



Prairie Downs

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ASX RELEASE

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Transport Infrastructure Study Confirms Exceptional Rail and Port access for the Lublin Coal Project

Highlights:

- *Independent Transport Infrastructure Study by bulk transportation specialists in Poland has been completed for the Company and has confirmed there are exceptional underutilised domestic and EU infrastructure capabilities available for the Lublin Coal Project*
- *The Lublin Coal Project has the potential provide a significant strategic energy and raw material source at low transportation costs within Poland and the European Union*
- *Highly productive Polish port export infrastructure is available with significant underutilised capacity which could service the premium Mediterranean or ARA coal market at low cost compared to competitors from the USA, Australia and Russia*
- *Railway access and capacity confirmed and supported by EU directives stipulating that Poland must allow open access operations on railway lines*
- *Rail deliveries within Poland and the European Union compare favourably to global coal rail freight rates, particularly compared to global exporters such as Australia, Canada and the USA; the railway network in Poland is subject to EU open access policies*
- *Domestic market deliveries would have a clear competitive advantage over current imported coal products and could substitute imports at low cost*
- *Potential for significant market penetration into major European economies, especially Germany, with low rail rates from the Company's Lublin Coal Project*
- *Transport Infrastructure Study completed as a standalone component of Prairie's Scoping Study for the Lublin Coal Project which is on track for completion during the 1st Half 2014*

Prairie Downs Metals Limited ("Prairie" or "Company") (ASX: PDZ) is pleased to announce that a transport infrastructure study (the "Study") has been completed in relation to its 100% owned Lublin Coal Project (the "Project") in south eastern Poland. The Study was conducted as a part of Prairie's scoping study for the Project which is being overseen by Wardell Armstrong International ("WAI") which is due to be published during the first half of 2014.

The Study focused on the potential for coal products from the Project to penetrate key markets within Poland and the European Union ("EU") as well as export/seaborne markets further afield. The results of the Study have shown that regional infrastructure servicing the Project can support bulk commodity movement and do so at competitive rates into traditional Polish and neighbouring coal markets. In addition, the Study has demonstrated the potential for coal from the Project to penetrate export and seaborne markets at low cost.

The Study was completed by Zespół Doradców Gospodarczych TOR ("TOR"), a leading Polish consultancy specialising in the areas of infrastructure, railways and major industrial transport and integrated public transport systems. Certain study elements were contributed by a team of leading Polish scientific and economic researchers with expertise in mineral and energy economics, fuels and energy markets and regional logistics.

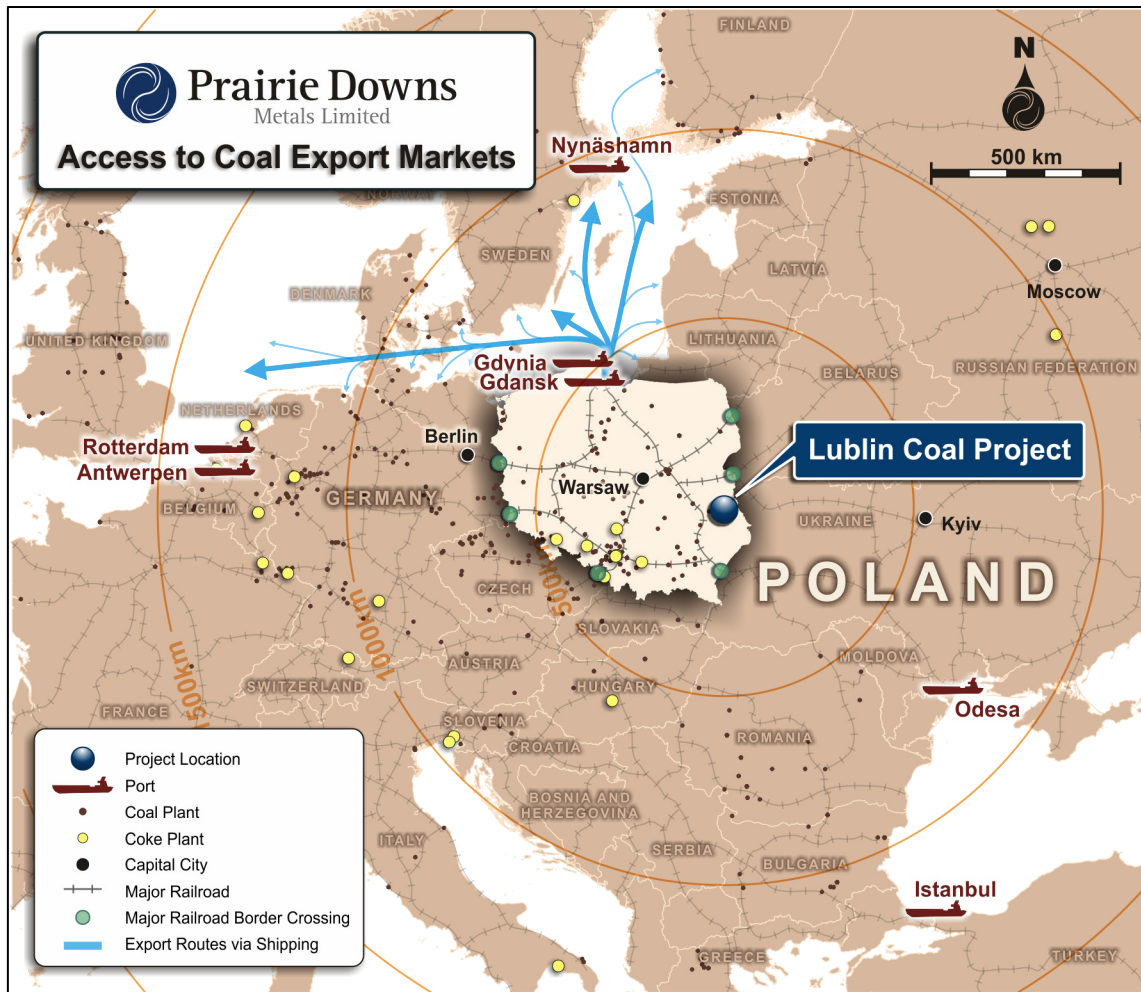


Figure 1: Access to Coal Export Markets

Commenting on the completion of the Study, Prairie's Chief Executive Officer Ben Stoikovich said: "It is essential that bulk commodity projects have access to rail and port infrastructure, and this study confirms the vast extent, high quality and available capacity of existing rail and port infrastructure which will be available to the Lublin Coal Project and providing penetration into key Polish and EU markets, as well as seaborne export coal markets. The availability of existing infrastructure coupled with underutilised capacity provides substantial advantages in terms of Project capital intensity compared to many other international coal projects. The Lublin Coal Project is well positioned to offer low cost, high quality coal from a strategic location within the heartland of industrial Europe."

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Overview of Infrastructure Study

The Study examined the following key parameters of the European and Polish railway and bulk infrastructure system:

- Governing Polish and EU legislation and operating frameworks for rail ownership and rail usage in Poland;
- A description and conditional assessment of all major rail and port infrastructure in Poland;
- Statistics of hard coal transport by rail and ports in Poland;
- An analysis of key Polish rail operating companies, rolling stock providers and rail siding operators;
- An assessment of Polish coal export and import by rail including a description of all major border crossing points and export ports;
- Estimated transport costs within Poland and to key export markets; and
- A detailed description of rail infrastructure in the Lublin region, potential rail siding options servicing the Project and estimates of rail transport costs from the Project to key potential markets.

Polish Railway System

Specifically in relation to the Project, the vast railway network in Poland extends over some 20,000km of operated railway lines and includes more than 3,000 railway stations and 2,700 sidings and loading points. Over 95% of rail track in Poland is 1435mm (“standard-gauge”) which is the most common gauge used in Europe including in potential target markets such as Germany, the Czech Republic and Austria. In 2012 Poland’s rail network transported more than 270 million passengers and 230 million tonnes of cargo. Coal transport accounted for the majority of cargo, reaching almost 100 million tonnes in 2012. Poland is the second largest rail freight market in the EU after Germany, and it is also highly competitive as a result of 2003 legislation that allowed foreign competitors to enter the market.

The majority of rail infrastructure is state-owned and is regulated by the Ministry of Infrastructure and Development and by the Office of Rail Transportation. The Ministry of Transport provides ownership supervision over Poland’s largest rail group, PKP S.A. Group (“**PKP**”) which was established in 2001 as a result of the restructuring of the then national rail company Polskie Koleje Państwowe.



Figure 2: Freightliner PL Coal Wagons

Railway Capacity

Available capacity within the Polish railway system has been increasing rapidly since the 1980s as a result of road transportation taking market share away from the railways. Between 1980 and 2005 passenger traffic decreased from almost one billion users per year to 258 million, a decrease of 77%.

Freight traffic, of which coal comprises approximately half, fell by approximately 45% over the same period. Between 2004 and 2012 alone, the mass of cargo transported by rail fell by more than 50 million tonnes to current levels of approximately 230 million tonnes per annum, resulting in substantial excess capacity.

European Union Rail System

Poland's railway network is subject to EU legislation (EU Directive 91/440) stipulating that all railways in the EU must allow open access operations on railway lines by companies other than those that own the rail infrastructure. The legislation was further extended by directives to include the cross-border transit of freight. Liberalisation of Polish rail freight has been a great success, with open-access operators now controlling almost half of the market.

A number of independent operators compete for business with the incumbent PKP Cargo, whose market share has fallen from 96% in 2003 to around 54% with the onset of competition. Independent operators active in the Polish coal rail freight market now include Freightliner (UK) and DB Schenker (Germany), Europe's largest rail freight operator.

Local Lublin Coal Rail Infrastructure

The Lublin region is serviced by numerous key railway lines with significant available capacity.

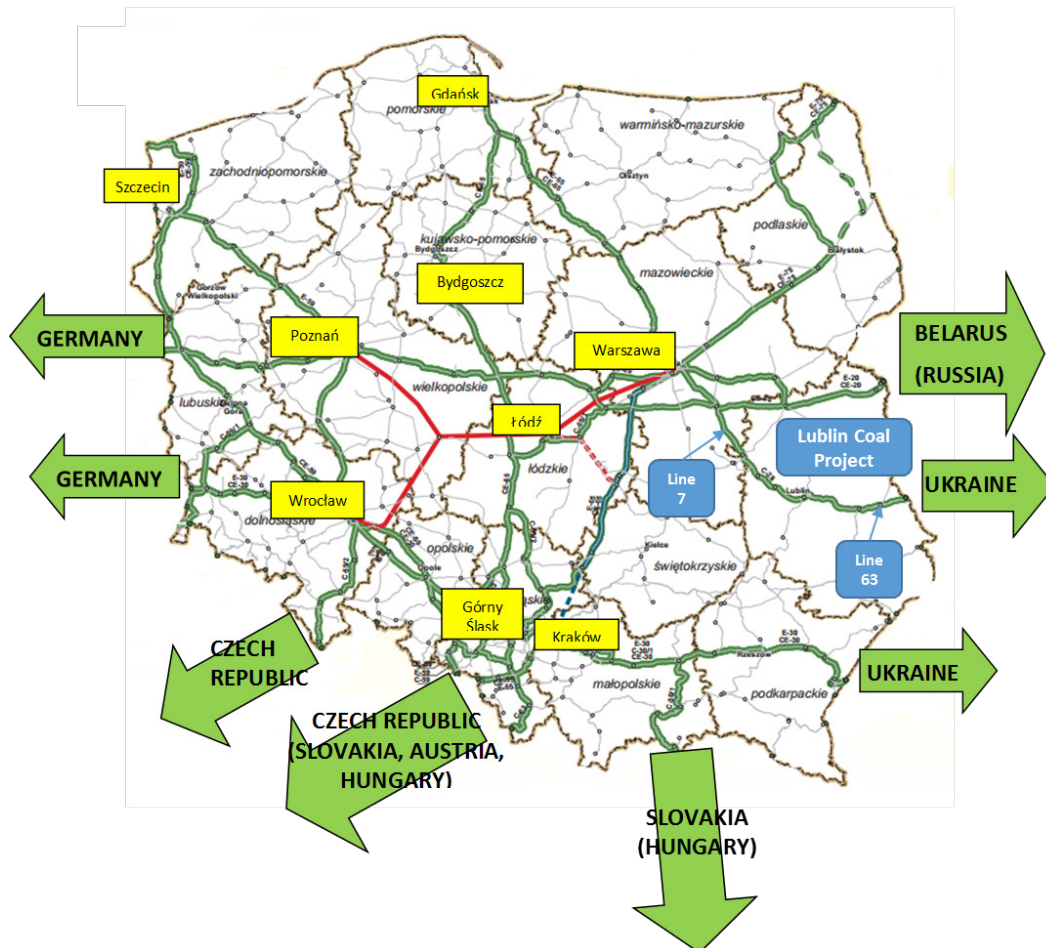


Figure 3: Railway Lines servicing the Lublin Coal Project

Listed below is a description of the key railway lines in Lublin which are crucial for freight and passenger transport (refer Figure 3):

- The eastern section of Poland's fundamental east-west railway line (E30) which is part of the international "AGC" line and part of the Pan-European transport corridor TINA No. 2: This trunk line is a double track line electrified along its entire length. It is being gradually upgraded to "AGC Parameters", namely 160 km/h for passenger trains and 120 km/h for freight trains with the axle load of 22.5 tonne/axle, usable length of main tracks 750m and platforms lengths of 400m;
- Line No. 7: The shortest route between Warsaw and Kiev. The Polish part of the line is double track and electrified;
- Line No 63: A single-track, non-electrified broad-gauge line that branches off Line No. 7;
- Line LHS 65: Entirely broad-gauge; and
- Line No. 69: A single-track, non-electrified, standard-gauge railway line, terminating at the Ukrainian station Rava Ruska.

Export Market Rail Transportation

Poland is well located within the heart of industrial Europe with access to numerous export markets by rail including Germany, Czech Republic, Hungary, Ukraine and Belarus.

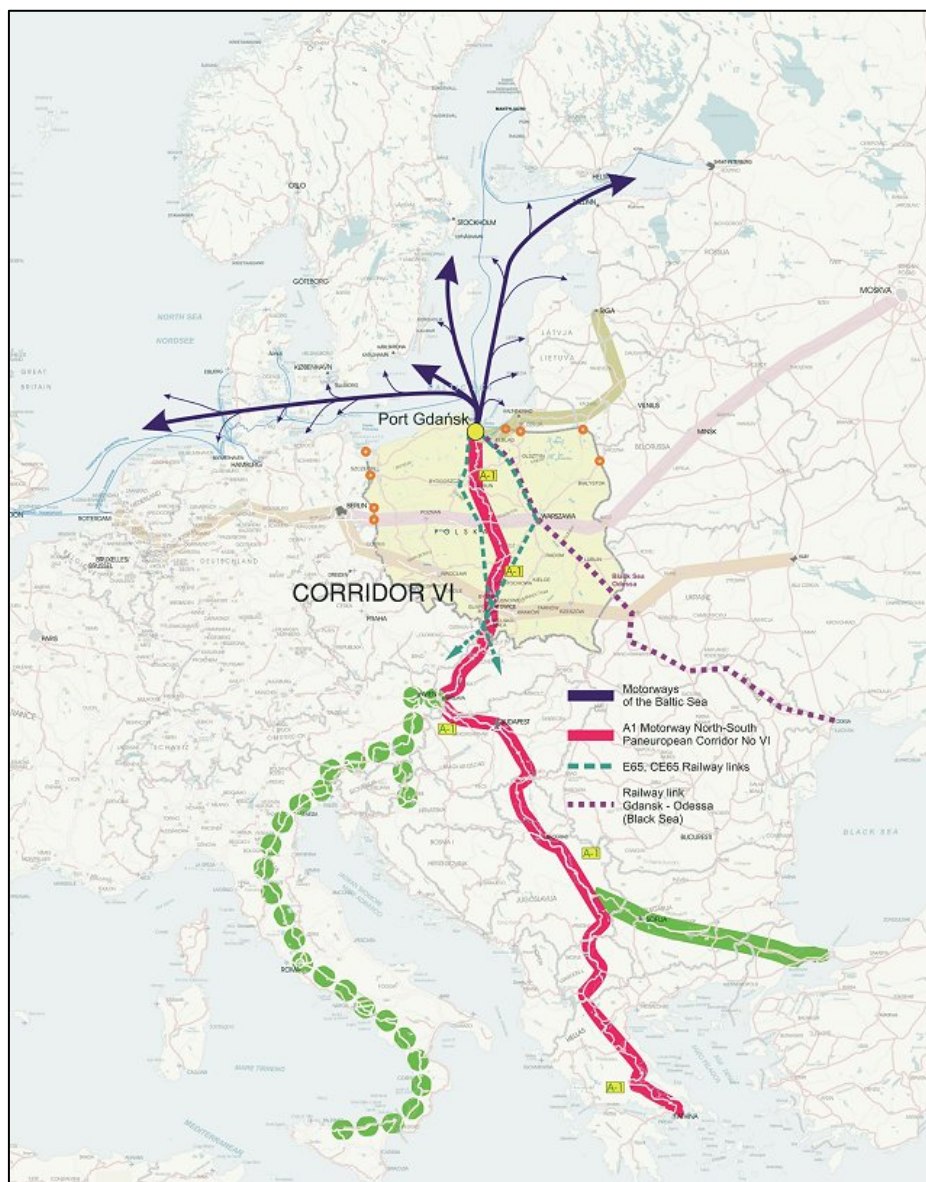


Figure 4: EU designated Trans-European Transport Corridor No. 6

Rail freight charges in Poland vary based on distance, rail route, line conditions and volumes. Freight charges are determined by competitive open tender between independent rail freight operators, ensuring competitive freight rates. Based on the analysis of recent tender results, rail freight charges within Poland for coal currently range from between PLN67.59 to PLN100.66 per 1,000 tonne-kms, generally with higher unit charges incurred for shorter distances. The typical charge for major coal haulage routes from the Project to the German border or to the Port of Gdansk is some US\$2.2 per tonne kilometre (based on a PLN:USD rate of 3.2:1). A list of distances from the Lublin station of Jaszczów, adjacent to the Project, to various potential export points and key border crossings is provided in Table 1 below:

Table 1: Distances from Lublin Station to various export points and border crossings		
Country	Border in Poland	Distance by Rail from Jaszczów (Lublin) to Border in kilometres
Poland	Port of Gdansk	520
Germany	Zasieki GR	691
	Kunowice	675
Czech Republic	Zebrzydowice	463
	Glucholazy	515
Slovakia	Zwardoń	476
	Muszyna	409
Ukraine	Dorohusk	72

Port Infrastructure & Capacity

Table 2 indicates the export capacity from the ports currently and historically used for coal exports from Poland. There are four coal export ports in Poland with a present day combined annual export capacity of some 18.5 million tonnes.

In 2012 only some 3.7 million tonnes of hard coal were exported via Polish sea ports, indicating available export capacity of some 15 million tonnes per annum. Polish ports also have the significant advantage over many other regional ports in Europe of not freezing over during winter, and are therefore useable all year round.

Table 2: Handling potential of sea ports in coal imports and exports			
Port	Name	Handling capacity, million t/year	
		Import	Export
Gdańsk	Dry Bulk - Export Terminal (Outer Port)	–	8
	Dry Bulk Import Terminal (Outer Port)	6	-
	Gorniczy Basin (Inner Port)	1.0-1.5	
Gdynia	Dutch Quay	approx. 1.5	approx. 1
Szczecin	Coal Terminal	approx. 1	approx. 2
Świnoujście	Miners Quay	approx. 4 - 6	approx. 4 - 6
Total		approx. 16	approx. 18.5
<i>Elbląg</i>	<i>2 barges at the same time</i>	<i>0.8</i>	

The Study identified the Port of Gdansk as being closest to the Project, located some 520km north west via existing railway networks. Port charges in Poland typically range from USD4.00-6.50 per tonne to load FOB vessel, depending on the specific port and degree of port storage and handling, or transhipment required.

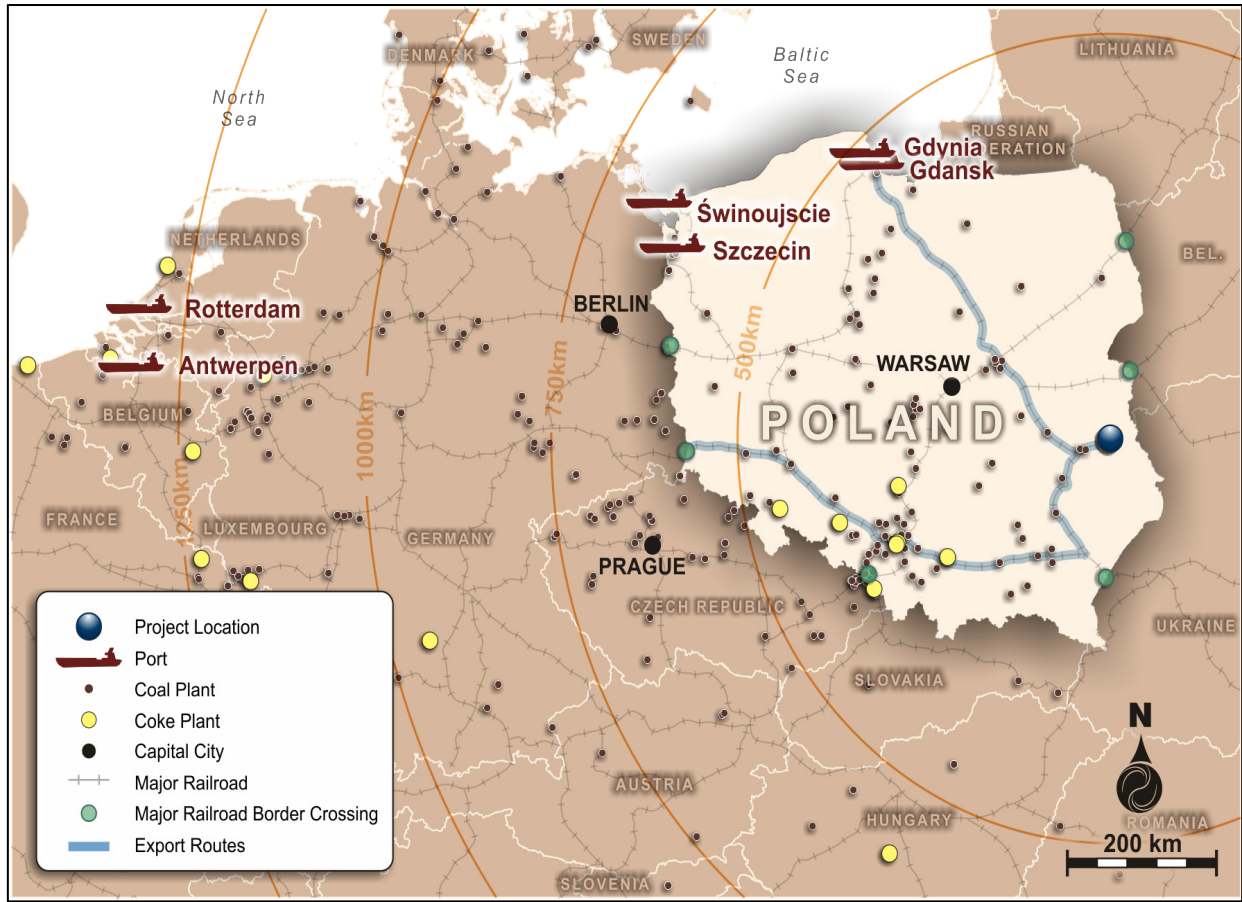


Figure 5: Strategic Location of the Project within the heartland of Industrial Europe

Port of Gdańsk

Managed by the Port of Gdańsk Authority S.A., the port is situated in the central part of the southern coast of the Baltic Sea. The full potential of the Port of Gdańsk was duly confirmed by the EU which delineated the Trans-European Transport Corridor No. 6, connecting the Nordic countries with southern Europe. The Port of Gdańsk is one of the corridor's major junctions and operates multiple coal export and import terminals.



Figure 6: Port of Gdansk "Dry Bulk Terminal"

The most important coal terminals at the Port of Gdańsk are the:

- **Dry Bulk Terminal** operated by the Port Północny Sp. z o.o.; and
- **Górnicy Basin** operated by Port Gdański Eksploatacja S.A.

The **Dry Bulk Terminal** in Gdańsk can service ships of up to 15m draught (so-called Baltmax ships). This is the maximum value for Baltic ports, related to limitations of the Danish straits (being the Baltic gateway to the Atlantic Ocean). The terminal comprises two former facilities, the Port Polnocny Coal Terminal, and the Rudoport terminal. Constructed as a dry bulk distribution and storage centre for the import, export and transshipment of coal and iron ore, the terminal's facilities include a dedicated high capacity export facility and a separate import facility. Port Północny Sp. z o.o. is part of the Belgian group "Sea-Invest".

The Dry Bulk export terminal is a modern mechanized facility that can handle approximately 8Mt of coal per year. The terminal is specifically equipped to handle coal directly from railcars to ships and from open storage yards. The terminal consists of a developed railway siding, two wagon tipplers, a wagon defrosting station (enabling year-round terminal operations), storage yards equipped with four dumpers-loaders, a system of belt conveyors as well as an automated sampler and a pier with a loading station serviced by two ship loaders, enabling the service of ships 280m long. The wagon unloading capacity is 16,000 t/h, ship loading - 35,000 t.p.d., and the storage yard capacity is 600,000 tonnes. The quay at the Coal Terminal in the Port of Gdansk is 765m long, and it can accommodate ships of up to 280m long with maximum draft of 15m.

Within the Dry Bulk Terminal there is a new import terminal where operations commenced at the end of 2013. The import terminal has two cranes with a 60t lifting capacity on a gripping device at full radius. The cranes' nominal unloading capacity is 1,300 t/crane/h. The terminal has belt conveyors and a dumper-loader of 4,000 t/h capacity at unloading. Wagons loading capacity is 2,400 t/h, and the average capacity of storage yards is 2Mt.



Figure 7: Gdansk Port – “Dry Bulk Terminal” – export facility stacker/ reclaimers

The **Górnicy Basin** terminal at Gdańsk Port is operated by Port Gdański Eksploatacja S.A. The terminal consists of three quays; Węglowe, Rudowe and Administracyjne. The quays are equipped with cranes ranging from 8t to 25t of capacity. The maximum ship length is 225m at the maximum draught of 10.2m. The terminal has storage yards and bunkers and stationary cranes of up to 25t lifting capacity.



Figure 8: Gdansk Port “Górnicy Basin” Coal export/ import terminal

ABOUT THE LUBLIN COAL PROJECT

The Lublin Coal Project is a large scale thermal and semi-soft coking coal project with a current JORC Inferred Resource of 1.6 billion tonnes ("**Resource**") (refer to ASX Announcement 14 February 2013) across four coal exploration concessions in south eastern Poland. The Resource is based on the review and modelling of historic data over the Company's concessions, including the logs from 200 cored boreholes. Recent coal quality test work has demonstrated potential for semi-soft coking coal from the main 391 coal seam which hosts a current inferred resource of 327 million tonnes.

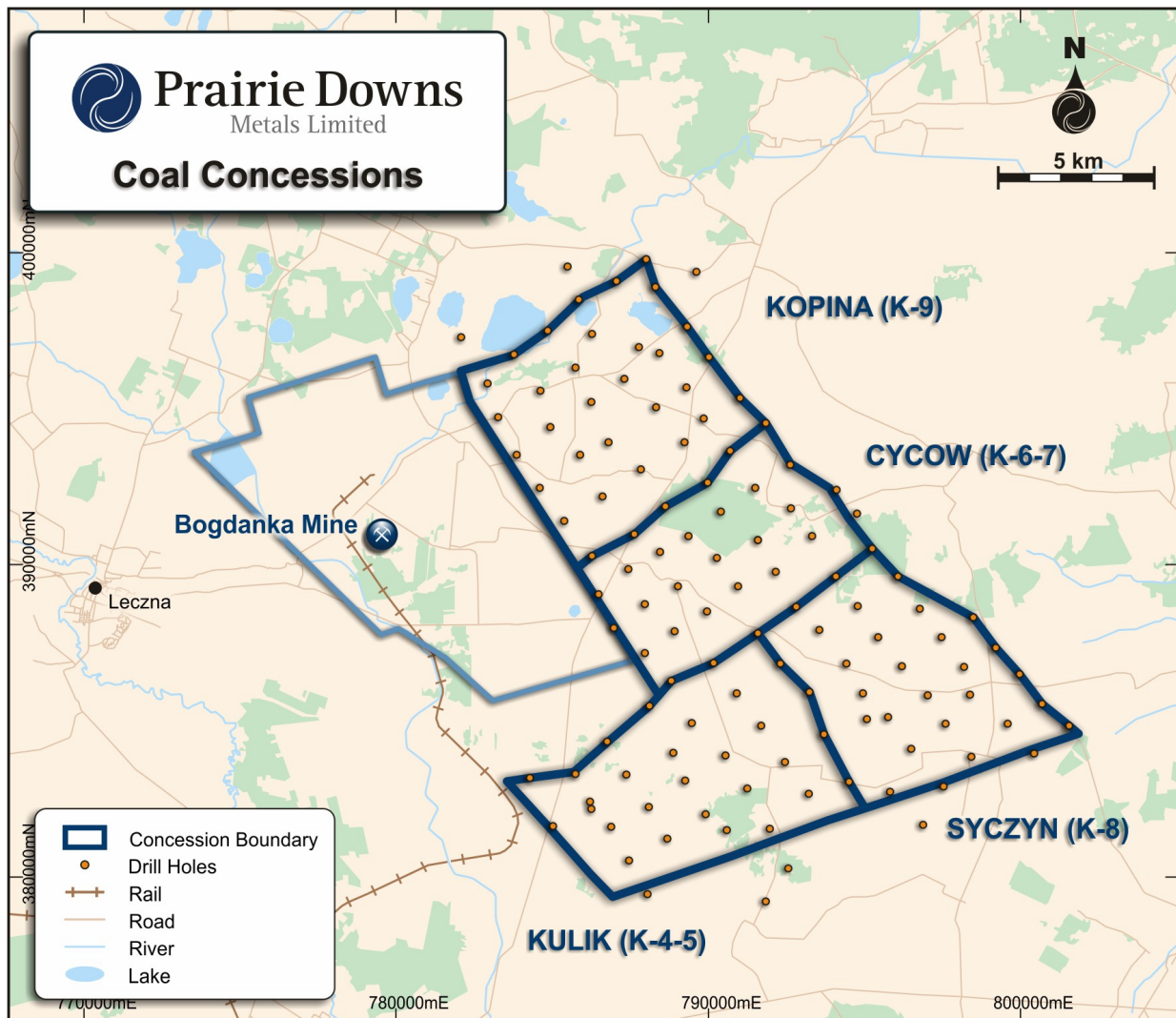


Figure 9: Lublin Coal Project Location Map in Poland

The Lublin Coal Basin is an established coal producing province and has extensive infrastructure, including roads, rail and power. The Project is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982. Bogdanka has successfully been able to demonstrate that the Lublin Coal Basin has the potential to host a new generation of large scale coal projects and has recently expanded its production levels to over 8 million tonnes per annum (targeting production of 11.5 million tonnes per annum by 2015) of thermal coal. The Lublin basin has ideal geological and mining conditions for high productivity longwall plow operations with world record production rates set by Bogdanka. As a result, the Bogdanka mine is currently the lowest operating cost hard coal mine in Europe. Preliminary analysis by the Prairie team indicates the potential to introduce international best practice in coal mine design and production technology to deliver substantial operational and product quality improvements.



Forward Looking Statements

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

Competent Person Statements

The information in this announcement that relates to Mineral Resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Information in this announcement that relates to Mineral Resources is based on information compiled by Dr Richard Lowman a Competent Person who is a Fellow of the Geological Society of London. Dr Lowman is employed by 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 under the 2004 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Lowman consents to the inclusion of the data in the form and context in which it appears.