Centre, 28 The Esplanade, Perth WA 6000

Tel: +61 8 9322 6322 | Fax: +61 8 9322 6558

The proceeds from the transaction will be used to complete a definitive feasibility study for the LCP and will fund all required work programs to enable the Company to make a development decision.

Prairie's CEO Ben Stoikovich said: *"We are delighted to welcome CD Capital, as a strategic, long term investor and shareholder in the Company. They are an experienced and well-funded natural resources private equity fund who successfully identify and invest in world-class mining and resource assets. Their significant investment in the Lublin Coal Project is testament to the project's outstanding fundamentals and potential, and provides the Company with a solid base to progress rapidly towards development"*.

CD Capital's Founder & CIO Carmel Daniele said: *"This investment is an exciting opportunity to expand and develop the Lublin Coal Project into a world class resource. It is a high quality project where we can achieve our investment mandate through a strategic partnership of our deep industry expertise with the experienced and committed Prairie management team."*

Details provided by CD Capital: *CD Capital is an established and UK FCA registered fund manager with a specific focus on the mining sector. The strong experienced team of CD Capital currently manages three private equity investment funds with assets under management of over USD\$400 million. This investment is the first by the group's newest fund - CD Capital Natural Resources Fund III LP. As evident from the quality of this investment, CD Capital continues to achieve its mandate of partnering with leading mining entrepreneurs and strongly-aligned management teams to build world class mining projects from the highest quality pipeline.*

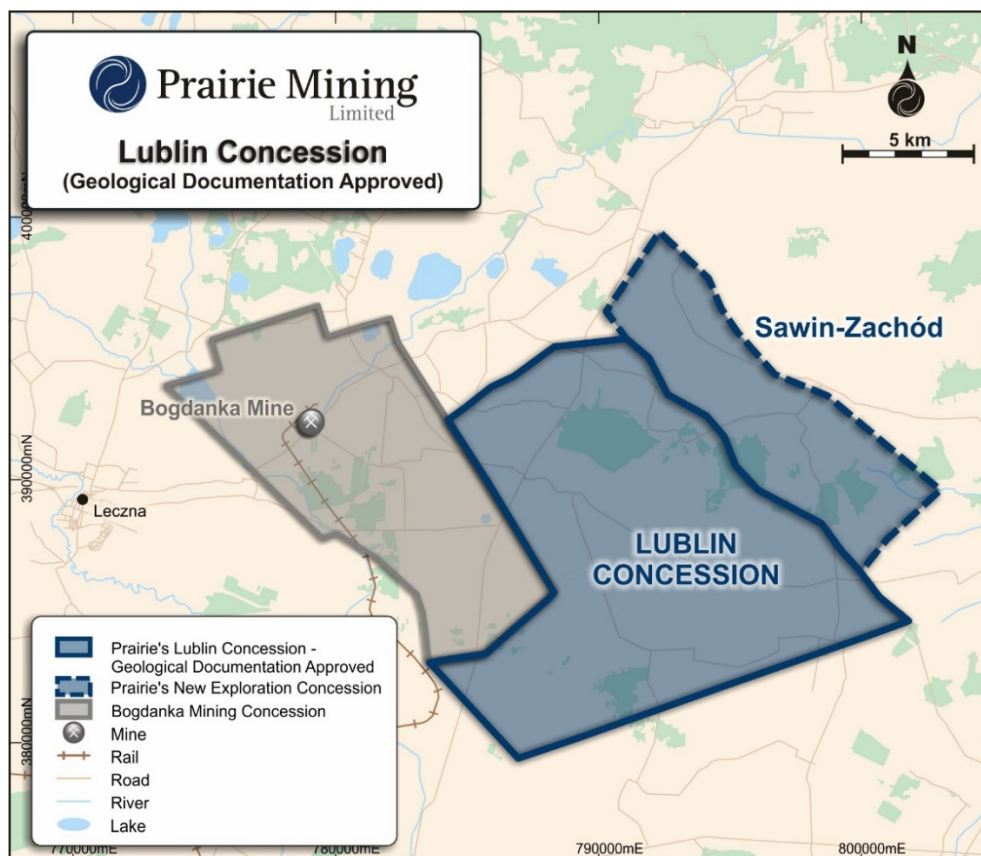
A summary of the key commercial terms of the investment agreement and the Notes is included below. Further transaction details will be included in a Notice of General Meeting to be sent to shareholders in due course.

**For further information contact:**

**Ben Stoikovich**  
Chief Executive Officer  
+44 207 478 3900

**Hugo Schumann**  
Business Development  
+44 207 478 3900

[info@pdz.com.au](mailto:info@pdz.com.au)



**Figure 1: Prairie's Lublin Coal Project**

## KEY COMMERCIAL TERMS OF INVESTMENT BY CD CAPITAL

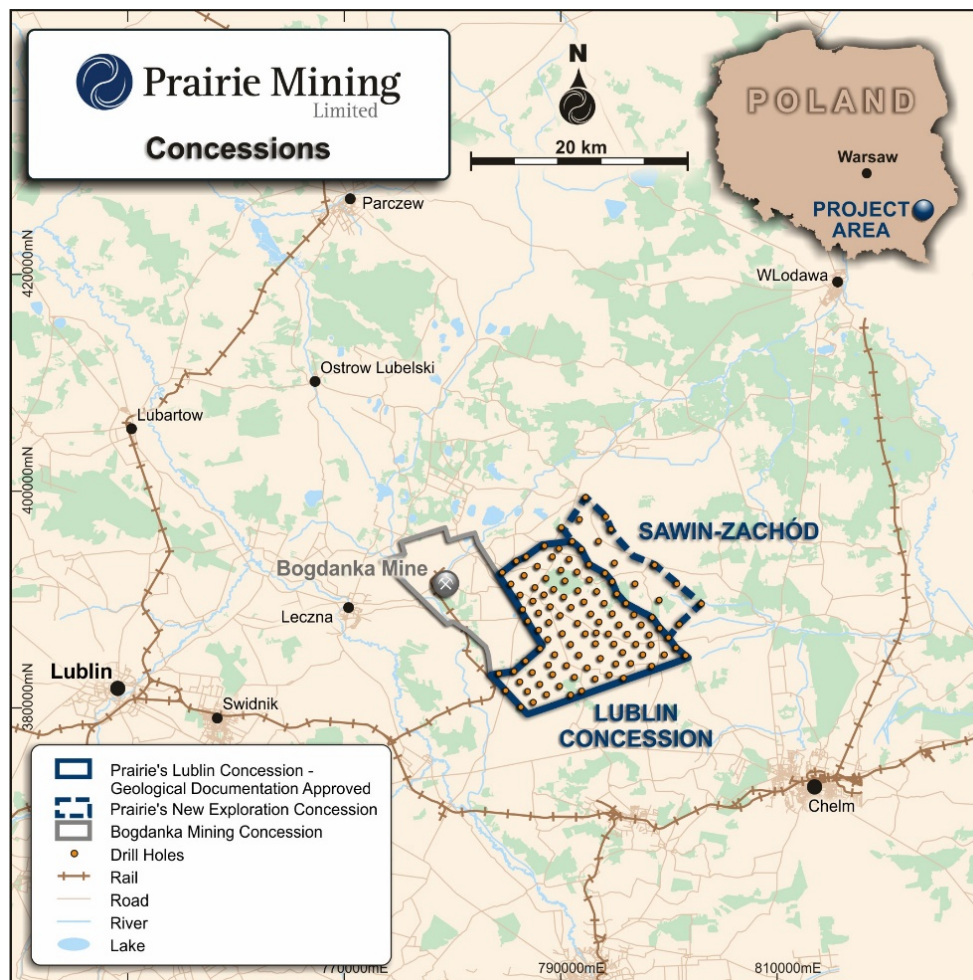
- Subject to shareholder approval and other standard conditions precedent, an initial placement by PDZ Holdings to CD Capital of A\$15 million of Notes. These Notes are convertible into ordinary shares of PDZ Holdings and these shares will be exchanged into ordinary fully paid shares in Prairie at an issue price of A\$0.335 per share, being the 10 day volume weighted average price of Prairie's shares on the ASX to 17 July 2015. Key terms of the Notes include the following:
  - CD Capital can convert its Notes in PDZ Holdings to ordinary shares in PDZ Holdings and then exchange these shares for ordinary shares in Prairie (although it is not anticipated that any conversion will occur in the short term);
  - The Notes are non-interest bearing;
  - The Notes are only repayable in an event of breach of the terms of the investment agreement;
  - Prairie is able to effect the exchange of the Notes into common equity in the event of an unconditional takeover of the Company or after 12 months provided that the 30 day VWAP of Prairie's shares exceeds the conversion price of A\$0.335 per share; and
  - One option (exercisable at A\$0.60 on or before 3 years from the date of issue) will be issued for every two shares issued on conversion of the Notes ("**Options**").
- CD Capital shall have the pre-emptive right to provide the Company with funding up to an aggregate value of A\$55 million on such terms agreed between Prairie and CD Capital in the future, if the Company intends to raise other capital which in aggregate exceeds A\$10 million. The right of pre-emption does not apply to any financing linked to EPC services, off-take services or mining equipment supplies for the development of the Project and also excludes project finance for the construction of the mine at the Project.
- CD Capital will have the right to appoint two nominees to the board of Prairie for so long as CD Capital holds a 15% interest in Prairie on an as-converted basis, and one nominee for so long as it holds a 5% interest on an as-converted basis.
- Subject to ASX providing the Company with a waiver from the relevant Listing Rule, if the Company issues ordinary shares to any person or entity prior to the release of the results of a bankable feasibility study, CD Capital will have the right to subscribe for additional ordinary shares to maintain its percentage shareholding in the Company on an as converted basis immediately prior to the issue of such ordinary shares.
- The investment agreement contains consent rights for the benefit of CD Capital in respect of the Company and its subsidiaries which will include, without limitation:
  - Any amendment of the Constitution of the Company which impacts the rights of CD Capital;
  - The expansion of the business otherwise than through the Company and its subsidiaries;
  - Changing the nature of the Company's business;
  - Passing any resolution to wind up the Company or any subsidiary solvently or entering into a scheme of arrangement with creditors; and
  - The funds invested by CD Capital will only be used for the agreed purpose, being the development of the Lublin Coal Project and corporate overheads.
- There is no grant of project off-take and product marketing rights as part of the investment.
- The investment agreement also contains the usual warranties and indemnities considered standard for this type of investment.
- Conditions precedent of the transaction include the following:
  - Prairie shareholders approving the issue of ordinary shares and Options to CD Capital pursuant to the exchange of the Notes ("**Shareholder Approval**"); and
  - upon Shareholder Approval being satisfied other conditions precedent which are considered standard for an agreement of this nature including no material adverse change, no law or litigation prohibiting the transaction, representations and warranties of the parties being true and correct and the parties complying in all material respects with their obligations under the investment agreement.
- The investment agreement may be terminated if any conditions precedent are not satisfied or waived by 30 November 2015.



## ABOUT THE LUBLIN COAL PROJECT

The Lublin Coal Project is a large scale premium coal project across two coal concessions in south eastern Poland.

In April 2014 Prairie published the results of a Scoping Study for the Lublin Coal Project which confirmed the potential for a world class high margin metallurgical and premium coal operation (refer ASX announcement 28 April 2014). The Scoping Study assumed annual operating costs at US\$37 per tonne which would place the Project on the lowest position on the global cost curve for coal delivered into Europe.



**Figure 2: Lublin Coal Project Concessions**

The Project is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland.

The Project is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982. Bogdanka has successfully demonstrated that the Lublin Coal Basin has the potential to host a new generation of large scale coal projects. The Lublin basin has ideal geological and mining conditions for high productivity longwall plow operations. As a result of these favourable conditions Bogdanka has previously achieved world record production rates and is currently the lowest operating cost hard coal mine in Europe. In FY2014 Bogdanka progressed its announced expansion program to increase nameplate production capacity to between 10.5 - 11.5 Mt per annum (depending on geological conditions). Bogdanka produced 9.2 Mt of saleable coal in 2014 and is targeting production of 8.5 Mt in 2015 with a focus on operational efficiency and cost reduction.

**Forward Looking Statements**

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

**Competent Person Statements**

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

The information in this announcement that relates to Production Targets and the Scoping Study was extracted from Prairie's ASX announcement 28 April 2014 entitled 'Scoping Study Confirms Potential for World Class High Margin Met and Thermal Coal Project' available to view on the company's website at [www.pdz.com.au](http://www.pdz.com.au)

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

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcement; 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 announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this announcement have not been materially modified from the original ASX announcement.