



Prairie Mining
Limited

Interim Financial Report for the Half-Year Ended 31 December 2014

ABN 23 008 677 852



CORPORATE DIRECTORY

DIRECTORS:	Mr Ian Middlemas Mr Benjamin Stoikovich Mr Anastasios Arima Mr Thomas Todd Mr Mark Pearce Mr John Welborn Mr Todd Hannigan	Chairman Director and CEO Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Alternate Director
COMPANY SECRETARY:	Mr Dylan Browne	
REGISTERED AND PRINCIPAL OFFICE:	Level 9, BGC Centre 28 The Esplanade Perth WA 6000 Tel: +61 8 9322 6322 Fax: +61 8 9322 6558	
SHARE REGISTER:	Computershare Investor Services Pty Ltd Level 2 45 St Georges Terrace Perth WA 6000 Tel: 1300 557 010 Int: +61 8 9323 2000 Fax: +61 8 9323 2033	
STOCK EXCHANGE LISTING:	Australian Securities Exchange Home Branch – Perth 2 The Esplanade Perth WA 6000	
ASX CODE:	PDZ – Fully paid ordinary shares	
BANKERS:	Australia and New Zealand Banking Group Limited	
SOLICITORS:	Hardy Bowen Lawyers	
AUDITOR:	Ernst & Young	

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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 2014 ("**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:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Mr Anastasios Arima	Executive Director
Mr Thomas Todd	Non-Executive Director (appointed 16 September 2014)
Mr Mark Pearce	Non-Executive Director
Mr John Welborn	Non-Executive Director
Mr Todd Hannigan	Alternate Director (appointed 16 September 2014)

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) Prairie was granted a new large contiguous Concession for coal at the Lublin Coal Project ("**Project**" or "**LCP**") increasing the Project area by 54km² to over 235km². The new Concession, Sawin-Zachód ("**Sawin**"), confirms Prairie's position as the dominant land holder in the Lublin coal basin and provides the potential for a significant increase in coal resources;
- (ii) Halfway point reached in the Pre-Feasibility Study ("**PFS**") at the LCP which is on track for completion mid-2015. The PFS is being conducted by Golder Associates and Royal HaskoningDHV and has been designed to comply with international best practise in all study areas in order to promote a seamless transition to the Bankable Feasibility Study stage;
- (iii) The Company completed its exploration works program agreed with the Polish government under its exploration concessions at the Project, which included the drilling of seven boreholes, and submitting Geological Documentation to the Polish government. Approval of Geological Documentation will trigger a three (3) year priority right for Prairie to apply for a Mining Concession for the LCP;
- (iv) The Polish Ministry of Environment ("**MoE**") officially rejected Lubelski Węgiel BOGDANKA S.A.'s ("**Bogdanka**") appeal regarding the MoE's initial decision to deny their application for a Mining Concession over Prairie's K-6-7 Concession;
- (v) Appointed Wood Mackenzie to conduct European coal marketing studies for premium thermal and semi-soft coking coal from the Project which will be completed alongside the PFS;
- (vi) 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;
- (vii) Received strong community support at a regional press conference in Lublin that was held to announce the new name of Prairie's future mine at the LCP; and
- (viii) The Company signed agreements with the MoE providing access to further detailed historical exploration data for the K-4-5, K-8 and K-9 concessions at the LCP.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Lublin Coal Project

The Lublin Coal Project is a large scale premium thermal and semi-soft coking 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 coal producer in Europe.

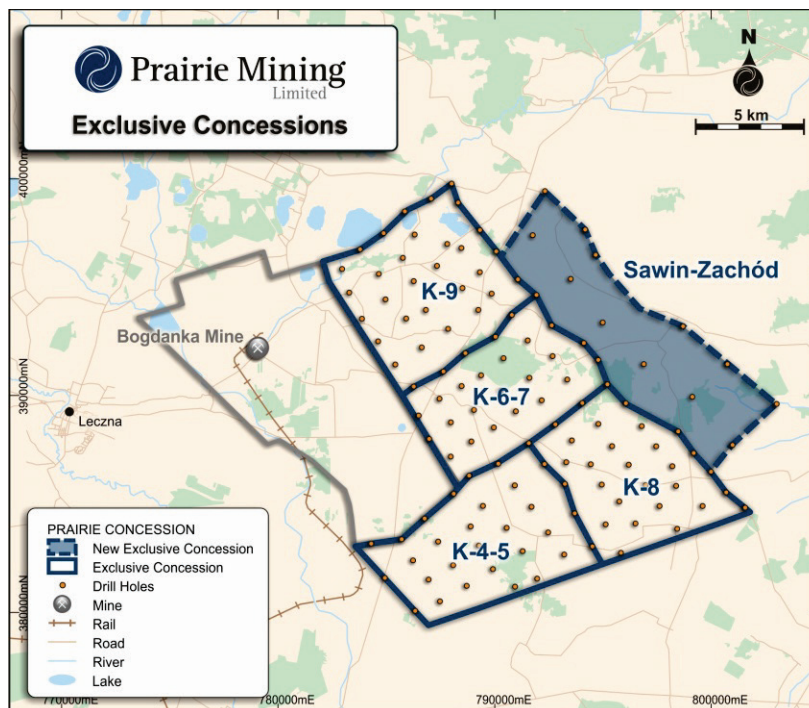


Figure 1: Prairie's Exclusive Concessions

The Project currently hosts a Coal Resource Estimate of 1.6 billion tonnes ("CRE") which has been based on the review and modelling of historic data over the Company's concessions, including the logs from 200 cored boreholes. A scoping Study ("Scoping Study") completed at the Project has confirmed the potential for a world class high margin premium thermal and semi-soft coking coal operation with assumed annual operating costs at US\$37 per tonne which would place the Project on the lowest position on the global cost curve for coal delivered into Europe.

Lublin Coal Project - Coal Resource Estimate (based on net coal seam thickness)			
Coal Seam	Indicated (Mt)	Inferred (Mt)	Total (Mt)
391	137	177	314
389	20	84	104
Other Seams	-	1,141	1,141
Total – Project Area	157	1,402	1,559

Lublin Coal Project Coal Quality Statistics (Air Dried) of In-situ Indicated Coal Resources (based on gross coal seam thickness)		
Parameter	391 Seam	389 Seam
Ash %	9.37	17.61
Calorific Value GAD kcal/kg:(MJ/kg)	7,004 (29.33)	6,104 (25.56)
Sulphur %	1.27	1.25

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Corporate

The following material corporate events occurred during the half-year ended 31 December 2014:

- (i) On 1 September 2014, the Company completed the sale of a parcel of one (1) million available-for-sale financial assets. As a result of this sale, and due to the fact that the Company intends to dispose of the investment, the available-for-sale financial assets have been reclassified from non-current to current financial assets, which has substantially increased the Company's working capital position; and
- (ii) On 16 September 2014, the Company appointed Mr Thomas Todd as a Non-Executive Director and Mr Todd Hannigan as his alternate Director.

Results of Operations

The net loss of the Consolidated Entity for the half-year ended 31 December 2014 was \$5,831,997 (31 December 2013: \$3,279,536). This loss is largely attributable to the following:

- (i) Exploration and evaluation expenses of \$4,292,036 (31 December 2013: \$3,407,773), 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;
- (ii) Non-cash share-based payment expenses of \$889,725 (31 December 2013: \$211,725) 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;
- (iii) Business development expenses of \$422,552 (31 December 2013: \$210,528) which includes expenses relating to the Group's investor relations activities; and
- (iv) An income tax expense of \$2,459,914 (31 December 2013: benefit of \$930,000) as a result of the release of the deferred tax asset recognised to offset the deferred tax liability on the available-for-sale financial assets.

Financial Position

At 31 December 2014, the Group had cash reserves of \$2,047,340 (30 June 2014: \$2,574,300), available-for-sale financial assets of \$9,911,563 (30 June 2014: \$18,800,000) and no debt. This puts the Group in a strong financial position and will allow the Group to continue its various planned development initiatives at the LCP.

At 31 December 2014, the Company had net assets of \$11,093,941 (30 June 2014: \$21,332,288).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (i) On 12 January 2015, the Company completed the sale of 0.949 million shares in B2Gold Corp. ("B2Gold") (TSX:BTO) to raise gross proceeds of C\$2.19 million (~A\$2.24 million);
- (ii) On 3 February 2015, the Company announced that it had been granted a new large contiguous Concession for coal at the Project known as the Sawin deposit; and
- (iii) On 18 February 2015, the Company granted 2,400,000 performance rights to key employees and contractors of the Company.

Other than as disclosed above or in this report, at the date of this report there were no significant events occurring after balance date requiring disclosure.

DIRECTORS' REPORT (Continued)

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 15 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



BEN STOIKOVICH
Director

10 March 2015

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.

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

The information in this report that relates to Exploration Results, Coal Resources, Production Targets and the Scoping Study was extracted from Prairie's ASX announcements dated 23 September 2014 entitled 'Annual Report to shareholders', 28 April 2014 entitled 'Scoping Study Confirms Potential for World Class High Margin Met and Thermal Coal Project' and 13 March 2014 entitled 'Initial Washability Results Display Exceptionally High Yields' available to view on the company's website at www.pdz.com.au.

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; b) all material assumptions and technical parameters underpinning the Coal Resource, Production Target, and related forecast financial information derived from the Production Target included in the original ASX announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this announcement have not been materially modified from the original ASX announcements.

Competent Person Statements

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the attached financial statements and notes thereto for the period ended 31 December 2014 are in accordance with the Corporations Act 2001, including:
 - (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 305 (true and fair view); and
- (b) 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

10 March 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Half-Year Ended 31 December 2014 \$	Half-Year Ended 31 December 2013 \$
CONTINUING OPERATIONS			
Revenue	4(a)	23,260	73,389
Other income	4(b)	2,664,130	-
Exploration and evaluation expenses		(4,292,036)	(3,407,773)
Employment expenses		(95,933)	(139,293)
Administration and corporate expenses		(111,657)	(154,353)
Occupancy expenses		(247,570)	(159,253)
Share-based payment expenses		(889,725)	(211,725)
Business development expenses		(422,552)	(210,528)
Loss before income tax		(3,372,083)	(4,209,536)
Income tax benefit/(expense)		(2,459,914)	930,000
Net loss for the period		(5,831,997)	(3,279,536)
Net loss attributable to members of Prairie Mining Limited		(5,831,997)	(3,279,536)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of available-for-sale financial assets		(5,500,342)	3,100,000
Deferred tax on available-for-sale financial assets		1,660,675	(930,000)
Exchange differences on translation of available-for-sale assets		318,471	-
Net realised gain on available-for-sale financial assets transferred to other income		(2,664,130)	-
Deferred tax on sale of available-for-sale financial assets		799,239	-
Exchange differences on translation of foreign operations		18,056	98,430
Total other comprehensive income/(loss) for the period		(5,368,031)	2,268,430
Total comprehensive loss for the period		(11,200,028)	(1,011,106)
Total comprehensive loss attributable to members of Prairie Mining Limited		(11,200,028)	(1,011,106)
Earnings per share			
Basic and diluted earnings per share (cents per share)		(4.32)	(2.77)

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 2014

	Note	31 December 2014 \$	30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,047,340	2,574,300
Trade and other receivables		404,115	354,651
Other financial assets	5	9,911,563	22,111
Total Current Assets		12,363,018	2,951,062
Non-Current Assets			
Other financial assets	6	-	18,800,000
Plant and equipment		74,145	87,635
Exploration and evaluation assets	7	530,000	530,000
Total Non-current Assets		604,145	19,417,635
TOTAL ASSETS		12,967,163	22,368,697
LIABILITIES			
Current Liabilities			
Trade and other payables		1,873,222	1,036,409
Total Current Liabilities		1,873,222	1,036,409
TOTAL LIABILITIES		1,873,222	1,036,409
NET ASSETS		11,093,941	21,332,288
EQUITY			
Contributed equity	8(a)	34,936,844	34,864,888
Reserves	9	6,707,944	11,186,250
Accumulated losses		(30,550,847)	(24,718,850)
TOTAL EQUITY		11,093,941	21,332,288

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 2014

	Contributed Equity	Available-for- Sale Reserve	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	34,864,888	10,149,750	1,051,658	(15,158)	(24,718,850)	21,332,288
Net loss for the period	-	-	-	-	(5,831,997)	(5,831,997)
Other comprehensive income for the half-year						
Changes in fair value of available-for-sale financial assets	-	(5,500,342)	-	-	-	(5,500,342)
Deferred tax on available-for-sale financial assets	-	1,660,675	-	-	-	1,660,675
Exchange differences on translation of available-for-sale assets	-	318,471	-	-	-	318,471
Net realised gain on available-for-sale financial assets transferred to other income	-	(2,664,130)	-	-	-	(2,664,130)
Deferred tax on sale of available-for-sale financial assets	-	799,239	-	-	-	799,239
Exchange differences on translation of foreign operations	-	-	-	18,056	-	18,056
Total comprehensive income/(loss) for the period	-	(5,386,087)	-	18,056	(5,831,997)	(11,200,028)
Transactions with owners recorded directly in equity						
Issue of ordinary shares	77,282	-	-	-	-	77,282
Share issue costs	(5,326)	-	-	-	-	(5,326)
Recognition of share-based payments	-	-	889,725	-	-	889,725
Balance at 31 December 2014	34,936,844	4,763,663	1,941,383	2,898	(30,550,847)	11,093,941
Balance at 1 July 2013	30,820,466	1,644,750	308,285	(60,863)	(19,699,886)	13,012,752
Net loss for the period	-	-	-	-	(3,279,536)	(3,279,536)
Other comprehensive income for the half-year						
Changes in fair value of available-for-sale financial assets	-	3,100,000	-	-	-	3,100,000
Deferred tax on available-for-sale financial assets	-	(930,000)	-	-	-	(930,000)
Exchange differences on translation of foreign operations	-	-	-	98,430	-	98,430
Total comprehensive income/(loss) for the period	-	2,170,000	-	98,430	(3,279,536)	(1,011,106)
Transactions with owners recorded directly in equity						
Issue of ordinary shares	700,000	-	-	-	-	700,000
Share issue costs	(3,134)	-	-	-	-	(3,134)
Exercise of unlisted options	370,975	-	(164,725)	-	-	206,250
Recognition of share-based payments	-	-	211,725	-	-	211,725
Balance at 31 December 2013	31,888,307	3,814,750	355,285	37,567	(22,979,422)	13,116,487

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 2014

	Half-Year Ended 31 December 2014 \$	Half-Year Ended 31 December 2013 \$
Cash flows from operating activities		
Payments to suppliers and employees	(4,334,557)	(3,685,753)
Proceeds from retirement of performance bonds	22,111	-
Interest revenue from third parties	43,864	104,973
Net cash outflow from operating activities	(4,268,582)	(3,580,780)
Cash flows from investing activities		
Purchase of plant and equipment	(22,799)	(7,352)
Proceeds from sale of available-for-sale financial assets	3,688,092	-
Net cash inflow/(outflow) from investing activities	3,665,293	(7,352)
Cash flows from financing activities		
Proceeds from issue of shares	77,282	706,250
Payments for share issue costs	(3,551)	(4,623)
Net cash inflow from financing activities	73,731	701,627
Net decrease in cash and cash equivalents	(529,558)	(2,886,505)
Net foreign exchange differences	2,598	51,277
Cash and cash equivalents at the beginning of the period	2,574,300	6,170,841
Cash and cash equivalents at the end of the period	2,047,340	3,335,613

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 2014

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 2014 were authorised for issue in accordance with the resolution of the directors on 10 March 2015.

This general purpose condensed financial report for the interim half-year reporting period ended 31 December 2014 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 2014 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 available-for-sale 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 2014, 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 2014.

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

- AASB 132 *Financial Instruments: Presentation* and AASB 2012-3 Amendments to Australian Accounting Standards arising from AASB 132;
- AASB 136 *Impairment of Assets* and AASB 2013-3 Amendments to Australian Accounting Standards arising from AASB 136; and
- AASB 1031 *Materiality* and AASB 2013-9 (Part B) Amendments to Australian Accounting Standards to delete references to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 (Continued)

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 2014 \$	Half-Year Ended 31 December 2013 \$
4. REVENUE AND OTHER INCOME		
(a) Revenue		
Interest revenue	23,260	73,389
(b) Other Income		
Net gain on sale of available-for-sale financial assets	2,664,130	-

	Note	31 December 2014 \$	30 June 2014 \$
5. CURRENT ASSETS – OTHER FINANCIAL ASSETS			
<i>Loans and receivables:</i>			
Bonds ¹		-	22,111
Carrying amount at end of the period		-	22,111
<i>Available-for-sale financial assets:</i>			
Canadian listed equity securities ²	5(a)	9,911,563	-
Carrying amount at end of the period		9,911,563	-

		Half-Year ended 31 December 2014 \$	Half-Year Ended 31 December 2013 \$
(a) Available-for-sale financial assets reconciliation			
Carrying amount at the start of the period		-	-
Transfer from non-current assets – other financial assets	6	18,800,000	-
Proceeds from sale of available-for-sale financial assets		(3,688,092)	-
Changes in fair value recognised in the reserve		(5,541,895)	-
Exchange differences on translation of available-for-sale assets		341,550	-
Carrying amount at the end of the period		9,911,563	-

Notes:

¹ Performance guarantees, which related to environmental performance bonds, were retired during the period as the Group entered into the Mines Rehabilitation Fund (MRF).

² At 30 June 2014, the Company held 10.0 million fully paid ordinary shares in Papillon Resources Limited ("Papillon") (ASX:PIR). On 1 September 2014, the Company completed the sale of a parcel of one (1) million available-for-sale financial assets. As a result of this sale, and due to the fact that the Company intends to dispose of the investment, the available-for-sale financial assets have been reclassified from non-current to current financial assets, which has substantially increased the Company's working capital position. Furthermore, during the period, Papillon implemented a scheme of arrangement by which B2Gold (TSX:BTO) 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. At 31 December 2014, the Company held 4.9 million fully paid ordinary shares in B2Gold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 (Continued)

	31 December 2014 \$	30 June 2014 \$
6. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS		
<i>Available-for-sale financial assets:</i>		
Australian listed equity securities	-	18,800,000
Carrying amount at the end of the period¹	-	18,800,000

Notes:

¹ On 1 September 2014, the Company completed the sale of a parcel of one (1) million available-for-sale financial assets. As a result of this sale, and due to the fact that the Company intends to dispose of the investment, the available-for-sale financial assets have been reclassified from non-current to current financial assets. Refer to Note 5(a) for further discussion.

	Note	31 December 2014 \$	30 June 2014 \$
7. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION ASSETS			
(a) Areas of Interest			
Lublin Coal Project		530,000	530,000
Carrying amount at end of the period¹		530,000	530,000

Notes:

¹ 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 2014 \$	30 June 2014 \$
8. CONTRIBUTED EQUITY			
(a) Issued and Unissued Capital			
135,195,089 (30 June 2014: 134,679,879) fully paid ordinary shares	8(b)	34,936,844	34,539,888
600,000 (30 June 2014: 5,500,000) unissued milestone shares	8(b)	-	325,000
Total Contributed Equity		34,936,844	34,864,888

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

Date	Details	Number of Shares	\$
1-Jul-14	Opening Balance	134,679,879	34,539,888
Jul-14 to Dec-14	Transfer from unissued milestone shares ¹	-	325,000
Jul-14 to Dec-14	Issue of shares upon exercise of \$0.15 unlisted options	515,210	77,282
Jul-14 to Dec-14	Share issue costs	-	(5,326)
31-Dec-14	Closing Balance	135,195,089	34,936,844

Notes:

¹ During the period, 4.4 million unissued milestone shares were cancelled. A further 0.5 million unissued milestone shares expired on 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 (Continued)

	Note	31 December 2014 \$	30 June 2014 \$
9. RESERVES			
Available-for-sale reserve		4,763,663	1,051,658
Share-based payments reserve	9(a)	1,941,383	10,149,750
Foreign currency translation reserve		2,898	(15,158)
		6,707,944	11,186,250

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

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
01-Jul-14	Opening Balance	9,582,133	1,536,000	1,051,658
11-Sep-14	Grant of \$0.45 unlisted options	1,650,000	-	-
5-Dec-14	Grant of performance rights	-	3,875,000	-
Jul-14 to Dec-14	Share-based payments expense	-	-	889,725
31-Dec-14	Closing Balance	11,232,133	5,411,000	1,941,383

During the period, the following unlisted options and performance rights were issued over unissued Ordinary Shares of the Company:

- 250,000 unlisted options exercisable at \$0.45 each on or before 30 June 2017;
- 1,400,000 unlisted options exercisable at \$0.45 each on or before 30 June 2018; and
- 3,875,000 performance rights with various vesting conditions and expiry dates between 30 June 2015 and 31 December 2016.

10. CONTINGENT ASSETS AND LIABILITIES

There have been no changes to contingent assets or liabilities since the date of the last annual report, except for the following:

Further Historical Exploration Data

During the half-year ended 31 December 2014, the Company entered into agreements with the MoE to obtain full rights to use a completed set of detailed historical exploration data for the K-4-5, K-8 and K-9 concessions at the LCP. These agreements also give Prairie the legal title to use this data as part of the mine permitting process. Under the terms of the agreements, the Company was required to make a payment to the MoE of PLN3,682,248 (~A\$1,292,017) for the right to use the historical exploration data. This amount constitutes 10% of the overall fee for the data. The term of the agreement is 30 months and upon the grant of a mining concession at the LCP by the MoE, the balance is payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of the mining concession.

11. 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 2014 and 31 December 2013, the carrying value of the Group's financial assets and liabilities approximate their fair value. Please refer to Notes 5 and 6 for further disclosure.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 (Continued)

12. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half-year (31 December 2013: nil).

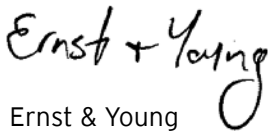
13. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (i) On 12 January 2015, the Company completed the sale of 0.949 million shares in B2Gold to raise gross proceeds of C\$2.19 million (~A\$2.24 million);
- (ii) On 3 February 2015, the Company announced that it had been granted a new large contiguous Concession for coal at the Project known as the Sawin deposit; and
- (iii) On 18 February 2015, the Company granted 2,400,000 performance rights to key employees and contractors of the Company.

Other than as disclosed above or in this report, 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

In relation to our review of the financial report of Prairie Mining Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Peter McIver
Partner
10 March 2015

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 2014, 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.

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 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Peter McIver

Peter McIver
Partner
Perth
10 March 2015