



Prairie Mining Limited

ACN 008 677 852

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at the Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on Monday 21 September 2015 at 4:00pm (WST)

The Independent Expert has concluded that the increase in voting power which will arise if Resolution 1 is passed by Shareholders is NOT FAIR BUT REASONABLE to non-associated Shareholders.

All Shareholders should refer to the Independent Expert's Report attached to this Notice.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9322 6322.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice.

PRAIRIE MINING LIMITED

ACN 008 677 852

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders of Prairie Mining Limited ACN 008 677 852 (**Company**) will be held at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on Monday 21 September 2015 at 4:00 pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 19 September 2015 at 5:00 pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Approval of transactions under the Investment Agreement

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purpose of item 7 of section 611 of the Corporations Act, Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue to CD Capital:

- (a) *the Convertible Note and the Put and Call Option;*
- (b) *the Shares on exercise of the Put Option or the Call Option (in whole or in part) and the acquisition by CD Capital of a relevant interest in up to 44,776,120 Shares upon the exercise of the Put Option or the Call Option; and*
- (c) *the Shares upon exercise of the \$0.60 Options and the acquisition by CD Capital of a relevant interest in up to 22,388,060 Shares upon the exercise of the \$0.60 Options,*

on the terms and conditions set out in the Explanatory Memorandum.

Voting Exclusion

The Company will disregard any votes cast on Resolution 1 by any person who may participate in the proposed issue (and any of their associates) and any person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if Resolution 1 is passed, or an associate of that person.

However, the Company will not disregard a vote if:

- (d) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (e) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report accompanying the Explanatory Statement in Schedule 2. The Independent Expert has determined that the proposed issue of securities in Resolution 1 is not fair but reasonable to Shareholders.

2. Resolution 2 – Amendment to Performance Rights Plan

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, Shareholders approve the amendment to the terms and conditions of the Performance Rights Plan to increase the limit on the number of Performance Rights that can be on issue at any time, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected

with the remuneration of a member of the Key Management Personnel.

3. Resolution 3 – Approval to grant Performance Rights to Mr Benjamin Stoikovich

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 2,500,000 Performance Rights to Benjamin Stoikovich (or his nominee), under the Performance Rights Plan, for no consideration and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

4. Resolution 4 – Approval to vary terms of existing Performance Rights

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to ASX granting the Company a waiver from Listing Rule 6.23.3 on terms acceptable to the Company, for the purposes of Listing Rule 6.23.4 and for all other purposes, Shareholders approve the amendment to the expiry date of the DFS Milestone provided in the terms and conditions of Performance Rights previously issued to eligible participants under the Performance Rights Plan from 31 December 2016 to 30 June 2017 and otherwise on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

Dated 20 August 2015

BY ORDER OF THE BOARD



Dylan Browne
Company Secretary

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of the Shareholders in connection with the business to be conducted at the Meeting to be held at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on Monday 21 September 2015 at 4:00pm (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Summary of Investment Agreement
Section 4	Profile of CD Capital
Section 5	Resolution 1 – Approval of transactions under the Investment Agreement
Section 6	Resolution 2 – Amendment to Prairie Performance Rights Plan
Section 7	Resolution 3 – Approval to grant Performance Rights to Mr Benjamin Stoikovich
Section 8	Resolution 4 – Approval to vary terms of existing Performance Rights
Schedule 1	Definitions
Schedule 2	Independent Expert's Report
Schedule 3	Terms and Conditions of \$0.60 Options
Schedule 4	Terms and Conditions of PDZ Holdings Options

A Proxy Form is located at the end of the Explanatory Memorandum.

1.1 ASX involvement

A copy of the Notice and this Explanatory Memorandum have been lodged on 13 August 2015 with ASX pursuant to the Listing Rules. Neither ASX nor any of their officers take any responsibility for the contents of the Notice and Explanatory Memorandum.

1.2 Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

2. Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Summary of the Investment Agreement

3.1 Background and Rationale

On 19 July 2015, the Company, CD Capital Natural Resources Fund III L.P. (**CD Capital**) and PDZ Holdings, a wholly owned subsidiary of the Company, entered into an investment agreement (**Investment Agreement**) pursuant to which CD Capital agreed to invest up to \$83 million toward the upgrade, expansion and development of the Lublin Coal Project.

Under the terms of the Investment Agreement:

- (a) PDZ Holdings agreed to issue a convertible note of a principal amount of \$15 million to CD Capital, guaranteed by the Company (**Convertible Note**);

- (b) the Convertible Note is convertible into PDZ Holdings Shares at a price of \$0.335 per PDZ Holdings Share (**Conversion Price**);
- (c) for every two PDZ Holdings Shares issued on conversion of all or part of the Convertible Note, PDZ Holdings has agreed to issue CD Capital one PDZ Holdings Option with an exercise price of \$0.60;
- (d) each PDZ Holdings Share and PDZ Holdings Option issued to CD Capital on exercise of the Convertible Note may be exchanged by either party into one Share and one \$0.60 Option respectively pursuant to the Put and Call Option; and
- (e) if the Company wishes to raise any future capital (whether debt or equity) which in aggregate exceeds \$10 million, CD Capital has a priority right to invest up to an aggregate amount of \$55 million on such terms as agreed between the Company and CD Capital.

See Section 3.4 for further details about the Investment Agreement.

Prior to entering into the Investment Agreement, the Company conducted a thorough process to evaluate available funding options and believes the Investment Agreement is the best possible outcome for Shareholders.

The Company is an emerging coal company focused on the development of the Lublin Coal Project in Poland. The Lublin Coal Project is a large scale premium coal project located in the Lublin coal basin in south east Poland.

A Pre-Feasibility Study (**PFS**) is currently being conducted at the Lublin Coal Project and 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 DFS stage. The PFS is expected to be completed in 2015.

On 1 July 2015, the Company announced that it had been granted a 3 year exclusive right to apply for a mining concession for the Lublin Coal Project.

The proceeds from the Investment Agreement will be used to complete a DFS and will fund all required work programs to enable the Company to make a development decision.

3.2 Advantages of the Investment Agreement

- (a) The proceeds from the Investment Agreement, along with existing working capital, are sufficient to fund all required work programs to enable the Company to make a development decision.
- (b) The Investment Agreement also provides for additional funding, including the exercise of the \$0.60 Options to potentially raise a further \$13.4 million and a priority right for CD Capital to invest a further \$55 million (see section 3.4(e)).
- (c) Introduction of a reliable financial partner in CD Capital, which, upon conversion of the Convertible Notes, will become a strategic investor in the Company with its interests likely to be aligned with other Shareholders.

- (d) CD Capital's nominee directors are likely to provide additional knowledge and experience to the Board.
- (e) No interest is payable on the Convertible Note and along with the conversion features of the Convertible Note, assists the Company in managing its financial position.
- (f) All coal marketing and off-take rights are preserved allowing value to be maximised.

3.3 Potential disadvantages of the Investment Agreement

- (a) The dilution of existing Shareholders when the Convertible Note is converted and the Put and Call Option exercised. Based on the assumptions set out in section 3.7, this may result in CD Capital acquiring voting power in the Company of 23.18% upon the conversion of the Convertible Note (and subsequent exercise of the Put and Call Option), and 31.16% upon the exercise of the \$0.60 Options.
- (b) The Investment Agreement may limit the involvement of other sophisticated and/or strategic investors.

3.4 Overview of Investment Agreement

- (a) General

PDZ Holdings, a wholly owned subsidiary of the Company, will issue the Convertible Note with a principal amount of \$15 million to CD Capital. The principal amount is only repayable upon an Event of Default occurring.

No interest is payable on the Convertible Note.

- (b) Conditions Precedent and issue of Convertible Note

Completion under the Investment Agreement and the issue of the Convertible Note to CD Capital are conditional on the following conditions being satisfied or waived prior to 30 November 2015:

- (i) Shareholders approving the transactions contemplated under the Investment Agreement and the Put and Call Option Agreement for the purposes of the Listing Rules and Corporations Act; and
- (ii) at the date the condition (i) is satisfied:
 - (A) no applicable law prevents CD Capital providing the \$15 million in subscription for and being issued the Convertible Note;
 - (B) no event or omission has occurred in respect of the Company, Prairie Group or the Lublin Coal Project which has a material adverse effect on their business, operations, assets, capitalisation, financial condition or liabilities;

- (C) there is no action or proceeding pending or threatened that is reasonably likely to prohibit CD Capital from holding Shares pursuant to the Convertible Note and Put and Call Option or prohibit or materially delay the subscription for and issue of the Convertible Note;
- (D) the representations and warranties of CD Capital and the Company being true and correct in all material respects; and
- (E) CD Capital and the Prairie Group complying in all material respects with their obligations under the Investment Agreement.

(c) CD Capital Nominee Directors

On satisfaction of the conditions and following Completion, CD Capital has the right to nominate (subject to the nominee being suitably qualified to serve as a Director as required by applicable laws):

- (i) if it satisfies the 5% Threshold, one Director; and
- (ii) if it satisfies the 15% Threshold, two Directors.

The 5% Threshold and the 15% Threshold are calculated by determining the number of Shares held by CD Capital on a diluted basis as if the Convertible Note had been exchanged into Shares.

Subject to CD Capital satisfying the 5% Threshold or 15% Threshold, if any CD Capital nominated Director ceases to hold office for any reason, CD Capital is entitled to nominate a replacement person to act as their nominee Director(s).

The Company must pay a maximum annual fee to each CD Capital nominee Director of \$20,000 per annum.

Following the issue of the Convertible Note, the Board will be reconstituted to comprise six members, of which CD Capital will have the right to nominate two members. As a result, two existing Directors of the Board will need to resign, with effect from completion of the transaction. As at the date of this Notice, the Board has not decided which two non-executive Directors will resign, other than it will not be the Chairman of the Company.

The Company may only appoint additional Directors with the consent of CD Capital (which must not be unreasonably withheld). However, CD Capital's consent is not required to replace any of the four Directors not nominated by CD Capital. If the size of the Board exceeds eight Directors, CD Capital is entitled to appoint a third Director to the Company.

(d) Undertakings

Subject to the Corporations Act, satisfaction of the conditions of the Investment Agreement and Completion occurring, the Prairie Group undertakes that the following will not occur without the prior written consent of CD Capital:

- (i) any amendment to the Constitution which impacts on any rights under the Investment Agreement, the Convertible Note, the \$0.60 Options or the Put and Call Option;
- (ii) the expansion of the business of the Company otherwise than through the Prairie Group;
- (iii) changing the nature of the business of the Company;
- (iv) passing any resolution to wind up the Company or any member of the Prairie Group solvently or entering into a scheme of arrangement with creditors; and
- (v) the use of the \$15 million provided by CD Capital in a manner other in accordance with the budget agreed with CD Capital.

The requirement to obtain CD Capital's consent in relation to the matters in paragraphs (i) to (iv) above only applies while CD Capital satisfies the 15% Threshold. However, the requirement in paragraph (v) applies while CD Capital satisfies the 2.5% Threshold.

While the Convertible Note remains outstanding, the Company and Prairie Group undertake not to create or allow to exist any encumbrance (other than those occurring through the ordinary course of business) over any of the assets of the Prairie Group. This does not apply to project financing provided by a third party (including engineering, procurement and contracting services, off-take services or mining equipment supply services of not less than \$1 million) relating to construction of the Lublin Coal Project.

(e) First right to discuss future financing

Subject to completing the transactions and certain other exceptions, CD Capital has a pre-emptive right to provide the Company with funding up to an aggregate of \$55 million on terms agreed with the Company if the Company intends to raise capital in the form of debt and/or equity which in aggregate exceeds \$10 million and this capital raising occurs within the later of:

- (i) two years after the issue of the Convertible Note; and
- (ii) the date CD Capital ceases to satisfy the 5% Threshold.

(f) Anti-dilution right

From the date of Completion and issuing the Convertible Notes, and subject to ASX providing the Company with an appropriate waiver from the Listing Rules, if the Company issues Shares to any person or entity prior to the release of the results of a definitive feasibility study (**Dilution Event**), CD Capital has the right to subscribe and be issued additional Shares to maintain its percentage shareholding in the Company on an "as converted basis" immediately prior to the dilutionary event (**Top-Up Right**). The Top-Up Right does not apply to any Shares issued as a consequence of the exercise or conversion of:

- (i) certain Convertible Securities on issue as at the date of the Investment Agreement; and
- (ii) any Convertible Security issued under employee or executive incentive arrangements.

The Shares issued on exercise of the Top-Up Right will:

- (i) if the Dilution Event involved the issue of Shares for cash consideration, have an issue price per Share which is equal to the cash consideration paid by the third parties pursuant to the Dilution Event;
- (ii) if the Dilution Event involved the issue of Shares for non-cash consideration, have an issue price per Share equal to the volume weighted average price of Shares trading on ASX over the 15 trading days immediately prior to the public announcement of the Dilution Event; and
- (iii) if the Dilution Event involves the issue of Shares as a result of the exercise or conversion of any Convertible Security, have an issue price per Share equal to the exercise price of the Convertible Security (or if there is nil exercise price, a price per Share equal to the volume weighted average price of Shares trading on ASX over the 15 trading days immediately prior to the exercise of the relevant Convertible Security).

(g) Termination of Investment Agreement

The Investment Agreement may be terminated prior to the issue of the Convertible Note:

- (i) by mutual agreement between CD Capital and the Prairie Group;
- (ii) if Shareholders do not approve Resolution 1 in the Notice;
- (iii) any of the conditions precedent are not satisfied or waived prior to 30 November 2015;
- (iv) by CD Capital, if there is a material breach of a representation or warranty, failure to perform an obligation or a material adverse event occurs in relation to the Prairie Group which is incapable of being remedied or not remedied within 15 business days after notice from CD Capital; or
- (v) by the Prairie Group, if there is a material breach of a representation or warranty or failure to perform an obligation by CD Capital which is incapable of being remedied or not remedied within 15 business days after notice from the Company.

(h) Exclusivity

During the period between 19 July 2015 and the earlier of Completion or termination of the Investment Agreement, the Prairie Group will not seek

finance or funds in competition with or which could replace or affect the completion of the transaction with CD Capital.

(i) Fees

The Company must, on Completion, pay the legal, accounting and other third party professional fees incurred by CD Capital relating to the Investment Agreement subject to an aggregate total cap of \$200,000.

(j) Other terms

The Investment Agreement also contains a number of terms and conditions, indemnities, representations and warranties from CD Capital and the Company. These are in a form which are considered standard for an investment agreement relating to a convertible note and the Company's liability is subject to an aggregate cap of \$15 million.

3.5 Overview of Put and Call Option Agreement

Simultaneous with the issue of the Convertible Note under the Investment Agreement, the Company and CD Capital will also enter into the Put and Call Option Agreement.

Under the terms of the Put and Call Option Agreement, either of CD Capital or the Company can, in their sole discretion, require that:

- (a) each PDZ Holdings Share issued to CD Capital be exchanged for one Share; and
- (b) each PDZ Holdings Option issued to CD Capital be exchanged for one \$0.60 Option,

at any time during the 30 day period after issue of any PDZ Holdings Shares on conversion of the Convertible Note.

The Put and Call Option may be exercised in respect of some or all of the PDZ Holdings Shares or PDZ Holdings Options held by CD Capital.

CD Capital may assign its rights under the Put and Call Option Agreement to any third party who holds a Convertible Note, provided that that third party enters into a deed of assumption in respect of the Put and Call Option Agreement.

The Put and Call Option Agreement terminates after conversion or repayment of the entire amount of the Convertible Note and all PDZ Holdings Shares and PDZ Holdings Options being exchanged into Shares and \$0.60 Options.

3.6 Overview of CD Capital Convertible Note

(a) General

PDZ Holdings, a wholly owned subsidiary of the Company, will issue the Convertible Note with a principal amount of \$15 million to CD Capital.

The Convertible Note which is only repayable upon an Event of Default occurring and no interest is payable on the Convertible Note.

PDZ Holdings has agreed to issue CD Capital one PDZ Holdings Option for every two PDZ Holdings Shares issued on conversion of all or part of the Convertible Note. The terms and conditions of the PDZ Holdings Options are set out in Schedule 4.

(b) Conversion Rights

At any time while the Convertible Note is outstanding, CD Capital has the right, subject to compliance with the Corporations Act 2001, to convert all or part of the outstanding principal amount of the Convertible Note into PDZ Holdings Shares at the Conversion Price. The Convertible Note must be converted at a minimum amount of \$250,000 and additional amounts converted in \$250,000 increments.

The Prairie Group has the right, while there is no Event of Default existing, to convert and exchange all or part of the principal amount of the Convertible Note at the Conversion Price if:

- (i) at any time 12 months after the date of issue of the Convertible Note, the weighted average trading price of Shares exceeds the Conversion Price for the 30 trading day period prior to the Prairie Group electing to convert all or part of the Convertible Note; or
- (ii) at any time after the issue of the Convertible Note if a person acquires a relevant interest in at least 50% of the Shares pursuant to a takeover bid or an Australian court approves a merger by way of a scheme of arrangement.

(c) New issues and adjustment of Conversion Price

The Convertible Note does not provide CD Capital with any right to participate in any new issues of securities.

If the Company reorganises its capital structure, such as by subdividing or consolidating the number of Shares, conducts a pro rata offer to existing Shareholders or distributes assets or securities to Shareholders then the Conversion Price of the Convertible Note will be adjusted so that the number of Shares received by CD Capital on conversion of the Convertible Note (assuming that all PDZ Holdings Shares issued to CD Capital were exchanged for Shares pursuant to the Put and Call Option) is the same as if the Convertible Note were converted prior to the relevant event.

(d) Events of Default

Each of the following events is an "Event of Default" in relation to the Convertible Note:

- (i) Any representation or warranty made by the Prairie Group is false or misleading which is reasonably likely to have a Material Adverse Effect on the ability of Prairie Group to perform its obligations in relation to the Convertible Note, the Investment Agreement or the assets, business, conditions (including financial), prospects or operations of the Prairie Group, and if such breach is capable of remedy, it is not remedied within 45 days.
- (ii) The Prairie Group breaches a covenant or condition of the Convertible Note or Investment Agreement which is likely to have a Material Adverse Effect on the ability of the Prairie Group to perform its obligations in relation to the Convertible Note, the Investment Agreement or the assets, business, conditions (including financial), prospects or operations of the Company, and if such breach is capable of remedy, it is not remedied within 45 days.
- (iii) An Insolvency Event occurs in relation to the Prairie Group.
- (iv) If the election of the CD Capital Nominees is not approved by the requisite majority of Shareholders at the first annual general meeting of Shareholders following the date Completion occurs.
- (v) The Prairie Group ceases to carry on business.
- (vi) The Company does not maintain the listing and trading of Shares on at least one of ASX, LSE or WSE.

The occurrence of an Event of Default entitles CD Capital to declare the principal amount of the Convertible Note immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Prairie Group.

(e) Assignment of Convertible Note

CD Capital may assign, transfer or encumber in whole or in part (in amounts of at least \$1 million) its rights under the Convertible Note to any third party by providing written notice to the Prairie Group provided the third party has provided a deed of assumption in respect of the Put and Call Option Agreement.

Assignment of the Convertible Note will not result in the assignment of rights and obligations under the Investment Agreement, including the rights described in Sections 3.4(c) (CD Capital Nominee Directors), 3.4(e) (First right to discuss future financing) and 3.4(f) (Anti-dilution right).

3.7 Impact of the Investment Agreement on the Company's capital structure

Following Completion, and assuming:

- (a) the whole of the Convertible Note is converted into PDZ Holdings Shares and attaching PDZ Holdings Options;
- (b) the Put Option or the Call Option is exercised to exchange all of the PDZ Holdings Shares and all of the PDZ Holdings Options issued on conversion of the Convertible Note into Shares and \$0.60 Options;
- (c) all of the \$0.60 Options issued upon the exercise of the Put Option or the Call Option are exercised;
- (d) no other Convertible Securities are exercised or converted; and
- (e) no further Shares are issued by the Company,

the capital structure of the Company will be as follows:

	Shares	Options	Performance Rights	CD Capital Interest
Current issued capital	148,352,432 ⁽⁴⁾	12,475,000 ⁽²⁾	4,147,000	
Shares and \$0.60 Options to be issued pursuant to the Investment Agreement	44,776,120	22,388,060 ⁽³⁾	-	
Total issued capital on Completion under the Investment Agreement - before exercise of the Options	193,128,552	34,863,060	4,147,000	23.18%
Shares to be issued following exercise of the \$0.60 Options	22,388,060	(22,388,060)	-	
Total issued capital on Completion under the Investment Agreement⁽¹⁾	215,516,612	12,475,000	4,147,000	31.16%

Notes:

- (1) Assumes no further securities are issued prior to Completion.
- (2) Exercise prices of existing unlisted options range from \$0.25 to \$0.60 and expiry dates range from 30 June 2016 to 30 June 2018.
- (3) Exercisable at \$0.60 on or before 36 months after the date of issue.
- (4) Included in the Company's capital are 600,000 unissued milestone shares which are not listed or quoted on a marketplace. As at 18 August 2015 (being the latest practicable date prior to the date of the Notice) 600,000 unissued milestone shares are convertible into 600,000 Shares for no additional consideration, subject to the Company receiving necessary approvals and on the occurrence that the Company makes an announcement to ASX of an independently prepared measured and/or indicated coal resource of at least 1,000 million tonnes at the Lublin Coal Project on or before 31 December 2015.

3.8 Impact of the Investment Agreement on voting power

If the Investment Agreement is approved by the Shareholders, there is a risk that existing Shareholders will have their interest in the Company diluted by the issue of Shares to CD Capital on conversion of the Convertible Note or exercise of \$0.60 Options issued to CD Capital on such conversion.

The table below sets out the ownership in the Company of CD Capital assuming Completion occurs and:

- (a) the whole of the Convertible Note is converted into PDZ Holdings Shares and attaching PDZ Holdings Options;
- (b) the Put Option or the Call Option is exercised to exchange all of the PDZ Holdings Shares and all of the PDZ Holdings Options issued on conversion of the Convertible Note into Shares and \$0.60 Options;
- (c) all of the \$0.60 Options issued upon the exercise of the Put Option or the Call Option are exercised;
- (d) no other Convertible Securities are exercised or converted; and
- (e) no further Shares are issued by the Company.

	Current		Following Completion - before exercise of \$0.60 Options		Following Completion - after exercise of \$0.60 Options	
	Existing Ownership of Shares	Voting Power	Ownership before exercise of Options	Voting Power before exercise of Options	Ownership after exercise of Options	Voting Power after exercise of Options
CD Capital	-	-	44,776,120	23.18%	67,164,180	31.16%

In addition to the Shares that it may be issued on conversion and exchange of the Convertible Note or following exercise of the \$0.60 Options issued upon such conversion, CD Capital has a right to maintain the interest in the Company it would hold if all of the Convertible Note were converted and exchanged into Shares. Under this right, CD Capital can require the Company to issue it such number of additional Shares to maintain its percentage shareholding in the Company on an "as converted basis" immediately prior to the dilutionary event (see further Section 3.4(f)). Other holders of Shares will not enjoy these rights.

3.9 Impact of the Investment Agreement on the Board

The Board currently comprises six members. On Completion, the Company is required to take immediate steps to reconstitute its Board to comprise six members, of which CD Capital will have the right to nominate two.

On Completion CD Capital is entitled to nominate:

- (a) if it satisfies the 5% Threshold, one Director; and
- (b) if it satisfies the 15% Threshold, two Directors (see further Section 3.4(c)).

If the size of the Board exceeds eight directors, CD Capital is entitled to appoint a third director to the Company.

3.10 Consequences of the Resolution not being passed

If CD Capital's subscription for the Convertible Note does not complete, the Company will continue to operate as it did before proposing the Investment Agreement transaction. In this regard the Company will need to use its existing working capital (being cash reserves and listed securities) to conduct its planned development activities at the Lublin Coal Project.

However the Company will require additional funding in the future if Resolution 1 is not passed. If Resolution 1 is not passed, the Company will consider alternative sources of funding (both debt and equity) to finance future capital investment for the exploration, development and construction of the Lublin Coal Project. There is no guarantee that additional or alternative funding will be available for the Company, or if available, that it will be offered on terms that are better than, or comparable to, the Investment Agreement.

3.11 Independent Expert's Recommendation

In order to assist Shareholders to assess the Investment Agreement and consider whether to vote in favour of the Resolutions, the Company appointed BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) as an independent expert and commissioned it to prepare a report (**Independent Expert's Report**) to provide an opinion as to whether or not the Investment Agreement is fair and reasonable to the existing Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendations of the ASIC Regulatory Guide 74. CD Capital will acquire a relevant interest in more than 20% in the Company if the Resolutions are approved.

The Independent Expert has concluded that the proposed issue of securities in Resolution 1 is not fair but reasonable to Shareholders.

In coming to this view, the Independent Expert considered the advantages and disadvantages of the Investment Agreement, and other significant factors, which are set out in summary form only below.

The advantages identified by the Independent Expert are:

- (a) the Funding Transaction provides the Company with an immediate cash injection to enable continued exploration;
- (b) the Funding Transaction also provides auxiliary funding;
- (c) CD Capital will become a strategic investor in the Company and its interests are likely to be aligned with Shareholders;
- (d) CD Capital's nominee directors are likely to provide additional knowledge and experience to the Board;
- (e) the Funding Transaction will not necessarily deter the potential for Shareholders to benefit from a takeover offer; and
- (f) the conversion feature of the Convertible Note assists the Company in managing its financial position.

The disadvantage identified by the Independent Expert are:

- (a) existing shareholders will be diluted; and
- (b) the Funding Transaction also provides auxiliary funding.

The other key matters the Independent Expert considered are:

- (a) alternative proposals;
- (b) minority interest values;
- (c) practical level of control; and
- (d) consequences of not approving the Funding Transaction.

The Independent Expert's assessment of the Investment Agreement is based on a number of assumptions.

Shareholders are strongly encouraged to read the Independent Expert's Report (a full copy of which is set out in Schedule 2).

The Independent Expert has consented to the use of the Independent Expert's Report in the form and context in which it appears.

4. Profile of CD Capital

4.1 About CD Capital

CD Capital (UK) Limited (**CD Capital UK**) is an independent investment fund manager and adviser based in the United Kingdom, founded by Carmel Daniele in 2007. CD Capital is registered and authorised by the UK Financial Conduct Authority and currently manages a total of three mining investment funds. CD Capital has a track record of successfully implementing investments in the mining sector. CD Capital is a specialist private equity investor in the mining sector. The investment in PDZ Holdings was completed by CD Capital's third fund, CD Capital Natural Resources Fund III LP. CD Capital Natural Resources Fund III LP invests in world class projects in the bulk commodities, precious metals and base metals sectors.

CD Capital Natural Resources Fund III LP's core focus is to identify, invest in and develop world class mining projects. CD Capital employs an active, hands-on approach working in partnership with all their portfolio companies to maximize value of the resource and ultimate market value of the company. CD Capital intends to work closely and constructively with management to develop the Lublin Coal Project. CD Capital aims to provide significant strategic, operational and management expertise, in addition to advice on financial investments and structuring.

CD Capital Natural Resources Fund III LP currently intends to be a long term holder of its investment in PDZ Holdings and ultimately the Company on conversion of the Convertible Note and exercise of the Put and Call Option. An exit from the investment is not currently anticipated to be considered until after the Lublin coal project has been substantially progressed further through the development process.

We note that CD Capital and its associates will not control PDZ Holdings nor the Company; and will not be able to unilaterally make decisions on behalf of PDZ Holdings nor the Company. CD Capital does not currently propose to and has no current intention to request, seek to and/or attempt to implement a change in the strategy, operations, business or management of PDZ Holdings nor the Company.

4.2 CD Capital's intentions for the Company

See Section 5.3(j) for CD Capital's intentions for the Company.

5. Resolution 1 – Approval of transactions under the Investment Agreement

5.1 General

Resolution 1 seeks Shareholder approval pursuant to and in accordance with item 7 of section 611 of the Corporations Act and Listing Rule 7.1 to issue to CD Capital:

- (a) the Convertible Note and the Put and Call Option;
- (b) the Shares on exercise of the Put Option or the Call Option (in whole or in part) and the acquisition by CD Capital of a relevant interest in up to 44,776,120 Shares upon the exercise of the Put Option or the Call Option; and
- (c) the Shares upon exercise of the \$0.60 Options and the acquisition by CD Capital of a relevant interest in up to 22,388,060 Shares upon the exercise of the \$0.60 Options,

on the terms and conditions set out in the Explanatory Memorandum.

The Put and Call Option issued to CD Capital falls within the definition of an "equity security" (as defined in the Listing Rules) and requires Shareholder approval under Listing Rule 7.1.

The issue of Shares on exercise of the Put Option or the Call Option requires Shareholder approval under item 7 of section 611 of the Corporations Act. Shareholder approval under Listing Rule 7.1 is not required in relation to the issue of the Shares as Listing Rule 7.2, Exceptions 4 and 16 apply (i.e. the Shares are issued pursuant to a convertible security, being the Put Option or Call Option and will be approved for the purpose of item 7 of section 611 of the Corporations Act). See further Section 5.5 for an overview of Listing Rule 7.1 and applicable exceptions.

The issue of \$0.60 Options on exercise of the Put Option or the Call Option does not require Shareholder approval under item 7 of section 611 of the Corporations Act (as this section relates only to the acquisition of voting shares in a company). Approval under Listing Rule 7.1 is not required in respect of the \$0.60 Options as Listing Rule 7.2, Exception 4 applies.

The issue of Shares pursuant to the exercise of the \$0.60 Options requires Shareholder approval under item 7 of section 611 of the Corporations Act. Approval under Listing Rule 7.1 is not required as the Listing Rule 7.2, Exception 16 applies.

Resolution 1 is an ordinary resolution.

The Chairperson will cast all available proxies in favour of Resolution 1.

5.2 Section 606 and section 611 item 7 of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from:

- (a) 20% or below to more than 20%; or
- (b) a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.

Under section 608 of the Corporations Act a person will have a relevant interest in shares if:

- (a) the person is the registered holder of the shares;
- (b) the person has the power to exercise or control the exercise of votes or disposal of the shares; or
- (c) the person has over 20% of the voting power in a company that has a relevant interest in shares, then the person has a relevant interest in said shares.

For the purpose of determining who is an associate it is necessary to consider section 12 of the Corporations Act. Any reference in Chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapter 6 to 6C if he is an associate under section 12.

Under section 12 of the Corporations Act, a person (**first person**) will be an associate of the other person (**second person**) if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person: or
 - (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board or the conduct of the affairs of the first person; and
- (c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of the first person.

The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:

- (a) Under section 50AA of the Corporations Act "control" means the capacity to determine the outcome of decisions about the financial and operating policies of a company. In determining the capacity it is necessary to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of a company.
- (b) Under section 9 of the Corporations Act, "relevant agreement" means an agreement, arrangement or understanding:
 - (i) whether formal or informal or partly informal and partly informal;
 - (ii) whether written or oral or partly written and partly oral; and
 - (iii) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
 - (iv) Associates are determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the company's business affairs.

Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders of a company may approve an issue of shares to a person which results in that person's or another person's voting power in the company increasing from:

- (a) 20% or below to more than 20%; or
- (b) a starting point that is above 20% and below 90%.

CD Capital will hold 31.16% of the issued share capital of the Company if Completion occurs and:

- (a) the whole of the Convertible Note is converted into PDZ Holdings Shares and attaching PDZ Holdings Options;
- (b) the Put Option or the Call Option is exercised to exchange all of the PDZ Holdings Shares and all of the PDZ Holdings Options issued on conversion of the Convertible Note into Shares and \$0.60 Options;
- (c) all of the \$0.60 Options issued upon the exercise of the Put Option or the Call Option are exercised;
- (d) no other Convertible Securities are exercised or converted; and

- (e) no further Shares are issued by the Company.

5.3 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) **The identity of the person proposing to make the acquisition and their associates.**

The acquisition will be made by CD Capital. CD Capital's associates are CD Capital (UK) Ltd, Carmel Daniele, Roger Hanson and Tammy Seymour (**CD Capital Associates**).

For further information on CD Capital see Section 4.

- (b) **The maximum extent of the increase in that person's voting power in the company.**

If Resolution 1 is passed, Completion occurs and:

- (i) the whole of the Convertible Note is converted into PDZ Holdings Shares and attaching PDZ Holdings Options;
- (ii) the Put Option or the Call Option is exercised to exchange all of the PDZ Holdings Shares and all of the PDZ Holdings Options issued on conversion of the Convertible Note into Shares and \$0.60 Options;
- (iii) all of the \$0.60 Options issued upon the exercise of the Put Option or the Call Option are exercised;
- (iv) no other Convertible Securities are exercised or converted; and
- (v) no further Shares are issued by the Company,

the maximum extent of the increase in CD Capital's voting power is 31.16%.

- (c) **The voting power the person would have as a result of the acquisition.**

In the circumstances outlined in Section 5.3(b), the acquisition would result in CD Capital's voting power in the Company increasing to 31.16%.

- (d) **The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition.**

The maximum extent of the increase in the CD Capital Associates voting power will be equivalent to the increase in voting power of CD Capital.

- (e) **The voting power that each of the acquirer's associates would have as a result of the acquisition.**

The voting power that the CD Capital Associates would acquire will be equivalent to the voting power that CD Capital would acquire.]

- (f) **An explanation of the reasons for the proposed acquisition.**

The proposed acquisition by CD Capital will arise as a result of the issue of the Convertible Note and the Put and Call Option to CD Capital pursuant to the Investment Agreement in consideration for its \$15 million investment in the Company. The \$15 million will be used by the Company to progress the Lublin Coal Project. For further information about the advantages and disadvantages of the Investment Agreement please refer to Sections 3.2 and 3.3 of this Explanatory Memorandum.

- (g) **When the proposed acquisition is to occur.**

If Resolution 1 is passed and Completion occurs, the Convertible Note and Put and Call Option will be issued to CD Capital on the date Completion occurs. Some or all of the Convertible Note may be converted at any time the Convertible Note is outstanding. It is not known when conversion of the Convertible Note, the exercise of the Put Option or the Call Option, nor the exercise of the \$0.60 Options issued on exercise of the Put Option or the Call Option, will occur. The date/s on which Shares will be issued to CD Capital under the Investment Agreement is therefore unknown.

- (h) **The material terms of the proposed acquisition.**

See Section 3.4 for a summary of the terms of the Investment Agreement.

- (i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.**

See Section 3.5 for an overview of the Put and Call Option Agreement and Section 3.6 for an overview of the Convertible Note issued pursuant to the investment Agreement.

- (j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular**

- (i) **Any intention to change the business of the entity**

CD Capital has no present intention of making any significant changes to the business of the Company or the Prairie Group.

- (ii) **Any intention to inject further capital into the entity**

As outlined in Section 3.4(e), upon Completion CD Capital will have a pre-emptive right, subject to certain exceptions, to provide the Company with funding up to an aggregate of \$55 million on terms agreed with the Company if the Company intends to raise capital in the form of debt and/or equity which in aggregate

exceeds \$10 million and this capital raising occurs within the later of:

- (A) two years after the issue of the Convertible Note; and
- (B) the date CD Capital ceases to satisfy the 5% Threshold.

Any future funding pursuant to the pre-emptive right will be subject to compliance with the Listing Rules, Corporations Act and any other applicable legislation and/or rules.

(iii) **The future employment of present employees of the entity**

CD Capital has no present intention of making changes regarding the future employment of the present employees of the Company or the Prairie Group.

(iv) **Any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates**

CD Capital does not intend to transfer any property between the Company and CD Capital or any of its associated entities.

(v) **Any intention to otherwise redeploy the fixed assets of the entity**

CD Capital does not intend to redeploy any fixed assets of the Company or the Prairie Group.

(k) **Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity.**

CD Capital has no intention to change the Company's existing policies in relation to financial matters or dividends.

(l) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above.**

Other than the interest Directors have in the acquisition by reason of their ownership of securities of the Company, no Director has an interest in the Investment Agreement, the Put and Call Option Agreement or the Convertible Note.

(m) **The following details about any person who is intended to become a director if members approve the acquisition:**

As at the date of this Notice, CD Capital has not determined who its two nominees to the Board will be.

5.4 Voting prohibition statement

In accordance section 611 of the Corporations Act, none of CD Capital or its associates are permitted to vote in favour of Resolution 1.

5.5 Application of Listing Rule 7.1

Listing Rule 7.1 provides that the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, Exception 4 states that Listing Rule 7.1 does not apply to an issue on the conversion of convertible securities. The entity must have issued the convertible securities before it was listed or complied with the Listing Rules when it issued the convertible securities.

Listing Rule 7.2, Exception 16 states that Listing Rule 7.1 does not apply to an issue of securities approved by Shareholders for the purposes of item 7 of section 611 of the Corporations Act.

5.6 Specific information required by Listing Rule 7.3

In accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Put Option:

- (a) the maximum number of Put Options that will be issued to CD Capital is one and the maximum number of Call Options issued to the Company is one. The Put and Call Option may be exercised for a maximum of 67,164,180 Shares (44,776,120 Shares at a conversion price of \$0.335 and 22,388,060 Shares on exercise of the \$0.60 Options at an exercise price of \$0.60);
- (b) the Put and Call Option will be issued no later than 3 months after the date of the Meeting;
- (c) the Put and Call Option is being issued for nil consideration. Accordingly, no funds will be raised from the issue;
- (d) the Put and Call Option will be issued to CD Capital;
- (e) the terms and conditions of the Put and Call Option are summarised in Section 3.5;
- (f) the issue date of the Put and Call Option will be the date of Completion; and
- (g) a voting exclusion statement is included in the Notice in connection with Resolution 1.

5.7 Directors' recommendations

The Board supports the transactions contemplated under the Investment Agreement and recommends that Shareholders vote in favour of Resolution 1.

The Directors make this recommendation as they believe that it will assist the Company with the development of the Lublin Coal Project.

6. Resolution 2 – Amendment to Performance Rights Plan

6.1 Background and proposed amendment

The Performance Rights Plan was approved under Listing Rule 7.2, Exception 9 by Shareholders at the annual general meeting of the Company held on 21 November 2013 (**2013 AGM**). A full copy of the Performance Rights Plan can be obtained by contacting the Company.

The Performance Rights Plan includes the following clause:

"An offer of Performance Rights may only be made under the Plan if the number of Shares that may be issued on exercise of the Performance Rights, when aggregated with:

- (a) the number of Shares issuable if each outstanding Performance Right was exercised into Shares (as the case may be); and*
- (b) the number of Shares issued during the previous 3 years pursuant to the Plan,*

does not exceed 5% of the total number of issued Shares as at the time of the offer. For the avoidance of doubt, where a Performance Right lapses without being exercised, the Performance Right Shares concerned shall be excluded from any calculation under this clause 5."

The amendment to the Performance Rights Plan proposed pursuant to Resolution 2 is to increase the 5% limit referred to in the above clause to 10%. The effect of the proposed amendment will be to allow the Company to have a greater number of Performance Rights on issue at any one time. A summary of the Performance Rights Plan rules and terms and conditions, including the above amendment, is set out in Schedule 5.

6.2 Listing Rule 7.1 and Listing Rule 7.2, Exception 9

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to convert to equity (such as a Performance Right), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, Exception 9 operates as one of the exceptions to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2, Exception 9 is that any issues of securities under the Performance Rights Plan are treated as having been made with the approval of shareholders for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2, Exception 9 lasts for a period of three years.

6.3 Specific Information Required by Listing Rules 7.2

In accordance with the requirements of Listing Rule 7.2, Exception 9(b) the following information is provided:

- (a) The material terms of the Performance Rights Plan are summarised Schedule 5. The proposed amended to the Performance Rights Plan is described in Section 6.1.
- (b) This is the second approval sought under Listing Rule 7.2, Exception 9 with respect to the Performance Rights Plan. The first approval in relation to the Performance Rights Plan was sought at the 2013 AGM.
- (c) 5,905,000 Performance Rights have been granted under the Performance Rights Plan since the 2013 AGM. 2,179,000 of these Performance Rights have been converted, resulting in the issue of 2,179,000 Shares.
- (d) A voting exclusion statement has been included for the purposes of Resolution 2.

7. Resolution 3 – Approval to grant Performance Rights to Mr Benjamin Stoikovich

7.1 General

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 10.14 for the grant of 2,500,000 Performance Rights to Mr Benjamin Stoikovich (or his nominee) as part of the incentive component of his consultancy agreement as CEO.

The Board has reviewed Mr Stoikovich's remuneration arrangements and has decided to:

- (a) offer Mr Stoikovich additional Performance Rights as part of his long term incentive package; and
- (b) cancel 1.5 million unlisted options with an exercise price of \$0.60 previously issued to Mr Stoikovich.

The Company has set Performance Conditions for the Performance Rights to be issued to Mr Stoikovich to ensure that they only vest upon achievement of fundamental milestones that will drive the long term value of the Company's securities. These Performance Conditions are described in the table below. Mr Stoikovich's CEO consultancy remuneration and fixed directors' fees will remain unchanged.

In the Company's present circumstances, the Board considers that the grant of the Performance Rights to Mr Stoikovich is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Stoikovich and is consistent with the strategic goals and targets of the Company.

Mr Stoikovich was appointed as a Director and CEO on 17 June 2013 and has played a vital role in the progression of the Company since this date, particularly in expediting the development of the Lublin Coal Project. Mr Stoikovich will continue to be involved in the development of the Lublin Coal Project.

Mr Stoikovich is a mining engineer and professional corporate finance executive with experience in mergers and acquisitions, debt and off take financing and underground longwall mine operations and permitting.

Mr Stoikovich began his career as a Mining Engineer with BHP Billiton's Illawarra Coal division in NSW, Australia, where he was a senior operations manager at two of Australia's deepest shaft access longwall coal mines; Tower Colliery and Cordeaux Colliery. Mr Stoikovich's extensive experience in longwall coal mining operations includes mine planning, environmental and mine permitting, development heading drive, methane drainage and longwall production. He gained his NSW First Class Mine Managers ticket in 2002.

From 2004 Mr Stoikovich worked in a Business Development role with Lonmin PLC, the world's third largest platinum group metals producer, with operations centered on deep underground hard rock mining within the Bushveld Igneous Complex in South Africa. During this time Mr Stoikovich was involved in a number of corporate restructuring and M&A transactions.

Mr Stoikovich then joined Standard Bank in 2007 as Senior Vice President in the Mining and Metals Division. Here he was involved in origination and execution of M&A transactions and equity investments.

In 2008 Mr Stoikovich joined Standard Chartered Bank in London as a Director of the Mining and Metals Division, where he has been instrumental in the origination and execution of advisory transactions and financings across a range of commodities, with primary responsibility for Europe, Africa and the Middle East.

The Performance Rights will be granted to Mr Stoikovich (or his nominee) with the following Performance Conditions and expiry dates:

Tranche	Performance Condition	Expiry Date	No. of Performance Rights
4.	Mining Permit Milestone and Definitive Feasibility Study Milestone means the granting of a mining permit on the Lublin Coal Project concessions and the announcement on ASX by the Company of a positive DFS.	30 June 2017*	1,000,000
5.	Mining Concession Milestone means the granting of a mining concession on the Lublin Coal Project concessions.	31 December 2017	1,000,000
6.	Decision to Commence Construction means a Board decision to commencement of construction activities (including securing adequate project finance to enable construction to commence) for the Lublin Coal Project (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.	31 December 2018	500,000
*Subject to Resolution 4 being passed, otherwise the expiry date will be 31 December 2016.		Total	2,500,000

Performance Rights will be issued to Mr Stoikovich under the Performance Rights Plan to the extent capacity exists under the Plan. If there is no capacity to issue the

Performance Rights under the Plan, for example because Resolution 2 is not passed, the Performance Rights will be issued to Mr Stoikovich outside of the Performance Rights Plan but on the same terms and conditions as are set out in the Plan (as amended by Resolution 2).

If the Performance Condition of a Performance Right is satisfied prior to the relevant expiry date, the Performance Right will vest. If the Performance Condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

The Performance Rights will automatically vest and be deemed to immediately become vested Performance Rights where:

- (a) a Court has approved of a merger by way of scheme of arrangement of the Company (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company); or
- (b) a Takeover Bid:
 - (i) is announced;
 - (ii) has become unconditional; and
 - (iii) the person making the Takeover Bid has a Relevant Interest in 50% or more of the Shares; or
- (c) any person acquires a Relevant Interest in 50.1% or more of the Shares by any other means.

The Performance Rights will lapse if Mr Stoikovich ceases to be an eligible participant under the terms and conditions of the Plan (except in the case of total and permanent disability, death, bona fide redundancy, bona fide retirement or removal from a position of managerial or executive office in the Company, unless the Board determines otherwise).

7.2 Listing Rule 10.14

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of ordinary shareholders:

- (a) a director;
- (b) an associate of a director; or
- (c) a person whose relationship with the entity or a person referred to in paragraphs (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

Resolution 3 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the proposed grant of the Performance Rights to Mr Stoikovich (or his nominee), because Mr Stoikovich is a Director.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required. Accordingly, the grant of Performance Rights to Mr Stoikovich (or his nominee) will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

Resolution 3 is an ordinary resolution.

7.3 Specific information required by Listing Rule 10.15

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant of the Performance Rights to Mr Stoikovich (or his nominee):

- (a) the Performance Rights will be granted to Mr Stoikovich, Director and CEO (or his nominee);
- (b) the maximum number of Performance Rights to be granted to Mr Stoikovich (or his nominee) pursuant to Resolution 3 is 2,500,000. The actual number of Performance Rights that vest is dependent on the achievement of the Performance Conditions as described in Section 7.1;
- (c) the Performance Rights will be granted as incentive Performance Rights and will be granted for nil cash consideration. The exercise price of the Performance Rights will also be nil consideration;
- (d) there are no other persons referred to in Listing Rule 10.14 who have received securities under the Performance Rights Plan since the last approval of the Performance Rights Plan.
- (e) under the rules of the Performance Rights Plan, employees, Directors and eligible contractors, as determined by the Board, are entitled to participate in the Performance Rights Plan. All Directors are entitled to participate in the Performance Rights Plan.
- (f) a voting exclusion statement in relation to Resolution 3 is included in the Notice;
- (g) there is no loan associated with the grant of the Performance Rights; and
- (h) the Company will grant the Performance Rights no later than 12 months (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting.

8. Resolution 4 – Approval to vary terms of existing Performance Rights

8.1 Background

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 6.23, to amend the terms of all existing Performance Rights currently on issue with the DFS Milestone as a Performance Condition by extending the expiry date of the DFS Milestone from 31 December 2016 to 30 June 2017 (**Amendment**).

If the Amendment is approved, the expiry date of 1,747,000 Performance Rights will be extended from 31 December 2016 to 30 June 2017.

As noted in Section 6.1, at the 2013 AGM the Company received Shareholder approval to establish the Performance Rights Plan. The Company has since issued a number of Performance Rights to key employees, and key consultants under the Plan. At the date of this Notice, the Company had the following Performance Rights with the DFS Milestone as a Performance Condition on issue:

Tranche	Performance Condition	Expiry Date	Held by Directors	Held by Key Employees & Consultants (non-Directors)	Total
4.	Mining Permit Milestone and Definitive Feasibility Study Milestone	31 December 2016	-	1,747,000	1,747,000

If the Performance Condition of a Performance Right is satisfied prior to the relevant expiry date, the Performance Right will vest. If the Performance Condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

8.2 Reason for Amendment

The Company delayed of completion of the PFS due to the requirement to align the PFS mine plan with Polish mining regulations and domestic mine design standards as part of the Polish mine concession permitting program. This has in-turn pushed back the start date of the DFS.

The Company has delayed commencement of the DFS to:

- (a) run a competitive tender process to appoint appropriately qualified firms to conduct the DFS. This may be a combination of internationally recognised mining consultancies, Polish domestic firms and EPC contractors and will ensure the smooth transition from the DFS phase into detailed design and engineering and subsequently construction; and
- (b) undertake a comprehensive review of the opportunities identified in the pre-feasibility study to further enhance the Lublin Coal Project economics

through capital and operating cost reductions, and to define key work programs prior to finalising the scope of the DFS.

Whilst the strategic decision to delay commencement of the DFS has been taken by the Directors with a view to maximising Shareholder value, if Shareholders do not approve the Amendment, the delayed commencement and reduced rate of advancement of the DFS is expected to result in the expiry of 1,747,000 Performance Rights linked to the successful completion of the DFS by the expiry date of 31 December 2016.

Furthermore, the Company has only recently received the exclusive right to apply for, and consequently be granted, a Mining Concession for the Lublin Coal Project, following approval of its associated Geological Documentation by the Minister of Environment.

As a result of its Geological Documentation being approved, the Company is now the only entity that can lodge a Mining Concession application over the Lublin Coal Project within the next three (3) years.

The Company is now advancing technical and environmental feasibility programs for the Lublin Coal Project in accordance with standards of international best practice and expects to submit the Mining Concession application for the Project in the second half of 2016. As a result, the Mining Concession may not be approved until after the current expiry date of 31 December 2016.

The six month extension will provide the Company with increased flexibility to ensure the highest quality DFS and a sufficient timeframe for the Mining Concession to be granted. However, the Directors wish to ensure that the Company's key employees and consultants are not disadvantaged by these circumstances. As a result, the Company has decided to seek approval for the Amendment to ensure that the participants of the Performance Rights Plan are not disadvantaged by these unforeseen circumstances.

The Company believes that it is in the interests of Shareholders to approve the Amendment to ensure that the financial interests of participants of the Performance Rights Plan are aligned with those of Shareholders and that management do not make decisions based on the existing expiry dates that may be in the best interest of management, but not Shareholders. That is, the Amendment will ensure that management are motivated and have an adequate timeframe to produce the highest quality DFS.

Attracting new employees and incentivising and retaining current key employees is extremely important as the Company enters the next phase of its development. The Company has set Performance Conditions for the Performance Rights to ensure that the Performance Rights only vest upon achievement of fundamental milestones that will drive the long term value of the Company's securities.

8.3 ASX Waiver

Listing Rule 6.23.3 provides that a change which has the effect of reducing the exercise price, increasing the period for exercise or conversion, or increasing the number of securities received on exercise of an option or conversion of a right, cannot be made.

On 13 August 2015, the Company applied to ASX for a waiver in respect of Listing Rule 6.23.3 to allow the Amendment, subject to Shareholder approval being obtained in respect of the Amendment (**Waiver Application**). As at the date of the Notice, the Company had not received ASX's decision on the Waiver Application. The Company expects to receive ASX's decision on the Waiver Application in August 2015. There is no guarantee that a waiver will be granted.

If ASX does grant a waiver, the Company expects it will be a condition of the waiver that the Company seeks Shareholder approval for the Amendment. Accordingly, Shareholder approval is being sought pursuant to Resolution 4.

A voting exclusion statement in respect of Resolution 4 is set out in the Notice.

Schedule 1 – Definitions

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the content otherwise requires:

\$ means Australian Dollars.

\$0.60 Option means an option to be issued to CD Capital upon exercise of the Put Option or Call Option subsequent to conversion of the Convertible Note on the terms and conditions in Schedule 3.

2013 AGM has the meaning given in Section 6.1.

2.5% Threshold means CD Capital holding for a continuous 30 day period at least 2.5% of the total number of Shares on a diluted basis, calculated as if the Convertible Note had been exchanged into Shares by CD Capital, pursuant to the conversion of the convertible Note and exercise of the Put and Call Option.

5% Threshold means CD Capital holding for a continuous 30 day period at least 5% of the total number of Shares on a diluted basis, calculated as if the Convertible Note had been exchanged into Shares by CD Capital, pursuant to the conversion of the Convertible Note and exercise of the Put and Call Option.

15% Threshold means CD Capital holding for a continuous 30 day period at least 15% of the total number of Shares on a diluted basis, calculated as if the Convertible Note had been exchanged into Shares by CD Capital, pursuant to the conversion of the Convertible Note and exercise of the Put and Call Option.

Amendment has the meaning given in Section 8.1.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market conducted by it, as the context requires.

B2Gold Corp means B2Gold Corp, a company listed on the Toronto Stock Exchange.

Board means the board of Directors.

Call Option means the call option granted by CD Capital to the Company in relation to PDZ Holdings Shares and PDZ Holdings Options held by CD Capital on the terms contained in the Put and Call Option Agreement.

CD Capital means CD Capital Natural Resources Fund III L.P.

CD Capital UK means CD Capital (UK) Limited.

CD Capital Associates has the meaning given in Section 5.3(a).

CEO means chief executive officer of the Company.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Prairie Mining Limited (ACN 008 677 852).

Company Secretary means the company secretary of the Company.

Completion means completion of CD Capital's subscription for the Convertible Note pursuant to the Investment Agreement.

Constitution means the constitution of the Company as amended from time to time.

Conversion Price has the meaning given in Section 3.1(b).

Convertible Note has the meaning given in Section 3.1.

Convertible Securities means any securities convertible into, exchangeable or redeemable for or otherwise carrying the right or obligation to acquire, Shares, including rights, options or warrants to acquire Shares.

Corporations Act means the *Corporations Act 2001* (Cth).

DFS means a definitive feasibility study for the Lublin Coal Project.

DFS Milestone means the granting of a mining permit on the Lublin Coal Project concessions and the announcement on ASX by the Company of a positive DFS.

Dilution Event has the meaning given in Section 3.4(f).

Director means a director of the Company.

Event of Default means the events of default detailed in Section 3.6(d).

Explanatory Memorandum means this explanatory memorandum attached to the Notice.

Funding Transaction has the meaning given to that term in the Independent Expert's Report.

Geological Documentation means a Polish standard resource report.

Independent Expert has the meaning given in Section 3.11.

Independent Expert's Report has the meaning given in Section 3.11.

Insolvency Event in respect of a person (including an entity) means:

- (a) an administrator being appointed to the person;
 - (i) the person resolving to appoint a controller or analogous person to the person or any of the person's property;
 - (ii) an application being made to a court for an order to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property and not being withdrawn, stayed or dismissed within 30 days; or
 - (iii) an appointment of the kind referred to in subparagraph (b) being made (whether or not following a resolution or application);
- (b) an order being made, or the person passing a resolution, for its winding up; or
- (c) the person:

- (i) suspending payment of its debts, ceasing (or threatening to cease) to carry on all or a material part of its business, stating that it is unable to pay its debts or being or becoming otherwise insolvent; or
- (ii) being unable to pay its debts or otherwise insolvent,

unless this takes place as part of a solvent reconstruction, amalgamation, merger or consolidation

Investment Agreement has the meaning given in Section 3.1.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the official listing rules of ASX as amended from time to time.

Lublin Coal Project means the Lublin coal project operated by the Prairie Group.

LSE means London Stock Exchange plc.

Material Adverse Effect means a material adverse effect on:

- (a) the Company or PDZ Holding's ability to perform any of their obligations under the Convertible Note, the Investment Agreement and all other documents to be executed and delivered by CD Capital to PDZ Holdings or the Company (**Transaction Document**);
- (b) the validity or enforceability of a Transaction Document; or
- (c) the assets, business, condition (financial or otherwise), prospects or operations of the Company.

Meeting has the meaning in the introductory paragraph of the Notice.

Mining Concession means a mining concession (or licence, right or any other equivalent instrument or decision) issued by the Minister of Environment in Poland (or any other authorised party), which authorises the Company, or any of its subsidiaries, to conduct the business activity of the extraction of coal from the Company's, or its subsidiaries', Lublin Coal Project.

Notice means the notice of meeting.

Option means an option to acquire a Share.

PDZ Holdings means PDZ Holdings Pty Ltd ACN 154 936 786.

PDZ Holdings Option mean an option to subscribe for a PDZ Holdings Share on the terms and conditions in Schedule 4.

PDZ Holdings Share means an ordinary share in the capital of PDZ Holdings.

Performance Condition means, in respect of a Performance Right, the relevant condition which must be satisfied in order for the Performance Right to vest.

Performance Right means a right to subscribe for or otherwise acquire a Share under the Performance Rights Plan.

Performance Rights Plan or **Plan** means the Performance Rights Plan of the Company approved by Shareholders at the 2013 AGM.

PFS means a pre-feasibility study for the Lublin Coal Project.

Prairie Group means the Company and each of its subsidiaries and its subsidiary undertakings.

Proxy Form means the proxy form attached to the Notice.

Put and Call Option means the Put Option and the Call Option.

Put and Call Option Agreement means the put and call option agreement between the Company and CD Capital.

Put Option means the put option granted by the Company to CD Capital in relation to PDZ Holdings Shares and PDZ Holdings Options held by CD Capital on the terms contained in the Put and Call Option Agreement.

Relevant Interest has the meaning given to that term in the Corporations Act.

Resolution means a resolution in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section in this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

Top-Up Right has the meaning given in Section 3.4(f).

Waiver Application has the meaning given in Section 8.3.

WSE means the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*).

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 – Independent Expert Report



PRAIRIE MINING LIMITED **Independent Expert's Report**

13 August 2015



Financial Services Guide

13 August 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Prairie Mining Limited ('Prairie') to provide an independent expert's report on the proposal to enter into a funding package with CD Capital Natural Resources Fund III LP. You will be provided with a copy of our report as a retail client because you are a shareholder of Prairie.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$24,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments - In July 2014 and February 2015, BDO provided valuation services to Prairie Mining Limited for a total fee of \$3,060.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Prairie for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Royal HaskoningDHV

13 August 2015

The Directors
Prairie Mining Limited
Level 9, The BGC Centre
28 The Esplanade
PERTH WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 19 July 2015, Prairie Mining Limited ('**Prairie**' or '**the Company**') entered into an investment agreement with PDZ Holdings Pty Ltd (a wholly-owned subsidiary of Prairie) ('**PDZ**') and CD Capital Natural Resources Fund III LP ('**CD Capital**') pursuant to which among other things:

- PDZ will issue to CD Capital, a non-interest bearing convertible loan note with an aggregate principal amount of \$15 million and convertible into PDZ shares at a conversion price of \$0.335 per share ('**Convertible Note**');
- PDZ will issue one PDZ option for every two shares issued on conversion of the Convertible Note which will be exercisable at \$0.60 per option on or before three years from their date of issue ('**CDC Options**');
- Each PDZ share and option issued to CD Capital may be exchanged by either party into one Prairie share and option respectively; and
- Prairie will grant CD Capital a pre-emptive right to provide Prairie with funding up to an aggregate of \$55 million on such terms agreed between Prairie and CD Capital at a future point in time, if Prairie intends to raise capital, from a party that is not providing project financing in relation to engineering, procurement and contract services, off-take services and/or mining equipment supply services, which in aggregate exceeds \$10 million ('**Pre-Emptive Right**') (collectively the '**Funding Transaction**').

The proposed issue of Prairie shares as a result of the Funding Transaction will result in CD Capital holding more than 20% of the issued capital in Prairie. As such, the Funding Transaction is subject to shareholders' approval under Section 611 of the Corporations Act 2001 ('**Corporations Act**').

2. Summary and Opinion

2.1 Purpose of the report

The directors of Prairie have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the Funding Transaction is fair and reasonable to the non associated shareholders of Prairie (**'Shareholders'**)

Our Report is prepared pursuant to Section 611 of the Corporations Act and is to be included in the notice of meeting for Prairie in order to assist the Shareholders in their decision whether to approve the Funding Transaction.

In addition, this report will be included in the prospectus for Prairie's proposed listing on the standard listing segment of the main market on the London Stock Exchange.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (**'ASIC'**) Regulatory Guide 74 'Acquisitions Approved by Members' (**'RG 74'**), Regulatory Guide 111 'Content of Expert's Reports' (**'RG 111'**) and Regulatory Guide 112 'Independence of Experts' (**'RG 112'**).

In arriving at our opinion, we have assessed the terms of the Funding Transaction as outlined in the body of this report. We have considered:

- how the value of a Prairie share prior to the Funding Transaction on a control basis compares to the value of a Prairie share following the Funding Transaction on a minority basis;
- the likelihood of a superior alternative offer being available to Prairie;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Funding Transaction; and
- the position of Shareholders should the Funding Transaction not proceed.

2.3 Opinion

We have considered the terms of the Funding Transaction as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Funding Transaction is not fair but reasonable to Shareholders.

In our opinion, the Funding Transaction is not fair because the value of a Prairie share prior to the Funding Transaction on a control basis is greater than the value of a Prairie share following the Transaction on a minority basis. However, we consider the Funding Transaction to be reasonable because the advantages of the Funding Transaction to Shareholders are greater than the disadvantages.

In particular, the Funding Transaction provides Prairie with an immediate and continuing cash injection for its exploration, pre-development and potential development of its coal assets.

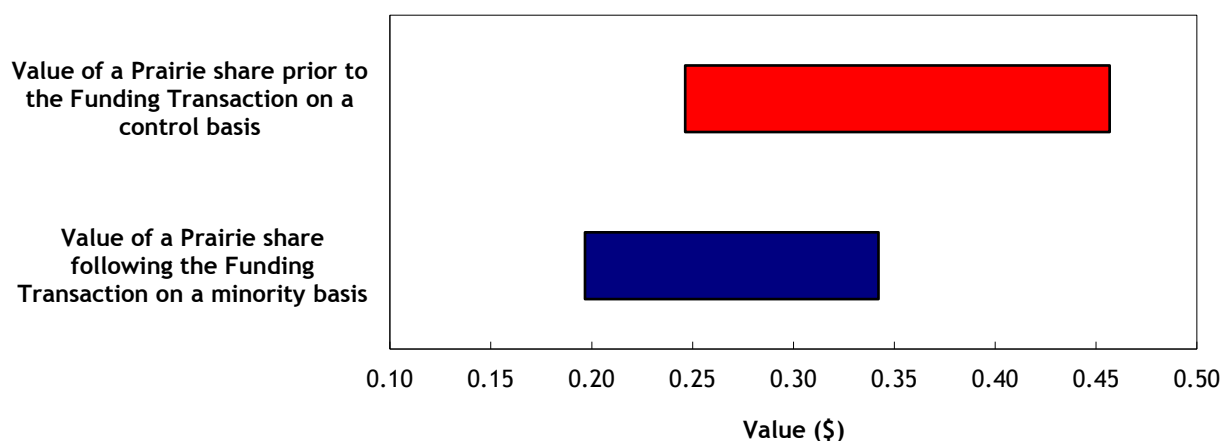
2.4 Fairness

In section 12 of our Report, we determined that the Funding Transaction consideration compares to the value of Prairie, as detailed below.

	Ref	Low A\$	Preferred A\$	High A\$
Value of a Prairie share prior to the Funding Transaction on a control basis	10.3	\$ 0.246	\$ 0.352	\$ 0.457
Value of a Prairie share following the Funding Transaction on a minority basis Source: BDO analysis	11	\$ 0.197	\$ 0.267	\$ 0.342

The above valuation ranges are graphically presented below:

Valuation Summary



The above pricing indicates that, in the absence of any other relevant information, the Funding Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Funding Transaction; and
- other considerations, including the position of Shareholders if the Funding Transaction does not proceed and the consequences of not approving the transaction.

In our opinion, the position of Shareholders if the Funding Transaction is approved is more advantageous than the position if the Funding Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Funding Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.5	The Funding Transaction provides Prairie with an immediate cash injection to enable continued exploration, technical studies and mine permitting.	13.6	The Funding Transaction is not fair
13.5	The Funding Transaction also provides auxiliary funding for development purposes	13.6	Existing Shareholders will be diluted
13.5	CD Capital will become a strategic investor in Prairie and its interests are likely to be aligned with Shareholders	13.6	The Funding Transaction may limit the involvement of other sophisticated investors other than those interested in project financing
13.5	CD Capital's nominee directors are likely to provide additional knowledge, experience and independence to Prairie's board		
13.5	The Funding Transaction will not necessarily deter the potential for Shareholders to benefit from a future corporate event		
13.5	Conversion feature of the Convertible Note assists Prairie in managing its financial position		

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposals
13.2	Minority Interest Values
13.3	Practical Level of Control
13.4	Consequences of not approving the Funding Transaction

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

If the Funding Transaction is approved, CD Capital will obtain a relevant interest in Prairie of up to 31.16%.

Section 611 of the Corporations Act ('Section 611') permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Prairie, by either:

- undertaking a detailed examination of the Funding Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Prairie have commissioned this Independent Expert's Report to satisfy this obligation.

In addition, this report has been prepared for inclusion in the prospectus required to facilitate Prairie's proposed listing on the standard listing segment of the main market of the London Stock Exchange.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Funding Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Funding Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Funding Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a

transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between value of a Prairie share prior to the Funding Transaction on a control basis and the value of a Prairie share following the Funding Transaction on a minority basis (fairness - see Section 12 'Is the Funding Transaction Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Funding Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Funding Transaction

On 19 July 2015, Prairie entered into an investment agreement with CD Capital and PDZ ('Investment Agreement'), pursuant to which:

- PDZ will issue to CD Capital a non-interest bearing convertible note of a principal amount of \$15 million, guaranteed by Prairie, and convertible into PDZ shares at a conversion price of \$0.335 (previously defined **Convertible Note**);
- for every two PDZ shares issued on conversion of all or part of the Convertible Note, PDZ will issue CD Capital one PDZ option exercisable on or before three years from the date of issue at an exercise price of \$0.60 (previously defined **CDC Options**); and
- Prairie and CD Capital will enter into a put and call option agreement ('**PCO Agreement**') (together with the Investment Agreement, defined '**Agreements**') pursuant to which each PDZ share and option issued to CD Capital may be exchanged by either party into one Prairie share and option respectively.

On its terms the Convertible Note is only repayable upon the event of default, where among others, an event of default includes:

- an event of insolvency in relation to Prairie and/or PDZ;
- Prairie and/or PDZ cease to carry on business;
- Prairie becomes unlisted; or
- If the re-election of the two nominee directors of CD Capital is not approved by the requisite majority of shareholders at the first annual general meeting of shareholders following the issue of the Convertible Note.

While the Convertible Note remains outstanding:

- CD Capital has the right to convert all or part of the outstanding principal amount into PDZ shares at the conversion price provided conversion must occur for a minimum amount of \$250,000 and thereafter in increments of \$250,000.
- Prairie and PDZ have the right to convert all or part of the principal amount of the Convertible Note at the conversion price if:
 - At any time 12 months after the date of issue of the Convertible Note, the weighted average trading price of Prairie's shares exceeds the conversion price for the 30 trading day period prior to Prairie and/or PDZ electing to convert all or part of the Convertible Note; or
 - At any time after the issue of the Convertible Note if a person acquires a relevant interest in at least 50% of the shares in Prairie pursuant to a takeover bid or an Australian court approves a merger by way of a scheme of arrangement.

Pursuant to the Investment Agreement, on completion of CD Capital's subscription for the Convertible Note, CD Capital has the right to nominate either one or two nominee directors to the board of Prairie provided that it holds at least:

- 5% of the issued capital in Prairie on an 'as converted' basis ('**5% Threshold**'), to nominate one director; and

- 15% of the issued capital in Prairie on an 'as converted' basis, to nominate two directors.

Prairie will also undertake that without prior written consent of CD Capital, it will not:

- amend its constitution such that it impacts on any rights of CD Capital;
- expand the business of Prairie otherwise than through Prairie and its subsidiaries;
- change the nature of the business of Prairie;
- pass any resolution to wind up Prairie or any subsidiary either solvently or by entering into a scheme of arrangement with creditors; nor
- use the funds provided by the Convertible Note in a manner other than in accordance with the agreed budget with CD Capital.

Additionally CD Capital has a pre-emptive right to provide Prairie with additional debt and/or equity funding up to an aggregate of \$55 million on such terms agreed between Prairie and CD Capital at a future point in time, if Prairie intends to raise capital from a party that is not providing project financing in relation to engineering, procurement and contract services, off-take services and/or mining equipment supply services, which in aggregate exceeds \$10 million and this proposed capital raising occurs within the later of:

- two years after the issue of the Convertible Note; and
- the date CD Capital ceases to satisfy the 5% Threshold (previously defined **Pre-Emptive Right**).

Subject to specific exclusions and the ASX providing Prairie with a waiver from the ASX Listing Rules, if Prairie issues shares to any person or entity prior to the release of the results of a bankable feasibility study for Prairie's Lublin Coal project, CD Capital has the right to subscribe and be issued additional Prairie shares to maintain its percentage relevant interest in Prairie on an as converted basis ('**Top Up Right**').

Herein the rights and obligations of all parties to the Agreements are collectively referred to as the **Funding Transaction**.

Proposed Capital Structure

We have presented the proposed capital structure of Prairie following the Funding Transaction on both a diluted and undiluted basis.

Undiluted Basis

We note that as at the date of our Report, CD Capital does not hold a relevant interest in Prairie. As detailed in the table below, the issue of Prairie shares on conversion of the Convertible Note will result in CD Capital's relevant interest in Prairie increasing to 23.18%. In this case, Shareholders will be diluted from 100% to 76.82%.

Capital structure of Prairie on an undiluted basis	Existing Shareholders	CD Capital	Total
Issued Shares as at the date of this Report	148,352,432	-	148,352,432
% holdings as at the date of this Report	100.00%	0.00%	100%
Shares issued on conversion of Convertible Note	-	44,776,120	44,776,120
Issued Shares following the Funding Transaction	148,352,432	44,776,120	193,128,552
% holdings following the Funding Transaction	76.82%	23.18%	100%

Source: BDO analysis

Diluted Basis

The table below presents the potential maximum relevant interest that CD Capital will acquire in Prairie. This scenario assumes the issue of shares on conversion of the Convertible Note, the exercise of the CDC Options regardless of whether they are in-the-money or not, and that no other shares are issued including on account of the exercise of options irrespective of whether they are in-the-money or not.

In this case, CD Capital's relevant interest will increase to 31.16% and Shareholders will be diluted from 100% to 68.84%.

Capital structure of Prairie on a diluted basis	Existing Shareholders	CD Capital	Total
Issued Shares as at the date of this Report	148,352,432	-	148,352,432
% holdings as at the date of this Report	100.00%	0.00%	100%
Shares issued on conversion of Convertible Note	-	44,776,120	44,776,120
Shares issued on exercise of CDC Options	-	22,388,060	22,388,060
Issued Shares following the Funding Transaction	148,352,432	67,164,180	215,516,612
% holdings following the Funding Transaction	68.84%	31.16%	100%

Source: BDO analysis

Section 5.5 of our Report provides further details of the options and performance rights issued by Prairie some of which, as at the date of our Report, are in-the-money.

5. Profile of Prairie

5.1 History and Overview

Prairie was initially admitted to the official list of the ASX in September 1993 under the entity name Investment Company of the West Limited and operated as an investment company. In 2005, Prairie (formerly known as Prairie Downs Metals Limited) was formed as a mining exploration company following the reverse takeover of Minerals Investments Pty Ltd.

Since its reverse takeover listing, Prairie has remained an Australian mining exploration and development company and more recently has begun focusing on coal assets. Prairie's head office is located in Perth, Western Australia.

Prairie's key assets include its interests in the Lublin Coal project located in the south east of Poland and the Base Metals Project ('BMP') located southwest of Newman in the Pilbara region of Western Australia. During October 2013, the Company determined to focus solely on the Lublin Coal project and entered into a farm-in agreement with Marindi Metals Pty Ltd ('Marindi') pursuant to which Marindi could earn up to 100% interest in the BMP provided, among other things, certain expenditure conditions were met.

In April 2015, Prairie entered into a new agreement with Marindi (replacing the above farm-in agreement) pursuant to which Marindi can acquire a 100% interest in the BMP in exchange for:

- an initial cash payment of \$500,000;
- a subsequent payment of \$1 million in either cash or listed shares (at Marindi's election) on or by 30 September 2016; and
- a 2.5% net smelter royalty in favour of Prairie.

As of the date of our Report, Marindi has paid the initial cash payment to Prairie of \$500,000, and Prairie is unaware whether Marindi will make its subsequent payment of \$1 million.

On 3 July 2015, the Company announced that it intends to apply for admission to the official list of the London Stock Exchange and the Warsaw Stock Exchange ('Proposed Listings'). Prairie confirmed it did not intend to undertake a public offering in connection with the Proposed Listings but rather the intention of the Proposed Listings was to facilitate the next stage of Prairie's development by further raising its profile within the region and to facilitate the future participation of UK, Polish and other European investors in Prairie's future growth prospects. It is expected the Proposed Listings will occurring during the third quarter of 2015.

The current board of directors and key management personnel of the Company includes:

- Mr Ian Middlemas - Chairman;
- Mr Benjamin Stoikovich - Director and Chief Executive Officer;
- Mr Anastasios Arima - Executive Director;
- Mr Thomas Todd - Non-Executive Director;
- Mr John Welborn - Non Executive Director;
- Mr Mark Pearce - Non-Executive Director;
- Mr Todd Hannigan - Alternate Director; and

- Mr Dylan Browne - Company Secretary.

5.2 Lublin Coal Project

The concession areas on which the Lublin Coal project is situated was first subject to exploration drilling from the late 1960's with the majority of exploratory drilling undertaken by the Polish government during the 1970's and 1980's. The concessions presently cover an area of approximately 182 square kilometres and are located in the east of Poland, nearby to the city of Lublin, Poland.

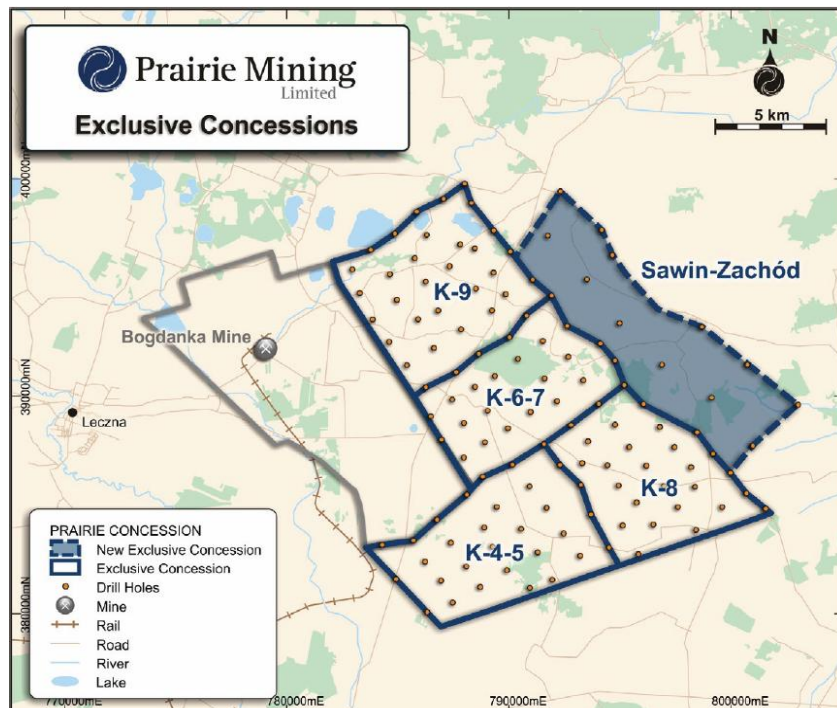
In August 2012, Prairie secured four concession blocks which make up the Lublin Coal project, the concessions are named:

- Kulik (Lublin K-4-5);
- Cycow (Lublin K-6-7);
- Syczyn (Lublin K-8); and
- Kopina (Lublin K-9).

During the first half of 2014, Prairie conducted and released the results of its scoping study on the Lublin Coal project. The results indicated that there was potential for the Lublin Coal project to be developed as a large scale long life mine with strong fundamentals and with a focus on producing semi-soft coking coal from the target 391 seam, and potential by-product thermal coal.

In February 2015, Prairie announced that it had secured a contiguous coal concession to add to its Lublin Coal project. The new concession known as Sawin-Zachód, increased the area covered under Prairie's concessions to approximately 235 square kilometres.

Below is a diagram illustrating the locations of the concessions which are part of the Lublin Coal project.



Source: Prairie Management

On 23 July 2015, the Company announced updated JORC 2012 coal resource estimates for its Lublin Coal Project. As per the announcement, the Lublin Coal project has indicated coal resources of 333 million tonnes, and inferred coal resources of 390 million tonnes, for a combined total coal resource of 722 million tonnes.

Further information on the Lublin Coal project is detailed in Royal HaskoningDHV's ('RHDHV') independent valuation report included in Appendix 3.

5.3 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-14 \$	Audited as at 30-Jun-14 \$	Audited as at 30-Jun-13 \$
CURRENT ASSETS			
Cash and cash equivalents	2,047,340	2,574,300	6,170,841
Trade and other receivables	404,115	354,651	393,440
Other financial assets	9,911,563	22,111	22,000
TOTAL CURRENT ASSETS	12,363,018	2,951,062	6,586,281
NON-CURRENT ASSETS			
Other financial assets	-	18,800,000	6,650,000
Plant and equipment	74,145	87,635	47,606
Exploration and evaluation assets	530,000	530,000	530,000
TOTAL NON-CURRENT ASSETS	604,145	19,417,635	7,227,606
TOTAL ASSETS	12,967,163	22,368,697	13,813,887
CURRENT LIABILITIES			
Trade and other payables	1,873,222	1,036,409	801,135
TOTAL CURRENT LIABILITIES	1,873,222	1,036,409	801,135
TOTAL LIABILITIES	1,873,222	1,036,409	801,135
NET ASSETS	11,093,941	21,332,288	13,012,752
EQUITY			
Contributed equity	34,936,844	34,864,888	30,820,466
Reserves	6,707,944	11,186,250	1,892,782
Accumulated losses	(30,550,847)	(24,718,850)	(19,699,886)
TOTAL EQUITY	11,093,941	21,332,288	13,013,362

Source: Prairie's audited financial statements for the years ended 30 June 2013 and 30 June 2014, and reviewed financial statements for the half year ended 31 December 2014.

We note that Prairie's auditor issued an unmodified audit report with no qualifications for the review period to 31 December 2014.

Commentary on financial position

- As at the half year ended 31 December 2014, Prairie's cash and cash equivalents balance was marginally lower at \$2,047,340 in comparison to as at 30 June 2014 of \$2,574,300. During the six month period from 1 July 2014 to 31 December 2014, key cash and cash equivalents movements were

comprised of payments to suppliers and employees of \$4,334,557 and proceeds from sale of available-for-sale financial assets of \$3,688,092. During the financial year ended 30 June 2014, key cash and cash equivalents movements were the payments to suppliers and employees of \$7,593,798 and proceeds from the issue of shares from a share placement of \$4,158,750.

- Other financial assets comprise of Prairie's investments in Canadian listed B2Gold Inc (TSX:BTO) ('**B2Gold**'). This investment was initially in Papillon Resources Limited ('**Papillon**'), but on 3 October 2014, B2Gold acquired 100% of Papillon by way of a scheme of arrangement, and as consideration Prairie was issued 0.661 B2Gold shares per Papillon share. Prairie reclassified its investments during the half year ended 31 December 2014 from non-current to current assets given its intention to dispose of the investment.
- The decreased balance of other financial assets of \$9,911,563 as at 31 December 2014 from \$18,800,000 as at 30 June 2014 is primary on account of a reduction in the carrying value of \$3,688,092 following the sale of 1 million Papillon shares on 1 September 2014 and 1 million B2Gold shares during the six months ended 31 December 2014, and \$5,541,895 due to changes in fair value recognised in the reserve account.
- Prairie's accounting policy with respect to exploration and evaluation assets is that they are measured at cost at recognition and are recorded as an asset if the rights to tenure of the area of interest are current and either:
 - 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; or
 - 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.

Prairie's exploration and evaluation asset balance of \$530,000 for each respective balance date is comprised of the cost of acquisition of the Lublin Coal project.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-14 \$	Audited for the year ended 30-Jun-14 \$	Audited for the year ended 30-Jun-13 \$
REVENUE			
Revenue	23,260	131,938	141,428
Other income	2,664,130	-	166,525
EXPENSES			
Exploration and evaluation expenses	(4,292,036)	(6,603,649)	(2,335,377)
Employment expenses	(95,933)	(273,188)	(286,112)

Administration and corporate expenses	(111,657)	(323,654)	(289,422)
Occupancy expenses	(247,570)	(398,065)	(436,324)
Share-based payment expenses	(889,725)	(636,708)	(110,604)
Business development expenses	(422,552)	(560,638)	(294,466)
Other expenses	-	-	(1,685,000)
LOSS FROM CONTINUING OPERATIONS	(3,372,083)	(8,663,964)	(5,129,352)
Income tax expense	(2,459,914)	3,645,000	(825,000)
LOSS FOR THE PERIOD	(5,831,997)	(5,018,964)	(5,954,352)
Changes in the fair value of financial assets	(5,500,342)	12,150,000	(2,750,000)
Deferred tax on financial assets	1,660,675	(3,645,000)	825,000
Exchange differences on translation of financial assets	318,471	-	-
Net realised gain on financial assets transferred	(2,664,130)	-	-
Deferred tax on sale of financial assets	799,239	-	-
Exchange differences on translation of foreign operations	18,056	45,705	(58,448)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(11,200,028)	3,531,741	(7,937,800)

Source: Prairie's audited financial statements for the years ended 30 June 2013 and 30 June 2014, and reviewed financial statements for the half year ended 31 December 2014.

Commentary of financial performance

- Revenues for the years ended 30 June 2013 and 2014, and half year ended 31 December 2014 is solely comprised of interest income earned from cash deposits.
- Other income of \$2,664,130 during the half year ended 31 December 2014 is due to the net gain on the sale of Prairie's equity investment in B2Gold (formerly Papillon). As detailed in section 5.3, on 1 September 2014, Prairie sold a share parcel of 1 million Papillon shares and 1 million B2Gold shares for \$3,688,092. The net gain on sale represents the proceeds of the sale minus the initial acquisition cost.
- Other income of \$166,525 during the year ended 30 June 2013 is primarily comprised of geological services income of \$5,120 and offices services income from unrelated parties of \$151,405. These income streams are no longer applicable for Prairie given the rendering of these services ceased during the year ended 30 June 2013.
- Exploration expenditures have continually grown over the respective reporting periods, for example from approximately \$6.6 million during the year ended 30 June 2014 to approximately \$4.3 million (\$8.6 million on an annualised basis) during the half year ended 31 December 2014. Increased expenditures are primarily on account of the increased activity at the Lublin Coal project in Poland. In particular, throughout half year ended 31 December 2014, key exploration and evaluation expenditures include the commencement of a pre-feasibility study and coal marketing study for the Lublin Coal project.
- Other expenses for the year ended 30 June 2013 relate to an impairment charge of \$1,685,000 on Prairie's BMP asset. The impairment was made based on market conditions.

5.5 Capital Structure

The share structure of Prairie as at 31 July 2015 is outlined below:

	Number
Total ordinary shares on issue	148,352,432
Top 20 shareholders	72,754,515
Top 20 shareholders - % of shares on issue	49.04%
Source: Share registry information	

The range of shares held in Prairie as at 31 July 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	634	148,926	0.10%
1,001 - 5,000	323	946,504	0.64%
5,001 - 10,000	222	1,856,963	1.25%
10,001 - 100,000	615	24,163,294	16.29%
100,001 - and over	162	121,236,745	81.72%
TOTAL	1,956	148,352,432	100.00%
Source: Share registry information			

The ordinary shares held by the most significant shareholders as at 31 July 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
UBS Nominees Pty Ltd	12,755,666	8.60%
Arredo Pty Ltd	10,000,000	6.74%
J P Morgan Nominees Australia Limited	9,689,277	6.53%
RBC Trustees (CI) Ltd	4,240,000	2.86%
Subtotal	36,684,943	24.73%
Others	111,667,489	75.27%
Total ordinary shares on issue	148,352,432	100.00%
Source: Share registry information		

The Company has the following options on issue as at 31 July 2015:

Options currently on issue	Number
Options exercisable at \$0.25 on or before 30-Jun-16	1,250,000
Options exercisable at \$0.35 on or before 30-Jun-17	1,600,000
Options exercisable at \$0.40 on or before 30-Jun-16	1,500,000
Options exercisable at \$0.45 on or before 30-Jun-17	4,460,000
Options exercisable at \$0.45 on or before 30-Jun-18	1,400,000

Options exercisable at \$0.60 on or before 30-Jun-17	2,265,000
TOTAL	12,475,000

Source: Option registry information

As at 31 July 2015, the ASX market closing price for Prairie's shares was \$0.335. As such, we note that there are 1,250,000 options exercisable on or before 30 June 2016 which are presently in-the-money ('ITM Options').

The Company has the following performance rights on issue as at 31 July 2015:

Performance Rights currently on issue	Number
Performance Rights expiring on 31 December 2016 (Tranche 4 of Prairie's Performance Rights Plan)	1,747,000
Performance Rights expiring on 31 December 2016	1,200,000
Performance Rights expiring on 31 December 2020	1,200,000
TOTAL	4,147,000

Source: Prairie's Management

The 1,747,000 performance rights expiring on 31 December 2016 (tranche 4 performance rights from Prairie's performance rights plan) will vest on the granting of a mining permit on the Lublin Coal project concessions and the announcement on the ASX by Prairie of a positive definitive feasibility study at the Lublin Coal project. As at the date of our report, neither of the vesting conditions have been met.

On 18 February 2015, Prairie issued 2,400,000 performance rights in two tranches:

- 1,200,000 performance rights expiring on 31 December 2016 will vest on the granting of a mining permit on the Lublin Coal project; and
- 1,200,000 performance rights expiring on 31 December 2020 will vest on the initial production from the Lublin Coal project.

As at the date of our Report, none of the aforementioned performance rights' vesting conditions have been met.

6. Profile of CD Capital

6.1 History and Overview

CD Capital (UK) Limited is an independent investment fund manager and adviser based in the United Kingdom, founded by Carmel Daniele in 2007. CD Capital (UK) Limited is registered and authorised by the UK Financial Conduct Authority and currently manages a total of three mining investment funds. CD Capital (UK) Limited has a track record of implementing investments in the mining sector. CD Capital (UK) Limited is a specialist private equity investor in the mining sector.

The investment in PDZ (and Prairie upon conversion and exercise of the PCO Agreement) will be completed by CD Capital (UK) Limited's third fund, CD Capital Natural Resources Fund III LP (previously defined **CD Capital**). CD Capital invests in projects in the bulk commodities, precious metals and base metals sectors.

CD Capital's core focus is to identify, invest in and develop world class mining projects. CD Capital (UK) Limited employs an active, hands-on approach working in partnership with all its portfolio companies to maximize value of the resource and ultimate market value of the company.

7. Economic analysis

7.1 Global

Growth of global economic activity remains moderate. In the euro area, economic conditions improve gradually, although activity is still low. In the United States, recent data suggest that the slowdown at the beginning of the year was temporary and the economic outlook is favourable. In turn, economic growth in China remains low as for this country.

Despite the ongoing recovery in developed economies, the sentiment in the financial markets has recently deteriorated in the wake of growing fears of a Greek insolvency. This was conducive to a fall in prices of some financial assets as well as a weakening of exchange rates of Central and Eastern European currencies.

Following a sharp and long-lasting fall, oil prices have risen slightly in recent months. This has weakened disinflationary forces in many countries, fuelling an increase in price growth in the euro area. However, price growth in the global economy remains very low, and in some European economies it is still negative. In these conditions, major central banks are keeping interest rates close to zero and the European Central Bank is continuing its asset purchase programme.

7.2 Poland

Economic Growth

Economic growth in Poland accelerated slightly in the first quarter of 2015, running at 3.6% year on year growth in comparison to 3.3% in the fourth quarter of 2014. The increase in economic growth was mainly driven by a sharp rise in the contribution of net exports, occurring on the back of considerably higher exports, amidst weakening import growth. Nevertheless, it was domestic demand that continued to be the primary driver of GDP growth. This was due to a sharper investment growth, with consumption expanding at stable rates.

GDP growth in the second quarter of 2015 most likely continued at a previous quarter level. Increase in consumption and investment, fuelled by an improving labour market situation, good financial condition of enterprises and a rise in lending, has remained the main driver of economic growth. At the same time, recent data do not indicate acceleration of economic growth in the coming quarters.

Inflation Rates

Due to the moderate pace of growth in demand and the continuing negative output gap, there is no inflationary pressure in the economy. Moreover, low commodity prices and moderate nominal wage growth are contributing to the continued lack of cost pressure. As a result, the annual growth of consumer prices remains negative, although the increase in the annual growth of fuel and food prices in the recent period has limited the scale of deflation. The annual growth of producer prices is also negative, while inflation expectations remain very low.

Interest Rates and Credit Growth

In March 2015, the monetary policy council of the Narodowy Bank Polski ('NBP') lowered interested rates by 50 basis points such that the reference rate was reduced to 1.5%. It was also signalled that this would conclude the monetary policy easing cycle. Given faded expectations for further decreases in the NBP

interest rates and a rise in government bond yields abroad, the euro area included, the Polish sovereign yield curve increased in its longer end.

In the first months of 2015, lending growth remained moderate while both corporate and household deposits continued to rise solidly, lending growth in the corporate sector was somewhat slower than in the previous quarter mainly due to a slightly weaker growth in investment lending, coupled with a relative stabilisation in the growth of short-term lending. Growth in lending to the household lost some momentum with weaker growth accounted by for a significant tightening of lending standards and some lending terms for this category of loans.

As expected, the monetary policy council determined to keep the NBP interest rates unchanged at the meeting held over 7 and 8 July 2015.

The Zloty

In recent times, the zloty exchange rate has depreciated against the euro and the Swiss franc, while remaining low against the US dollar. In March and April, the zloty was supported by faded expectations for further decreases in the NBP interest rates. However, like other currencies of the Central and Eastern European countries, the zloty started to weaken against the euro since May. This was due to the recovery in the euro area, some weaker data releases on Polish economy and the increase in risk aversion resulting from concerns about developments in Greece.

7.3 Australia

Economic Growth

In Australia, the available information suggests that the economy has continued to grow over the past year, but at a rate somewhat below its longer-term average. The rate of unemployment, though elevated, has been little changed recently. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet. With very slow growth in labour costs, inflation is forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate.

Interest Rates and Credit Growth

Global financial conditions remain very accommodative. Despite fluctuations in markets associated with the respective developments in China and Greece, long-term borrowing rates for most sovereigns and creditworthy private borrowers remain remarkably low.

Low interest rates in Australia are acting to support borrowing and spending. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the housing market broadly steady over recent months. Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities. The Reserve Bank of Australia ('RBA') is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates.

At its most recent meeting, the RBA decided to leave the cash rate unchanged at 2.0%. However, Governor Glenn Stevens signalled that the RBA expects to start increasing its policy rate later this year.

The Australian Dollar

The Australian dollar has declined noticeably against a rising US dollar over the past year, though less so against a basket of currencies. Further depreciation seems both likely and necessary, particularly given the significant declines in key commodity prices.

Source: www.nbp.pl Inflation Report by the Monetary Policy Council July 2015, www.nbp.pl Information from the meeting of the Monetary Policy Council held on 7-8 July 2015, and www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 July 2015

8. Industry analysis

Coal deposits are found below the earth's surface with the quality of a coal deposit determined by the length of time in formation, commonly known as its 'organic maturity', temperature and pressure. The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank coals such as lignite generally possess a much lower organic maturity, have a soft texture, a dull earthy appearance and are characterized by high moisture levels and low energy (carbon) content. Higher ranked coals such as Anthracite, which is the highest ranking coal, are harder, stronger, contain less moisture, and produce more energy.

To date coal has been mined by two broad methods, opencast mining and underground mining, the choice of extraction method determined by the geology of the coal deposit. Operators in the black coal sector produce two main products; coking coal and thermal coal.

Coking Coal

Coking coal, often referred to as metallurgical coal, is used to produce coke, which is in turn used to manufacture iron and steel. It is primarily used because of its high carbon content and coking characteristics, however it is also used for the smelting and casting of base metals. Of the different types of coking coal, hard coal is the most valuable as it produces the highest quality coke. Semi soft coking coal and Pulverised Coal Injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Coking coal accounts for a small share of output but a higher share of revenue due to its higher price. It accounted for a decreasing share of revenue over the past five years as its prices declined at a faster rate.

Thermal Coal

Thermal coal, also referred to as steaming coal generally contains less carbon than coking coal therefore it cannot be used in the production of steel. It is therefore primarily used as an energy source for coal fired power plants. The major producers of thermal coal are China, USA and India, with the largest importers being China, Japan and South Korea.

8.1. Demand

With both the international community and the world's dependency on energy growing, fuel products are the single most important input affecting global economic growth. The continued growth of emerging nations such as India and China are key drivers for demand. In particular, the demand for electricity in these emerging nations is considered to be a key determinant for the current performance of the industry.

Currently, over 73.8% of global coal production comprise of thermal coal, with the share expanding in the last five years as a result of growing global consumption.

Production growth has continued as expansions and new mines commissioned under more favourable price signals have entered operation. This is despite declining world prices.

Coking Coal

Companies that use coking coal as a primary input material are the largest market in the industry. There is a lack of substitutes for coal in steel and metal smelting and refining processes. Roughly 70% of total global steel production is dependent on coking coal. Demand is heavily dependent of global steel production with trends in pig iron and steel being the primary demand determinants. Strong population growth and urbanisation drive demand for steel.

Shifts in steel production methods also influence demand as changes in relative prices of electricity, coking coal and the availability of steel scrap see steel production shift between blast furnaces and electric arc furnaces. Electric furnaces are primarily scrap recycling operations and require minimal amounts of coke.

Demand for coking coal has fallen in line with lower steel production in the major export destinations. China and India's coal demand growth is forecast to be slower in this decade than it has been in the last decade driven by efficiency improvements and a movement towards less coal intensive economic activities.

Thermal Coal

Thermal coal is used to generate approximately 41% of the world's electricity, accounting for more than double that of natural gas, the second largest source for electrical generation. Globally, the majority of thermal coal is used in the country where it is produced with only a small proportion of traded thermal coal accounting for global consumption. The largest exporters are Australia and Indonesia, reflecting the small size of their domestic energy consumption. The largest importers of thermal coal are China and the European Union.

The market for traded thermal coal consists of two broad geographical markets as a result of the effect of transport costs. The Atlantic market consists of exports from the Americas, Russia and Europe, while the Pacific market largely comprise of coal trade from Australian and Indonesia to China, Korea and Japan. However, lower cost of freight, subdued demand from importers and an increase in the volume traded thermal coal from both traditional and non-traditional suppliers have seen an increase in links between the Atlantic and Pacific markets.

Demand for thermal coal has decreased in the US as natural gas is increasingly being used as a substitute. China is seeking to improve their domestic coal production capacities while reaching targets to reduce emissions. Exports to South-east Asia, in particular South-Korea and India, are expected to increase as new coal-fired power stations are constructed. The Fukushima nuclear disaster also resulted in greater demand from Japan.

8.2. Prices

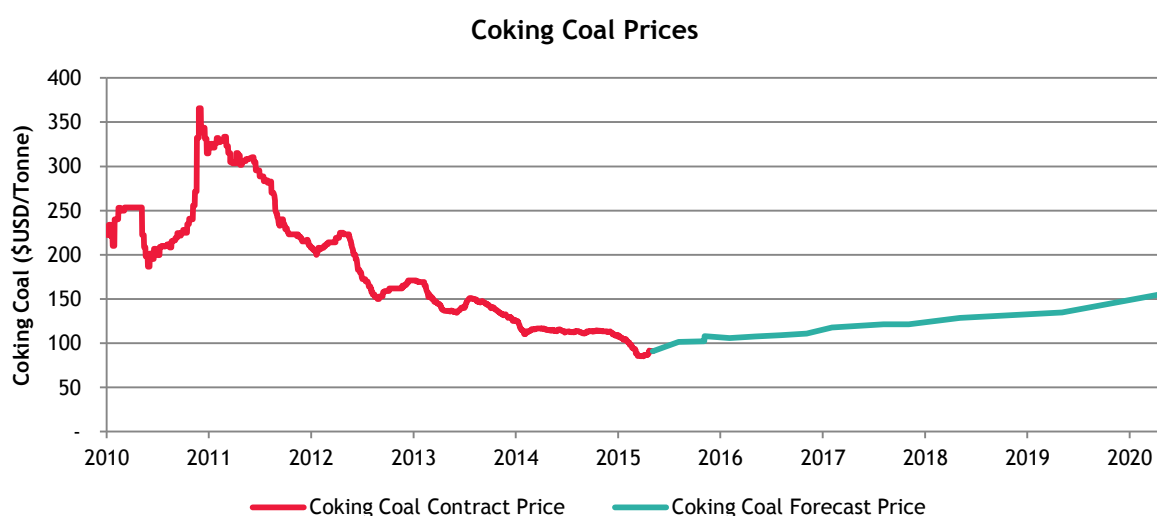
Coal is a global commodity and as such, prices are determined by global supply and demand factors. World demand for coal generally moves more dynamically than supply, resulting in volatile world prices and periods of over and under capacity. World coal prices have fallen since its peak in 2011-12 due to global

supply exceeding demand as production capacity has increased in Australia and elsewhere. Globally production overtook demand in 2012-13, reflected in falling coal prices from 2012-13.

Coking Coal

Coking coal is traditionally a higher value product than thermal coal as it has a higher energy value and fewer impurities. Coking coal has suffered from oversupply as global miners responded to the view that Chinese demand would accelerate for years to come.

Construction activity has slowed in China and coking coal imports totalled 62.3 million tonnes in 2014, down 17% on 2013 according to Chinese customs data. Prices peaked in 2010-11 following China's rapid economic development and hit a 10 year low in July 2015 due to weak Chinese steel markets. However, prices are projected to remain fairly stable over the next five years.



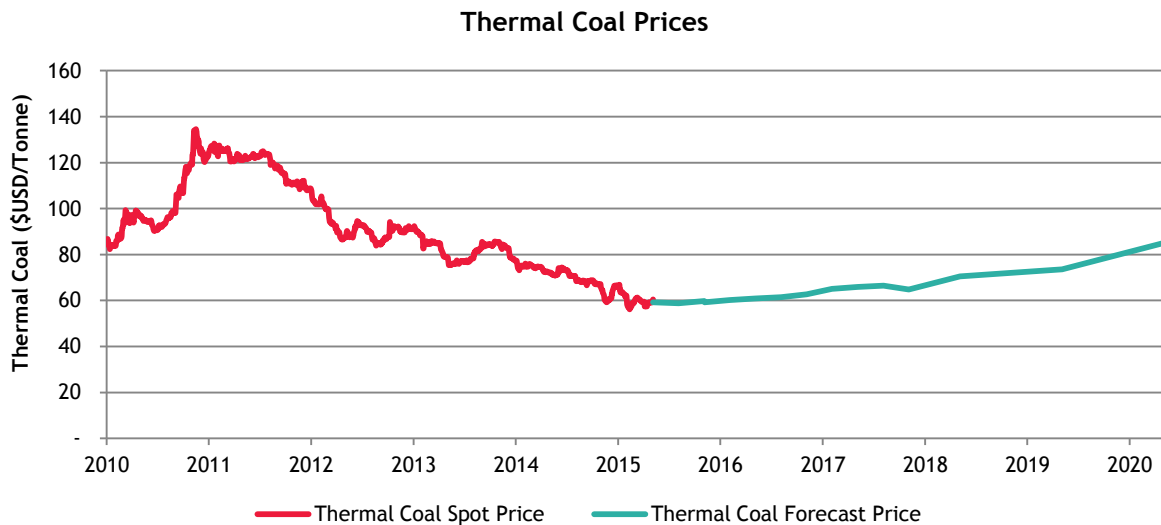
Source: Bloomberg & Consensus Economics

Thermal Coal

During early 2010, the price of thermal coal dropped off as a result of subdued demand for thermal coal from importing countries and an increase in the volume of traded coal. However, prices recovered rapidly in the second half of 2010 as China moved from being a net exporter to a net importer of thermal coal.

In 2011 and 2012, the price of thermal coal fell, with the key driver being an increase in the volume of exports from the Americas. Exports from the US increased by over 50 per cent in the first half of 2012. This was as a result of the domestic energy consumption shifting from coal to gas.

In 2013, prices for thermal coal remained weak as supply of thermal coal continued to increase at a faster rate than the demand for thermal coal. In April 2015, prices dropped to US\$56/ metric tonne, representing a five year low. The price drop was primarily attributable to an increase in production from Australia, one of the world's largest coal exporters, which was up 15% compared to the same period in the previous year.



Source: Bloomberg & Consensus Economics

8.3. Outlook

Improving global economic conditions and growing demand for black coal from emerging economies such as India are expected to lead the industry back to growth over the next five years. Industry performance is expected to improve as production volumes rise and prices are projected to remain fairly stable. The industry is expected to focus on increasing assets as participants look to increase efficiency and productivity in an environment of weak global prices. There is an expected trend towards achieving economies of scale and extracting synergies via a merger and acquisition strategy.

Demand for coal will be constrained to the extent that countries, both developed and emerging, shift towards alternative sources of energy. For example countries such as Japan and other European nations are focused on reducing greenhouse gas emissions. This view is also supported by forecast pressures on downstream demand for coal as there is a push towards energy sources like natural gas. The fastest growing alternative sources of fuels are forecast to be renewable, nuclear and hydro.

Coal producers with lower production and transport costs have an advantage in the industry as the relevant price is the delivered price. Growing imports are expected to drive further expansion and integration of global coal markets. The international trade of thermal coal is expected to be at the forefront of this movement and should continue to support the demand for electricity.

Source: IBIS World & BDO Analysis

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

9.1 Valuation of a Prairie share prior to the Funding Transaction

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Prairie shares prior to the Funding Transaction on a control basis we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- The FME approach is inappropriate given that Prairie is not presently generating any income from its coal assets and as such there are no historical earnings that could be used to represent future maintainable earnings.
- The DCF approach is likely to be inappropriate given that we do not consider there are reliable long term forecasts for Prairie's coal assets and as such insufficient reasonable grounds noting for example that Prairie's Lublin Coal Project does not have coal reserve estimates.
- The QMP method is a relevant methodology to consider as Prairie's shares are traded on the ASX. This means that there is a regulated and observable market where Prairie's shares can be traded. We do however note that in order for QMP to be considered an appropriate methodology, as per RG 111.69(d) we have considered whether there is a liquid and active market for Prairie's shares as well as accounted for the fact that the QMP only reflects a minority interest value.
- The NAV on a going concern basis is considered an appropriate valuation approach and to supplement this valuation, we have commissioned and relied on RHDHV to provide an independent market valuation of the Lublin Coal project as well as Prairie's other coal exploration assets. RHDHV has used comparable transactions and multiples of exploration expenditures methodologies for their valuation. RHDHV's report can be found in Appendix 3.

9.2 Valuation of a Prairie share following the Funding Transaction

In our assessment of the valuation of Prairie shares following the Funding Transaction on a minority basis we have chosen to employ the sum-of-parts NAV method.

The value of Prairie shares following the Funding Transaction includes the following items:

- the value of Prairie prior to the Funding Transaction;

- the effects of the Funding Transaction in the context of Prairie's assets and liabilities on a NAV basis; and
- the effect of the Funding Transaction on the number of shares on issue in Prairie.

Convertible Note Valuation

We note that under Australian Accounting Standards, the fair value of a convertible note is usually apportioned between debt and equity. The debt component of a convertible note that converts into a fixed number of shares is valued at the present value of its cash flows. The discount rate used in the present value calculation is the interest rate that the issuer could obtain from the market on a similar debt instrument without the conversion feature. The equity component of the convertible note is the residual between the face value of the note and the value of the debt.

Similarly, for a convertible note that is convertible to a variable number of shares, the fair value of the instrument is apportioned between debt and equity. However, the valuation methodology differs in that the equity component of the instrument is fair valued, with the residual between the face value and the value of the equity being classified as debt.

In the case of Prairie, although the Convertible Note converts into a fixed number of shares, we do not consider it is appropriate to apply the aforementioned method noting that having considered the terms and conditions of the Convertible Note, we consider that the Convertible Note does not have characteristics of a liability.

For reference, we note that the definition of a liability according to the Australian Accounting Standards Board is that liabilities are the future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events.

In our view, for the purposes of our Report, we consider that the Convertible Note does not represent a liability on the entity given that pursuant to the terms and conditions of the Convertible Note:

- Prairie's obligation to repay the principal amount of the Convertible Note in cash only falls due in the event of default (as detailed in section 4 of our Report);
- The specified events of default are all within Prairie's control, and but for an event of default, there is no present obligation for Prairie to make any repayments; and
- CD Capital cannot demand repayment in cash other than if an event of default occurs.

For these reasons, for the purposes of our Report and valuation, we do not consider that the Convertible Note reflects a liability for Prairie. As such we have valued the Convertible Note as if it were akin to an equity placement, and assumed that the Convertible Notes will convert.

10. Valuation of Prairie prior to the Funding Transaction

10.1 Net Asset Valuation of Prairie

The value of Prairie assets on a going concern basis is reflected in our valuation below:

NAV before the Funding Transaction	Notes	Reviewed as at 31-Dec-14 \$	Low Valuation A\$	Preferred Valuation A\$	High Valuation A\$
CURRENT ASSETS					
Cash and cash equivalents	a	2,047,340	2,389,180	2,389,180	2,389,180
Trade and other receivables		404,115	404,115	404,115	404,115
Other financial assets	b	9,911,563	5,553,750	6,431,250	7,286,250
TOTAL CURRENT ASSETS		12,363,018	8,347,045	9,224,545	10,079,545
NON-CURRENT ASSETS					
Plant and equipment		74,145	74,145	74,145	74,145
Exploration and evaluation assets	c	530,000	30,325,645	45,237,449	60,067,843
TOTAL NON-CURRENT ASSETS		604,145	30,399,790	45,311,594	60,141,988
TOTAL ASSETS		12,967,163	38,746,835	54,536,139	70,221,533
CURRENT LIABILITIES					
Trade and other payables		1,873,222	1,873,222	1,873,222	1,873,222
TOTAL CURRENT LIABILITIES		1,873,222	1,873,222	1,873,222	1,873,222
TOTAL LIABILITIES		1,873,222	1,873,222	1,873,222	1,873,222
NET ASSETS		11,093,941	36,873,613	52,662,917	68,348,311
Shares on issue (number)	d	135,195,089	149,602,432	149,602,432	149,602,432
Value per share (\$)		\$ 0.082	\$ 0.246	\$ 0.352	\$ 0.457

Source: BDO analysis

Other than the adjustments we have made below, we have been advised that there has not been a significant change in the net assets of Prairie since 31 December 2014. The table above indicates the net asset value of a Prairie share is between \$0.246 and \$0.457, with a preferred value of \$0.352.

In arriving at this valuation, we have made the following adjustments.

Note A - Cash and cash equivalents

Cash and cash equivalents have marginally increased since 31 December 2014 as a result of cash movements as detailed below:

Cash movements since 31-Dec-14	A\$
31-Dec-14 Balance	2,047,340
Payments for exploration and evaluation	(3,920,100)
Payments for administration and business development	(933,203)
Payments for fixed assets	(15,048)
Proceeds from sale of prospects and equity investments	3,249,519
Net proceeds from issue of securities	1,689,076

Interest received on cash deposits	14,761
Adjustment on account of FX differences	(55,665)
Cash received on exercise of ITM Options	312,500
Adjusted value of cash and cash equivalents	2,389,180

Source: BDO analysis

As detailed in the table, we have adjusted Prairie's cash balance to reflect payments for exploration and evaluation, administration, business development and the acquisition of fixed assets. Collectively the payments total to \$4,868,351.

We have also adjusted Prairie's cash balance to include cash receipts. In particular, in May 2015, Prairie received \$500,000 from Marindi in relation to its revised farm-in agreement for the BMP assets, and during January and April 2015, Prairie sold some of its shares in B2Gold on-market which resulted in the receipt of \$2,749,519. Additionally throughout the six months from 31 December 2014 to 30 June 2015, Prairie received approximately \$14,761 of interest on cash deposits.

We have included the cash received by Prairie on account of the shares issued on 30 June 2015 and 3 July 2015 following the exercise of unlisted options with an exercise price of \$0.15. The exercise of 11,272,343 options resulted in a net cash inflow of \$1,689,076.

We have adjusted the cash and cash equivalents balance to reflect necessary adjustments on account of foreign exchange differences.

Finally, as noted in section 5.5 of our Report, the ITM Options (1,250,000 options exercisable at \$0.25 on or before 30 June 2016) are presently in-the-money based on the closing price for Prairie's shares on the ASX of \$0.325 on 5 August 2015. Given these options are in-the-money, we have adjusted our valuation to reflect that the ITM Options will be exercised and on exercise, Prairie will receive an additional \$312,500 in cash.

Note B - Other financial assets

As detailed in section 5.3 of our Report, Prairie's other financial assets is comprised of its equity investments in Toronto Stock Exchange ('TSX') listed B2Gold.

As at the date of our Report, Prairie holds 3,750,000 B2Gold shares.

Detailed in the table below are the volume average weighted prices ('VWAP') for B2Gold's shares on the TSX for 10, 30 and 60 day periods up to 5 August 2015 as well as the average Australian Dollar to Canadian Dollar exchange rates for each of the respective trading periods.

B2Gold TSX Market Price	10 Days	30 Days	60 Days
Volume Weighted Average Price in CAD\$	\$1.415	\$1.636	\$1.857
Average Exchange Rate (AUD:CAD)	\$0.956	\$0.954	\$0.956
B2Gold VWAP in AUD\$	\$1.481	\$1.715	\$1.943

Source: BDO analysis

For the purposes of our valuation, we have determined to utilise the values obtained from each VWAP period for our low, preferred and high values respectively. As detailed in the table below, our assessed market value of Prairie's investment in B2Gold is between \$5,553,750 and \$7,286,250, with a preferred value of \$6,431,250.

	Low Value	Preferred Value	High Value
Other financial assets	A\$	A\$	A\$
Value of a B2Gold Share	\$1.481	\$1.715	\$1.943
Number of shares held	3,750,000	3,750,000	3,750,000
Adjusted value of other financial assets	5,553,750	6,431,250	7,286,250

Source: BDO analysis

We have also considered whether Prairie may have any difficulty if it elected to sell its holding in B2Gold. To determine whether there would be any difficulty, we have considered the number of shares held by Prairie, and the liquidity of the stock on the TSX. Based on historical trading volumes from 14 May 2015 to 5 August 2015, we note that the average weekly cumulative trading volume is approximately 5.7 million shares. This indicates that on average, Prairie will be able to sell all of its investment in B2Gold within one week, and as such, is unlikely to have difficulty in obtaining a market price if it elected to sell its holding in B2Gold. On this basis, we have not made any adjustments to reflect a marketability discount.

Note C - Exploration and evaluation assets

We instructed and relied on RHDHV to provide an independent market valuation of the exploration assets held by Prairie in accordance with The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('**Valmin Code**') and The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('**JORC Code**'). RHDHV's report is included in Appendix 3 of our Report.

RHDHV considered a number of different valuation methods when valuing the exploration assets of Prairie, and determined that the comparable transactions and multiples of exploration expenditure methodologies were most appropriate for valuing Prairie's coal assets. We consider these methods to be appropriate given the pre feasibility stage of development for Prairie's exploration assets.

The range of values for each of Prairie's exploration assets as calculated by RHDHV is set out below. We have converted RHDHV's valuation from USD to AUD at the average AUD:USD exchange rate observed over the one month up to 5 August 2015 of \$0.737.

	Low	Preferred	High
Coal Asset Valuation - RHDHV	\$	\$	\$
Lublin Coal Project - \$USD	21,700,000	32,500,000	43,300,000
Sawin-Zachod - \$USD	650,000	840,000	970,000
Total Value of Coal Assets - USD\$	22,350,000	33,340,000	44,270,000
Exchange Rate (AUD:USD)	\$0.737	\$0.737	\$0.737
Adjusted value of exploration assets in \$AUD	30,325,645	45,237,449	60,067,843

Source: RHDHV

The table above indicates a range of values between approximately AUD\$30.33 million and AUD\$60.07 million, with a preferred value of approximately AUD\$45.24 million.

Note D - Shares on issue

We have adjusted the number of shares on issue to take into account the issue of shares on the exercise of options and vesting of performance rights which have occurred following 31 December 2014.

In particular:

- On 1 July 2015 and 3 July 2015, respectively 10,325,000 and 947,343 Prairie shares were issued on the exercise of existing unlisted options at an exercise price of \$0.15; and
- On 24 July 2015, 1,885,000 Prairie shares were issued following the vesting of existing performance rights.

Additionally for the purposes of our valuation, we have assumed that the 1,250,000 ITM Options exercisable at \$0.25 on or before 30 June 2016 are exercised given that as at the date of our Report, they are in-the-money.

We have summarised the adjusted shares on issue in the table below:

Shares on issue	
Shares on issue as at 31-Dec-14	135,195,089
Shares issued on exercise of options	11,272,343
Shares issued on vesting of performance rights	1,885,000
Shares issued on exercise of ITM Options	1,250,000
Adjusted shares on issue	149,602,432

Source: BDO analysis

10.2 Quoted Market Prices for Prairie Securities

To provide a comparison to the valuation of a Prairie share in Section 10.1, we have also assessed the quoted market price for a Prairie share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of Section 611 of the Corporations Act the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

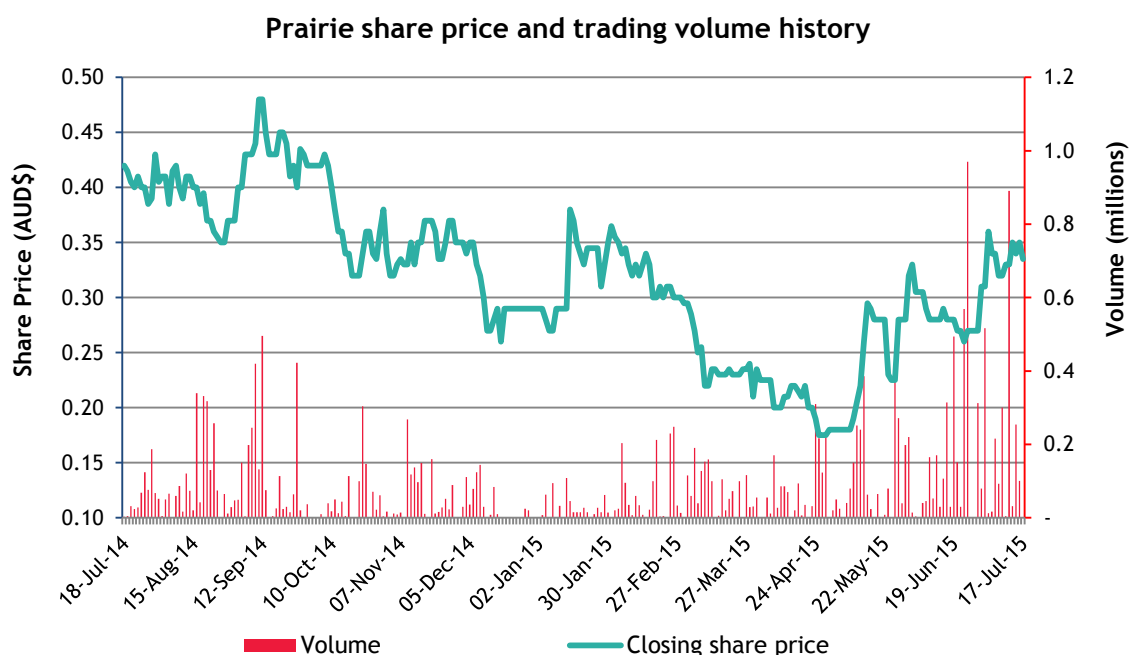
Whilst CD Capital will not be obtaining 100% of Prairie, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Prairie share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Prairie share is based on the pricing prior to the announcement of the Funding Transaction. This is because the value of a Prairie share after the announcement may include the affects of any change in value as a result of the Funding Transaction. However, we have considered the value of a Prairie share following the announcement when we have considered reasonableness in Section 13.

Information on the Funding Transaction was announced to the market on 20 July 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 17 July 2015 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Prairie shares on the ASX from 18 July 2014 to 17 July 2015 has ranged from a low of \$0.170 on 28 April 2015 to a high of \$0.485 on 15 September 2014.

The performance of Prairie's share price over the assessed time period has broadly followed the prices of both coking and thermal coal with slight deviations caused by the release of information specific to Prairie. As detailed in section 8 of our Report, we note that over the past year, coal prices have generally fallen as a result of increased supply and reduced demand. Likewise, over the second half of 2014, Prairie's share price has trended downwards from a share price of \$0.420 on 18 July 2014 to \$0.290 on 31 December 2014, representing a decrease of approximately 45%. From 1 January 2015 through to 28 April 2015 (the lowest closing share price over our assessed period), Prairie's shares declined an additional 65%. We note that over this period of time, Prairie released a variety of positive announcements which generally reflect the continuing progress of its Lublin Coal project. This suggests that broader market conditions have significant influence on investor sentiment for holders of Prairie shares.

Since 28 April 2015, Prairie's share price has rebounded and as at 17 July 2015 traded at a high of \$0.350. Overall this reflects a share price increase of approximately 50%, with the price increase likely to be

primarily influenced by the positive news that Prairie has an exclusive right to apply for a mining licence for the Lublin Coal project.

Over our assessed time period, we have noted trading days where there has been increased volume spikes, for example on 29 September 2014 approximately 420,000 shares were traded, over 25 and 26 June 2015 approximately 1.5 million shares were traded and on 14 July 2015 over 890,000 shares were traded. In each case, our analysis of the information provided to the market on or before these days, as well as broader market conditions, indicates that these volume spikes are largely unexplained.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		A\$ (movement)			A\$ (movement)		
03/07/2015	Intention to List on the London & Warsaw Stock Exchanges	0.360	▲	16.1%	0.320	▼	11.1%
01/07/2015	Prairie Secures Exclusive Right for the Lublin Coal Project	0.310	▲	14.8%	0.340	▲	9.7%
29/06/2015	Trading Halt	0.270	►	0.0%	0.310	▲	14.8%
27/05/2015	BMY:Marindi makes A\$500,000 payment to Prairie Mining Ltd	0.225	►	0.0%	0.280	▲	24.4%
30/04/2015	March 2015 Quarterly Report	0.180	▲	2.9%	0.180	►	0.0%
08/04/2015	Prairie Signs New Agreement for Pilbara Base Metals Project	0.200	▼	11.1%	0.210	▲	5.0%
18/03/2015	Coal Exploration Target Estimated at Sawin-Zachod	0.230	►	0.0%	0.230	►	0.0%
03/02/2015	Prairie Secures New Contiguous Concession at Lublin Project	0.355	▼	2.7%	0.345	▼	2.8%
30/01/2015	December 2014 Quarterly Report	0.350	▲	6.1%	0.350	►	0.0%
17/11/2014	Ministry of Environment Rejects Bogdanka Appeal	0.350	►	0.0%	0.370	▲	5.7%
31/10/2014	September 2014 Quarterly Report	0.380	▲	5.6%	0.320	▼	15.8%
23/10/2014	Highly Respected Infrastructure Executive Joins Prairie	0.340	▲	6%	0.340	►	0%
11/09/2014	Highly Respected Mining Executives Join the Prairie Board	0.480	▲	9%	0.430	▼	10%
10/09/2014	Lublin Coal Project Concession Update	0.440	▲	2%	0.450	▲	2%
04/09/2014	Commencement of Pre-Feasibility Study at Lublin Coal Project	0.400	►	0%	0.430	▲	7%
28/08/2014	Completion of Work Program Under Concession Agreements	0.350	►	0%	0.370	▲	6%
07/08/2014	Commencement of European Coal Marketing Studies	0.415	▲	8%	0.390	▼	6%
31/07/2014	June 2014 Quarterly Report	0.430	▲	10%	0.410	▼	5%

On 31 July 2014, Prairie released its quarterly reports for the quarter ended 30 June 2014. Among other things, the release highlighted recent achievements in relation to the recently completed scoping study

which highlighted the economic potential of Prairie's Lublin Coal project, the reports also announced that Prairie had commenced the tendering process and was reviewing proposals for the Company's proposed pre-feasibility study and coal marketing studies which were to start shortly. The market reacted positively to this news noting that Prairie's share price increased by 10% on the day of the release.

On 7 August 2014, the Company announced that it had appointed consultancy group Wood Mackenzie to conduct European coal marketing studies for Prairie's Lublin Coal project's premium thermal and semi-soft coking coal. As expected the market reacted favourably to this announcement and on the day of the announcement the Company's share price rose by 8%. Unexpectedly the Company's share price declined by 6% over the consecutive three trading days. Our analysis of the trading during this period as well as the information provided to the market on and around this date indicates that the subsequent share price fall is likely a result of prices readjusting to the prior share price spike.

On 28 August 2014, Prairie informed the market that it had completed its final hole of its seven hole drilling program at the Lublin Coal project. The drilling was required to enable Prairie to satisfy its obligations of its minimum works program specified for the concessions on which the Lublin Coal project lies. Among other things, the announcement also indicated that the results of the drill program will be incorporated into a potential resource upgrade as part of the upcoming pre-feasibility study. Although the positive news did not result in any price movements on the day of the announcement, over the next three trading days Prairie's share price increased by 6%.

On 4 September 2014, the Company announced that it had appointed Golder Associates (UK) Ltd and Royal HaskoningDHV to jointly complete a pre-feasibility study. The announcement indicated that the study will build on the project fundamentals of the scoping study which confirmed the potential for a high margin mine with the ability to produce both semi-soft coking and premium thermal coal. On the day of the announcement, the Company's share price did not move, but over the subsequent three trading days its share price increased by 7% to close at \$0.430.

On 11 September 2014, Prairie announced that it had appointed Mr Thomas Todd as a non-executive director of Prairie, with Mr Todd Hannigan as his alternate director. The announcement informed that Messrs Todd and Hannigan were respectively former chief financial officer and chief executive officer of Aston Resources Limited ('Aston'), and were instrumental in turning Aston from a small private company to one of Australia's largest publically listed coal companies. Additionally, the announcement informed that Messrs Todd and Hannigan, through a corporate entity, would acquire 2.8 million Prairie shares from existing Prairie executive director, Mr Anastasios Arima. On account of the positive news, the market reacted favourably and Prairie's share price increased by 9% on the day of the announcement. Unexpectedly, the share price declined by 10% over the consecutive three trading days. Our analysis of the trading during this period as well as the broader market conditions for coal companies on or around this day indicates that this price movement was predominantly unexplained.

On 23 October 2014, Prairie announced another key appointment. This time the appointment of Ms Patrycja Wolinska-Bartkiewicz to the supervisory board of Prairie's Polish subsidiary company. Ms Wolinska-Bartkiewicz was previously Poland's Deputy Minister (Undersecretary of State) at the Ministry of Transport, Construction and Maritime Economy and is specialised in coordinating European Union funding for multi-billion dollar infrastructure projects across Poland. The favourable news that Ms Wolinska-Bartkiewicz would be joining the Prairie team to consult on project permitting and infrastructure resulted in markets reacting with Prairie's share price increasing by 6% on the day of the announcement.

On 31 October 2014, the Company released its quarterly reports for the quarter ended 30 September 2014. Among other matters, the reports highlighted recent achievements in relation to board appointments, the commencement of pre-feasibility and market studies, and the continuation of environmental studies. Additionally the quarterly reports informed that during the quarter the Company had sold 1 million fully paid ordinary shares in Papillon to raise gross proceeds of \$1.75 million and that the Company had determined to reclassify its equity investments to current assets to benefit the Company's working capital position. On the day of the release of the reports, the Company's share price rose by 5.6%, but subsequently declined by 15.8% over the next three trading days. Our analysis of the trading over the period, and the broader market conditions for coal companies indicates that the significant decline in share price is predominantly unexplained.

On 8 April 2015, Prairie announced it had entered into an agreement with Marindi pursuant to which Marindi could acquire 100% of Prairie's wholly owned base metals project located in the Pilbara region of Western Australia. In consideration, Marindi will pay \$500,000 within 60 days of executing the agreement, and pay a further \$1 million in either cash or listed Marindi shares (presently private and unlisted) by 30 September 2016. Additionally, Prairie will retain a 2.5% net smelter royalty. The agreement replaces the existing farm-in agreement between Prairie and Marindi pursuant to which Marindi could earn increasing interests provided the relevant exploration licences remained in good standing and specific expenditure commitments were met. The market reacted unfavourably to the release of this information noting that on the day of the announcement Prairie's share price decreased by 11.1%.

On 27 May 2015, Brumby Resources Limited (an ASX listed mining company located in Western Australia) announced that it proposed to merge with Marindi. Importantly the announcement also confirmed that Marindi had made a payment of \$500,000 to Prairie as per the revised agreement between Prairie and Marindi. Although Prairie's share price did not change on the day of the announcement, as expected, over the subsequent three trading days the Company's share price increased by 24.4%.

On 1 July 2015, the Company announced that it had secured an exclusive right to be granted a mining concession for the Lublin Coal project following approval by Poland's Minister of Environment. As per the announcement, as a result of this approval Prairie is the only entity that can lodge a mining concession application over the Lublin Coal project within the next three years. On account of the positive news, the market reacted favourably with the Company's share price increasing by 14.8% on the day of the announcement.

On 3 July 2015, Prairie informed the market of its intention to apply for admission of its shares to the official list of the London Stock Exchange and the Warsaw Stock Exchange by way of depository interests. The announcement indicated that it did not intend to undertake a public offering, but that the proposed listings would position Prairie for its next stage of development as well as facilitate the future participation of UK, Polish and other European investors in Prairie's growth. Additionally, the announcement also indicated that Mr Miroslaw Taras (former Chairman of Lubelski Wegiel Bogdanka) was appointed to the supervisory board of Prairie's Polish subsidiary. As expected the positive news resulted in Prairie's share price briefly spiking upwards by 16.1% on the day of the announcements and then resumed to normal trading patterns, declining by 11.1% over the subsequent three trading days.

To provide further analysis of the market prices for an Prairie share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 17 July 2015.

Share Price per unit	17-Jul-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.335				
Volume weighted average price (VWAP)		\$0.338	\$0.300	\$0.280	\$0.272
Source: Bloomberg, BDO analysis					

The above weighted average prices are prior to the date of the announcement of the Funding Transaction, to avoid the influence of any increase in price of Prairie shares that has occurred since the Funding Transaction was announced.

An analysis of the volume of trading in Prairie shares for the twelve months to 17 July 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.320	\$0.350	100,905	0.07%
10 Days	\$0.290	\$0.355	1,920,963	1.31%
30 Days	\$0.260	\$0.360	5,998,303	4.27%
60 Days	\$0.170	\$0.360	9,475,911	6.88%
90 Days	\$0.170	\$0.360	10,857,970	7.93%
180 Days	\$0.170	\$0.385	15,510,087	11.40%
1 Year	\$0.170	\$0.485	22,041,549	16.25%

Source: Bloomberg, BDO analysis

This table indicates that Prairie's shares display a low level of liquidity, with 16.25% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Prairie, we do not consider there is a deep market for the shares given that over a one year trading period only 16.25% of the issued shares traded on the ASX. Additionally, we note that there are numerous unexplained spikes in trading volume which provides further support to indicate that there is not a deep market for the shares of Prairie.

Our assessment is that a range of values for Prairie shares based on market pricing, after disregarding post announcement pricing, is between \$0.270 and \$0.330.

Control Premium

We have reviewed the control premiums paid by acquirers of coal companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	0	0.00	0.00
2013	6	35.13	39.34
2012	6	254.89	38.73
2011	7	1337.46	30.52
2010	6	1006.46	55.92
2009	4	734.57	30.17
2008	0	0.00	0.00
2007	1	858.89	35.25
Median		796.73	36.99
Mean		704.57	38.32

Source: Bloomberg, BDO analysis

The mean and median figures in the table above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and median of the entire data asset comprising control transactions from 2007 onwards, as set out below.

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
Median	168.19	34.90
Mean	753.52	38.27

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The tables above indicate the long term average control premium paid by acquirers of coal mining companies on the ASX is approximately 38%.

In determining a control premium range most appropriate for Prairie, we note there are two transactions included which we consider to be extreme outliers.

In December 2011, Yanzhou Coal Mining Co Ltd announced it would acquire a 100% stake in Gloucester Coal Limited. This transaction is considered to be an outlier as Yanzhou Coal Mining Co Ltd received a discount of 17.41% (i.e. negative premium) to obtain a controlling interest in Gloucester Coal Limited.

In April 2011, Jindal Steel & Power Ltd made an offer to acquire an additional 12.83% stake in Rocklands Richfield Limited, increasing its total interest following the transaction to 27.29%. The transaction had an announced control premium of over 100%.

In samples where there are extreme outliers, we note that the median often represents a superior measure of central tendency compared to the mean.

If the Funding Transaction is approved, CD Capital has the potential to increase its holding over the control threshold to a range between 23.18% and 31.16%, assuming no further shares are issued. As a result, CD Capital should be expected to pay a control premium. In determining the premium for control to be paid by CD Capital we have taken into account the above analysis including the nature of the Funding Transaction. We believe an appropriate control premium is between 25% and 35%.

Quoted market price including control premium

Applying a control premium to Prairie's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	A\$	A\$	A\$
Quoted market price value	0.270	0.300	0.330
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.338	0.390	0.446

Source: BDO analysis

Therefore, our valuation of a Prairie share based on the quoted market price method and including a premium for control is between \$0.338 and \$0.446, with a midpoint value of \$0.390.

10.3 Assessment of Prairie Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	A\$	A\$	A\$
Net assets value (Section 10.1)	0.246	0.352	0.457
ASX market prices (Section 10.2)	0.338	0.390	0.446

Source: BDO analysis

Our valuations of a Prairie share under both of the methodologies we have adopted are broadly consistent with and supportive of each other. We do however note that our valuation under the net assets value

methodology does provide a wider range of values, and on a low and preferred basis, produces values which are lower than those obtained from our QMP approach.

We consider the wider and lower values obtained from our net asset valuation can be explained by the fact that:

- our net asset valuation includes an independent valuation of Prairie's coal assets performed by RHDHV. RHDHV has relied on a combination of valuation methods to provide a range of values and the valuation reflects the fair market value of Prairie's coal assets; and
- generally, it is not uncommon for exploration companies to trade at a premium to their net asset values. This is because investors in mining exploration companies typically anticipate some potential upside of 'blue-sky' prospects for the company, which are factors into the share price in advance of any such value being warranted.

For the purposes of determining our preferred valuation approach, we note that under RG 111.96(d), the QMP methodology is considered appropriate where a liquid and active market exists for the securities. From our analysis of the QMP of a Prairie share in section 10.2, we note that there is not a deep market for the Company's shares with only 16.25% of Prairie's share capital being traded in the assessed 12 month period. On account of this, although we have utilised the QMP approach as a cross check, we do not consider it would be approach to rely on the QMP values as a primary method of valuation.

For the reasons described above, we conclude that the value of a Prairie share using our preferred methodology under the NAV approach is between \$0.246 and \$0.457, with a preferred value of \$0.352. We also note that the QMP valuation broadly supports our preferred valuation range.

11. Valuation of Prairie following the Funding Transaction

The value of Prairie's shares following the Funding Transaction is reflected in our valuation below:

NAV following the Funding Transaction	Notes	Low Value A\$	Preferred Value A\$	High Value A\$
NAV of Prairie prior to the Funding Transaction		36,873,613	52,662,917	68,348,311
Net cash injection from Convertible Notes	a	14,800,000	14,800,000	14,800,000
Value of Prairie following the Funding Transaction		51,673,613	67,462,917	83,148,311
Discount for minority interest	b	26%	23%	20%
Value of Prairie following the Funding Transaction (minority interest basis)		38,238,473	51,946,446	66,518,648
Number of shares on issue following Funding Transaction	c	194,378,552	194,378,552	194,378,552
Value per share (\$)		\$ 0.197	\$ 0.267	\$ 0.342

Source: BDO analysis

Note A - Cash injection from the Convertible Note

We have adjusted the net asset value of Prairie prior to the Funding Transaction to incorporate the cash injection of \$15 million from the Convertible Note.

We have also adjusted the incoming cash injection to reflect that \$200,000 will, as per the Investment Agreement, be immediately deducted from the principal amount to cover CD Capital's tax and legal costs associated with the Funding Transaction.

Note B - Application of minority discount

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- (a) the acquirer is obtaining or increasing control of the target; and
- (b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

In this instance as explained in Section 3.3 of our Report, in assessing fairness we have compared the value of a Prairie share prior to the Funding Transaction on a control basis to the value of a Prairie share following the Funding Transaction on a minority interest basis.

The net asset value of a Prairie share following the Funding Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Funding Transaction is approved, Shareholders may become minority interest shareholders in Prairie as CD Capital may hold a controlling interest. As such, Shareholders interests will not be considered significant enough to have an individual influence in the operations and value of the Company.

We have therefore adjusted our valuation of a Prairie share following the Funding Transaction, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is

calculated using the formula $1 - (1 \div (1 + \text{control premium}))$. As discussed in section 10.2, we consider an appropriate control premium for Prairie to be in the range of 25% to 35%, giving a minority interest discount in the range of 20% to 26%.

Note C - Shares on issue following the Funding Transaction

As shown in the table below, we have adjusted the total shares on issue following the Funding Transaction to include the issue of 44,776,120 shares assuming conversion of the Convertible Note.

Shares on issue following the Funding Transaction	
Shares on issue before the Transaction	149,602,432
Shares issued on conversion of Convertible Note	44,776,120
Total shares on issue following the Funding Transaction	194,378,552

Source: BDO Analysis

Other than the ITM Options that are presently in-the-money and were included in our valuation of Prairie's shares prior to the Funding Transaction, we have determined that it would not be appropriate to value Prairie on a fully diluted basis and as such have assumed that no other shares will be issued on account of:

- the exercise of the CDC Options;
- the Pre-Emptive Right; and/or
- any other options or performance rights which are presently on issue.

We consider this is appropriate given that the CDC Options which may be issued to CD Capital as well as all other unlisted options are presently out-of-the-money and as such are unlikely to be exercised as part of the Funding Transaction. In addition there is presently insufficient information pertaining to the structure of any share issue on account of the Pre-Emptive Right, nor the performance rights presently on issue for Prairie, for there to be reasonable grounds to determine the number of Prairie shares which may be issued.

12. Is the Funding Transaction fair?

The value of Prairie shares prior to and following the Funding Transaction is compared below:

	Ref	Low A\$	Preferred A\$	High A\$
Value of a Prairie share prior to the Funding Transaction on a control basis	10.3	\$ 0.246	\$ 0.352	\$ 0.457
Value of a Prairie share following the Funding Transaction on a minority basis	11	\$ 0.197	\$ 0.267	\$ 0.342

Source: BDO analysis

We note from the table above that the value of a Prairie share prior to the Funding Transaction on a control basis is greater than the value of a Prairie share following the Funding Transaction on a minority basis. Therefore, we consider that the Funding Transaction is not fair.

13. Is the Funding Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Prairie a premium over the value ascribed to, resulting from the Funding Transaction.

13.2 Minority Interest Values

In assessing fairness of the Funding Transaction in section 12, RG 111.31 stipulates that in a control transaction a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction allow for a minority discount. It is relevant for Shareholders to appreciate that as shareholders, they hold a minority interest in Prairie prior to the Funding Transaction and will retain a minority interest following the Funding Transaction.

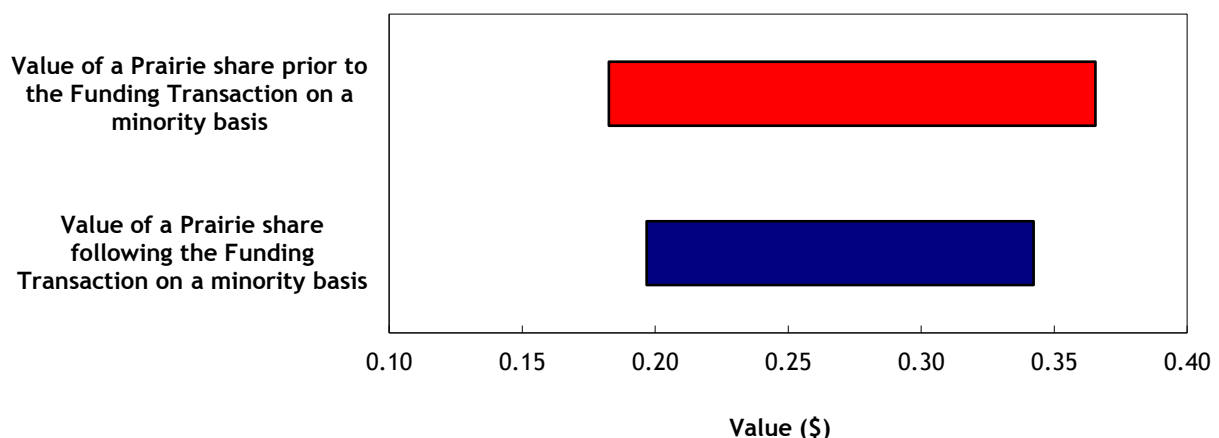
As such, we have also provided a comparison of the value of Prairie share prior to the Funding Transaction and following the Funding Transaction both on a minority interest basis. This comparison is outlined in the table below.

	Low A\$	Preferred A\$	High A\$
Value of a Prairie share prior to the Funding Transaction on a minority basis	\$ 0.183	\$ 0.271	\$ 0.365
Value of a Prairie share following the Funding Transaction on a minority basis	\$ 0.197	\$ 0.267	\$ 0.342

Source: BDO analysis

The above valuation ranges are graphically presented below:

Valuation Summary



The table above indicates that:

- based on our low values, the value of a share in Prairie following completion of the Funding Transaction on a minority interest basis is greater than the value of a share in Prairie on a minority interest basis prior to completion of the transaction; and
- based on our preferred and high values, the value of a share in Prairie following completion of the Funding Transaction on a minority interest basis is marginally less than the value of a share in Prairie on a minority interest basis prior to completion of the transaction.

Whilst our fairness assessment indicated that Shareholders will not be receiving the full control premium as a result of the Funding Transaction, our analysis as detailed in the tables above, indicates that the Funding Transaction does not result in a significant reduction in the minority interest values of Shareholders' holdings in Prairie.

13.3 Practical Level of Control

If the Funding Transaction is approved then CD Capital (assuming the Convertible Notes have converted into ordinary shares) will hold an initial interest of approximately 23.18% in Prairie. In addition to this, as detailed in section 4, provided CD Capital holds over 15% of the issued capital in Prairie on an 'as converted' basis, Prairie will have two Board members nominated by CD Capital.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Funding Transaction is approved then CD Capital will not have the ability to singlehandedly block or pass either general or special resolutions.

Prairie's Board currently comprises six directors. In conjunction with the Funding Transaction, two of the existing board members of Prairie will step down and CD Capital will nominate two additional directors as agreed in the Investment Agreement. This means that CD Capital nominated directors will make up 33% of the Board. As per the terms of the Funding Transaction, assuming the issue of shares on the exercise of the CDC Options regardless of whether these options are in-the-money or not, and assuming no other shares are issued including on account of the ITM Options. CD Capital will have a maximum interest of 31.16%. In this case, if the Funding Transaction is approved CD Capital will be able to block special resolutions.

CD Capital's control of Prairie following the Funding Transaction will be significant when compared to all other shareholders. However, with an initial 23.18% shareholding and 33% make up of the Board, CD Capital will not have control to pass resolutions at either the shareholder or Board level. Therefore, in our opinion, while CD Capital will be able to significantly influence the activities of Prairie, it will not be able to exercise a similar level of control as if it held 100% of Prairie.

13.4 Consequences of not Approving the Funding Transaction

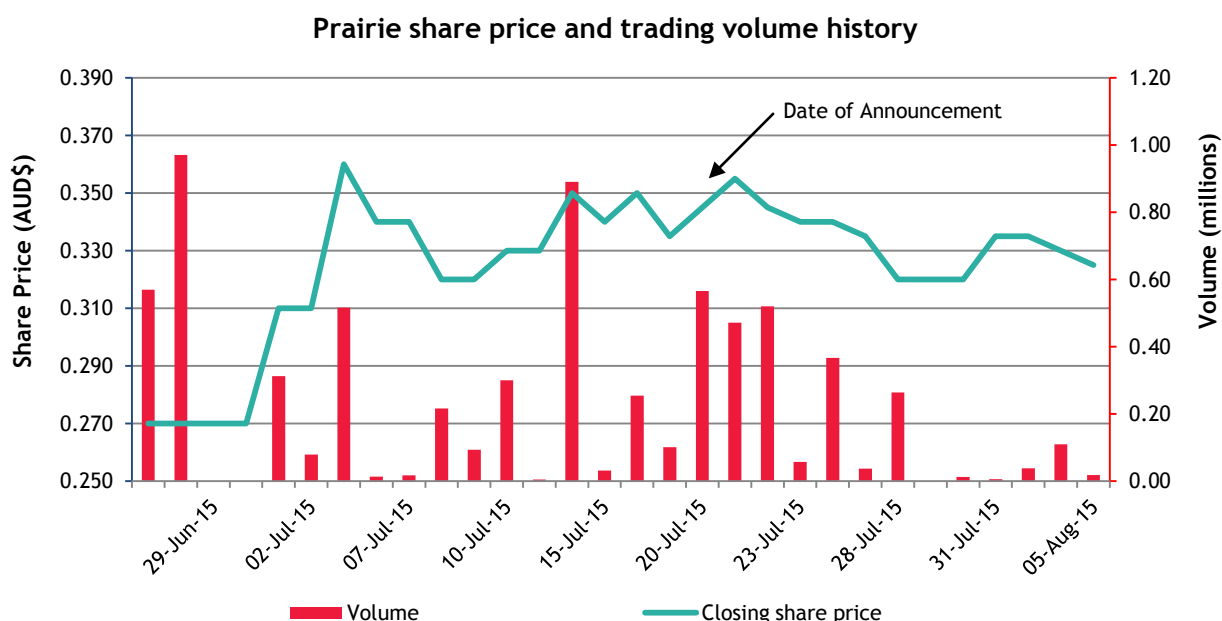
Consequences

If the Funding Transaction is not approved, Prairie will need to consider how it will fund its continuing exploration at the Lublin Coal project. In particular, Prairie may need to consider divesting the remainder of its equity investment in B2Gold, and re-continue seeking out an alternate strategic investor.

Additionally, if another strategic investor cannot be identified within a reasonable period of time, Prairie may need to consider raising capital from debt and/or equity markets to cover short to medium term funding requirements. It is uncertain at this time whether Prairie will be able to raise debt at commercially acceptable terms, nor the extent of the dilution that Shareholders may face from an equity capital raising.

Potential decline in share price

We have analysed movements in Prairie's share price since the Funding Transaction was announced. A graph of Prairie's share price since the announcement is set out below.



Source: Bloomberg

Since the announcement of the Funding Transaction on 20 July 2015, Prairie's shares on the ASX have traded between a band of \$0.355 as observed on 21 July 2015 and \$0.320 as observed on both 29 and 30 July 2015. The VWAP from 20 July 2015 through to 5 August 2015 is \$0.345.

Based on our analysis in section 10.2, our assessment of Prairie's ASX market price before the announcement and on a minority interest basis was between \$0.270 and \$0.330. More comparatively, the 10 day and 30 day VWAPs before the announcement of the Funding Transaction were respectively \$0.338 and \$0.300.

Given the above analysis we note that the price of Prairie's shares has marginally increased following the announcement of the Funding Transaction, and it is possible if the Funding Transaction is not approved then Prairie's shares may decline.

13.5 Advantages of Approving the Funding Transaction

We have considered the following advantages when assessing whether the Funding Transaction is reasonable.

Advantage	Description
The Funding Transaction provides Prairie with an immediate cash injection to enable continued exploration, technical studies and mine permitting.	<p>As determined in section 10.1 of our Report, based on our valuation of Prairie's net assets, Prairie has approximately \$2.2 million in cash and cash equivalents. Additionally we note that Prairie does not have any cash generating operations, and as such, its only source of cash will be via external fundraising or by selling its investments in B2Gold.</p> <p>The issue of the Convertible Note provides an immediate cash injection of approximately \$15 million to enable Prairie to continue its exploration, technical studies and mine permitting for the Lublin Coal project and is anticipated to provide sufficient funding through to completion of a definitive feasibility study. Given that Prairie is presently conducting both a pre-feasibility study and a marketing study, we consider that Prairie has immediate cash requirements to fund the various associated expenses.</p> <p>We also note that Prairie was recently granted the Sawin-Zachod concession, and conditional to retaining this concession, Prairie will be required to complete an agreed exploratory work program. This work will also require cash to fund the associated expenses.</p>
The Funding Transaction also provides auxiliary funding for development purposes	<p>In addition to above, the Funding Transaction is structured such that additional funding can be received by Prairie if:</p> <ul style="list-style-type: none"> • following conversion of the Convertible Note, CD Capital elects to exercise some or all of the CDC Options; and/or • Prairie proposes to raise more than \$10 million, and CD Capital elects to utilise its Pre-Emptive Right. <p>We note that if CD Capital elects to exercise all of its CDC Options, as well as utilise the Pre-Emptive Right in full, there is potential for Prairie to receive an additional \$68 million.</p> <p>It is anticipated that this quantum of funds will potentially assist in funding the development costs associated with the Lublin Coal project if a decision to mine is made.</p>
CD Capital will become a strategic investor in Prairie and its interests are likely to be aligned with Shareholders	<p>CD Capital is a mining private equity fund with significant experience investing in minerals and mining based businesses. As a mining private equity fund, one of its key interests is ensuring that its investment in Prairie provides a return either by way of capital growth or by the payment of dividends.</p> <p>In contrast we note that in some cases, third parties will facilitate similar funding packages for companies on the condition that certain aspects of the business such as engineering, procurement and contract services, off-take services and/or mining</p>

Advantage	Description
	<p>equipment supply services are secured for that third party and/or its associates.</p> <p>In this case, we consider given CD Capital seeks to become a strategic investor in Prairie and there is no grant of such agreements, CD Capital's interests are aligned with those of Shareholders.</p>
<p>CD Capital's nominee directors are likely to provide additional knowledge, experience and independence to Prairie's board</p>	<p>As outlined in section 4 of our Report, provided CD Capital meets certain shareholding thresholds on an 'as converted' basis, CD Capital is able to nominate up to two directors to the Board of Prairie.</p> <p>In particular we note that following completion of the Investment Agreement, CD Capital will be able to nominate two directors to Prairie's board. As at the date of our Report, CD Capital has not determined who its two nominees to Prairie's board will be.</p> <p>In our view, the addition of CD Capital's nominee directors will provide Prairie's board with additional knowledge, experience and independence.</p>
<p>The Funding Transaction will not necessarily deter the potential for Shareholders to benefit from a future corporate event</p>	<p>In our view, it is common that potential acquirers may be deterred in acquiring companies with significant debt obligations. In Prairie's case, we note that the repayment obligations of the Convertible Note by way of a cash payment may be triggered if a potential bidder determines to delist Prairie.</p> <p>We consider the terms and conditions of the Convertible Note ensure that Shareholders retain the potential to benefit from a corporate event in the future, and that the existence of the Convertible Note does not necessarily reduce this possibility.</p>
<p>Conversion feature of the Convertible Note assists Prairie in managing its financial position</p>	<p>Given the terms and conditions of the Convertible Note, we note that not only is the Convertible Note interest free, and without recurring repayment obligations for Prairie, the entire principal amount can, subject to certain conditions, be converted into ordinary shares in Prairie.</p> <p>As such in our view, we consider the conversion feature of the Convertible Note assists Prairie in managing its financial position.</p> <p>Noting that Prairie does not presently have any cash generating assets, we consider Prairie may be placed in financial difficulty if it were required to repay interest and principal throughout the term of an alternative lending agreement.</p>

13.6 Disadvantages of Approving the Funding Transaction

If the Funding Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Funding Transaction is not fair	As set out in Section 12 of our Report, the Funding Transaction is not fair. This indicates that from a quantitative view, CD Capital is not paying a sufficient premium over minority interest prices to reflect that CD Capital will acquire a controlling interest in Prairie.
Existing Shareholders will be diluted	<p>We note that if the Funding Transaction proceeds, Shareholders will be diluted.</p> <p>If CD Capital converts the entire principal amount of the Convertible Note, then Shareholders will be diluted from 100% to 76.82% of the issued shares in Prairie.</p> <p>If in addition to above, CD Capital elects to exercise all of the CDC Options at \$0.60 per option, although this will provide Prairie with additional cash injection of approximately \$13 million, Shareholders will be further diluted from 76.82% to 68.84% of the issued shares in Prairie.</p> <p>Finally, if CD Capital acquires further shares on account of the Top Up Right and/or the Pre-Emptive Right. Shareholders may face additional dilution at that time.</p>
The Funding Transaction may limit the involvement of other sophisticated investors other than those interested in project financing	<p>If the Funding Transaction is approved, CD Capital will be able to nominate up to two directors to the board of Prairie, may obtain a significant relevant interest in Prairie and has the benefit of the Pre-Emptive Right.</p> <p>These factors may reduce the likelihood of the involvement of other sophisticated investors, other than those providing project financing including in relation to engineering, procurement and contract services, off-take services and/or mining equipment supply services, who may have otherwise wished to consider becoming a strategic cornerstone investor in Prairie.</p>

14. Conclusion

We have considered the terms of the Funding Transaction as outlined in the body of this report and have concluded that the Funding Transaction is not fair but reasonable to the Shareholders of Prairie.

The Funding Transaction is not fair because the value of a Prairie share following the Funding Transaction on a minority interest basis is lower than the value of a Prairie share prior to the Funding Transaction on a control basis. However, we consider the Funding Transaction to be reasonable because the advantages to Shareholders are greater than the disadvantages.

In particular, the Funding Transaction provides Prairie with an immediate and continuing cash injection for its exploration, pre-development and potential development of its coal assets.

15. Sources of information

This report has been based on the following information:

- Copies of the investment agreement and put and call option agreement entered into between Prairie and CD Capital;
- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Prairie for the years ended 30 June 2013 and 30 June 2014;
- Reviewed financial statements of Prairie for the half year ended 31 December 2014;
- Independent Valuation Report of Prairie's mineral assets dated on or about the date of this report performed by RHDHV;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Prairie.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Prairie Mining Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Prairie Mining Limited, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Prairie Mining Limited and CD Capital (UK) Ltd and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Prairie Mining Limited and CD Capital (UK) Ltd and their respective associates.

A draft of this report was provided to Prairie Mining Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Prairie Mining Limited for inclusion in the Notice of Meeting which will be sent to all Prairie Mining Limited shareholders. Prairie Mining Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the proposed funding transaction with CD Capital Natural Resources Fund III LP is fair and reasonable to non-associated shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Prairie

Mining Limited. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Funding Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Prairie Mining Limited, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Prairie Mining Limited.

The valuer engaged for the mineral asset valuation, Royal HaskoningDHV, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Adam Myers
Director



Sherif Andrawes
Director

Appendix 1 - Glossary of Terms

Reference	Definition
5% Threshold	5% of the issued capital in Prairie on an 'as converted' basis
Agreements	The Investment Agreement and PCO Agreement together
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
Aston	Aston Resources Limited
ASX	Australian Securities Exchange
B2Gold	Canadian listed B2Gold (TSX:BTO)
BDO	BDO Corporate Finance (WA) Pty Ltd
BMP	Prairie's Base Metals Project located in southwest of Newman in the Pilbara region of Western Australia
CD Capital	CD Capital Natural Resources Fund III LP
CDC Options	Options issued for every two shares issued on conversion of the convertible note issued to CD Capital exercisable at \$0.60 per option or before three years from the date of issue
Convertible Note	A non-interest bearing convertible loan note with an aggregate principal amount of \$15 million and convertible into Prairie shares at a conversion price of \$0.335 per share
Corporations Act	The Corporations Act 2001 (Cth)
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Investment Agreement	The investment agreement entered into between Prairie, PDZ and CD Capital on 19 July 2015
ITM Options	1,250,000 options issued in Prairie which are exercisable at \$0.25 per option on or before 30 June 2016

JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Marindi	Marindi Metals Pty Ltd
NAV	Net Asset Value
NBP	Narodowy Bank Polski
Our Report	This Independent Expert's Report prepared by BDO
Papillon	Papillon Resources Limited
PCO Agreement	The put and call option agreement that Prairie, PDZ and CD Capital will enter on the issue of the Convertible Note
PDZ	PDZ Holdings Pty Ltd (a wholly owned subsidiary of Prairie)
Prairie	Prairie Mining Limited
Pre-Emptive Right	CD Capital's pre-emptive right to provide Prairie with additional funding up to an aggregate of \$55 million on such terms agreed by Prairie and CD Capital at a future point in time.
Proposed Listings	Prairie's proposed listings on the London Stock Exchange and Warsaw Stock Exchange
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Regulations 2001 (Cth)
RG 111	ASIC Regulatory Guide 111 <i>Content of expert reports</i> (March 2011)
RG 112	ASIC Regulatory Guide 112 <i>Independence of experts</i> (March 2011)
RG 74	ASIC Regulatory Guide 74 <i>Acquisitions approved by Members</i> (December 2011)
RHDHV	Royal HaskoningDHV
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Prairie not associated with CD Capital
The Company	Prairie Mining Limited
The Funding Transaction	Collectively the rights and obligations of all parties to the Agreements including the proposal to issue shares in Prairie on account of the Convertible Note, CDC Options and Pre-Emptive Right

Top Up Right	CD Capital's right to subscribe and be issued additional Prairie shares to maintain its percentage relevant interest in Prairie on an 'as converted' basis if, subject to specific exclusions, Prairie issued shares to any person or entity prior to the release of the results of a bankable feasibility study for Prairie's Lublin Coal project
--------------	--

TSX	Toronto Stock Exchange
-----	------------------------

Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
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Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
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VWAP	Volume Weighted Average Price
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The Directors

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Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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Appendix 3 - Independent Valuation Report prepared by Royal HaskoningDHV

REPORT

Technical Assessment Report: Prairie Mining Coal Assets

Client: BDO Corporate Finance Pty Ltd.

Reference: IEMPB2535R001D03

Revision: 01/Final

Date: 18 August 2015

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Document title: Technical Assessment Report:
Prairie Mining Coal Assets
Document short title: Technical Assessment Report
Reference: IEMPB2535R001D03
Revision: 01/Final
Date: 18 August 2015
Project name: Lublin Coal Project
Project number: PB2535
Author(s): Marco Maestri, Steve Frankland, Sam Moorhouse

Approved by: Marco Maestri

Date / initials: 18 August 2015

Classification

Confidential



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Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and
Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Technical Assessment Report on the Lublin Coal Project, Poland
Prepared by Royal HaskoningDHV for Prairie Mining Ltd
18 August 2015

I, Samuel Bryn Moorhouse, confirm that I am the Competent Person for the Report and a qualified "Independent Specialist" as defined by the VALMIN Code:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition) and the Australian Guidelines for the Estimation and Classification of Coal resources 2014.
- I am a Competent Person as defined by the JORC Code, 2012 Edition, having five years' experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Chartered Geologist and Member of the Geological Society of London, a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.
- I am a full time employee of Royal HaskoningDHV (HaskoningDHV UK Ltd with a Registered Office at Rightwell House, Bretton, Peterborough PE3 8DW and Registered in England as 1336844).
- I have been engaged by Prairie Mining Ltd to prepare the documentation for the Lublin Coal Project on which the Report is based, for the period ended 6 August 2015.
- I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.
- I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Mineral Resources.
- I consent to the release of the Report and this Consent Statement by the directors of Prairie Mining Ltd.

Signature of Competent Person:



Samuel Bryn Moorhouse, Senior Geologist, Royal HaskoningDHV
Chartered Geologist, Geological Society of London, Membership Number 1007842
18 August 2015

Executive Summary

Overview

In July 2014 Royal HaskoningDHV (“RHDHV”) were commissioned by BDO Corporate Finance (WA) Pty Ltd (“BDO”) to provide an independent assessment and valuation of Prairie Mining Ltd’s (“PDZ”) coal assets. RHDHV have previously undertaken a geological assessment of the coal prospects within their Lublin asset in south eastern Poland, including preparation of a Competent Persons Report (“CPR”) estimating mineral Resources for Prairie’s four main licenses, and as such are familiar with the current project status.

This report has been prepared in accordance with the fundamental principles of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the “VALMIN Code”) 2005 Edition.

The purpose of this TAR is to provide an impartial evaluation of PDZ’s Lublin Coal Project mineral assets in Poland and estimate the **current cash value** of the concessions. The report has been prepared by RHDHV on a strictly impartial basis. RHDHV can confirm that all views and opinions expressed herein are unbiased and objective. The report is for the benefit of the shareholders.

The valuation contained in this TAR has been prepared by Mr. Marco Maestri and Mr. Steve Frankland who have sufficient expertise in mineral asset valuation to serve as “Independent Experts” as defined by the VALMIN Code (2005); with at least 10 years’ relevant experience in the Mining Industry and at least 5 years’ relevant and recent experience in the assessment and/or valuation of Mineral Assets.

Background

PDZ is a junior coal developer focused on the exploration, evaluation, appraisal and development of the Lublin Coal Project (“LCP”). The flagship project is a large scale coal deposit across four exploration concessions in south eastern Poland. PDZ operate in Poland through its wholly-owned Polish subsidiary PD Co Sp z o.o, established for the purpose of developing the LCP. Access to the study area can be obtained using the local road network, principally via Route 82 which connects to the nearby city of Lublin approximately 40 km to the southwest. The PDZ concessions are summarised in the table below:

NAME OF CONCESSION	EXPLORATION CONCESSION		
	DATE AWARDED	LENGTH OF VALIDITY	DATE OF EXPIRY
Lublin K4-5 – “Kulik”	30.07.12	3 years	29.07.15
Lublin K6-7 – “Cycow”	31.07.12	3 years	30.07.15
Lublin K8 – “Syczyn”	30.07.12	3 years	29.07.15
Lublin K9 – “Kopina”	16.11.12	3 years	16.11.15
Sawin-Zachod	30.12.14	3 years	30.12.17

Furthermore, the Company obtained the approval of its submitted Geological Documentation by the Polish Ministry of Environment (MoE) on 25 June 2015, which triggered a three year Priority Right from April 2015 to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód). To apply for a Mining Concession, the Company would need to satisfy the relevant regulatory requirements including

the completion of a Deposit Development Plan (DDP) and Environmental Impact Assessment (i.e. environmental approval) and rezoning of land for industrial use

RHDHV has reviewed the original Polish and translated English versions of the First and Second Instance Decisions relating to the approval of the Geological Documentation submitted by PDZ in 2015. Further to this, independent law firm Linklaters Warsaw, have been employed by PDZ to comprehensively review PDZ's title to the LCP.

Geology

The coal sequence within the LCP comprises 30 distinct seams, from Seam 369 at the top to Seam 399 at the base. Eleven of the 30 principal parent seams exhibit evidence of splitting and are subdivided into "child" seams A and B (two leaves) or A, B and C (three leaves). The site is overlain by poorly consolidated Quaternary superfcials of varying thickness between 0 and 85m. The upper stratigraphical sequence comprises Cretaceous and Jurassic units. Both units vary in thickness. The Cretaceous sequence is made up of a range of marine sediments; principally limestones, marls and chalks, and can reach thicknesses of 606m within the vicinity. The base of the Cretaceous sequence is characterised by the water-bearing and less consolidated Albion Strata. The thinner Jurassic units (65m to 155m from borehole intersections) comprise dolomites and dolomitic sandstones. The Cretaceous and Jurassic formations unconformably overly the Carboniferous sequence, of which the upper section is considered the productive series containing the coal seams investigated in this study. Carboniferous interburden is made up of various sedimentary lithologies ranging from claystones to mudstones to sandstones and some minor calcareous units. The uppermost coal seams occasionally sub-crop against the base of the Jurassic in some areas.

A Competent Person's Report (CPR) produce by RHDHV and issued in July 2015 forms the basis of the geological evaluation of the LCP. Within this CPR, RHDHV evaluated ten key coal seams and estimated 722 Million tonnes (Mt) of coal, comprising 390 Mt of Inferred coal (~54% of the deposit) and 333 Mt of Indicated coal (~46% of the deposit). The estimate accounts for geological losses of 15% and 20% for Indicated and Inferred respectively. Mr Samuel Moorhouse, the Competent Person who carried out the RHDHV CPR, is also the Independent Specialist undertaking the geological review for this deposit. The interpretations and conclusions presented in this report are extracted directly from the CPR and are therefore deemed to be appropriate in terms of accuracy and reliability. The Resource estimate is summarised in the table below.

	PRE-LOSSES (Mt)	POST-LOSSES (Mt)	PROPORTION
INFERRED	487	390	54%
INDICATED	392	333	46%
GLOBAL	879	722	100%

The coal quality averages per seam are described in the table below and represent unwashed, raw coal. This report does not present washed coal quality results, however PDZ has conducted coal washability testing based on its completed drilling program, the results of which were published by the company in April 2015 (refer ASX announcement "March 2015 Quarterly Report", 30 April 2015).

Seam 391 has the lowest average ash (11.01%), the lowest overall density (RD 1.36), and the highest Calorific Value ("CV"; 28.84 MJ/kg). The average total sulphur in Seam 391 is 1.28%. Preliminary washability analysis conducted by PDZ (and therefore separate to the July 2012 CPR) on cores from its completed drilling campaign indicates that sulphur levels reduce to 0.7 – 1.06% for floats at RD 1.35, with

core yields of between 71 – 95%. All coal seams exhibit good overall prospectivity, with raw ash values between 11.01 and 24.77%, and gross CVs between 24.48 and 28.84 MJ/kg (both air dried). Total sulphur contents generally fall below 1.5%, with Seam 392 exhibiting a much higher average at 2.45%. Raw moisture and volatile matter concentrations average 3.05% and 31.58% respectively (both air dried).

Sawin-Zachód

Located immediately adjacent to the LCP, RHDHV expects that the geological succession within the Sawin concession will be the same or similar to that identified within the LCP, although no technical data pertaining to seam depths, dips, coal quality or faulting has been provided or reviewed by RHDHV for the purpose of this report. The Sawin concession represents a potential extension to the LCP, pending a detailed assessment of historical geological data and as such no Resources as defined by the JORC Code (2012) exist for the concession.

Valuation

RHDHV used several valuation techniques to derive a value for the Lublin and Sawin concessions, relying on Market and Cost based approaches due to the development status of the two assets. RHDHV is satisfied that the results reflect a true market valuation for both properties.

Lublin Coal Project - RHDHV has derived a valuation range of between US\$21.7m and US\$43.3m with a preferred value of **US\$32.5m** (effective valuation date: 29th July 2015).

Sawin - the results return a valuation range of US\$0.65m to US\$1.6m with a preferred value of **US\$0.84m** (effective valuation date: 29th July 2015).

A summary of RHDHV's valuation of the PDZ assets is provided below.

Valuation Summary: Lublin Coal Project

Valuation Approach	Method	Market Value (US\$M)		
		Low	High	Preferred
Primary	Comparable Sales	21.7	43.3	32.5
Validation	Multiple of Exploration Expenditure		39.5	35.1
Lublin Coal Project		21.7	43.3	32.5

Valuation Summary: Sawin-Zachód Concession

Valuation Approach	Method	Market Value (US\$M)		
		Low	High	Preferred
Primary	Multiple of Exploration Expenditure	0.65	0.97	0.84
Validation	Geoscientific Factor Method			1.70
Sawin-Zachod Concession		0.65	0.97	0.84

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1 Introduction

1.1 Scope of Report

In July 2014 Royal HaskoningDHV (“RHDHV”) were commissioned by BDO Corporate Finance (WA) Pty Ltd (“BDO”) to provide an independent assessment and valuation of Prairie Mining Ltd’s (“PDZ”) coal assets; the flagship Lublin Coal Project (“LCP”) and the adjoining Sawin-Zachód (“Sawin”) concession.

RHDHV have previously undertaken a geological assessment of the coal prospects within their Lublin asset in south eastern Poland, including preparation of a Competent Persons Report (“CPR”) estimating mineral Resources for Prairie’s four main licenses, and as such are familiar with the current project status. The study formed part of a wider Pre-Feasibility Study (“PFS”) with the LCP currently being conducted by a technical team combining staff from RHDHV and others.

This document represents a Technical Assessment Report (“TAR”) based on the knowledge gained during completion of the CPR.

1.2 The VALMIN Code

This report has been prepared in accordance with the fundamental principles of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the “VALMIN Code”) 2005 Edition. RHDHV acknowledge that the VALMIN Code (2005) is currently under review and preliminary changes have been released in the form of an Exposure Draft (2015).

As defined by the VALMIN Code (2005); *“Technical Assessment Reports involve the Technical Assessment of elements such as geology, mining or petroleum engineering, metallurgy, environmental impacts, capital and operating costs and actual and/or projected production, that may contribute to the actual and/or potential economic output from Mineral or Petroleum Assets as may be required to assess the economic benefit of those assets and then to determine their Technical Value.”*

As with widely used and recognised reporting codes for mineral resources, including JORC and SAMREC, the VALMIN Code is based on the three main reporting principles of **Materiality**, **Competence** and **Transparency**. In addition, the importance of **Independence** is also discussed in the VALMIN Code which states that the Expert or Specialist responsible for the Report must be able to satisfy any relevant legal tests of independence, and produce a Report that is free of bias.

1.3 Context and Validity

The purpose of this TAR is to provide an impartial evaluation of PDZ’s Lublin Coal Project and associated mineral assets in Poland and estimate the **current cash value** of the concessions. The report has been prepared by RHDHV on a strictly impartial basis. RHDHV can confirm that all views and opinions expressed herein are unbiased and objective. The report is for the benefit of the shareholders.

Payment to RHDHV for the preparation of this report has been under typical commercial terms. No expenses have been charged. RHDHV can confirm that payment of fees is in no way contingent upon the content of this document or the conclusions made within.

The valuation is valid as of the 29th July 2015. It is expected that the valuation will change over time; being dependent on a range of external political, legislative, commercial and technical factors. The evaluation is based on information obtained from the following principal sources:

- Technical data provided by PDZ (see also **Section 3.4**), for which data validation checks have been conducted. RHDHV are of the understanding that the data available is whole and complete and that no other exploration data is available that would materially affect the valuation included in this report;
- Company and asset information accessed through the internet-based research database SNL Metals and Mining (“SNL”). SNL is widely regarded as a trusted source of mining data, providing comprehensive information on mining companies, projects and mines, and created via a dedicated team routinely accessing and compiling publicly available information. RHDHV have used SNL to output information used in this study;
- Other publicly available information, accessible from secondary sources such as academic papers and literature, written articles, and websites.

All interpretations and conclusions are based on the data acquired via the sources described above. Any forward-looking statements made within this document are subject to the normal risks associated with any assumptions regarding future events. The authors of this report have sufficient technical expertise to carry out the works required, and any assumptions made are based on the writer’s technical expertise. RHDHV also emphasises that valuation methods applied are exposed to a substantial degree of subjectivity. The factors affecting the value of a mineral asset are extensive, but have been evaluated and quantified where possible during the valuation process.

1.4 Impartiality

RHDHV is an independent consultant that has been commissioned by BDO to produce a TAR for the PDZ coal assets.

Neither RHDHV, RHDHV permanent employees nor any RHDHV project staff:

- Have any financial or other interests in Prairie Mining Ltd, other than the subcontractor role relating to the undertaking of this TAR and the associated PFS on normal commercial terms;
- Have any financial or other interests in the LCP and associated tenements, or any other projects in the Lublin Coal Basin.

Neither RHDHV nor any of the authors of this TAR have any interest in the share capital of PDZ or any of its subsidiaries. As per Paragraph 26 of the VALMIN Code, RHDHV can confirm that the fees or provision of further work to the Experts or Specialists is not dependent on:

- The outcome of this TAR and/or Valuation;
- The success or failure of the transaction for which the Independent Expert Report was required.

RHDHV formally declare no Conflict of Interest with PDZ or the LCP, and have produced this TAR with complete impartiality.

1.5 Experts Statement

The valuation contained in this TAR has been prepared by Mr. Marco Maestri and Mr. Steve Frankland who have sufficient expertise in mineral asset valuation to serve as “Independent Experts” as defined by the VALMIN Code (2005); with at least 10 years’ relevant experience in the Mining Industry and at least 5 years’ relevant and recent experience in the assessment and/or valuation of Mineral Assets.

Mr. Marco Maestri is Director, Mining (UK) at Royal HaskoningDHV, a Principal Mining Engineer, Project Management Professional (PMP) and Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM). His primary expertise lies in project financial evaluation, market and economic studies, project management, feasibility studies and mine design & optimisation (primarily using Datamine and Whittle). Marco has successfully held sole project management responsibility for multi-disciplinary mining projects exceeding £6 million (~US\$9m) in consultancy fees with a total project capital value of over £3.5 billion (~US\$6bn, up to +/-10% Class 2 level).

Marco has been involved in numerous project financial assessments as lead evaluator in projects ranging from exploration properties to operating mine sites. He also has experience working as a mining analyst for an AIM specialist stockbroker where he assessed and valued mining companies and operations on a daily basis.

In addition to project and professional experience, Marco’s formal post-graduate modelling and valuation training was provided by Imperial College London (Prof. Dennis Buchanan) on their Mineral Project Appraisal and Finance course. He is currently an Economics Post-Graduate Diploma (PGD) candidate at the London School of Economics (2016).

Marco has practical experience working on open pit mines in Australia and Africa and holds a degree in Mining Engineering (Hons) from Camborne School of Mines, University of Exeter (UK).

Mr. Steve Frankland has 25 years’ experience in the coal industry. A coal preparation engineer by training, Steve manages coal quality and coal trading activities. Steve has worked extensively in the commercial coal industry and managed projects in all the major coal producing countries. After graduating with a degree in Minerals Engineering from University of Birmingham Steve became a Coal Processing Manager at BP Coal International Ltd where he became responsible for internal coal processing projects, coordinating and planning new operations and upgrades.

After a stint as Engineering Manager for Old Ben Coal in Ohio, USA, where he managed all engineering activities including mining, mechanical, electrical and processing operations, Steve helped form Dargo Associates Ltd, a UK-based independent coal mining and coal technology consultancy providing techno-commercial advice and practical services to coal mining companies across the world.

In addition, **Mr. Sam Moorhouse** will serve as “Independent Specialist” as defined by the VALMIN Code for preparation of this TAR. Mr. Moorhouse is a Chartered Geologist, Chartered Scientist, Fellow of the Geological Society of London and Professional Member of the Institute of Materials, Minerals and Mining. He graduated from the University of Oxford with Honours in 2007 as Master of Earth Sciences. He specialises in Resource geology and is a recognised Competent Person in Resource assessments of coal. As a Chartered Geologist, Sam holds affiliation with the Geological Society of London where he regularly works within the frameworks of international reporting codes, including NI 43-101, JORC and SAMREC. Sam is regularly involved in Resource estimation for Scoping Studies through to full Definitive Feasibility Studies, site supervision and exploration drill programme design.

Mr Moorhouse has recently acted as Competent Person responsible for geological appraisal of the Lublin coal deposit and preparation of the associated CPR. A Competent Person’s Statement is also included in this report.

Table 1-1. Summary of Experts and Specialists

Name	Title	Primary Qualification	Professional Associations / Additional Qualifications	Years' Experience
Marco Maestri	Director, Mining Principal Mining Engineer	BEng Mining Engineering (Hons), Camborne School of Mines, University of Exeter	Mineral Project Appraisal and Finance, Imperial College London Project Management Professional (PMP) MAusIMM	11
Steve Frankland	Principal Consultant	Minerals Engineering (Hons), University of Birmingham	Fellow of the Minerals Engineering Society Member of the South African Coal Processing Society Member of EU Expert Committee on Coal Preparation	40
Sam Moorhouse	Senior Geologist	MESci (Hons) Earth Sciences, University of Oxford	Chartered Geologist Chartered Scientist Fellow of the Geological Society of London Professional Member of the Institute of Materials, Minerals and Mining	8

2 Company Profile

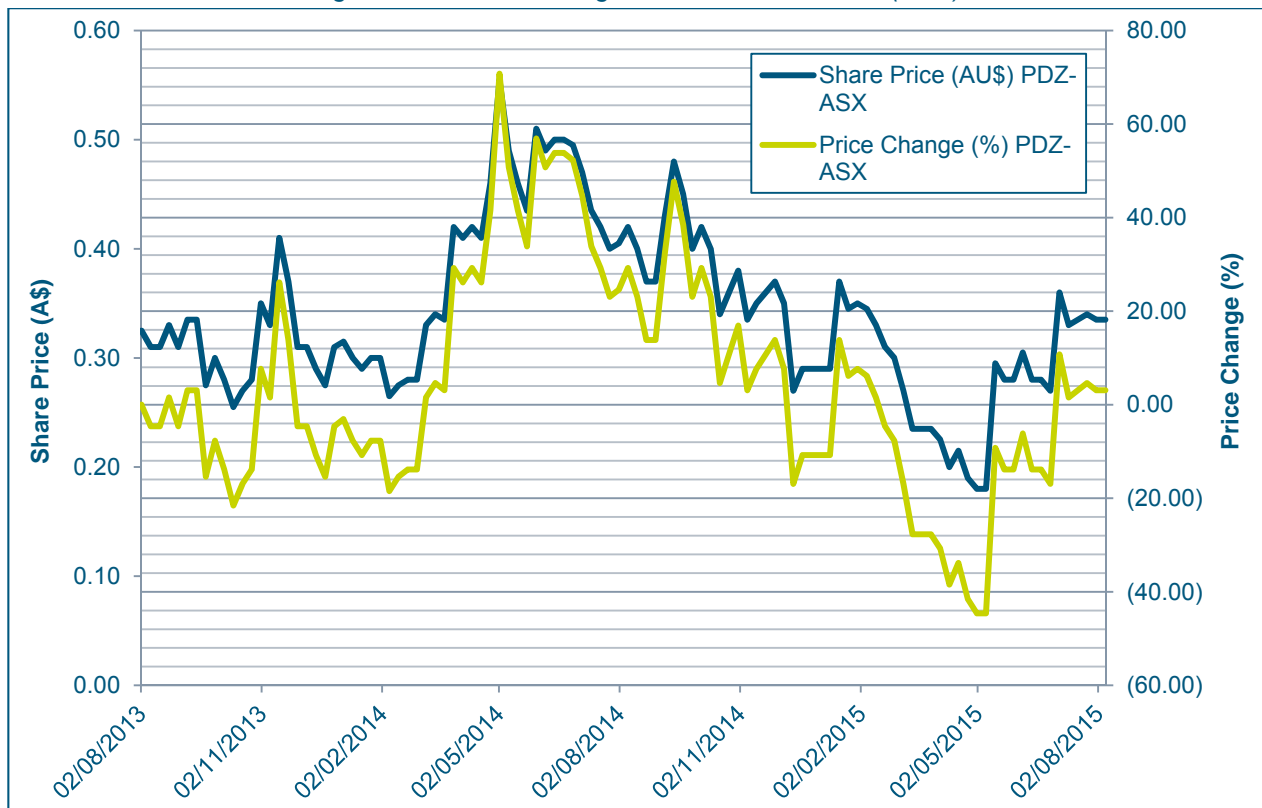
PDZ is a junior coal developer focused on the exploration, evaluation, appraisal and development of the LCP. The flagship project is a large scale coal deposit across four exploration concessions in south eastern Poland. RHDHV understand that PDZ intends to market predominantly semi-soft coking coal to European customers. PDZ operate in Poland through its wholly-owned Polish subsidiary PD Co Sp z o.o., established for the purpose of developing the LCP. Elsewhere, PDZ is also involved in a Joint Venture agreement for the Base Metals Project located in the Pilbara region of Western Australia.

2.1 Exchange Listings

The company is listed on the Australian Securities Exchange (ASX) with a ticker of PDZ. In July 2015 PDZ announced the intention to list on the London (LSE) and Warsaw (WSE) Stock Exchanges (ASX Announcement 03 July 2015) due to be completed during Q3 2015.

Figure 2-1 below illustrates the change in stock price of PDZ on ASX. From a 2-year low share price of A\$0.18, recent significant changes are attributable to the awarding of exclusive rights to apply for a Mining Concession for the LCP (01/07/2015), the securing of up to A\$83m investment from CD Capital (20/07/2015) for development of the LCP, and an increase in Indicated Resources at the LCP (24/07/2015).

Figure 2-1. Prairie Mining Ltd 2 Year Stock Price (ASX)



Source: SNL Financial, PDZ Stock Chart (04/08/2015)

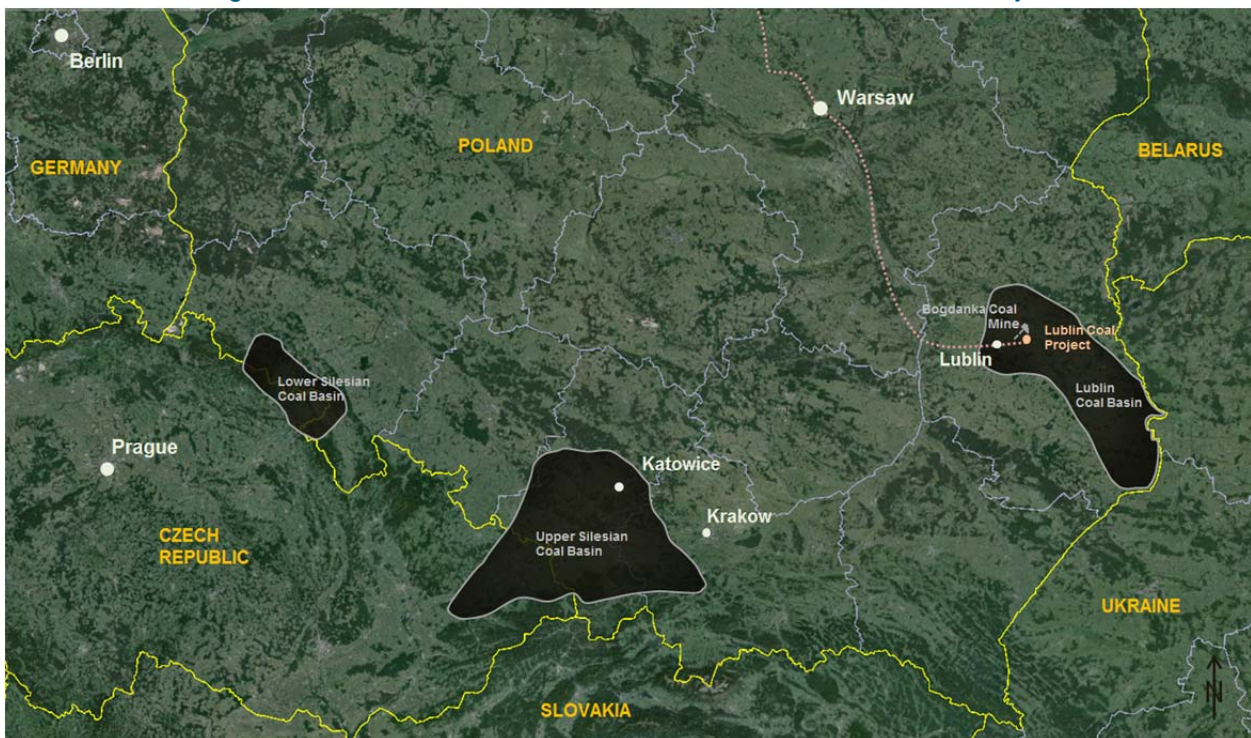
3 Lublin Coal Project

3.1 Overview

The LCP can be considered a large scale hard coal project located approximately 180 km southeast of the Polish capital of Warsaw towards the border with Ukraine (**Figure 3-1**). RHDHV understand that PDZ is targeting to market predominantly semi-soft coking coal to European customers. Access to the study area can be obtained using the local road network, principally via Route 82 which connects to the nearby city of Lublin approximately 40 km to the southwest.

Although no rail link has yet been constructed, the LCP 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.

Figure 3-1. Coal basins of Poland and the location of Lublin Coal Project



3.2 Ownership and Tenure Status

Exploration and mining operations in Poland are governed by the Polish Geological and Mining Law Act dated 9 June 2011 (Journal of Laws 2011, No. 163, item 981 as amended) ("GML"), as well as Polish secondary legislation and are administered under the authority of the Ministry of Environment, the Department of Geology and Geological Permits. The GML sets out the terms and conditions for undertaking and completing geological works, extracting minerals from deposits and the requirements when applying for an exploration and Mining Concessions

Figure 3-2. Lublin Coal Project and Sawin concessions near Lublin



Source: Adapted from PDZ ASX Announcement 18 March 2015

The LCP originally consisted of four principal license areas for which PDZ held the Exploration Concessions, namely; Kulik (K4-5), Cycow (K6-7), Syczyn (K8) and Kopina (K9). RHDHV has taken receipt of Polish documentation dated 2012, approved by the Minister of Environment pertaining to the Exploration Concession permits for each of the four areas, including the date of approval, concession name and concession number, and of the Polish documentation for the approval of Geological Documentation dated 2015. The concessions were granted to PDZ in 2012 which have been retained for a period of three years. The Company has also recently acquired a further Exploration concession contiguous to the area of the four principal concession areas of the LCP known as Sawin-Zachód ("Sawin").

RHDHV has reviewed the certified Exploration Concession documentation and associated Usufruct Agreement for Sawin. The Sawin concessions are located adjacent to the East of the LCP and are discussed in Section 4 of this Report. The PDZ concessions are summarised in the table below:

NAME OF CONCESSION	EXPLORATION CONCESSION		
	DATE AWARDED	LENGTH OF VALIDITY	DATE OF EXPIRY
Lublin K4-5 – "Kulik"	30.07.12	3 years	29.07.15
Lublin K6-7 – "Cycow"	31.07.12	3 years	30.07.15
Lublin K8 – "Syczyn"	30.07.12	3 years	29.07.15
Lublin K9 – "Kopina"	16.11.12	3 years	16.11.15
Sawin-Zachod	30.12.14	3 years	30.12.17

Furthermore, the Company obtained the approval of its submitted Geological Documentation by the MoE on 25 June 2015, which triggered a three year Priority Right from April 2015 to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód). To apply for a Mining Concession, the Company would need to satisfy the relevant regulatory requirements including the completion of a Deposit Development Plan (DDP) and Environmental Impact Assessment (i.e. environmental approval) and rezoning of land for industrial use

Commencing in 2012, under the terms of its Exploration Concessions, PD Co was required to complete a seven-hole core drilling campaign at the Lublin Coal Project designed to enhance the historical drill database and facilitate the preparation of Geological Documentation (a Polish standard resource report).

PDZ announced the completion of the seven-hole drilling program in August 2014 and the submission of Geological Documentation in December 2014. On 1 July, the Company announced that the Polish government had approved the Geological Documentation for the Lublin Coal Project thereby triggering the Priority Right to establish a mining usufruct and apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód).

PD Co has secured a 3 year Priority Right from April 2015 to apply for a Mining Concession at the Lublin Coal Project (excluding Sawin-Zachód). The grant of the 3 year Priority Right means that PD Co is not required to renew or extend the Exploration Concessions nor the Usufruct Agreements described below to continue with its application for a Mining Concession in respect of the Lublin Coal Project. This LCP Mining Concession area is equivalent to that evaluated as part of the Polish Geological Documentation and that examined in the RHDHV CPR (July 2015) used for PDZ's Resource upgrade, and is less than the total area of the combined four Lublin Exploration concessions (license K9 has been reduced) - see **Figure 3-2** previously.

RHDHV understand that PDZ is currently now working towards completing a Mining Concession application which in Poland comprises of the submission of a Deposit Development Plan along with an Environmental and Social Impact Assessment 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.

Upon completion of the agreed work programme (for PDZ this required the drilling of seven cored boreholes), and subsequent approval of Geological Documentation, the company is granted the Exclusive Right to apply for a Mining Concession. This Exclusive Right, also referred to as a "priority", has now been secured by PDZ. The right is active for a three year period and also means that PDZ are not required to renew or extend the Exploration Concessions (for which three have now lapsed) or associated Usufruct Agreements – i.e. the Mining Concession supersedes previous license information. PDZ's Exclusive Right is for the region ("Lublin Concession") outlined in **Figure 3-2** above (see also ASX Announcement: "Prairie secures exclusive right to be granted a mining concession for the Lublin Coal Project, July 2015"). This area is equivalent to that evaluated as part of the Polish Geological Documentation and that examined in the RHDHV CPR (July 2015) used for PDZ's Resource upgrade, and is less than the total area of the combined four Lublin Exploration concessions (license K9 has been reduced).

RHDHV has reviewed the original Polish and translated English versions of the First and Second Instance Decisions relating to the approval of the Geological Documentation submitted by PDZ in 2015. Further to this, independent law firm Linklaters Warsaw, confirmed (as of 15th July 2015) that the licenses are valid and entitle PDZ to carry out activities defined under the terms.

3.2.1 Lublin Coal Basin

Coal deposits of Poland can be found within three principal basins namely; Upper Silesian, Lower Silesian and Lublin. Poland has an established coal mining industry with extraction historically concentrated around the Upper and Lower Silesian coal basins, located in the south-west of Poland bordering the Czech Republic. The Lublin Coal basin is comparatively under-exploited, covering approximately 9,100 km² in the east of the country on the border with Ukraine (**Figure 3-1**). It has been identified as a significant future source and supplier of coal, with only a single mine currently in operation; the Bogdanka Coal Mine, operated by Lubelski Węgiel (“LW”) Bogdanka S.A. (WSE: LWB) (the “Bogdanka Group”).

The Upper Carboniferous and Early Permian represent a period of extensive basin formation associated with the end of the Variscan Orogeny, during which time multiple phases of accretion and continent-continent collision occurred across Europe. The Lublin Coal Basin exists within the broader regional Lublin Trough that developed along the southern extent of Laurussia.

The Lublin Basin is known to have formed during the Late Visean due to enhanced subsidence, which was followed by numerous episodes of marine ingression and repeated sequences of shallow marine and deltaic sediment deposition during the Namurian. The remaining succession within the study area contains lithologies from four main divisions. The first, and oldest, are the Late Carboniferous (Westphalian age) sediments which represent the main coal-bearing strata of the basin, deposited in predominantly fluvial environments. Following tectonic inversion and erosion, these were subsequently overlain unconformably by a sequence comprising Jurassic carbonates, Cretaceous limestone, and finally Quaternary superficial deposits (clay, sand, gravel) of varying thickness.

Between the Jurassic and Cretaceous strata is a relatively thin layer (~3.5m average thickness) of unconsolidated sandstone and conglomerate, known as the Albian Strata. This layer represents a potential aquifer within the overall stratigraphic sequence, and is historically associated with shaft sinking issues at Stefanów, within Bogdanka mining area. The Jurassic has also been identified as a potential aquifer and gaining a clear understanding of these units is important in Resource definition as its presence affects the mining potential of the coal nearby.

The Lublin structure is largely controlled by the Bogdanka Syncline and strata is found to be either horizontal or shallowly dipping (predominantly to the west), with the overlying Jurassic and Cretaceous generally more shallowly dipping compared to the Carboniferous.

3.2.2 Exploitation

The Bogdanka Coal Mine and associated licences are located immediately adjacent to the west of the Lublin Coal Project and represents the only operating coal mine outside Poland’s Upper Silesian coalfield. The mining operation which began in 1982 targets the coal-bearing strata of the Lublin Basin and is said to be one of the most productive and cost-effective coal mines in Europe, supplying ~25% of coal to Polish power stations. The mining operation is expected to continue until at least 2034 pending further exploration in the areas adjacent to the existing Bogdanka licence area. The current operation is within a mining area of approximately 57km² and is operated by the Bogdanka Group. Whilst the majority of Poland’s coal producers remain state-owned, the Bogdanka Group was successfully privatised in 2009. The Bogdanka deposit is characteristic of the Lublin Basin, with almost horizontal coal seams overlain by an approximately 700m thick Jurassic and Cretaceous sequence. With such close proximity, Bogdanka forms the most reliable analogue for the development of PDZ’s Lublin Coal Project.

Quaternary	20.10	377	1.18	377A 0.95	377B 0.74
Cretaceous	537.01	378	1.02	378A 1.23	378B 0.97
		379	1.47	379A 0.76	379B 0.99
				379C 0.40	
		380	0.84	380A 0.75	380B 0.73
		381	0.84		
		382	1.23	382A 0.63	382B 0.56
		383	0.51		
		384	0.54	384A 0.45	384B 0.44
		385	0.79		
		386	0.33		
Albian Strata	3.39	387	0.76		
Jurassic	103.94	388	0.60		
		389	0.89	389A 1.13	389B 0.90
		390	0.66		
		391	2.14	391A 0.88	391B 1.22
		392	0.83	392A 0.39	392B 0.58
		393	0.58		
		394	0.72		
		395	0.21		
		397	0.77		
		398	0.49		
		399	0.56		
		369	0.97		
		370	0.87		
		371	0.86		
		372	0.86	372A 1.25	372B 1.60
		373	0.79		
		374	0.81		
		375	0.95	375A 1.08	375B 0.66
		376	0.94		

Whilst up to eight seams have been identified to hold potential for economic extraction, workings to-date have principally focussed on two seams; Seam 382 and 385/2 (the lower leaf of Seam 385). Production in 2013 was approximately 8.4Mt, increasing to ~9.2Mt in 2014. With a recent upgrade to the coal processing plant at Bogdanka, the Group aims to produce 12Mtpa by 2018.

3.2.3 Stratigraphy

The coal sequence within the LCP comprises 30 distinct seams, from Seam 369 at the top to Seam 399 at the base. Eleven of the 30 principal parent seams exhibit evidence of splitting and are subdivided into “child” seams A and B (two leaves) or A, B and C (three leaves).

The site is overlain by poorly consolidated Quaternary superfcials of varying thickness between 0 and 85m. The upper stratigraphical sequence comprises Cretaceous and Jurassic units. Both units vary in thickness. The Cretaceous sequence is made up of a range of marine sediments; principally limestones, marls and chalks, and can reach thicknesses of 606m within the vicinity. The base of the Cretaceous sequence is characterised by the water-bearing and less consolidated Albian Strata. The thinner Jurassic units (65m to 155m from borehole intersections) comprise dolomites and dolomitic sandstones. The Cretaceous and Jurassic formations unconformably overly the Carboniferous sequence, of which the upper section is considered the productive series containing the coal seams investigated in this study. Carboniferous interburden is made up of various sedimentary lithologies ranging from claystones to mudstones to sandstones and some minor calcareous units. The uppermost coal seams occasionally sub-crop against the base of the Jurassic in some areas.

Figure 3-3. Schematic stratigraphical column based on averages of borehole intersections input into the model

3.2.4 Structure

The coal seams are found within the northwest-southeast oriented Bogdanka syncline, although dips remain relatively shallow (generally less than 6°) within the deposit area.

Fault interpretations from historical documentation have been adapted and included in the geological model used

by RHDHV in the recent resource estimate. Most are included as boundary faults, or occur outside of the modelled area. A bifurcating Y-shaped fault was interpreted in the southwest area of the LCP. After interpretation and comparison with contour plans the fault was found to have varying throw and terminates within the area of investigation. All faults were interpreted as normal faults but were assumed to be vertical

during the modelling carried out in the CPR. The throws were quantified along the fault strike and also modelled.

3.3 Exploration

3.3.1 Historical

Exploratory drilling within the four concessions of the LCP first began in the late 1960's, with the majority of drilling being undertaken during the 70s and 80s. It is previously reported that between 1965 and 1983 a total of 117 boreholes were drilled within the four concession areas defined above.

As such, a significant proportion of the data for the LCP is historical and has been collated by PDZ from a number of sources, including archives of the Polish Government and Polish Geological Institute/National Research Institute. Previous studies, including a Scoping Study by Wardell Armstrong International ("WAI"), carried out cross-checks against historical data at the Polish offices.

PDZ have now formally acquired the historical data, with most being provided as scanned soft copies of the originals.

3.3.2 Prairie Mining

PDZ undertook a geological drilling programme in 2013/14 to corroborate past findings and provide additional high resolution data for geological, geotechnical, hydrogeological, and other purposes including washability test work. RHDHV have utilised the information obtained from these boreholes as a concrete means of testing the reliability of the historical dataset.

Recent exploration distributed across the study area and newly acquired data concerning the geological structure and quality of the deposit is sufficient to confirm the findings of the historical boreholes.

3.4 Description of Data

Data for the LCP has been collected from exploration over a period of more than 50 years, and varies in reliability, accuracy and extent. The majority of data that exists for the deposit has been derived from historical exploration programmes, and data that has been collated by PDZ from a number of local sources, including the MoE and Polish Geological/ Research Institutes. This data has previously formed the basis for initial assessments of the deposit.

PDZ has recently completed an exploration drilling programme within the LCP concessions that was considered necessary in order to confirm the findings and reliability of historical drilling and provide infill data where possible.

Acting as an independent reviewer RHDHV has not been directly involved in the initial acquisition of technical data. This applies to:

- Historical information (i.e. from the Polish Geological Institute Archives);
- Historical data compiled by PDZ local subcontractors (PolGeol);
- Independent work carried out by GeoEkoWiert, and;
- PDZ supplied data from their recent drilling programme.

RHDHV have been largely dependent on the technical input of others. All information was provided to RHDHV through PDZ. Historical data primarily exists in the form of scanned or photographed records and is supplementary to copies made available in spreadsheet format. Historical and PDZ data has been used

by RHDHV to undertake geological modelling and Resource estimate of the LCP (excluding Sawin concessions) as the basis for a recent CPR (July 2015).

3.4.1 Data Quantity/Quality

As discussed above the majority of data for the LCP exists in the form of historical records obtain by PDZ from Polish national archives and provided to RHDHV in electronic (.pdf, .jpeg, .dxf) and spreadsheet (.xls) format. In general, historical records relating to spatial data, seam depth and structure, core recovery and coal quality are considered reliable but with limitations. Supplementary data and deposit documentation collated by PDZ, including the findings of boreholes drilled in 2013-14 are accurate and corroborate historical data.

The distribution of coal seam intersections and quality Points of Observation were considered ample to allow geological modelling and Resource estimation in accordance with the reporting guidelines of the JORC Code (2012) and complementary Coal Guidelines (2014). RHDHV have classified the LCP Resources into Indicated and Inferred categories based on data continuity and borehole spacings.

3.5 Resource Estimates

Resource estimations completed for the deposit have been prepared to the standard required under the reporting guidelines of the recognised JORC Code (2012 Edition).

3.5.1 Wardell Armstrong International

Wardell Armstrong International (WAI) produced a maiden JORC Resource Report in 2013 that was superseded with an updated JORC Resource report in 2014. The 2013 Resource estimate included 100% of Resources in the Inferred classification, estimated across the four lease areas of the LCP. The estimate also compared 20m and 100m Jurassic stand-offs whilst considering 21 coal seams. The updated JORC Resource report in 2014 provided a revised estimate for the principal target seams (Seam 389 and 391) within a target mining area, which included Indicated and Inferred Resources. No changes were made to the 2013 Resource estimate in all other seams.

A follow-up report "Scoping Study for Development of the Lublin Coal Project" was later released by WAI in 2014 in which the updated Resource Report was used to support an initial Mine Plan. This report was intended to make an initial assessment of the viability of the LCP. The Scoping Study concluded that with consideration for unforeseen problems and changing market conditions, the LCP is considered to be a good prospect and economically viable. Recommendations were made to conduct additional exploration to increase the likelihood of an upgrade to the Resource classification and to provide additional coal quality information.

The results of the Scoping Study suggest that the deposit has the potential to support an underground longwall mining operation, accessed and supplied via two shafts to depths of approximately 1000m. WAI concluded that given the favourable geological conditions – largely un-faulted, flat-lying and continuous – the deposit could be exploited at two simultaneous faces resulting in an average 7.7Mtpa ROM equivalent to ~6Mtpa product assuming an average yield of 77% based on assumptions regarding mining dilution.

3.5.2 Royal HaskoningDHV

A technical team from RHDHV (and others) are currently undertaking the PFS for the LCP. Since the release of the initial reports by WAI, additional data including coal quality analysis from recent exploration by PDZ has been made available to RHDHV. This data has served to refine the geological model to

support a further update to the Resource Estimate and classification. This assessment later formed the basis for the July 2015 CPR.

Within this CPR, RHDHV evaluated ten key coal seams and estimated 722 Mt of coal, comprising 390 Mt of Inferred coal (~54% of the deposit) and 333 Mt of Indicated coal (~46% of the deposit). The estimate accounts for geological losses of 15% and 20% for Indicated and Inferred respectively. Mr Samuel Moorhouse, the Competent Person who carried out the RHDHV CPR, is also the Independent Specialist undertaking the geological review for this deposit. The interpretations and conclusions presented in this report are extracted directly from the CPR and are therefore deemed to be appropriate in terms of accuracy and reliability.

The Resource estimate is summarised in **Table 3-1**.

Table 3-1. Summary of gross coal Resources (tonnages rounded to nearest Mt)

	PRE-LOSSES (Mt)	POST-LOSSES (Mt)	PROPORTION
INFERRED	487	390	54%
INDICATED	392	333	46%
GLOBAL	879	722	100%

3.5.3 Comparison of Resource Estimates

The Resource estimate carried out by WAI in October 2013 contained tonnages more directly comparable with the RHDHV estimate as the same Jurassic stand-off (100m) was applied. After deduction of geological losses in line with RHDHV's methodology the resultant tonnages could be compared with the RHDHV estimate in this report. The results are illustrated in **Table 3-2** and show that a difference of only ~18Mt was observed in the global estimate, further corroborating estimated Resources, and confirming reliability of the current estimate.

Table 3-2. Tonnage comparison with 2013 WAI report

SEAM	2013 WAI ESTIMATE (Mt)	WAI ESTIMATE WITH EQUIVALENT RHDHV 20% LOSSES APPLIED (Mt)	RHDHV GLOBAL ESTIMATE (Mt)	DIFFERENCE (Mt)
376	7	5.6	5.35	-0.25
377	29	23.2	17.51	-5.69
378	47	37.6	40.73	3.13
379	128	102.4	118.67	16.27
380	58	46.4	28.9	-17.5
382	115	92	98.42	6.42
385	69	55.2	60.22	5.02
389	105	84	60.07	-23.93
391	320	256	245.87	-10.13
392	47	37.6	46.72	9.12
TOTAL	925	740	722.45	-17.55

3.6 Coal Quality

3.6.1 Summary

The coal quality averages per seam are described in the table below and represent unwashed, raw coal. This report does not present washed coal quality results, however PDZ has conducted coal washability testing based on its completed drilling program, the results of which were published by the company in April 2015 (refer ASX announcement “March 2015 Quarterly Report”, 30 April 2015).

The table highlights the higher quality of Seam 391, which has the lowest average ash (11.01%), the lowest overall density (RD 1.36), and the highest Calorific Value (“CV”; 28.84 MJ/kg). The average total sulphur in Seam 391 is 1.28%. Preliminary washability analysis conducted by PDZ (and therefore separate to the July 2012 CPR) on cores from its completed drilling campaign indicates that sulphur levels reduce to 0.7 – 1.06% for floats at RD 1.35, with core yields of between 71 – 95%.

All coal seams exhibit good overall prospectivity, with raw ash values between 11.01 and 24.77%, and gross CVs between 24.48 and 28.84 MJ/kg (both air dried). Total sulphur contents generally fall below 1.5%, with Seam 392 exhibiting a much higher average at 2.45%. Raw moisture and volatile matter concentrations average 3.05% and 31.58% respectively (both air dried).

Table 3-3. Summary of coal quality per seam

SEAM	RAW RD	MOISTURE (ad) (%)	ASH (ad) (%)	VOLATILES (ad) (%)	TOTAL SULPHUR (ad) (%)	GROSS CV (ad) (MJ/kg)	ROGA*	SWELL*
376	1.39	2.91	14.24	26.88	0.89	28.39	46.05	3.39
377	1.46	3.12	20.50	29.24	1.26	25.18	33.87	2.51
378	1.41	3.06	13.86	33.69	1.59	27.49	43.88	3.26
379	1.44	3.08	16.61	32.06	1.38	26.70	35.71	2.48
380	1.43	3.20	16.31	31.08	1.29	26.66	33.01	2.30
382	1.41	3.62	14.48	32.10	1.59	27.12	42.10	3.73
385	1.51	2.89	24.77	27.20	0.90	24.48	47.42	3.27
389	1.41	2.92	13.64	32.36	1.74	27.77	58.19	4.40
391	1.36	2.89	11.01	32.60	1.28	28.84	61.69	4.54
392	1.49	2.82	21.92	28.30	2.45	24.54	60.91	4.66
AVG.	1.41	3.05	15.11	31.58	1.44	27.26	50.15	3.75

* ROGA and swell (FSI) values are based on beneficiated analyses, where a basic wash has been applied. Swell values are averaged and therefore do not fall under the defined index scale of whole and half numbers.

3.6.2 Coking Coal Assessment

Recent coal quality test work has demonstrated potential for semi-soft coking coal from the main 391 coal seam which represents the target, principal seam in the study. In Poland, coals are classified into different grades in accordance with Polish standard PN-82/G-97002 (Table 3-4). Semi-soft coking coal is classified as Type 34 (sub classes 34.1 and 34.2), whilst hard coking coal is classified as Type 35 (sub classes 35.1 and 35.2).

Table 3-4. Summary of coal grades extracted from Polish standard PN-82/G-97002

COAL TYPE		CLASSIFICATION PARAMETERS			
		VOLATILE MATTER (V ^{daf} o%) %	ROGA INDEX (RI)	DILATION (%)	CRUCIBLE SWELLING INDEX (SI)
Gas-coking coal*	34.1	> 28	> 55	No dilation or < 0	not applicable
	34.2			≥ 0	
Ortho-coking coal	35.1	> 26 to 31	> 45	>30	> 7.5 ≤ 7.5
	35.2A*	> 20 to 26		> 0	
	35.2B*				
Meta-coking coal	36	> 14 to 20	> 45	> 0	not applicable
Semi-coking coal	37.1	> 20 to 28	≥ 5	not applicable	
	37.2	> 14 to 20			
Thin coal	38	> 14 to 28	< 5		
Anthracite coal	41	> 10 to 14	not applicable		
Anthracite	42	≥ 3 to 10			
Meta-anthracite	43	< 3			

*Gas-coking coal is equivalent to semi-soft coking coal

For the July 2015 CPR, RHDHV did not input the Polish coal categories as a modelled variable, since the model included the underlying key parameters that define coking coal classification such as FSI, Roga Index and Volatile Matter; however a significant proportion of historical samples for Seam 391 constituted “Type 34” coal. Assuming that the historical assessment of metallurgical coal potential is reasonable, a significant proportion of Seam 391 can be regarded as semi-soft coking coal.

3.7 Reserve Estimates

The PFS (ongoing) has not yet been completed for the LCP and therefore JORC Reserves are unable to be reported.

3.8 Site Visit

Mr Samuel Moorhouse (Competent Person) and the RHDHV team visited the exploration site as part of a ground-truthing exercise in August 2014. Mr Moorhouse witnessed the PDZ drilling rigs in operation and was able to observe the overall site set up and facilities. The core storage and office facilities were also visited, and Mr Moorhouse was able to meet with various ground and office staff. Site investigation procedures were discussed with PDZ staff, including drilling, logging, sampling and testing procedures, as well as data transfer, recording and manipulation. Throughout the PFS, RHDHV geologists have attended progress meetings in Poland and the UK, and held various technical meetings with the PDZ team.

4 Additional Assets

4.1 Overview

PDZ, through PD Co Sp. z o.o, holds a 100% interest in the Sawin-Zachód concession; a 54km² extension located immediately adjacent to the East of the existing LCP concession areas. The awarding of the Sawin concession brings the total land holdings in the Lublin Coal Basin of PDZ to 235km² (ASX Announcement, 3 February 2015).

4.2 Ownership

The concession application for Sawin was granted by the MoE in Poland and the 100% interest is held by PDZ's wholly-owned subsidiary, PD Co Sp z o.o. The concession is valid until 30 December 2017 which will provide the potential for additional exploration to be undertaken. Under the terms of the concession with the MoE, PDZ is required to complete drilling of one borehole at a pre-determined location within the area, activity for which must commence prior to 31 December 2015 (ASX Announcement, 3 February 2015).

RHDHV have evaluated the Concession documentation and are of the opinion that the Exploration Concession is of good standing. This has been confirmed by independent law firm Linklaters Warsaw.

4.3 Local Geology

Located immediately adjacent to the LCP, RHDHV expects that the geological succession within the Sawin concession will be the same or similar to that identified within the LCP, although no technical data pertaining to seam depths, dips, coal quality or faulting has been provided or reviewed by RHDHV for the purpose of this report.

It has been previously reported that the coal bearing succession within Sawin is located on the northeast edge of the Bogdanka Syncline, with seams of shallow dip. Similarly to the LCP, the upper coal seams are known to sub-crop against the base of the Jurassic sequence. A number of faults have been interpreted from historical data and included in Polish geological documentation, although their exact nature and position is unknown.

4.4 Exploration

Similarly to the four concessions of the LCP the Sawin concession area has been subject to historical drilling by the Polish Government during the 1970s and 1980s, including 22 cored boreholes on an approximately borehole grid spacing of 1,200m and 2,700m. Historical data is understood to include:

- Geological maps and documentation
- Borehole logs
- Select geophysical logs
- Lease and borehole location plans
- Historical Resource plans by seam
- Resource summary tables
- Coal quality summaries by seam

PDZ is required to begin the drilling of a single borehole within Sawin by 31 December 2015; however the concession agreement provides allowance for an additional 7 no. boreholes.

4.5 Resource Estimates

The Sawin concession represents a potential extension to the LCP, pending a detailed assessment of historical geological data and as such no Resources as defined by the JORC Code (2012) exist for the concession.

In March 2015 PDZ announced preliminary geological assessments of the Sawin concession resulted in a Coal Exploration Target of between 90Mt and 130Mt excluding coal seams <1.2m thickness and coal within 100m of the base of the Jurassic sequence; equivalent to 8 key seams. In-situ coal qualities ranged from 5,030 Kcal/kg to 7,330 Kcal/kg (net) on air-dried basis (ASX Announcement, 18 March 2015).

RHDHV have visited the LCP locality, although not specifically the Sawin concession (the Concession was not owned by PDZ at the time). The historical information that forms the basis of the Exploration Target estimate is of the same provenance as that used in the LCP CPR, and as such RHDHV are generally familiar with its accuracy and reliability.

5 Risk

Potential risks associated with LCP and the adjacent Sawin concessions are discussed in the following section. These can be defined as internal and external risks relating to those associated with the technical, aspects of the project that can be mitigated or managed by PDZ, and others beyond the control of PDZ associated with political stability, interest rates, currency fluctuations or industrial action.

5.1 Operational Risks

5.1.1 Licensing

PDZ have confirmed that the company has secured the Exclusive (or Priority) Right to apply for, and be a granted, corresponding Mining Concessions for the area equivalent to that included in the Polish Geological Documentation submission. The 3 year Exclusive Right means that PDZ does not need to renew or extend the Exploration Concessions or associated Usufruct Agreements to progress its application for a Mining Concession for the LCP. RHDHV has reviewed the original Polish and translated English versions of the First and Second Instance Decisions relating to the approval of the Geological Documentation submitted by PDZ in 2015.

Independent law firm Linklaters Warsaw have concluded that the concessions are in good standing and that PDZ hold the sole Exclusive Right to the LCP.

PDZ is progressing towards applying for the mining (production) concessions (licences) for the Lublin Coal Project. Based on the approved Geological Documentation, the Company has three-year priority as of 2nd April 2015 to obtain a Mining Concession (licence) and mining usufruct over any other third party.

Whilst PDZ hold the Exclusive Right to apply for a Mining Concession for this area the subsequent granting of a Mining Concession cannot be assumed. The acceptance of such a future application is also dependent on a number of factors stipulated in the Concession documentation.

During 2014, Bogdanka submitted to the MoE a Mining Concession application over the K6-7 mining area of the Lublin Coal Basin in Poland. Further to the above it is important to note that the Bogdanka Group have recently submitted to the MoE a Mining Concession application over the K6-7 mining area of the Lublin Coal Basin in Poland. On 5 September 2014, the MoE rejected Bogdanka's Mining Concession application covering concession area K-6-7. In the MoE official decision, it was confirmed that Bogdanka's application for a Mining Concession was inadmissible. However, on 22 September 2014, Bogdanka filed with the MoE an administrative motion for case reconsideration. On 5 November 2014, the MoE issued a final administrative decision ("MoE Final Decision") rejecting Bogdanka's application for a Mining Concession with respect to the K-6-7 concession area and Bogdanka's motion for case reconsideration.

The MoE Final Decision confirmed PD Co's security of tenure and priority to apply for the K-6-7 Mining Concession (subject to the Company securing all necessary approvals). It also confirmed that, given the previous approval of the Company's Geological Documentation in relation to the concession area, PD Co is entitled to a three year Priority Right to apply for a Mining Concession in relation to the K-6-7 concession area in priority to any other party.

Bogdanka has appealed the MoE Final Decision to an administrative court on 12 December 2014 and these proceedings are pending as of the date of this Prospectus. The administrative court has no authority to grant Bogdanka the concession which was refused by the MoE. The administrative court may however cancel the MoE Final Decision. If the administrative court cancels the MoE Final Decision, the MoE will be

required to re-assess Bogdanka's Mining Concession application. The court proceedings will only relate to Bogdanka's unsuccessful Mining Concession application covering concession area K-6-7 (which was twice rejected by the MoE). The proceedings will not relate to PD Co's valid K-6-7 Exploration Concession issued in July 2012, nor to PD Co's exclusive exploration rights and its valid and existing priority to apply for a Mining Concession.

Even if the administrative court cancels the MoE Final Decision and the MoE is forced to reassess Bogdanka's application, the MoE would need to take into account the fact that PD Co has since had Geological Documentation approved for the Lublin Coal Project and currently holds the Priority Right to apply for a Mining Concession and mining usufruct right. As such, the MoE would have to take into account that granting Bogdanka a Mining Concession over K-6-7 mining area would infringe on PD Co's valid Priority Right granted for the Lublin Coal Project.

5.1.2 Geological Uncertainty

Early to advanced stage mineral exploration projects by their nature hold a degree of risk associated with the amount and distribution of technical data available at each development stage. Successful development of the LCP and adjacent concessions are dependent to some respect on future exploration and site investigations to be undertaken by PDZ. Inherent in the current resource estimation is a degree of geological uncertainty to allow for unforeseen complexities in the geology of the deposit, including; faulting, seam thinning and sandstone washouts that hold the potential to affect future economic extraction of the deposit. Despite this a significant amount of historical data exists for the LCP that has recently been confirmed through exploration drilling across all four concessions. The degree of risk is quantified somewhat by the classification of Resources into Inferred and Indicated tonnages.

Development of the concessions will also be controlled by future infrastructure requirements for the mining operation that will be simultaneously addressed, including but not limited to; land holdings for surface infrastructure, site investigation for surface infrastructure and shaft designs and licensing of or extension to transport networks (road and rail). The degree of risk is quantified somewhat by the classification of Resources into Inferred and Indicated tonnages and the associated losses applied.

5.1.3 Coal Quality

The distribution of coal quality data collected through historical investigation and confirmed by PDZ drilling provides confidence in the continuity of coal qualities across the deposit. Nevertheless, as is applicable to all preliminary mining studies, should further exploration prove lower coal quality than expected, this has the potential to impact negatively on the project.

The 2015 Resource estimate by RHDHV however indicates that all seams show good prospectivity, and within the proposed PFS target seam (Seam 391) in particular, which displays the highest level of lateral continuity. Seam 391 represents approximately one third of the total resource base, exhibiting the highest qualities; lowest average ash and density and highest CV.

5.1.4 Environmental

Previous assessments of the deposit suggest that all Run of Mine coal (ROM) will be processed in a CHPP and the waste will be deposited in a suitable emplacement area. This will require an environmental permit although given an operating mine already exists in the immediate area it is not expected to encounter opposition at this stage.

Submitted Deposit Development Plans, Geological Documentation and Environmental documentation including impact assessments will require approval from the relevant environmental authority in Poland.

This will include consideration for impacts from surface infrastructure and coal transportation, and protection and exclusion of local nature reserve areas identified within the concession areas.

5.1.5 Management

Development of the project is dependent on efficient management including the undertaking/commissioning of additional exploration, processing of license applications and renewals for Exploration/Mining rights, and the management and mitigation of unforeseen changes in the project either during development, ramp up or operations.

5.2 Sovereign Risk

Political and economic stability in Poland, whilst beyond control of PDZ and other project stakeholders, has the future potential to affect any mining or investment project. Ranked 32nd/189 for Ease of Doing Business (World Bank) and 35th/175 for Corruption Perception Index (Transparency International), Poland can be considered a sound operational and business-friendly environment that has experienced a stable or positive economic outlook for the past decade.

Only in the past year has the potential for instability in Poland occurred since the country announced its support to Ukraine in the current Russian military crisis and increased spending on national defences and armed forces due in 2016.

Despite this the potential for unrest in the region to directly impact on development projects remains low, and Foreign Direct Investment from overseas and within Europe remains high, at approximately EUR160bn (~US\$174bn). Fully integrated into the European import and export markets with strong trade links to the UK and Germany, Poland has experience sustained growth rates of between 3 and 4% over the past 5 years.

Relating to power supply and demand, Poland aims to progressively decrease its imports from Russia placing increasing importance on development of its in-country coal reserves and domestic power generation projects.

6 Valuation

6.1 Approach

Early stage mineral asset valuations are generally subjective and are based on the potential for extraction rather than a detailed cash-flow analysis. For this reason, it is important to understand the principles that drive value at an early stage and provide a realistic, fair market estimate that takes into account the inherent risk in developing an operating mine. The term 'Fair Market Value' is an important distinction and is defined by the VALMIN code as *"The amount of money (or the cash equivalent) determined by the Expert for which the Mineral or Petroleum asset or Security should change hands on the Valuation Date in an open and unrestricted market in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion"*¹.

To comply with the above, RHDHV has adopted a 'willing buyer, willing seller' principle when assigning a fair market valuation to mineral assets.

The assets under consideration include the LCP and the Sawin concession. The project classification categories considered by RHDHV when undertaking a valuation are shown below. These categories inform the selection of an appropriate valuation method.

Exploration Areas... properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified

Advanced Exploration Areas... properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill core testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category.

Pre-Development Projects... properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.

Development Projects... properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels

Operating Mines... mineral properties, particularly mines and processing plants that have been commissioned and are in production

¹ The VALMIN Code, 2005

Due to limitations with all methods of valuation it is advisable to adopt as many techniques as both the information allows, and are reasonable in the particular circumstances. As such, RHDHV have adopted a combined (multiple method) approach which ensures the most appropriate techniques are applied per asset as well as providing a useful validity check.

There are three generally accepted valuation approaches which are applied to three different types of mineral properties; exploration, development and production. The three approaches are defined as follows²:

The Income Approach is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property.

The Market Approach is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market. Methods include comparable transactions and option or farm-in agreement terms analysis.

The Cost Approach is based on the principle of contribution to value. The appraised value method is one commonly used method where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property. Each approach is applicable given the method used is matched to the available data and maturity of the project, ranging from grass roots exploration to operating mines.

Appropriate valuation approaches and methods for the different stages of development are shown in **Figure 6-1**.

Figure 6-1: Valuation Approaches per Development Category

Valuation Approach	Valuation Method	General Development Category		
		Exploration – Pre-development	Development	Operating
Income	Discounted Cash Flow	Not generally used	Widely used	Widely used
	Real options Analysis	Less widely used	Quite widely used	Quite widely used
	Monte Carlo Analysis	Less widely used	Less widely used	Less widely used
	Probabilistic Methods	Not widely used	Not widely used	Not widely used
Market	Comparable Transactions	Widely used	Widely used	Widely used
	Option Agreement Terms	Widely used	Widely used	Quite widely used
	Gross 'in-situ' Value	Not acceptable		
	Net metal value per unit	Widely used rule of thumb		
	Value per unit area	Widely used	Not widely used	Not widely used
	Market capitalisation	More applicable to single asset junior companies		
Cost	Multiples	Quite widely used	Quite widely used	Widely used
	Exploration Expenditure	Quite widely used	Not widely used	Not generally used
	Geoscience Factor	Quite widely used	Not widely used	Not generally used

RHDHV has defined the LCP asset as an **Advanced Exploration** or a **Pre-development** project. PDZ have conducted extensive drilling which has resulted in a large, JORC (2012) defined, resource of 722Mt

² CIMVAL Standards and Guidelines, 2003

(333Mt Indicated, 390Mt Inferred) which lends itself to a Market based primary valuation method with a supporting Cost approach.

Once the Preliminary Feasibility Study (currently ongoing) has established a JORC compliant Reserve, meaningful costs and associated cash-flow; an Income approach (such as discounted cash-flow) can be considered.

The Sawin project is an early-stage asset and represents a potential extension to the LCP (pending a detailed assessment of historical geological data), and as such no Resources as defined by the JORC Code (2012) exist for the concession. Despite some historical activity, RHDHV has defined Sawin as an **Exploration** area and as such believes a Cost approach to be the most appropriate method of valuation. This has also been supported by a geoscientific factor method valuation due to a lack of appropriate comparable transactions.

A summary of valuation methods used as the basis of this TAR are presented in the table below and principally include:

Comparable Transaction – this method forms part of the Market Approach category defined above, and allows the value estimated for a mining project to be benchmarked against market rates using recent comparable transactions to derive a dollar value per unit of in situ resources, which is then applied to the property being valued. It should be based on a recent ‘arm’s length’ transactions of a similar nature and is a key tool for ensuring values are congruent with what the market would pay.

Multiple of Exploration Expenditure – this method forms part of the Cost Approach category defined above and is based on the principle of contribution to value. The method is one commonly used where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

The Geoscientific Factor Method (GFM) - also known as the Kilburn Method, is a common method of valuing early stage exploration projects with no formal Resources or confirmed mineralisation. Although considered subjective, it is reliant on the expertise of an exploration geologist who is familiar with the geological characteristics of the concession or surrounding area, and who is experienced in the assessment of mineral deposits and mineral resources.

Each method was applied to the corresponding project classification deemed most appropriate. As a secondary investigation, the remaining alternative method was then used as a cross-check. The methods applied per concession are outlined in **Table 6-1**.

Table 6-1. Valuation methods for PDZ coal assets

Asset	Classification	Primary	Validation
LCP	Advanced Exploration / Pre-development	Comparable Transaction	Multiple of Exploration Expenditure
Sawin	Exploration	Multiple of Exploration Expenditure	Geoscientific Factor Method

6.2 Lublin Coal Project

6.2.1 Comparable Transaction Method

Mineral asset transactions that have been executed within three (3) years of the valuation date have been considered by RHDHV in the assessment of potential comparable sales. To ensure consistency and to mitigate the effects of market sentiment, price and currency fluctuations have been taken into account and the analysis adjusted accordingly.

Each property is unique and key factors such as geology, mineralisation, depth, infrastructure and risks have to be considered, therefore finding executed deals that are truly comparable is one of the principle challenges with this valuation approach. Due to a lack of appropriate European and semi-soft coking coal comparisons, RHDHV have expanded the search parameters to include worldwide coal transactions. It is noted that the price achieved for a Lublin coking coal has potential to attract a premium of US\$5 to US\$15 over the price of thermal coal and has been factored into the evaluation.

Obvious anomalies have been identified and excluded from the list to enhance the likelihood that fair 'arm's-length' deals have been used in the assessment. Where possible, reasons for any exclusions, asset descriptions and risk factors are provided for transparency.

RHDHV have employed a holistic approach when evaluating the LCP, considering all major, identifiable parameters which define the deposit and its operating environment. As part of this process, RHDHV have evaluated the results for suitability by assessing asset characteristics such as project maturity, Resource size and confidence, coal type, destination and market, country risk, infrastructure and date of transaction. The results of the initial transaction search are shown in **Table 6-2**³.

From an initial assessment, several transactions have not been deemed suitable to be included as part of the comparison, but have been included for completeness and indicated in grey.

³ The preliminary transaction search has been based on information output from SNL and supplemented by additional internet research on publicly available data (reports, announcements etc).

Table 6-2: Summary of preliminary transaction search

Property Name	Principal Owner	Location	Infrastructure Description	Project Status	Coal Market	Reason for rejection
Arckaringa	Altona Energy	Australia	Relatively remote, South Australia with some minor roads and rail nearby	Feasibility	Thermal	Extraction method not comparable (CTL)
Braakfontein	Keaton Energy	South Africa	Established coal producing area of RSA	Feasibility	Thermal	Small proportion of overall asset purchased (premium assumed)
Clyde Park	Guildford Coal	Australia	Remote area of Queensland although close to rail line and MOU with port	Reserves Development	Thermal	
Collingwood	New Hope Corporation	Australia	SE Queensland, 7km spur required, plus transmission and water	Reserves Development	Thermal	
Donkin	Cline Group	Canada	Established mining region of Cape Breton, Nova Scotia	Prefeas/Scoping	Thermal, Metallurgical	
Ebenezer	Zedemar	Australia	Existing infrastructure in place, Queensland	Closed Mine	Thermal	Closed Mine
Hughenden	Guildford Coal	Australia	Remote area of Queensland although close to rail line and MOU with port	Reserves Development	Thermal	
Imaloto	Lemur Resources	Madagascar	Remote, SW Madagascar, proposed rail route to Toliara port	Prefeas/Scoping	Thermal	
Jonesville	Black Range Minerals	USA	Remote area of Alaska although 20km to rail line 300km from port	Reserves Development	Thermal	
Mariola	Balamara Resources	Poland	Established, populated region of Poland, localised rail, power and water links required	Feasibility	Thermal	
Mecsek Hills	Wildhorse Energy	Hungary	Established, populated region of Hungary, localised rail, power and water links required	Feasibility	Thermal	Extraction method not comparable (UCG)
Mooiplaats	Coal of Africa	South Africa	Within an established coalfield	Closed Mine	Thermal	Closed Mine
Nuurst	Modun Resources	Mongolia	Remote area of Mongolia but near to operating mines, 6km rail spur required	Feasibility	Thermal	High Risk country (volatile) - Mongolia
Penrhyn	WPG Resources	Australia	Relatively remote, South Australia with some minor roads and rail nearby	Reserves Development	Thermal	
Tatu	Strategic Minerals	New Zealand	Semi-remote region of NZ, localised rail, power and water links required	Prefeas/Scoping	Thermal	
TCM	Pan Asia Corporation	Indonesia	Adjacent to established open-pit mine, haul road and barging possible	Feasibility	Thermal	High Risk country (volatile) - Indonesia
Vista	Coalspur Mines	Canada	Established, populated region of Canada, localised links required, rail MOU agreed	Feasibility	Thermal	Huge Resource Base
Lublin	Prairie Mining	Poland	Established, populated region of Poland, localised rail, power and water links required	Prefeas/Scoping	Thermal and semi-soft coking	-

Following omission of those projects deemed unsuitable, nine projects remained, each of which could be considered broadly comparable with the LCP in terms of its major attributes. Reasons for project exclusions are included in **Table 6-2** and focus on major differences, such as clean coal technology projects, projects which were previously successfully operating and with minimal lead time to recommencement of mining, and those in high risk countries where valuations can differ significantly over a short time frame dependent on a range of legal or geopolitical factors.

Transaction details for the remaining suitable properties, with market-adjusted US\$/t values to account for price and currency fluctuations, are shown in **Table 6-3**:

Table 6-3. Summary of preliminary transaction search

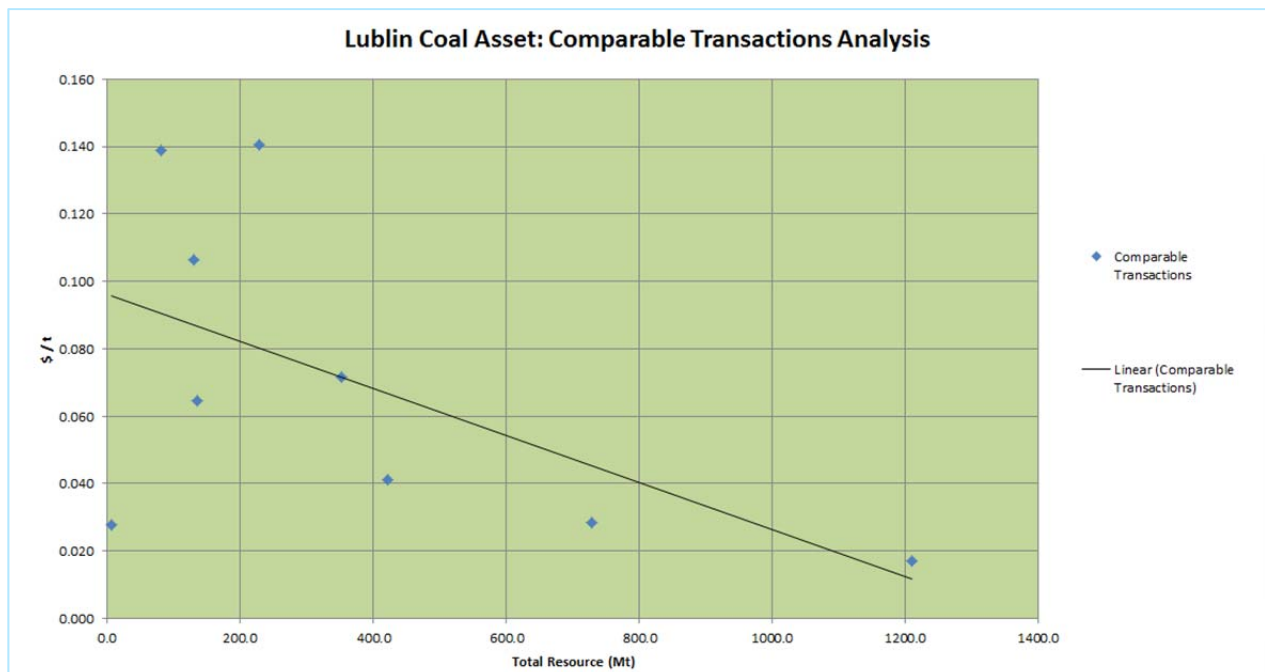
Property Name	Original Transaction Currency	Date of Transaction	Transaction breakdown	Transaction Value (\$M)*	Proportion of Transaction (%)	Coal Price at Transaction Date**	Resources (Measured + Indicated) (Mt)	Resources (Inferred) (Mt)	Total Resources (Mt)	Adjusted Transaction Value / Total Resources (\$/t)
Clyde Park	USD	Jul '14	Cash, Common Stock, Debt, Unclassified	25.0	100	70.69	50.7	677.0	727.7	0.0285
Collingwood	AUD	Feb '15	Unclassified	17.1	49	63.70	160.0	69.0	229.0	0.1405
Donkin	CAD	Jan '15	Cash, Non-contingent Future Payment, Royalty Issued	4.7	25	63.12	172.0	250.0	422.0	0.0411
Hughenden	USD	Jul '14	Cash, Common Stock, Debt, Unclassified	25.0	100	70.69	132.9	1076.0	1208.9	0.0172
Imaloto	AUD	Jun '15	Cash	3.1	36	57.11	123.1	12.6	135.7	0.0645
Jonesville	AUD	Jan '15	Common Stock, Debt Assumed	14.5	100	61.29	34.3	96.4	130.7	0.1065
Mariola	USD	Nov '14	Common Stock	11.4	85	70.02	46.1	35.0	81.1	0.1388
Penrhyn	AUD	Apr '15	Cash, Debt Assumed	26.0	100	60.63	335.9	16.5	352.4	0.0715
Tatu	NZD	Mar '15	Unclassified	0.1	51	62.01	6.7	0.0	6.7	0.0276

*Values are upon completion, if no completion data is available, announcement values are used instead

**(\$/t) Estimated from CIF ARA Coal Index (coal price accurate as of 29.07.15, using GBP to USD exchange rate of 1.56 (29.07.15))

The comparable transaction analysis results displayed in graph format are shown in **Figure 6-2**:

Figure 6-2: Comparable Transaction Analysis



RHDHV has evaluated each of the remaining projects individually and compared against the LCP asset. Outliers have been identified and duly noted in the analysis. RHDHV has applied an appropriate discounted weighting to the anomalies resulting in lower influence on the final valuation. The outliers are described below:

- Both **Collingwood** (Aus) and **Mariola** (Poland) were noted to have an anomalously high US\$/t value which could, in RHDHV's opinion, skew the results unrealistically if a lower weighting was not applied. This was disappointing given that the Mariola asset is in Poland, one of the only geographically comparable transactions available. Similarly **Jonesville** (US) appeared high for an early stage, remote project located 300km from market links.
- At the other end of the spectrum, the Guildford Coal assets, **Hughenden** (Aus) and **Clyde Park** (Aus) were highlighted due to the disproportionately high level of Inferred tonnes which resulted in a low US\$/t value. Again, this was noted in the analysis and given due consideration.

During valuation more credence was also given to projects displaying the most similarity to the LCP, namely the earlier stage, underground projects with an Inferred to Indicated resource ratio similar to the LCP. This value per unit of resource correlates with the **Donkin** project (Can), which represents the only comparable metallurgical coal project on the list and it is also at a similar stage of development.

The analysis shows that once the outliers had been discounted accordingly, the weighted mean \$/t value for the dataset is US\$0.046/t. This forms the basis for the preferred valuation multiplier of US\$0.045/t.

Based on the preferred valuation figure and considering the dataset spread, RHDHV considers a low and high multiplier of US\$0.030/t and US\$0.060/t respectively to be appropriate.

Table 6-4. Lublin Concession Comparable Transaction Valuation

Asset	Total Resource (Mt)	Market Value (US\$M)		
		Low	High	Preferred
Lublin Coal Project	722	\$0.030/t	\$0.060/t	\$0.045/t
Project Value (US\$M)		21.7	43.3	32.5

The upper and lower market values are approximately equivalent to the maximum and minimum US\$/t values observed in the dataset.

6.2.2 Multiple of Exploration Expenditure

The Multiple of Exploration Expenditure (MEE) valuation technique is based on the principle of past expenditure and applies a premium (or discount) to past and committed future exploration costs by the use of a Prospectivity Enhancement Multiplier (PEM) which applies a multiplier related to the success of previous exploration activities, depending on whether the exploration has enhanced the prospectivity of the deposit or not.

This approach is also subjective by nature but does rely upon warranted cost data with a set of defined parameters used to assign an appropriate PEM, shown in **Table 6-5**.

Table 6-5. Common PEM Factors for exploration projects

PEM	Description / Justification
0.2	Exploration has downgraded the prospectivity – no deposit found
0.5	Exploration potential degraded – no significant deposit found
1.0	Exploration has maintained (not downgraded) the prospectivity
1.3	Exploration has slightly enhanced the prospectivity
1.5	Exploration has considerably increased the prospectivity (geological mapping, geophysics, analysis)
2.0	Reconnaissance drilling intersected deposit
2.5	Infill drilling has defined a deposit with potential for future economic extraction
3.0	Inferred Resource has been defined, no feasibility study at this stage
4.0	Indicated Resources have been defined which are likely to form the basis of a Pre-Feasibility Study
5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment

PDZ have provided exploration costs that have advanced the development of the LCP and have been used as the basis for this valuation. Overheads, management, administrative and general costs have not been considered as part of the assessment. It was considered that as Indicated Resources have been defined and a PFS is currently underway, a preferred multiplier of no less than 4.0 should be assigned with an upper limit of 4.5. The results are shown in **Table 6-6**.

Table 6-6. Lublin MEE Valuation Results

Year	Exploration Expenditure (US\$)	Prospectivity Enhancement Multiplier	
FY2013	1,068,355	Preferred – 4.0	High – 4.5
FY2014	3,787,013		
FY2015	3,926,649		
Total	8,782,016		
	Project Value (US\$M)	35.1	39.5

The MEE approach is used to derive the technical or intrinsic value of a project without considering market factors. In this scenario, RHDHV is satisfied that the valuation is broadly in line with the market approach and have included it as a validation.

6.3 Sawin-Zachód concession

6.3.1 Cost Approach (MEE)

RHDHV has been provided with planned and approved budget expectations for the Sawin concession for the next 12 months (Table 6-7). These costs are mostly attributable to exploration activity and the drilling of one (1) borehole to meet the terms of the concession agreement, discussed previously. Table 6-7 provides a breakdown of expected expenditure.

Table 6-7. Expected Expenditure on Sawin, next 12 months

Exploration Activity	Planned and approved exploration expenditure (next 12 months)	
	PLN (Polish Zlotny)	US\$
Drilling (1 no. borehole)	1,200,000	324,120
Drilling supervision, logging and statutory papers	600,000	162,060
Coal quality, geotechnical and geophysical investigations	600,000	162,060
TOTAL	2,400,000	648,240

A Prospectivity Enhancement Multiplier (PEM) has been applied to the expenditure values allocated to Sawin, budgeted to be spent by PDZ over the next 12 months in order to derive a current value for the concession based on its perceived prospectivity.

In order to define a range of low, preferred and high valuations for the Sawin concession, PEM values have been chosen based on the current progress of exploration (**Table 6-5**). Historical data has been assessed by the Prairie geological team and considered of sufficient quantity and quality to enable a simple geological model to be constructed in order to estimate an Exploration Target (of between 90Mt and 130Mt).

Whilst RHDHV have not conducted an audit, it is considered highly unlikely that the historical data warrants a downgrading in the prospectivity i.e. the historical drilling has been successful in intersecting coal seams and confidence can be taken in the proximity to and simple structure observed at the adjacent LCP concessions. As such a PEM ≥ 1.0 should be used in this instance.

Considering a higher PEM, a value of 2.5 would be deemed too high given that no infill drilling has yet been undertaken and consideration for its future extraction has not been fully investigated. A PEM between 1.0 and 1.5 is viewed as most appropriate given the entirely historical nature of the drilling data, not yet confirmed by more up to date exploration drilling.

Therefore, RHDHV have applied PEM values of 1.0, 1.3 and 1.5 to represent low, preferred and high valuations for the concession. These valuations are presented in **Table 6-8**.

Table 6-8. PEMs and Cost Based Valuation Approach, Sawin

	PEM	Description / Justification	Valuation (US\$)
Low	1.0	Exploration has maintained (not downgraded) the prospectivity	648,240
Preferred	1.3	Exploration has slightly enhanced the prospectivity	842,712
High	1.5	Exploration has considerably increased the prospectivity (geological mapping, geophysics, analysis)	972,360

6.3.2 Alternative Valuation

Alternative valuation methods have been investigated in an attempt to validate the Cost Base Approach. It is best practice to use as many valuation techniques as possible, however RHDHV consider many of the alternatives to be too subjective or inappropriate to apply to the Sawin concession.

The **Comparable Transaction Approach** (market based) is difficult to apply in this instance. Due to the early stage of the Sawin concession, very few comparable projects have been identified from the industry – i.e. an early stage project with no formal JORC Resources adjacent to more advanced/operating projects. As such the **Geoscientific Factor Method** (GFM) has been used as the validation valuation approach for the Sawin asset. This method is a purely technical valuation with no in-built consideration for market conditions. It is accepted by many within the industry that this method should not be used as a primary technique but only as a cross-check against other methods. In this case, the GSF method has not been used in isolation by RHDHV but rather as a means of testing the results of the Cost Based Approach.

In principle, the Geoscientific Factor Method is based on the multiplication of weighting factors that are determined by an interpretation of the known geological characteristics of the property. These characteristics can be divided into 19 categories, themselves based on 4 main considerations, including; (i) location of the property with respect to known off-property mineral occurrences or targets, (ii) grade of mineralisation on the property, (iii) geophysical or geochemical targets on the property, and (iv) number of geological features.

After the multiplication of weighting factors, the initial upfront costs of the concession (in this case approximately A\$21,700 or US\$15,800) is also factored in. A resultant valuation of **US\$1.70m** was determined for Sawin that approximately falls within the same order of magnitude as the primary MEE method.

Table 6-9: Geoscientific Factor Method Outcome

	Product of Geological Factors	Approximate Annual Concession Cost (US\$)	Valuation (US\$m)
Preferred	108	15,800	1.7

Upon review, it is the opinion of RHDHV that the location of the Sawin concession adjacent to the LCP – an advanced stage exploration project undergoing a PFS – and close proximity to the operating Bogdanka Coal Mine, serves to increase the weighting factors used in the above calculation resulting in an overestimated valuation, however RHDHV is satisfied that the GSF method generally corroborates the results of the primary valuation (MEE), falling within the same order of magnitude.

6.4 Summary

RHDHV have used several valuation techniques to derive a value for the Lublin and Sawin concessions, relying on Market and Cost based approaches due to the development status of the two assets. Despite challenges such as lack of suitable comparable European and coking assets for Lublin and issues with a lack of defined Resources for Sawin,

RHDHV is satisfied that the results reflect a true market valuation for both properties.

Lublin Coal Project - RHDHV has derived a valuation range of between US\$21.7m and US\$43.3m with a preferred value of **US\$32.5m** (effective valuation date: 29th July 2015).

Sawin - the results return a valuation range of US\$0.65m to US\$1.6m with a preferred value of **US\$0.84m** (effective valuation date: 29th July 2015).

A summary of RHDHV's valuation of the PDZ assets is provided in **Table 6-10** and **Table 6-11**.

Table 6-10: Valuation Summary: Lublin Coal Project

Valuation Approach	Method	Market Value (US\$M)		
		Low	High	Preferred
Primary	Comparable Sales	21.7	43.3	32.5
Validation	Multiple of Exploration Expenditure		39.5	35.1
Lublin Coal Project		21.7	43.3	32.5

Table 6-11: Valuation Summary: Sawin-Zachód Concession

Valuation Approach	Method	Market Value (US\$M)		
		Low	High	Preferred
Primary	Multiple of Exploration Expenditure	0.65	0.97	0.84
Validation	Geoscientific Factor Method			1.70
Sawin-Zachod Concession		0.65	0.97	0.84

7 References

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Baurens, S. Valuation of Metals and Mining Companies, 2010

Schedule 3 – Terms and Conditions of Options

1. Entitlement

Each Option (together the **Options**) entitles the holder (**Holder**) to subscribe for one ordinary share (**Share**) in Prairie Mining Limited (**Company**) upon exercise.

2. Exercise Price and Expiry Date

Each Option shall have an exercise price of \$0.60 (**Exercise Price**) and expire 36 months from the date of issue (**Expiry Date**).

3. Exercise Period

Each Option is exercisable at any time after the date of grant of the Option and before the Expiry Date (**Exercise Period**).

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company and be issued free of all encumbrances, liens and third party interests.

6. Quotation of Shares on exercise

Application will be made by the Company to the Australian Securities Exchange (**ASX**) for official quotation of the Shares issued upon the exercise of the Options.

7. Timing of issue of Shares and quotation of Shares on exercise

(a) Subject to clause 7(b), within five business days after the later of the following:

- (i) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised (**Exercise of the Option**); and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of a Notice of Exercise as set out in clause 7(a) above,

the Company will:

- (iii) allot and issue the Shares pursuant to the exercise of the Options;
- (iv) as soon as reasonably practicable, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge

a prospectus with ASIC that qualifies the Shares issued upon exercise of the Options for resale under section 708A(11) of the Corporations Act (**Section 708A Documents**); and

- (v) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (b) If it takes longer than five business days after the Exercise of the Option for the Company to issue the Section 708A Documents, the Holder may decide at any time after these initial five business days by written notice to the Company (**Written Notice**) that it does not require the issue of the Section 708A Documents and that it requires the issue and allotment of the Shares pursuant to such exercise of the Options to occur within five business days of the Written Notice.
- (c) If the Options are listed, the Company shall only be required to issue Shares pursuant to the mechanics in clause 7(a) on one day each calendar month which shall be the date which is one week following the end of each calendar month (in respect of Notices of Exercise received in the previous calendar month).

8. Participation in new issues

- (a) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.
- (b) However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the Holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

9. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Holder of Options had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

10. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N+1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

11. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Holders of Options will be varied to comply the Listing Rules which apply to the reorganisation at the time of the reorganisation.

12. Depository Interests

If requested by the Holder, the Company will use all reasonable endeavours to assist the Holder to promptly transfer the Shares issued upon exercise of any Options to either:

- (a) the Company's United Kingdom depository, such that the requisite number of depository interests are subsequently issued to the Holder which are able to be traded on the London Stock Exchange; or
- (b) if applicable, to the Company's Polish depository to enable the Shares or depository interests thereof to be traded on the Warsaw Stock Exchange.

13. Options Transferable

The Options are freely transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act.

14. Authorisation

The Company represents and warrants to the Holder that the Options are validly issued and create an obligation on the Company to issue Shares upon exercise of the Options.

15. Amendments

The terms and conditions of the Options may only be amended subject to compliance with the Listing Rules.

16. Lodgement Instructions

The exercise price of the Options may be paid by direct deposit into the bank account of the Company (specified by the Company from time to time) or by cheque in Australian currency made payable to the Company and crossed "Not Negotiable".

The application for shares on exercise of the Options with the appropriate remittance/evidence of direct deposit should be lodged at or sent to (by courier, mail, email or facsimile) the Company's office in Perth attention to the Company Secretary.

17. Listing Rules Ceasing to Apply

If the Company ceases to be listed on ASX, clause 15 of these terms will cease to apply and clause 11 shall continue to apply based on the relevant provisions of the Listing Rules as at the time of delisting.

Schedule 4 - Terms and Conditions of PDZ Holdings Options

1. Entitlement

Each Option (together the **Options**) entitles the holder (**Holder**) to subscribe for one ordinary share (**Share**) in PDZ Holdings Pty Ltd (**Company**) upon exercise.

2. Exercise Price and Expiry Date

Each Option shall have an exercise price of \$0.60 (**Exercise Price**) and expire 36 months from the date of issue (**Expiry Date**).

3. Exercise Period

Each Option is exercisable at any time after the date of grant of the Option and before the Expiry Date (**Exercise Period**).

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

6. Timing of issue of Shares and quotation of Shares on exercise

Within five business days after receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised the Company will allot and issue the Shares pursuant to the exercise of the Options.

7. Participation in new issues

- (a) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders of the Company or Prairie Mining Limited (**Prairie**) during the currency of the Options.
- (b) However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after any such issue is announced by Prairie. This will give the Holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue in Prairie.

8. Adjustment for bonus issues of Shares

If the Company or Prairie makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Holder of Options had exercised the Option before the Company's record date for the bonus issue or in the case of a bonus issue of Prairie, as if the Options had been exercisable into shares in Prairie; and
- (b) no change will be made to the Exercise Price.

9. Adjustment for rights issue

If the Company or Prairie makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N+1} \quad \text{divided by}$$

O = the old Exercise Price of the Option.

E = the number of underlying shares into which one Option is exercisable.

P = average market price per Prairie share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).

N = the number of shares with rights or entitlements that must be held to receive a right to one new share.

10. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of Prairie, the rights of the Holders of Options will be varied (as if the Options were exercisable into Shares) to comply the Listing Rules which apply to the reorganisation at the time of the reorganisation.

11. Options Transferable

The Options are freely transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act.

12. Authorisation

The Company represents and warrants to the Holder that the Options are validly issued and create an obligation on the Company to issue Shares upon exercise of the Options.

13. Amendments

The terms and conditions of the Options may only be amended (as if the Options were exercisable into Shares) subject to compliance with the Listing Rules.

14. Lodgement Instructions

The exercise price of the Options may be paid by direct deposit into the bank account of the Company (specified by the Company from time to time) or by cheque in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance/evidence of direct deposit should be lodged at or sent to (by courier, mail, email or facsimile) the Company's office in Perth attention to the Company Secretary.

15. Listing Rules Ceasing to Apply

If Prairie ceases to be listed on ASX, clause 13 of these terms will cease to apply and clause 10 shall continue to apply based on the relevant provisions of the Listing Rules as at the time of delisting.

Schedule 5 - Overview of the Performance Rights Plan rules and terms and conditions

Capitalised terms used in this Schedule 5 which have not been defined have the meaning given in Schedule 1.

The main features of the Performance Rights Plan (and the terms and conditions to be attached to the Performance Rights Plan) are summarised as follows:

Eligible Participants: The eligible participants under the Performance Rights Plan are full time employees and permanent part-time employees of the Company and its subsidiaries (including Directors) and any other person determined by the Board to be included for the purposes of the Performance Rights Plan (**Eligible Employees**) and contractors engaged by the Company and its subsidiaries who are determined by the Board to be eligible participants for the purposes of the Performance Rights Plan (**Eligible Contractors**). In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan and be granted Performance Rights.

Limits on Entitlement: An offer of Performance Rights may only be made under the Performance Rights Plan if the number of Shares that may be issued on exercise of those Performance Rights, when aggregated with:

- (a) the number of Shares which would be issued if each outstanding Performance Right was exercised into Shares (as the case may be); and
- (b) the number of Shares issued during the previous three years pursuant to the Performance Rights Plan,

does not exceed 10% of the total number of issued Shares as at the time of the offer.

Individual Limits: The Performance Rights Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

Consideration Payable: Performance Rights will be issued for no consideration and no amount will be payable upon exercise thereof.

Offer and Performance Conditions: The Performance Rights issued under the Performance Rights Plan to eligible participants may be subject to performance conditions, determined by the Board from time to time and expressed in a written offer letter (**Offer**) made by the Company to the eligible participant which is subject to acceptance by the eligible participant within a specified period. The performance conditions may include one or more of:

- (a) service to the Company of a minimum period of time;
- (b) achievement of specific performance conditions by the participant and/or by the Company;
- (c) a vesting period following satisfaction of performance conditions before the Performance Rights vest; or
- (d) such other performance conditions as the Board may determine and set out in the Offer.

The Board in its absolute discretion determines whether performance conditions have been met.

Expiry Date & Lapse: Performance Rights may have an expiry date as the Board may determine in its absolute discretion and specify in the Offer. The Board is not permitted to extend an expiry date without shareholder approval.

If a performance condition of a Performance Right is not achieved by expiry date then the Performance Rights will lapse. A Performance Right will also lapse if the Board determines the participant ceases to be an Eligible Employee or an Eligible Contractor for the purposes of the Performance Rights Plan for any reason (other than as a result of retirement, disability, bona fide redundancy or death).

Retirement, Disability, Redundancy, Death or Removal as a Director: Under the Performance Rights Plan, upon the retirement, total and permanent disability, bona fide redundancy, death of a participant or in the case of persons holding managerial or executive office who are participants, removal from that office (unless the Board determines otherwise), then in respect of those Performance Rights which have not satisfied the performance condition but have not lapsed, then the participant shall be permitted to continue to hold those Performance Rights as if the participant was still an Eligible Employee.

Forfeiture: If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Shares to be forfeited. In the event the underlying Shares have been sold by the participant, the participant will be required to pay all or part of the net proceeds of that sale to the Company.

Assignment: Without prior 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.

Takeover Bid or Change of Control: All Performance Rights automatically vest in the event of:

- (a) a Court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company;
- (b) a takeover bid (as defined in the Corporations Act) is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of the shares in the Company; or
- (c) any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.

Alteration in Share Capital: Appropriate adjustments will be made to the number of Performance Rights in accordance with the Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

Pro Rata Issue of Securities: A holder of Performance Rights will only be able to participate in a pro rata offer of new securities in the Company to existing shareholders, if,

prior to the record date, the Performance Rights have been duly exercised. In addition, no adjustment to the number of Shares a Performance Rights holder is entitled to or adjustment to any Performance Condition which is based, in whole or in part, upon the Company's Share price, shall occur as a result of the Company undertaking a rights issue.

Bonus Issue: If, during the term of any Performance Rights, the Company completes a bonus issue, the number of Shares each Performance Rights holder is then entitled, shall be increased by that number of securities which the holder would have been issued if the Performance Rights then held by the holder were exercised immediately prior to the record date for the bonus issue.

Participation in other Opportunities: There are no participation rights or entitlements inherent in the Performance Rights though the Company will use its reasonable endeavours to ensure that each holder is given an opportunity to participate on the same basis as if his or her Performance Rights had been exercised.

Termination, Suspension or Amendment: The Board may terminate, suspend or amend the Performance Rights Plan at any time subject to any resolution of the Company required by the Listing Rules.

PRAIRIE MINING LIMITED
ACN 008 677 852

PROXY FORM

The Company Secretary
Prairie Mining Limited

By delivery:
Level 9, 28 The Esplanade
PERTH WA 6000

By post:
PO Box Z5083
PERTH WA 6831

By facsimile:
+61 8 9322 6558

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark ☒ to indicate your directions. Further instructions are provided overleaf. Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

**The Chairperson
(mark box)**

☐

OR if you are **NOT** appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairperson of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the General Meeting of the Company to be held at 4:00 pm (Perth time) on Monday 21 September 2015, at the Plaza Level, BGC Centre, 28 The Esplanade, Perth Western Australia and at any adjournment or postponement of that Meeting.

If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is []% of the Shareholder's votes / [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request.

Important – If the Chairperson is your proxy or is appointed your proxy by default

The Chairperson intends to vote all available proxies in favour of all Resolutions. If the Chairperson is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to a Resolution, you will be expressly authorising the Chairperson to vote in accordance with the Chairperson's voting intentions on that Resolution even if that Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Step 2 – Instructions as to Voting on Resolutions

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Approval of Transactions under the Investment Agreement			
Resolution 2	Amendment to Performance Rights Plan			
Resolution 3	Approval to grant Performance Rights to Mr Benjamin Stoikovich			
Resolution 4	Approval to vary terms of existing Performance Rights			

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the general meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting. If the Shareholder is entitled to cast 2 or more votes at the general meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting, the representative of the body corporate to attend the general meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the general meeting the appropriate 'Certificate of Appointment of Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 9, 28 The Esplanade, Perth, WA, 6000, or by post to PO Box Z5083, Perth, WA, 6831 or Facsimile (08) 9322 6558 if faxed from within Australia or +618 9322 6558 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).