



**Prairie Mining**  
Limited

# **Interim Financial Report for the Half-Year Ended 31 December 2015**

**ABN 23 008 677 852**

## CORPORATE DIRECTORY

### DIRECTORS:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Emil Morfett	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

### COMPANY SECRETARY:

Mr Dylan Browne

### PRINCIPAL OFFICES:

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### AUDITOR:

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Australian Securities Exchange  
Home Branch – Perth  
2 The Esplanade  
Perth WA 6000  
ASX Code: PDZ

#### United Kingdom:

London Stock Exchange – Main Board  
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London ECM 7LS  
LSE Code: PDZ

#### Poland:

Warsaw Stock Exchange  
Książęca 4  
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WSE Code: PDZ

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## CONTENTS

	Page
Directors' Report	1
Directors' Declaration	10
Consolidated Statement of Profit or Loss and other Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	15
Auditor's Independence Declaration	21
Independent Auditor's Review Report	22

## DIRECTORS' REPORT

The Directors of Prairie Mining Limited present their report on the Consolidated Entity consisting of Prairie Mining Limited ("Company" or "Prairie") and the entities it controlled during the half-year ended 31 December 2015 ("Consolidated Entity" or "Group").

### DIRECTORS

The names and details of the Company's Directors in office at any time during the half-year and until the date of this report are:

#### Current Directors:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director (appointed 21 September 2015)
Mr Emil Morfett	Non-Executive Director (appointed 21 September 2015)
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

#### Former Directors:

Mr Anastasios Arima	Executive Director (resigned 21 September 2015)
Mr John Welborn	Non-Executive Director (resigned 21 September 2015)

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

## OPERATING AND FINANCIAL REVIEW

### Operations

Highlights during, and subsequent to, the end of the half-year include:

- (i) Cash and listed securities of \$17.8 million held at 31 December 2015 placing the Company in an excellent position to complete its planned activities at the Project.
- (ii) Completed an investment agreement ("Investment Agreement") with CD Capital Natural Resources Fund III LP ("CD Capital") for an investment in Prairie's 100% owned subsidiary, PDZ Holdings Pty Ltd ("PDZ Holdings"), of up to A\$83 million to upgrade, expand and develop the Lublin Coal Project ("LCP" or "Project");
- (iii) Secured a three year exclusive right to apply and be granted a mining concession for the Project following the approval of geological documentation by the Polish Ministry of Environment ("MoE");
- (iv) Announced a substantial increase in Indicated Coal Resources to 333 million tonnes ("Mt") for the LCP, representing a 96% increase compared to the 2014 Coal Resource Estimate ("CRE");
- (v) The Company completed the admission of its ordinary shares on the main market of the London Stock Exchange and the main market of the Warsaw Stock Exchange. Following the admissions, Prairie has enjoyed high volumes and good liquidity on the Warsaw Stock Exchange which has highlighted the strong local market support for the Company;
- (vi) Significant progression of the Pre-Feasibility Study ("PFS") for the LCP which has been designed to comply with international best practice in all study areas. The PFS is expected to be completed and published in the coming days which will be followed by a comprehensive marketing campaign of the PFS including targeted investor presentations, Polish focused roadshows and Project site visits;
- (vii) Continued baseline studies for the Environmental and Social Impact Assessment ("ESIA"), the completion of which is a pre-requisite for the grant of a mining licence over the Company's concessions; and
- (viii) Drilling activities commenced at LCP's Sawin-Zachod ("Sawin") exploration concession.

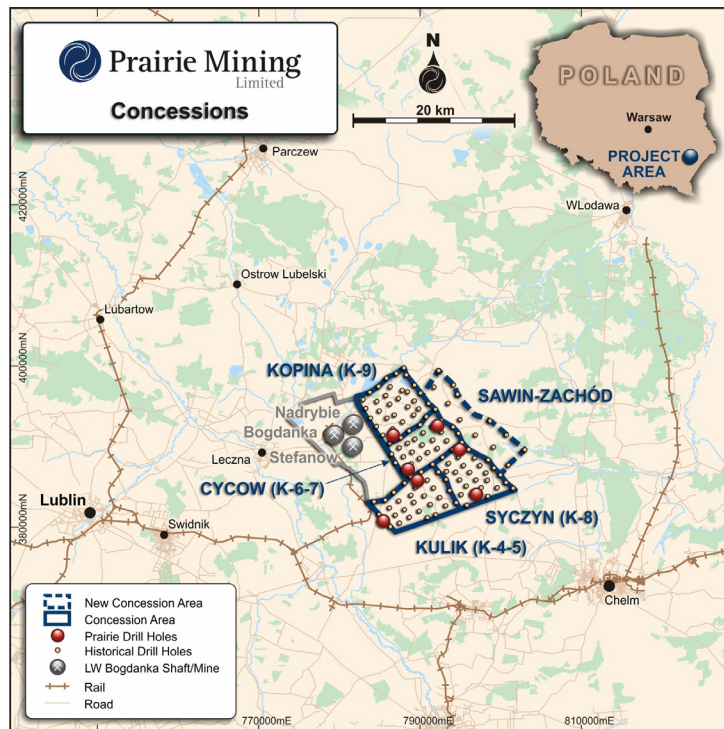
### Lublin Coal Project

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

## DIRECTORS' REPORT (Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Lublin Coal Project (Continued)



**Figure 1: Lublin Coal Project Concessions**

#### *CD Capital to Invest up to \$83m in Prairie's Lublin Coal Project*

On 21 September 2015, Prairie completed an Investment Agreement with CD Capital to raise up to \$83 million. CD Capital have committed to be a key strategic funding partner in the upgrading, expansion and development of Prairie's LCP.

The transaction was approved by shareholders on 21 September 2015 and is structured in three tranches as follows:

- a private placement by PDZ Holdings (a wholly-owned subsidiary of Prairie which indirectly holds the LCP) of non-interest bearing convertible loan notes with an aggregate principal amount of \$15 million to CD Capital, exchangeable for ordinary shares of Prairie at \$0.335 per share;
- the grant of unlisted options in Prairie with an exercise price of A\$0.60 per option for a further \$13 million once exercised; and
- a priority right for CD Capital to invest a further A\$55 million in any future funding conducted by Prairie.

The initial \$15 million already received will fund the de-risking of the Project towards a construction decision. The transaction is intended to fully fund all required works up to a positive mine development decision at the LCP, including the completion of a DFS and all required permitting.

CD Capital securing rights to provide \$55 million as part of future Prairie fund raising provides a solid platform for Prairie to progress project financing for the successful development of the LCP.

Under the terms of the Investment Agreement, CD Capital has appointed two directors, Ms Carmel Daniele and Mr Emil Morfett, to the Board of Prairie.

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

## DIRECTORS' REPORT (Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Lublin Coal Project (Continued)

##### *Approval of Geological Documentation*

On 1 July 2015, Prairie announced that it had secured the Exclusive Right to apply for, and consequently be granted, a mining concession for the LCP. This follows the approval by Poland's MoE of Prairie's previously submitted geological documentation and is in accordance with the terms of the Polish Geological and Mining Law (2011) ("GML"). Geological documentation is a resource estimate prepared according to the standards prescribed in the Polish resource reporting code and follows the successful completion of all required exploration works by Prairie under its concession commitments with the MoE.

As a result of its geological documentation being approved, Prairie is now the only entity that can lodge a mining concession application over the LCP within a three (3) year period. The Company is advancing technical and environmental feasibility programs for the LCP in accordance with standards of international best practice and intends to submit the mining concession application for the Project in 2016 or 2017.

The approved Geological Documentation covers an area comprising all four of the original exploration concessions granted to Prairie (K-4-5, K-6-7, K-8 and K-9) and includes the full extent of the targeted resources within the mine plan for the Project. As part of its application for the approval of geological documentation, Prairie relinquished a small area to the north of the K-9 concession as the coal within this region has been deemed not of mineable thickness. In addition, Prairie's geological documentation did not include the recently awarded Sawin concession which may be added at a later date.

##### *Coal Resource Estimate*

An updated CRE was published during the half-year, delivering a substantial increase in Indicated Coal Resources to 333Mt which represents a 96% increase from the previous CRE in 2014.

The updated CRE focused on increasing the number of Indicated tonnes within the overall resource to support the mine plan for the PFS as the Project heads into the development phase.

The Project currently hosts a Coal Resource Estimate ("CRE") of 722Mt which comprises 333Mt in the Indicated Category. The CRE has been modelled based on data from 10 coal seams that were considered economically extractable and applies a 1m seam thickness cut off and a 100m stand-off from the Jurassic formation.

<b>Table 1: Lublin Coal Project Coal Resource Estimate – Gross Seam Thickness</b>			
<b>Coal Seam</b>	<b>Indicated Coal Resource In-Situ (Mt)</b>	<b>Inferred Coal Resource In-Situ (Mt)</b>	<b>Total Coal Resource In-Situ (Mt)</b>
<b>382</b>	60	39	<b>98</b>
<b>385</b>	39	21	<b>60</b>
<b>389</b>	19	41	<b>60</b>
<b>391</b>	164	82	<b>246</b>
<b>Other Seams</b>	51	207	<b>258</b>
<b>Total – Project Area</b>	<b>333</b>	<b>390</b>	<b>722</b>

\* The tonnage calculations for the Indicated Resource have included allowances for geological uncertainty (15%)

\* Note: Apparent differences in totals may occur due to rounding

## DIRECTORS' REPORT (Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Lublin Coal Project (Continued)

##### Coal Resource Estimate (Continued)

Table 2: 7 Hole Coal Quality Analysis – 391 Coal Seam							
Drill Hole ID	Washed Coal Quality (Air Dried Basis)						
	Calorific Value	FSI	Ash	Volatile Matter	Moisture	Sulphur	Yield @ 1.35 Float
Kulik	7,806 kcal/kg	6.0	2.2%	36.4%	2.7%	1.0%	94%
Cycow 7	7,832 kcal/kg	5.5	2.3%	37.6%	2.2%	1.06%	71.5%
Kopina 1	7,526 kcal/kg	4.0	2.0%	35.6%	2.3%	0.9%	95%
Cycow 8	7,618 kcal/kg	2.0	2.4%	34.3%	4.0%	0.60%	91%
Syczyn 7	7,830 kcal/kg	6.0	2.4%	36.7%	3.3%	0.7%	97%
Syczyn 8	7,798 kcal/kg	4.5	1.5%	36.7%	3.8%	0.66%	84%
Borowo	7,809 kcal/kg	5.0	2.7%	33.2%	2.4%	1.0%	75%

##### Pre-Feasibility Study

During the half-year, the Company significantly progressed with the PFS. A joint team of consultants from Golder Associates (UK) Ltd ("Golder") and Royal HaskoningDHV ("RHDHV") are managing the PFS which 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.

##### London Stock Exchange and Warsaw Stock Exchange Listings

In September 2015, the Company completed the admission of its ordinary shares on the main market of the London Stock Exchange and on the main market of the Warsaw Stock Exchange. Following the admissions, Prairie has enjoyed high volumes and good liquidity on the Warsaw Stock Exchange which has highlighted the strong local market support for the Company.

### Corporate

The following material corporate events occurred during the half-year ended 31 December 2015:

- (i) In September 2015, the Company commenced trading of its shares on the main boards of the London Stock Exchange and Warsaw Stock Exchange;
- (ii) On 21 September 2015, following shareholder approval, the Company completed an Investment Agreement with CD Capital for an investment in PDZ Holdings to raise potentially up to A\$83 million to upgrade, expand and develop the Project;
- (iii) On 21 September 2015, in accordance with the Investment Agreement with CD Capital, the Company appointed CD Capital's nominee directors, Ms Carmel Daniele and Mr Emil Morfett, as Non-Executive Directors of the Company. To facilitate the CD Capital director appointments, Mr Welborn and Mr Arima resigned as directors of the Company; and
- (iv) On 2 October 2015, the Company issued 7,064,000 performance rights to the Chief Executive Office and other key employee and contractors of the Company pursuant to the Company's Performance Rights Plan.



## DIRECTORS' REPORT (Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Results of Operations

The net loss of the Consolidated Entity for the half-year ended 31 December 2015 was \$6,922,405 (Restated 31 December 2014: \$1,068,334). Significant items contributing to the current half-year loss and the substantial differences from the previous half-year include the following:

- (i) Exploration and evaluation expenses of \$2,357,273 (31 December 2014: \$4,292,036), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of rights to explore and up to the commencement of a bankable feasibility study for each separate area of interest. As a direct result of exploration and evaluation activities conducted during the half-year, the Group achieved key milestones including (i) approval of geological documentation and securing a three year exclusive right to apply for a mining concession at the LCP; (ii) publishing an updated CRE for the project which represented a 96% increase in Indicated Coal Resources compared to the 2014 Coal Resource Estimate; (iii) significant progression of the PFS; and (iv) and the progression of baseline studies for the ESIA;
- (ii) Business development expenses of \$954,178 (31 December 2014: \$422,552) which includes expenses relating to the Group's investor relations activities during the six months to 31 December 2015 and costs incurred in relation to the admission of the Company's shares on the London Stock Exchange and Warsaw Stock Exchange. Other business development costs incurred include brokerage fees, travel costs, attendances at conferences and consultant costs;
- (iii) Non-cash share-based payment expenses of \$706,221 (31 December 2014: \$889,725) due to incentive securities issued to key management personnel and other key employees and consultants of the Group as part of the long-term incentive plan to reward key management personnel and other key employees and consultants for the long term performance of the Group. The expense results from the Group's accounting policy of expensing the fair value (determined using an appropriate pricing model) of incentive securities granted on a straight-line basis over the vesting period of the options and rights. The decrease in share-based payment expenses in 2015 compared to 2014 is attributable to the grant of additional incentive securities at a lower fair value in 2015 compared to 2014 being issued;
- (iv) Non-cash gain on the derecognition of available-for-sale financial assets of nil (Restated 31 December 2014: \$9,593,775). At 1 July 2014, the Company held 10.0 million fully paid ordinary shares in Papillon Resources Limited ("Papillon") (ASX:PIR). In October 2014, Papillon implemented a scheme of arrangement by which B2Gold Corp (TSX:BTO) ("B2Gold") acquired all of the issued shares in Papillon ("Scheme"). In consideration for the Scheme, Prairie received 0.661 B2Gold shares for every Papillon share held. As a result of the Scheme, the Company was required to derecognise the Papillon available-for-sale asset. The Company subsequently recognised the B2Gold shares as a held-for-trading financial asset (fair value through profit and loss);
- (v) Other income of nil (Restated 31 December 2014: \$1,323,851). In the six months to 31 December 2014 a net gain was recognised on the sale of a parcel of one (1) million Papillon shares (available-for-sale financial assets) which amounted to \$1,323,851. The Company subsequently derecognised the Papillon available-for-sale asset as detailed above in point (iv) with no further sales made in the six months to 31 December 2015.
- (vi) Non-cash other expenses of \$2,385,080 (Restated 31 December 2014: \$1,539,747) as a result of the fair value loss on the B2Gold financial assets at fair value through profit and loss. The increase in the loss during the six months to 31 December 2015 is the direct result of a reduction in the value of B2Gold listed securities held by the Company; and
- (vii) An income tax expense of nil (31 December 2014: \$4,410,000). This is due to the derecognition of available-for-sale assets that occurred in the six months to 31 December 2014.

#### Financial Position

At 31 December 2015, the Group had cash reserves of \$12,586,439 (30 June 2015: \$2,076,409) and held-for-trading financial assets of \$5,184,674 (30 June 2015: \$7,569,754). This places the Group in a very strong financial position allowing it to continue with its various planned development initiatives at the LCP.

At 31 December 2015, the Company had net assets of \$17,623,820 (30 June 2015: \$9,399,258) an increase of 85% compared with 30 June 2015. This is consistent and largely attributable to the receipt of \$15 million pursuant to the CD Capital Investment Agreement offset by the loss for the six months to 31 December 2015 and the decrease in value of listed securities held by the Company.

## DIRECTORS' REPORT (Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Business Strategies and Prospects for Future Financial Years

Prairie's strategy is to create long-term shareholder value by continuing to explore and develop the LCP in Poland.

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

- complete and publish the PFS on the LCP, which is scheduled for completion in the coming weeks;
- Continue the mining concession process for the LCP having been granted the 3 year Priority Right, including the rezoning of land for mining use, the completion of a Deposit Development Plan ("DDP") and ESIA for the LCP and submission of these to the local authorities for approval. Once approved the Company will apply for a mining concession for the LCP;
- complete European coal marketing studies for the LCP;
- complete further coal quality and washability testing to confirm product specifications and potential yields to support a DFS;
- Subject to the results of the PFS, proceed with the commencement of the DFS to begin the development and financing of the LCP; and
- conduct additional exploration at Sawin.

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

- ***The Company's activities will require further capital*** – The ability of the Company to finance future capital investment for the development and continuing operation of the Project is dependent, among other things, on the Company's ability to raise additional future funding either through equity or debt financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development of the Project or even a loss of property interest. The key initial items in respect of which the Company would require further funding in the future would be the development and construction of the mine at the LCP. In this regard, and pursuant to the CD Capital Investment Agreement, CD Capital has a first right to invest a further \$55 million in any future fund raise conducted by the Company. There is however no guarantee that CD Capital would take up this right in the future and there is a risk that the Company's obligation to offer CD Capital a first right of refusal on any future fund raising could prejudice the Company's ability to raise funds from investors other than CD Capital. However, the Company considers that it would not be necessary to undertake such development actions until it has secured financing to do so and the timing for commencement of such actions would accordingly depend on the date that such financing is secured. If, in the unlikely event that future financing cannot be secured, the Group has the flexibility to significantly reduce its ongoing expenditure.

The Company's board of directors has a successful track record of fundraising for natural resources projects, including large scale coal projects, and has completed successful financing transactions with strategic partners, large institutional fund managers, off-take partners and traders and project finance lenders. There is however no guarantee that the then prevailing market conditions will allow for a fundraising or that new investors will be prepared to subscribe for ordinary shares or at the price at which they are willing to do so. Failure to obtain sufficient financing may result in delaying or indefinite postponement of appraisal and any development of the LCP, a loss of the Company's personnel and ultimately a loss of its interest in the Project if it were unable to successfully apply for a mining concession for the LCP before the expiry of the Priority Right. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

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



## DIRECTORS' REPORT (Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Business Strategies and Prospects for Future Financial Years (Continued)

- Risk of further challenges by Bogdanka** – In April 2015 the MoE issued a decision approving geological documentation for the Project. In the course of the approval proceedings Lubelski Węgiel BOGDANKA S.A. ("Bogdanka") filed a motion to be admitted as a party to the proceedings related to the approval of Geological Documentation. On 25 June 2015, the MoE issued its final decision rejecting Bogdanka's application to be admitted as a party to the proceedings relating to the approval of Geological Documentation. This means that the MoE decision approving the Geological Documentation is final - providing the Company with a three year priority right to apply for a mining concession for the LCP and confirms that the Company's Geological Documentation complies with the legal requirements of Poland's Geological and Mining Law ("GML"). Bogdanka has in the past raised several appeals challenging the Company's title to the exploration concessions comprising the Project and to actions by government departments in the approval process of the Project. Prairie has been notified by the Warsaw administrative court that Bogdanka has appealed the MoE Final Decision that rejects Bogdanka's application to be admitted as a party to the proceedings relating to approval of the Geological Documentation. This appeal proceeding is pending as of the date of this report. The appeal does not relate to the Company's valid and existing priority right to apply for a Mining Concession at the Lublin Coal Project, but merely to the MoE's final decision rejecting Bogdanka's application to be admitted as a party of interest regarding the approval of Geological Documentation. There is no guarantee that Bogdanka will not seek to file further appeals including appealing the approval of the geological documentation by the MoE and the priority right secured by the Company as a consequence of that approval. Bogdanka has also lodged an appeal to this administrative court in relation to the MoE's rejection of Bogdanka's application for a mining concession over Prairie's K-6-7 exploration concession with the result of this appeal still pending. The administrative court has no authority to grant Bogdanka a mining concession however it may cancel the MoE's rejection decision. If the rejection decision is cancelled, the MoE will be required to re-assess Bogdanka's mining concession application. However, even if the administrative court cancels the MoE rejection decision and the MoE is forced to reassess Bogdanka's application, the MoE would need to take into account the fact that the Company has had its geological documentation approved for the Project and currently holds the priority right to apply for a mining concession. As such, the MoE would have to take into account that granting Bogdanka a mining concession over the K-6-7 concession area would infringe on the Company's valid priority right granted for the Project. Administrative court hearings relating to the abovementioned appeals against MoE decisions are expected to proceed during March 2016.
- The Company has a limited operating history** – The Company has limited operating history on which it can base an evaluation of its prospects. Despite this, members of the Company's Board of Directors and management team have considerable experience in the exploration, appraisal, funding development and mining of coal projects both globally and within the Lublin Coal Basin. The future success of the Company is dependent upon a number of factors, including the successful: (i) completion of positive technical and feasibility studies which demonstrates that mining of coal can be economically undertaken at the Project; (ii) design, construction and commissioning of the infrastructure required for the Project; (iii) progression of permitting and maintenance of title for Project; and (iv) identification of, and agreement with, strategic partners, offtakers and other financiers to fund and assist with the development and operation of mining at the Project.

The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty.
- Operations conducted in an emerging market** – The Company's operations are located in Poland and will be exposed to related risks and uncertainties associated with this jurisdiction. Changes in mining or investment policies, laws or regulations (or the application thereof) or shifts in political attitude in Poland, in particular to mining, use of coal, and foreign ownership of coal projects may adversely affect the operation or profitability of the Company. The Company continues to consult with the various levels of Government but there can be no assurances that the future political developments in Poland will not directly impact the Company's operations or its ability to attract funding for its operations. The Company also competes with many other companies in Poland, including companies with established mining operations. Some of these companies have greater financial resources and political influence than the Company and, as a result, may be in a better position to compete with or impede the Company's current or future activities. Specifically in relation to this, Prairie notes that during the previous financial year, the MoE rejected Bogdanka application for a mining concession over the Company's K-6-7 exploration concession. However, the Company notes that Bogdanka has appealed this decision to the administrative court in Poland with the results of these proceedings still currently pending. The administrative court has no authority to grant Bogdanka the concession but it may however cancel the MoE's rejection decision. If the administrative court cancels the MoE decision, the MoE will be required to re-assess Bogdanka's mining concession application. The proceedings will not relate to the Company's valid and existing priority right to apply for a mining concession over the K-6-7 area;

## DIRECTORS' REPORT (Continued)

### OPERATING AND FINANCIAL REVIEW (Continued)

#### Business Strategies and Prospects for Future Financial Years (Continued)

- ***The Company may be adversely affected by fluctuations in coal prices*** – The price of coal fluctuates widely and is affected by numerous factors beyond the control of the Company. Coal prices are currently depressed from previous levels and there is no guarantee that prices will recover. Future production, if any, from the Company's mineral properties and its profitability will be dependent upon the price of coal being adequate to make these properties economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, this policy will be reviewed periodically going forward; and
- ***Global financial conditions may adversely affect the Company's growth and profitability*** – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. The exploration and any development of the Company's exploration properties will require substantial funding. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth, or rate of growth, and ability to fund its activities. If these increased levels of volatility and market turmoil continue, the Company's activities could be adversely impacted and the trading price of the Company's shares could be adversely affected.

#### SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

At the date of this report there were no significant events occurring after balance date requiring disclosure.

#### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst and Young, to provide the directors of Prairie Mining Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page [21] and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



**BEN STOIKOVICH**  
Director

4 March 2016

## DIRECTORS' REPORT (Continued)

### **Forward Looking Statements**

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

### **Competent Person Statements**

*The information in this announcement that relates to Exploration Results and Coal Resources was extracted from Prairie's ASX announcements dated 23 July 2015 entitled 'Substantial Increase of 96% in Indicated Coal Resources to 333 Million Tonnes', 30 April entitled 'March 2015 Quarterly Report' and 13 March 2014 entitled 'Initial Washability Results Display Exceptionally High Yields' which are available to view on the company's website at [www.pdz.com.au](http://www.pdz.com.au)*

*The information in the original ASX announcements that relates Coal Resources is based on, and fairly represents, information compiled or reviewed by Mr Samuel Moorhouse who is a Competent Person and a Chartered Geologist and Fellow of the Geological Society of London. Mr Moorhouse is employed by independent consultants Royal HaskoningDHV. Mr Moorhouse has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

*The information in the original ASX announcements that related to Exploration Results (drill holes Syczyn 7, Kopina 1, Kulik and Borowo) is based on, and fairly represents, information compiled or reviewed by Dr Richard Lowman, a Competent Person who is a Fellow of the Geological Society of London. Dr Lowman is employed by independent consultants Wardell Armstrong LLP which owns Wardell Armstrong Limited. Dr Lowman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

*The information in the original ASX announcement that relates to Exploration Results (drill holes: Cycow 7, Cycow 8 and Syczyn 8) is based on, and fairly represents, information compiled or reviewed by Mr Jonathan O'Dell, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy. Mr O'Dell is a consultant employed full time by Prairie Mining Limited. Mr O'Dell has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

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

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Prairie Mining Limited, I state that:

In the reasonable opinion of the Directors and to the best of their knowledge:

- (a) the attached financial statements and notes thereto for the period ended 31 December 2015 are in accordance with the Corporations Act 2001, including:
  - (i) complying with applicable accounting standards and Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the financial position of the Group as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) The Directors Report, which includes the Operating and Financial Review, includes a fair review of the information required by:
  - (i) DTR4.2.7R of the Disclosure and Transparency Rules in the United Kingdom, being an indication of important events during the first six months of the current financial year and their impact on the half-year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (ii) DTR4.2.8R of the Disclosure and Transparency Rules in the United Kingdom, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could have such a material effect; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read "B. Stoikovich".

**BEN STOIKOVICH**  
Director

4 March 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half-Year Ended 31 December 2015 \$	*Restated Half-Year Ended 31 December 2014 \$
<b>CONTINUING OPERATIONS</b>			
Revenue	4(a)	113,950	23,260
Other income	4(b)	-	1,323,851
Gain on derecognition of available-for-sale assets	7	-	9,593,775
Exploration and evaluation expenses		(2,357,273)	(4,292,036)
Employment expenses		(88,527)	(95,933)
Administration and corporate expenses		(247,754)	(111,657)
Occupancy expenses		(297,322)	(247,570)
Share-based payment expenses		(706,221)	(889,725)
Business development expenses		(954,178)	(422,552)
Other expenses	5(a)	(2,385,080)	(1,539,747)
<b>Profit/(loss) before income tax</b>		<b>(6,922,405)</b>	3,341,666
Income tax benefit/(expense)		-	(4,410,000)
<b>Net loss for the period</b>		<b>(6,922,405)</b>	(1,068,334)
<b>Net loss attributable to members of Prairie Mining Limited</b>		<b>(6,922,405)</b>	(1,068,334)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of available-for-sale financial assets		-	(3,642,124)
Deferred tax on available-for-sale financial assets		-	1,096,845
Net realised gain on available-for-sale financial assets transferred to other income		-	(1,323,851)
Deferred tax on sale of available-for-sale financial assets		-	397,155
Gain on derecognition of available-for-sale assets transferred to other income	7	-	(9,593,775)
Deferred tax on gain on derecognition of available-for-sale assets		-	2,916,000
Exchange differences on translation of foreign operations		24,942	18,056
<b>Total other comprehensive income/(loss) for the period</b>		<b>24,942</b>	(10,131,694)
<b>Total comprehensive loss for the period</b>		<b>(6,897,463)</b>	(11,200,028)
<b>Total comprehensive loss attributable to members of Prairie Mining Limited</b>		<b>(6,897,463)</b>	(11,200,028)
Basic and diluted loss per share from continuing operations (cents per share)		(4.67)	(0.79)

\*Certain amounts shown here do not correspond to the 2014 interim financial statements and reflect adjustments made. Refer to Note 2(c)

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



**CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**  
 AS AT 31 DECEMBER 2015

	Note	31 December 2015 \$	30 June 2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		12,586,439	2,076,409
Trade and other receivables		288,433	197,878
Other financial assets	6	5,184,674	7,569,754
<b>Total Current Assets</b>		<b>18,059,546</b>	<b>9,844,041</b>
<b>Non-Current Assets</b>			
Other financial assets	7	-	-
Plant and equipment		33,836	58,097
Exploration and evaluation assets	8	530,000	530,000
<b>Total Non-current Assets</b>		<b>563,836</b>	<b>588,097</b>
<b>TOTAL ASSETS</b>		<b>18,623,382</b>	<b>10,432,138</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		999,562	1,032,880
<b>Total Current Liabilities</b>		<b>999,562</b>	<b>1,032,880</b>
<b>TOTAL LIABILITIES</b>		<b>999,562</b>	<b>1,032,880</b>
<b>NET ASSETS</b>		<b>17,623,820</b>	<b>9,399,258</b>
<b>EQUITY</b>			
Contributed equity	9(a)	51,714,676	36,649,571
Reserves	10	2,694,189	2,620,683
Accumulated losses		(36,785,045)	(29,870,996)
<b>TOTAL EQUITY</b>		<b>17,623,820</b>	<b>9,399,258</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Contributed Equity	Available- for-Sale Reserve	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>36,649,571</b>	<b>-</b>	<b>2,597,720</b>	<b>22,963</b>	<b>(29,870,996)</b>	<b>9,399,258</b>
Net loss for the period	-	-	-	-	(6,922,405)	(6,922,405)
<b>Other comprehensive income for the half-year</b>						
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-
Deferred tax on available-for-sale financial assets	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	24,942	-	24,942
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,942</b>	<b>(6,922,405)</b>	<b>(6,897,463)</b>
<b>Transactions with owners recorded directly in equity</b>						
Issue of ordinary shares	321,248	-	-	-	-	321,248
Share issue costs	(6,614)	-	-	-	-	(6,614)
Issue of convertible notes (Note 9a)	15,000,000	-	-	-	-	15,000,000
Costs to issue convertible notes	(898,829)	-	-	-	-	-
Transfer from share-based payments	649,300	-	(649,300)	-	-	-
Lapse of performance rights	-	-	(8,356)	-	8,356	-
Recognition of share-based payments	-	-	706,220	-	-	706,220
<b>Balance at 31 December 2015</b>	<b>51,714,676</b>	<b>-</b>	<b>2,646,284</b>	<b>47,905</b>	<b>(36,785,045)</b>	<b>17,623,820</b>
<b>Balance at 1 July 2014</b>	<b>34,864,888</b>	<b>10,149,750</b>	<b>1,051,658</b>	<b>(15,158)</b>	<b>(24,718,850)</b>	<b>21,332,288</b>
Net loss for the period (restated)	-	-	-	-	(1,068,334)	(1,068,334)
<b>Other comprehensive income for the half-year (restated)</b>						
Changes in fair value of available-for-sale financial assets	-	(3,642,124)	-	-	-	(3,642,124)
Deferred tax on available-for-sale financial assets	-	1,096,845	-	-	-	1,096,845
Net realised gain on available-for-sale financial assets transferred to other income	-	(1,323,851)	-	-	-	(1,323,851)
Deferred tax on sale of available-for-sale financial assets	-	397,155	-	-	-	397,155
Gain on derecognition of available-for-sale assets transferred to other income	-	(9,593,775)	-	-	-	(9,593,775)
Deferred tax on gain on derecognition of available-for-sale asset	-	2,916,000	-	-	-	2,916,000
Exchange differences on translation of foreign operations	-	-	-	18,056	-	18,056
<b>Total comprehensive income/(loss) for the period (Restated)</b>	<b>-</b>	<b>(10,149,750)</b>	<b>-</b>	<b>18,056</b>	<b>(1,068,334)</b>	<b>(11,200,028)</b>
<b>Transactions with owners recorded directly in equity</b>						
Issue of ordinary shares	77,282	-	-	-	-	77,282
Share issue costs	(5,326)	-	-	-	-	(5,326)
Recognition of share-based payments	-	-	889,725	-	-	889,725
<b>Balance at 31 December 2014 (Restated)</b>	<b>34,936,844</b>	<b>-</b>	<b>1,941,383</b>	<b>2,898</b>	<b>(25,787,184)</b>	<b>11,093,941</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Half-Year Ended 31 December 2015 \$	Half-Year Ended 31 December 2014 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(3,961,413)	(4,334,557)
Proceeds from retirement of performance bonds	-	22,111
Interest revenue from third parties	63,416	43,864
<b>Net cash outflow from operating activities</b>	<b>(3,897,997)</b>	<b>(4,268,582)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(1,487)	(22,799)
Proceeds from sale of listed securities, net of costs	-	3,688,092
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(1,487)</b>	<b>3,665,293</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	77,282
Payments for share issue costs	(13,237)	(3,551)
Proceeds from issues of convertible note	15,000,000	-
Payments for issue of convertible note	(576,450)	-
<b>Net cash inflow from financing activities</b>	<b>14,410,313</b>	<b>73,731</b>
Net increase/(decrease) in cash and cash equivalents	10,510,829	(529,558)
Net foreign exchange differences	(799)	2,598
Cash and cash equivalents at the beginning of the period	2,076,409	2,574,300
<b>Cash and cash equivalents at the end of the period</b>	<b>12,586,439</b>	<b>2,047,340</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of Compliance

The interim consolidated financial statements of the Group for the half-year ended 31 December 2015 were authorised for issue in accordance with the resolution of the directors on 24 February 2016.

This general purpose condensed financial report for the interim half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Prairie Mining Limited for the year ended 30 June 2015 and any public announcements made by the Group and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### (a) Basis of Preparation of Half-Year Financial Report

The financial statements have been prepared on the basis of historical cost, and do not take into account changing money values, except where stated, and current valuations of held-for-trading investments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

#### (b) New Standards, interpretations and amendments thereof, adopted by the Group

The accounting policies and methods of computation adopted in the preparation of the consolidated half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2015, other than as detailed below.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 *Materiality* and AASB 2015-3 Amendments to Australian accounting Standards arising from the withdrawal of AASB 1031.

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

#### (c) Updated Accounting Treatment

In accordance with the accounting treatment of financial assets reported in the Company's Annual Financial Report for 30 June 2015, the Company has restated the comparative Statement of Profit and Loss and other Comprehensive income for this Interim Financial Report.

At 1 July 2014, the Company held 10.0 million fully paid ordinary shares in Papillon. On 1 September 2014, the Company completed the sale of a parcel of one (1) million available-for-sale financial assets. Furthermore, in October 2014, Papillon implemented a scheme of arrangement by which B2Gold acquired all of the issued shares in Papillon. In consideration for the Scheme, Prairie received 0.661 B2Gold shares for every Papillon share held.

In accordance with the derecognition criteria pursuant to AASB 139 *Financial Instruments: Recognition and Measurement*, upon implementation of the Scheme, the Group derecognised its investment in Papillon and recognised a new investment in B2Gold. Upon this derecognition, a non-cash realised gain was recognised in the comparative Statement of Profit and Loss and other Comprehensive Income of \$9,593,775. The Company has accounted for its investment in B2Gold as held-for-trading.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (Continued)

### 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

#### (c) Updated Accounting Treatment (Continued)

The impact of this change is reflected below:

There has been no impact on net assets within the Consolidated Statement of Financial Position.

For comparative purposes the loss after tax has been restated as follows:

	Half-Year Ended 31 December 2014 \$
Adjustment of net gain on sale of available-for-sale financial assets	(1,340,279)
Gain on derecognition of available-for-sale assets	9,593,775
Recognition of fair value loss on financial assets at fair value through profit and loss	(1,539,747)
Recognition of income tax expense on the derecognition of available-for-sale assets	(1,950,086)
<b>Decrease in net loss</b>	<b>4,763,663</b>

There has been no impact on the total comprehensive loss for the half-year ended 31 December 2015.

Basic and diluted losses per share have also been restated. The amount of the impact on basic and diluted losses per share for the new result for the half-year ended 31 December 2014 is a decrease in the loss per share of 3.53 cents.

### 3. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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

	Half-Year ended 31 December 2015 \$	Restated Half-Year Ended 31 December 2014 \$
<b>4. REVENUE AND OTHER INCOME</b>		
<b>(a) Revenue</b>		
Interest revenue	113,950	23,260
<b>(b) Other Income</b>		
Net gain on sale of available-for-sale financial assets	-	1,323,851



**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (Continued)

	Half-Year ended 31 December 2015 \$	Restated Half-Year Ended 31 December 2014 \$
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**5. EXPENSES**

**(a) Other Expenses**

Fair value loss on financial assets at fair value through profit and loss	(2,385,080)	(1,539,747)
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	Note	31 December 2015 \$	30 June 2015 \$
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**6. CURRENT ASSETS – OTHER FINANCIAL ASSETS**

*Held-for-trading financial assets:*

Canadian listed equity securities <sup>1</sup>	6(a)	5,184,674	7,569,754
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<b>Carrying amount at end of the period</b>		<b>5,184,674</b>	<b>7,569,754</b>
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	Half-Year ended 31 December 2015 \$	Restated Half-Year Ended 31 December 2014 \$
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**(a) Held-for-trading financial assets reconciliation**

Carrying amount at the start of the period		7,569,754	-
Transfer from non-current assets – other financial assets	7	-	13,410,000
Proceeds from sale of held-for-trading financial assets		-	(1,949,829)
Changes in fair value recognised in the Statement of Profit and Loss		(2,385,080)	(1,539,747)
Exchange differences on translation of available-for-sale assets		-	(8,861)
<b>Carrying amount at the end of the period</b>	<b>6</b>	<b>5,184,674</b>	<b>9,911,563</b>

**Notes:**

<sup>1</sup> At 31 December 2015, the Company held 3.75 million shares (30 June 2015: 3.75 million shares) in B2Gold (TSX:BTO). Refer to Note 7 for further details.

	31 December 2015 \$	30 June 2015 \$
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**7. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS**

*Available-for-sale financial assets:*

Australian listed equity securities	-	-
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<b>Carrying amount at the end of the period<sup>1</sup></b>	<b>-</b>	<b>-</b>
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (Continued)

### 7. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS (Continued)

	Half-Year ended 31 December 2015 \$	Restated Half-Year Ended 31 December 2014 \$
<b>(a) Available-for-sale financial assets reconciliation</b>		
Carrying amount at the start of the period	-	18,800,000
Proceeds from sale of available-for-sale financial assets	-	(1,738,262)
Changes in fair value recognised in the reserve	-	(3,651,738)
Derecognition of available-for-sale financial assets	-	(13,410,000)
<b>Carrying amount at the end of the period</b>	-	-

**Notes:**

<sup>1</sup> At 1 July 2014, the Company held 10.0 million fully paid ordinary shares in Papillon. On 1 September 2014, the Company completed the sale of a parcel of one (1) million available-for-sale financial assets. Furthermore, and during prior period, Papillon implemented a scheme of arrangement by which B2Gold acquired all of the issued shares in Papillon ("Scheme"). In consideration for the Scheme, Prairie received 0.661 B2Gold shares for every Papillon share held. As a result of the Scheme, the Company was required to derecognise the Papillon available-for-sale asset which resulted in a non-cash gain being recognised in the Statement of Profit and Loss and other Comprehensive Income of \$9,593,775 (31 December 2015: nil). The Company subsequently recognised the B2Gold shares as a held-for-trading financial asset. Please refer to Note 6 above for further details.

	Note	31 December 2015 \$	30 June 2015 \$
<b>8. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION ASSETS</b>			
<b>(a) Areas of Interest</b>			
Lublin Coal Project		<b>530,000</b>	530,000
<b>Carrying amount at end of the period<sup>1</sup></b>		<b>530,000</b>	530,000

**Notes:**

<sup>1</sup> The ultimate recoupment of costs carried for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the respective areas.

	Note	31 December 2015 \$	30 June 2015 \$
<b>9. CONTRIBUTED EQUITY</b>			
<b>(a) Issued and Unissued Capital</b>			
149,844,969 (30 June 2015: 146,467,432) fully paid ordinary shares	<b>9(b)</b>	<b>37,613,505</b>	36,649,571
Nil (30 June 2015: 600,000) unissued milestone shares <sup>1</sup>	<b>9(b)</b>	-	-
Convertible loan notes exchangeable into fully paid ordinary shares at \$0.335 per share <sup>2</sup>		<b>15,000,000</b>	-
Costs incurred to issue convertible note		<b>(898,829)</b>	-
<b>Total Contributed Equity</b>		<b>51,714,676</b>	36,649,571

**Notes:**

<sup>1</sup> During the period, 0.6 million unissued milestone shares expired on 31 December 2015.

<sup>2</sup> During the period, Prairie completed an Investment Agreement with CD Capital by way of a private placement by PDZ Holdings (a wholly-owned subsidiary of Prairie which indirectly holds the LCP) of non-interest bearing convertible loan notes ("Convertible Note") with an aggregate principal amount of \$15 million to CD Capital, exchangeable for ordinary shares in Prairie at \$0.335 per share. Other key terms of the Convertible Note include the following:

- At any time while the Convertible Note is outstanding, CD Capital has the right to convert all or part of the outstanding principal amount of the Convertible Note into shares at the conversion price of \$0.335 per share. The Convertible Note must be converted in minimum amounts of \$250,000 increments.
- Prairie has the right, whilst no Event of Default exists, to convert all or part of the outstanding principal amount of the Convertible Note into shares at the conversion price of \$0.335 per share:
  - in the event of an unconditional takeover of the Company (acquisition of a relevant interest in at least 50% of Prairie shares pursuant to a takeover bid or by an Australian court approving a merger by way of a scheme of arrangement); or

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (Continued)

### 9. CONTRIBUTED EQUITY (Continued)

#### (a) Issued and Unissued Capital (Continued)

- at any time 12 months after the date of issue of the Convertible Note (being 19 July 2016) provided that the 30 day VWAP of Prairie's shares exceeds the conversion price of A\$0.335 per share;
- 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 its shares, conducts a pro-rata offer to existing shareholders or distributes assets or securities to Shareholders, then the conversion price of \$0.335 of 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 Prairie shares) is the same as if the Convertible Note were converted prior to relevant event.
- 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 Group.
- Each of the following events is an "Event of Default" in relation to the Convertible Note:
  - If any representation or warranty made by Prairie is false or misleading which is reasonably likely to be a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
  - If the Group breaches a covenant or condition of the Convertible Note or Investment Agreement which is a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
  - An Insolvency Event Occurs (i.e. winding up) in relation to the Group;
  - If the Group ceases to carry on a business; or
  - If the Group does not maintain the listing and trading of its shares on at least one of the ASX, LSE or WSE.
- CD capital may assign, transfer or encumber in whole or in part (in amounts of at least \$1 million) its rights under the Convertible Note to any third party by giving written notice to the Prairie Group provided the third party has provided a deed of assumption. Assignment of the Convertible Note will not result in the assignment of the rights and obligations under the Investment Agreement.
- A Material Adverse Effect means a material adverse effect on:
  - the Company or PDZ Holding's ability to perform any of their obligations under the Convertible Note, the Investment Agreement and all other documents to be executed and delivered by CD Capital to PDZ Holdings or the Group ("Transaction document");
  - the validity or enforceability of a Transaction Document; or
  - the assets, business, condition (financial or otherwise), prospects or operations of the Group.
- An Insolvency Event in relation to the Group means:
  - an administrator being appointed to the Group by way of:
    - the Group resolving to appoint a controller or similar person to the Group or for any of the Group's property;
    - an application being made to a court for an order to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or similar person to the Group for any of the Group's property and the application is not withdrawn or dismissed within 30 days; or
    - an appointment of the kind referred to above being made (whether or not following a resolution or application);
  - An order being made, or the Group passing a resolution, for its winding up; or
  - The Group:
    - 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
    - being unable to pay its debts or is otherwise insolvent, unless this takes place as part of a solvent reconstruction, amalgamation, merger or consolidation.

#### (b) Movements in fully paid ordinary shares during the past six months

Date	Details	Number of Shares	\$
1-Jul-15	Opening Balance	146,467,432	36,649,571
24-Jul-15	Issue of shares on conversion of performance rights	1,885,000	-
30-Dec-15	Issue of shares to consultant as part of their fee in relation to the issue of convertible notes	1,492,537	321,248
Jul-15 to Dec-15	Transfer from share-based payments reserve	-	649,300
Jul-15 to Dec-15	Share issue costs	-	(6,614)
31-Dec-15	Closing Balance	149,844,969	37,613,505

	Note	31 December 2015 \$	30 June 2015 \$
<b>10. RESERVES</b>			
Share-based payments reserve	10(a)	2,646,284	2,597,720
Foreign currency translation reserve		47,905	22,693
		<b>2,694,189</b>	<b>2,620,683</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (Continued)

### 10. RESERVES (Continued)

#### (a) Movements in share-based payments reserve during the past six months

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
<b>01-Jul-15</b>	<b>Opening Balance</b>	<b>10,975,000</b>	<b>6,032,000</b>	<b>2,597,720</b>
24-Jul-15	Conversion of performance rights	-	(1,885,000)	(649,300)
31-Jul-15	Lapse of performance rights	-	(50,000)	(8,356)
21-Sep-15	Cancellation of \$0.60 unlisted options	(1,500,000)	-	-
2-Oct-15	Grant of performance rights	-	7,064,000	-
Jul-15 to Dec-15	Share-based payments expense	-	-	706,220
<b>31-Dec-15</b>	<b>Closing Balance</b>	<b>9,475,000</b>	<b>11,161,000</b>	<b>2,646,284</b>

- On 21 September 2015, shareholders approved to vary the terms of 1,747,000 existing performance rights on issue by extending the expiry date by 6 months from 31 December 2016 to 30 June 2017;
- On 21 September 2015, shareholders approved to cancel 1,500,000 unlisted options exercisable at \$0.60 each on or before 30 June 2017, previously issued to the Company's Chief Executive Officer, in return for the issue of 2,500,000 performance rights with various vesting conditions and expiry dates between 30 June 2017 and 31 December 2018; and
- On 2 October 2015, a further 4,564,000 performance rights were issued with various vesting conditions and expiry dates between 31 March 2016 and 31 December 2018.

### 11. CONTINGENT ASSETS AND LIABILITIES

There have been no changes to contingent assets or liabilities since the date of the last annual report.

### 12. FINANCIAL INSTRUMENTS

The value of the Group's financial assets and liabilities, which comprises of cash and cash equivalents, trade and other receivables, available-for-sale assets and trade and other payables, may be impacted by foreign exchange movements. At 31 December 2015 and 30 June 2015, the carrying value of the Group's financial assets and liabilities approximate their fair value. Please refer to Notes 6 and 7 for further disclosure.

### 13. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half-year (31 December 2014: nil).

### 14. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

At the date of this report there were no significant events occurring after balance date requiring disclosure.

## Auditor's independence declaration to the Directors of Prairie Mining Limited

As lead auditor for the review of Prairie Mining Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



G H Meyerowitz  
Partner  
4 March 2016



## To the members of Prairie Mining Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prairie Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prairie Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prairie Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



G H Meyerowitz  
Partner  
Perth  
7 March 2016