Prairie Mining Limited

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PRAIRIE AND CHINA COAL ENTER INTO A FINANCING AND CONSTRUCTION CO-OPERATION AGREEMENT FOR THE JAN KARSKI MINE

Prairie Mining and China Coal, the second largest coal mining company in China and one of the world's most advanced and prolific shaft sinking and total underground coal mine construction companies, have signed a landmark Strategic Co-operation Agreement to advance the financing and construction of Prairie's Jan Karski Mine in Poland.

Under the terms of the agreement, China Coal and Prairie intend to complete a Bankable Feasibility Study by mid-2017, which will provide the basis for an EPC contract and a construction-funding package for the Jan Karski Mine.

HIGHLIGHTS:

- *China Coal No.5 Construction Company Ltd. ("**CC5C**") and Prairie intend to enter into a full "wrap-around" Engineering, Procurement, Construction ("**EPC**") contract which will see CC5C construct the Jan Karski Mine ("**JKM**" or "**Project**") and procure a debt financing package to fund the development of the JKM*
- *CC5C and Prairie, together with the Chinese Government's authorised mine design institute, intend to complete a Bankable Feasibility Study by mid-2017 which will form the basis for Chinese bank credit approval*
- *A senior delegation from CC5C recently conducted a site visit to the JKM that included meetings with regional officials and potential Polish sub-contractors and suppliers*
- *Prairie will work with a range of Polish mining and engineering specialists, alongside CC5C, to ensure all design and construction conforms to Polish regulations and safety standards*
- *Prairie's and CC5C's Strategic Co-operation Agreement demonstrates the increasing economic collaboration between Poland and China following China's proposed "**One Belt, One Road**" development strategy and highlights Poland's importance as a "One Belt Economy" for accessing key European markets*
- *CC5C has been serving the mining industry for 40 years and accounts for 40% of the Chinese market share for coal mine construction, having completed 340 projects in China and overseas including sinking more than 300 major shafts. This agreement fits with CC5C's strategy of increasing its international presence as a major project contractor*

Figure 1 – Prairie Mining team visit CC5C shaft sinking site in China

- *As the leading underground mining contractor in China, CC5C holds unparalleled expertise in disciplines central to development of the JKM including, shaft sinking, drilling, freezing and overall mine development and installation*

Figure 2 – Nalinhe 8 Mtpa Coal Mine Shaft – CC5C project utilizing ground freezing

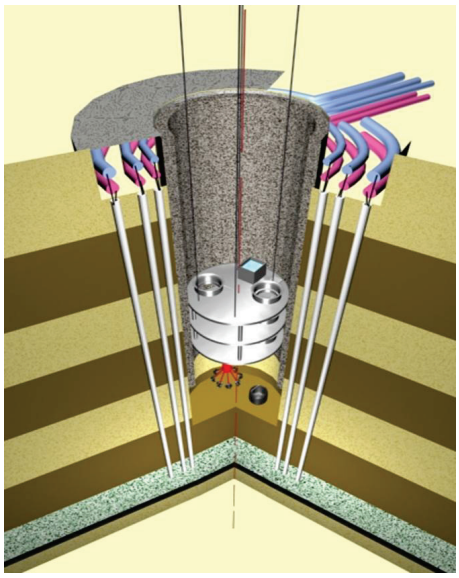

Figure 3 – CC5C shaft sinking method by freezing

- *CC5C's parent company China Coal, is the second largest coal producer in China with total assets of ~US$50bn and 110,000 employees across 53 subsidiaries. In 2015, China Coal produced 166Mt of coal across 46 open pit and underground coal mines*

"Following six months of intensive review of the PFS by China Coal, including comprehensive meetings with management, this agreement successfully ties Prairie to one of the world's largest and most successful coal mine construction firms and is testament to the quality and low-operating cost nature of the Jan Karski Mine," commented ***Prairie Mining's CEO Ben Stoikovich****. "Prairie's team has visited many of China Coal's mine construction projects and operating coal mines, and it is clear that China Coal are world leaders in mining technology and mine construction. They have extremely high engineering, productivity and safety standards that rival the very best Australian and US longwall coal mines. CC5C's expertise, particularly in shaft sinking, has the potential to significantly accelerate the construction schedule of the Jan Karski Mine. Of equal importance is the potential for this transaction to unlock significant financing for the Project from Chinese banks who have a track record of supporting major EPC-led international contracts."*

Prairie Mining Group Executive and former Head of the Secretariat of the Polish Prime Minister's Office, Mr. Artur Kluczny *said "The Government's economic policy for Poland recognises coal as a pillar of energy security, and calls for the re-industrialisation of the domestic economy. New investment in state of the art and highly efficient new coal mines will boost the mining sector and see Poland's renaissance as a significant coal exporter. By co-operating with China Coal we contribute to establishing new trade and investment links with China which is also seen as a strategic option for the country. Prairie Mining will be integrating Polish experts with the CC5C team to ensure that all local regulatory requirements are met. We are looking forward to seeing CC5C establish their European operating base in Poland."*

Deputy General Manager of China Coal No.5 Construction Company, Mr. Sang Hua *said,* *"The Jan Karski Mine is managed by a highly experienced team in Prairie Mining and, with CC5C's shaft sinking and coal mine construction expertise, will no doubt be developed into a world class coal mine. We are excited to have entered into this co-operation agreement with Prairie Mining and see the Jan Karski Mine as a flagship overseas development project for China Coal as part of our strategy to increase China Coal's international presence as a major mine development contractor."*

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China Coal Co-operation Agreement

Prairie Mining Limited ("**Prairie**") and China Coal No.5 Construction Company Ltd ("**CC5C**") have been in discussions since 2014 regarding the potential for collaboration in designing and constructing the Jan Karski Mine ("**JKM**" or "**Project**").

During this period, Prairie's senior management and technical team have met with CC5C numerous times in China and inspected CC5C's various shaft sinking projects, mine construction sites and state of the art longwall coal mines operated by China Coal.

In October 2016, Prairie hosted a senior CC5C delegation to Poland where they conducted a site visit to the JKM. The delegation was officially welcomed by Lublin regional government officials, and met with various Polish service providers and sub-contractors who could potentially participate in the Project.

Figure 4 – Technical meeting between Prairie CEO Ben Stoikovich and CC5C at CC5C's head office in Xuzhou, Jiangsu Province, China

The Strategic Co-operation Agreement was signed confirming the intention of the parties to, on a best efforts basis:

(i) complete a Bankable Feasibility Study by mid-2017, which will form the basis of Chinese bank credit approval for project finance;

(ii) based on the results of the Bankable Feasibility Study, enter into a complete Engineering, Procurement, Construction ("**EPC**") contract under which CC5C will construct the Jan Karski Mine; and

(iii) incorporate relevant Polish content into the design and construction phases, which will include working with a range of Polish specialists, sub-contractors and business partners.

It is the intention of the parties to enter into future binding agreements for CC5C to construct the Jan Karski Mine once the Bankable Feasibility Study is completed successfully and indicative financing terms are given by financing institutions.

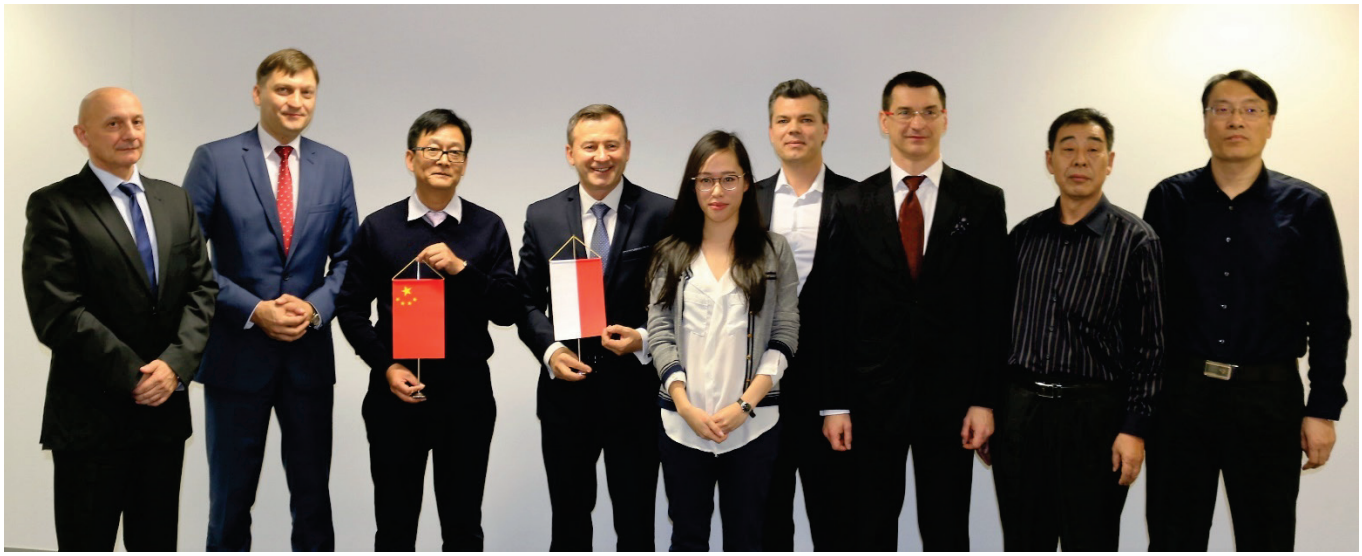

Figure 5 – Lublin Province Officials welcome China Coal delegation accompanied by Prairie Mining Management Team

(**From Left to Right:** Mr. Miroslaw Taras, Mr. Jerzy Kulinski (Director in the Marshall's Office), Mr. Sang Hua (Deputy General Manager CC5C), Deputy Marshall Krzysztof Grabczuk, Ms. Oktawia Lu Zhang, Mr. Ben Stoikovich, Mr. Artur Kluczny, Mr. Meng Fanliang (Former Assistant Chief Engineer CC5C) and Mr. Li Chun (Deputy General Manager of CC5C Overseas))

China Coal International Strategy and "One Belt, One Road" Initiative

CC5C has been internationally active since 1988. Through CC5C, China Coal expedited the implementation of its strategy to become an internationally competitive project contractor. Globally, China Coal has undertaken and continues to develop several projects across Morocco, Bangladesh, Turkey, Vietnam, India, and Ecuador for clients and partners including:

- Vedanta Resources plc – a London-listed, global diversified natural resources group; and
- JSW Group – a leading Indian conglomerate part of the O.P. Jindal Group.

In 2013, Chinese President Xi Jinping proposed the "One Belt, One Road" development strategy and framework which calls for greater economic cohesion between China and ~60 countries throughout Europe, Asia and Africa through building infrastructure, increasing cultural exchanges, and broadening trade.

Poland is considered a key "One Belt Economy" important to Chinese economic access to Europe, most recently demonstrated by meetings between the Chinese and Polish Leaders in June 2016 including signing of cooperative treaties, the opening of a China-Poland trade forum and welcoming of freight trains linking Chengdu and Łódź, carrying goods between the capital of Sichuan Province and Poland's third-largest city.

Prairie's and CC5C's Strategic Co-operation Agreement demonstrates the increasing economic collaboration between Poland and China.

Table 1: Select International Projects undertaken by CC5C		
Morocco		
1991	**Jeredah Coal Mine**	▪ 785 m shaft sinking and equipping ▪ Underground development
Bangladesh		
2005	**Barapukuria Coal Mine**	▪ 326 m main shaft sinking ▪ 320 m auxiliary shaft sinking ▪ Underground development ▪ Infrastructure and installation
2005	**Barapukuria Coal-fired Power Plant**	▪ Civil work and equipment installation for 1,200 m long trestle from coal mine to power plant
Turkey		
Ongoing	**Kinik-Elmadere Coal Mine**	▪ 790 m shaft sinking (2 shafts, 790 m each)
2011	**Karadon Kilimli**	▪ 716 m shaft sinking ▪ Underground development
2011	**Kozlu Incirharmani Coal Mine**	▪ 478 m shaft sinking ▪ 238 m shaft repair
2003	**Kozlu Coal Mine**	▪ 580 m shaft repair ▪ 263 m shaft sinking
Vietnam		
2013	**Ha Lam Coal Mine**	▪ Supply and installation of headgear, shaft equipment and winding system
2010	**Ha Lam Coal Mine**	▪ Sinking of three shafts between 339 m and 420 m
India		
Ongoing	**Sindesar Khurd Lead-Zinc Mine**	▪ 1,051 m shaft sinking and shaft equipping ▪ Underground development ▪ Surface and underground installations ▪ Ramp development
2013	**Parbatpur Coal Mine**	▪ Construction of 4 inclines totalling 3,780 m
2012	**Icchapur Coal Mine**	▪ Feasibility Study Report for a mine with capacity of 2-5 Mtpa
2011	**Ichhapur plus two coal blocks**	▪ 3D high resolution seismic survey over 20.77 km^2
Ecuador		
2016	**Coca Codo-Sinclair Hydropower Project**	▪ Procurement and operation of winding systems for 2 shafts (538 m and 535 m)

Overview of CC5C

With total assets of ~US$1.3bn and annual revenues in excess of US$1bn, CC5C is the leading underground mining contractor in China. CC5C currently has over 11,000 employees with expertise in shaft sinking, drilling, freezing, incline construction, mine development, and shaft repair work.

Figure 6 – Auxiliary Shaft at Zhangzhuang Iron Mine

Figure 7 – Asia's tallest shaft tower constructed by CC5C

Figure 8 – 22 Mtpa Coal Wash Plant developed and constructed by CC5C

CC5C's parent company China National Coal Group Corporation ("**China Coal**") is a wholly state-owned coal producer with 110,000 employees across 53 subsidiaries. As at end of 2014, China Coal had total assets of RMB312.2Bn (~US$50bn) and operating revenues of RMB96.5Bn (~US$16bn) following production of 183Mt raw coal across 46 open pit and underground mines.

China Coal has committed to building an integrated value chain across coal mining, power generation and coal-based chemicals while remaining committed to technological advancement and structural upgrading of the coal industry. China Coal operates across a number of disciplines including:

- **Coal mine construction** – through Prairie's new strategic partner, CC5C
- **Coal production and trade** – as 2nd largest coal producer in China
- **Coal mine equipment manufacturing** – currently ranked No.1 in China
- **Coal mine designing and engineering services** – through two leading mine design institutes
- **Pit-mouth power generation** – 6,740 MW in operation and under construction

CC5C was locally established in 1970 and currently accounts for 40% of the Chinese mining contractor market with 340 completed projects worldwide. CC5C has designed and constructed the majority of China's key coal projects and made a significant contribution to the country's coal construction industry including:

- deepest ever vertical shaft sunk – 1,341m depth;
- largest ever vertical shaft sunk – 10.5m diameter; and
- largest incline driven – 45.51m^2 cross section.

CC5C owns a vast array of construction equipment capable of simultaneously sinking 30 shafts and developing 20 underground projects. CC5C's current work program includes:

- mine development works at 32 mines;
- 13 shaft sinking projects with depths up to 1,222m and diameters up to 10.5m;
- 5 inclines of up to 20° inclination and over 2km in length; and
- 11 ground freezing projects for shaft / incline up to depths of 860m.

Featured CC5C Mine Construction Projects

Sihe Coal Mine, Shanxi

- China's first 10 Mtpa coal mine under extremely gassy conditions
- Turnkey project including 3 inclines, 3 ventilation shafts, underground development, mine infrastructure and installation

Figure 9 – Sihe Coal Mine, Shanxi

Tangkou Coal Mine, Shandong

- Deep shaft 3 Mtpa coal mine under high rock temperatures
- Main shaft 1,029 m deep and 7.5 m wide
- Auxiliary shaft 1,061 m deep and 7.5 m wide

Figure 10 – Tangkou Coal Mine, Shadong

Sindesar Khurd Lead-Zinc Mine, India

- Shaft sinking, equipping and underground development for Vedanta Resources Plc
- Main shaft 1,051 m
- Surface and underground installations including headframe and winder

Figure 11 – Sindesar Khurd Lead-Zinc Mine, India

CC5C's technological expertise and ownership of over 100 industry patents in mine construction provides unparalleled ability to undertake projects of significant scale within given timeframes.

CC5C leads the field in shaft sinking through all forms of strata in a timely and efficient manner. Since 2005 alone, CC5C has sunk 38 shafts using ground freezing methods.

Table 2: CC5C Shafts by Freezing since 2005 (metres)

No.	Name of Shaft	Depth	Diameter	Freezing Depth	Max Lining Thickness
1	Dingji Coal Mine - Ventilation Shaft	833	7.5	558	2.10
2	Gubei Coal Mine - Ventilation Shaft	681	7.0	502	2.00
3	Xuehu Coal Mine - Main Shaft	830	5.0	460	1.70
4	Xuehu Coal Mine - Auxiliary Shaft	850	6.5	460	1.90
5	Xuehu Coal Mine - Ventilation Shaft	659	5.5	430	1.70
6	Quandin Coal Mine - Main Shaft	623	5.0	513	1.70
7	Quandin Coal Mine - Auxiliary Shaft	651	6.5	500	2.00
8	Quandin Coal Mine - Ventilation Shaft	548	5.0	523	1.70
9	Yuncheng Coal Mine - Main Shaft	917	7.0	590	2.15
10	Zhaogu No. 2 Coal Mine - Main Shaft	712	5.0	615	1.50
11	Zhaogu No. 3 Coal Mine - Auxiliary Shaft	740	6.9	628	2.00
12	Zhaogu No. 4 Coal Mine - Ventilation Shaft	712	5.2	628	1.60
13	Xuehu Coal Mine - Ventilation Shaft	739	5.5	450	1.70
14	Chensilou Coal Mine - Ventilation Shaft	462	5.0	410	1.60
15	Zhujixi Coal Mine - Main Shaft	993	6.0	529	1.90
16	Chenmanzhuang Coal Mine - Auxiliary Shaft	993	6.5	640	2.45
17	Shunhe Coal Mine - Auxiliary Shaft	777	6.0	500	1.75
18	Hubaowan Coal Mine - Auxiliary Shaft	582	7.0	600	1.80
19	Liliangdian Coal Mine - Main Shaft	756	5.0	772	1.50
20	Liliangdian Coal Mine - Auxiliary Shaft	781	6.5	800	1.85
21	Hulusu Coal Mine - Main Shaft	670	9.6	525	1.40
22	Hulusu Coal Mine - Return Air Shaft	681	8.0	672	1.30
23	Menkeqing Coal Mine - Auxiliary Shaft	756	10.0	772	1.50
24	Bayangaole Coal Mine - Auxiliary Shaft	645	9.0	655	2.05
25	Hongsi Coal Mine - Ventilation Shaft	963	6.0	630	1.80
26	Nalinhe Coal Mine - Auxiliary Shaft	588	10.5	521	2.50
27	Honger Coal Mine - Main Shaft	525	5.5	409	1.45
28	Dingjialian Coal Mine - Auxiliary Shaft	920	6.8	651	1.35
29	Xinzhuang Coal Mine - Auxiliary Shaft	990	9.0	910	2.20
30	Shaozhai Coal Mine - Main Shaft	866	5.5	744	1.55
31	Hongqingliang Coal Mine - Auxiliary Shaft	465	9.5	404	1.40
32	Baijiahaizi Coal Mine - Intake Air Shaft	679	6.8	715	1.50
33	Dahaize Coal Mine - Auxiliary Shaft	661	10.0	678	2.35
34	Dahaize Coal Mine - Return Air Shaft	669	8.0	686	1.90
35	Zhaoxian Coal Mine - Return Air Shaft	564	6.0	514	1.10
36	Hongqinghe Coal Mine - Auxiliary Shaft	730	8.0	694	2.20
37	Tangkou Coal Mine - Intake Air Shaft	1,033	7.0	470	1.40
38	Tangkou Coal Mine - Return Air Shaft	1,033	6.0	460	1.30