



Prairie Mining
Limited

ASX RELEASE | 31 JULY 2015

JUNE 2015 QUARTERLY REPORT

Prairie Mining Limited (“**Prairie**” or the “**Company**”) is pleased to present its quarterly report for the period ending 30 June 2015.

Highlights during, and subsequent to, the quarter include:

HIGHLIGHTS:

- **Investment Agreement with CD Capital** – Prairie (pursuant to an investment in its wholly owned subsidiary) agreed the terms for an investment of up to A\$83 million from global natural resources private equity fund CD Capital to upgrade, expand and develop the Lublin Coal Project (“**LCP**” or “**Project**”);
- **Approval of Geological Documentation** – the Company secured a three year Exclusive Right to be granted a mining concession for the Project;
- **Coal Resource Upgrade** – Substantial increase in Indicated Coal Resources to 333 million tonnes for the LCP, representing a 96% increase from the Coal Resource Estimate in 2014;
- **Pre-Feasibility Study (“PFS”)** – work continued on the PFS for the Project with the study expected to be completed during 2015;
- **Railway Spur Line Studies** – Completed a study of potential rail routes linking the various potential mine site locations to the national railway grid;
- **Environmental and Social Impact Assessment (“ESIA”)** – Continued baseline studies for the ESIA, the completion of which is a pre-requisite for the grant of a mining concession over the LCP;
- **Divestment of Base Metals Project (“BMP”)** – Prairie received A\$0.5 million in cash from Marindi Metals and stands to potentially receive a further A\$1 million in cash or shares in consideration for Marindi electing to acquire 100% of the BMP; and
- **Working Capital** – As at 30 June 2015, the Company had working capital (cash and listed securities) of approximately \$9.6 million and no debt.

GOING FORWARD:

The Company will continue to work towards further development milestones at the Project including the following:

- Completion of the PFS during 2015;
- Completion of comprehensive coal marketing studies encompassing export and domestic marketing opportunities for the LCP;
- Completion of Environmental Baseline Studies which will feed into the ESIA; and
- Further project permitting including site selections and applications for spatial planning.



Figure 1: LCP Target Export Locations

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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.

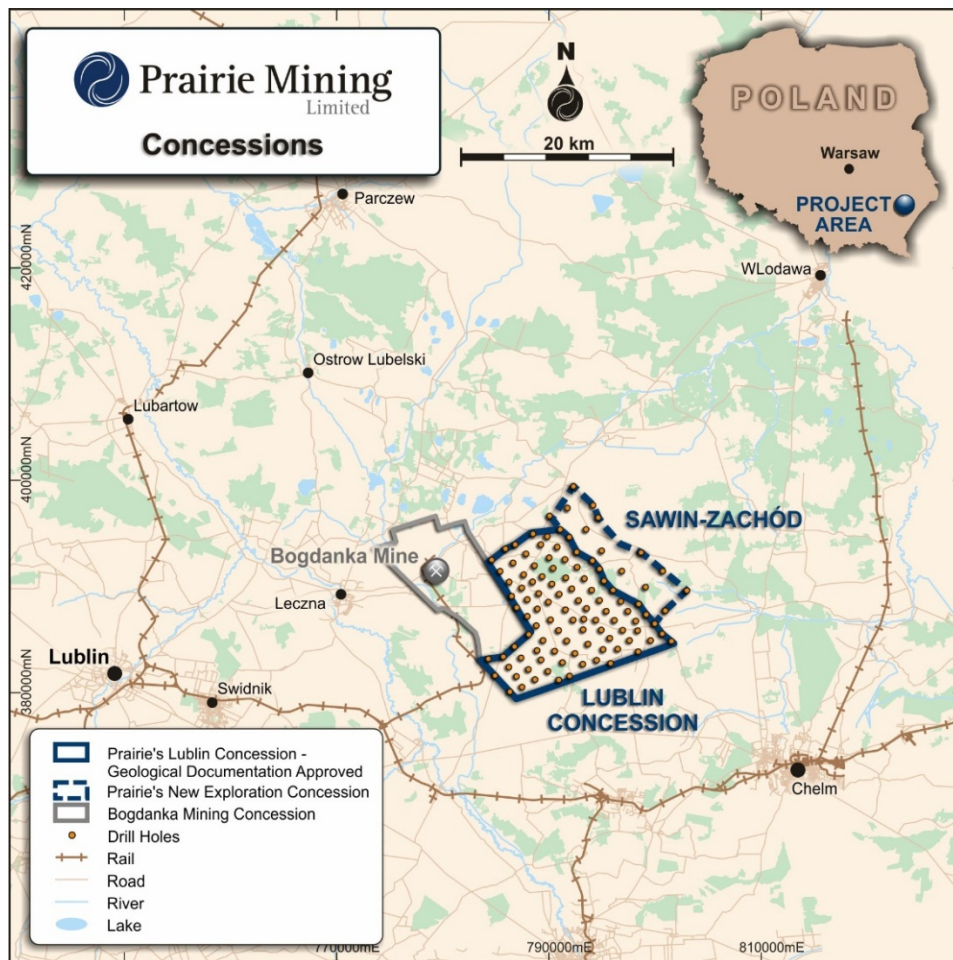


Figure 2: Lublin Coal Project Exploration Concessions

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

On 20 July 2015, Prairie announced that it had executed an investment agreement of up to A\$83 million with CD Capital Natural Resources Fund III LP ("**CD Capital**"). In doing so, CD Capital have committed to be a key strategic funding partner in the upgrading, expansion and development of Prairie's LCP.

The transaction is subject to shareholder approval and is structured in three tranches as follows:

- a private placement by PDZ Holdings Pty Ltd ("**PDZ Holdings**") (a wholly-owned subsidiary of Prairie which indirectly holds the Lublin Coal Project) of non-interest bearing convertible loan notes with an aggregate principal amount of A\$15 million to CD Capital, exchangeable for ordinary shares of Prairie at A\$0.335 per share;
- the grant of unlisted options in Prairie with an exercise price of A\$0.60 per option for a further A\$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 receipt by PDZ Holdings of the initial A\$15 million will fund the de-risking of the Project towards a construction decision. The completion of the transaction will fully fund all required works up to a positive mine development decision at the Lublin Coal Project, including the completion of a Definitive Feasibility Study ("**DFS**") and all required permitting.

CD Capital securing rights to provide A\$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 Lublin Coal Project.

Under the investment agreement, CD Capital has the right to appoint two directors 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

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 Minister of Environment of Prairie's previously submitted Geological Documentation and is in accordance with the terms of the Polish Geological and Mining Law (2011). Geological Documentation is a resource estimate prepared according to the standards prescribed in the Polish resource reporting code.

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 the next three (3) years. 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.

As part of Prairie's Geological Documentation, the Company proposed the consolidation of the four original exploration concessions granted to Prairie (K-4-5, K-6-7, K-8 and K-9) into one single concession known as the "Lublin Concession". The newly defined Lublin Concession comprises the full extent of the targeted resources within the mine plan for the Project. As part of this consolidation, 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 and would not feature in a mineable resource base for the targeted 391 coal seam. In addition, Prairie's Geological Documentation did not include the recently awarded Sawin-Zachód Concession which may be added at a later date following further exploration.

The boundary points for the newly defined Lublin Concession are shown in Figure 3, with the four original concessions now consolidated into one approved area:

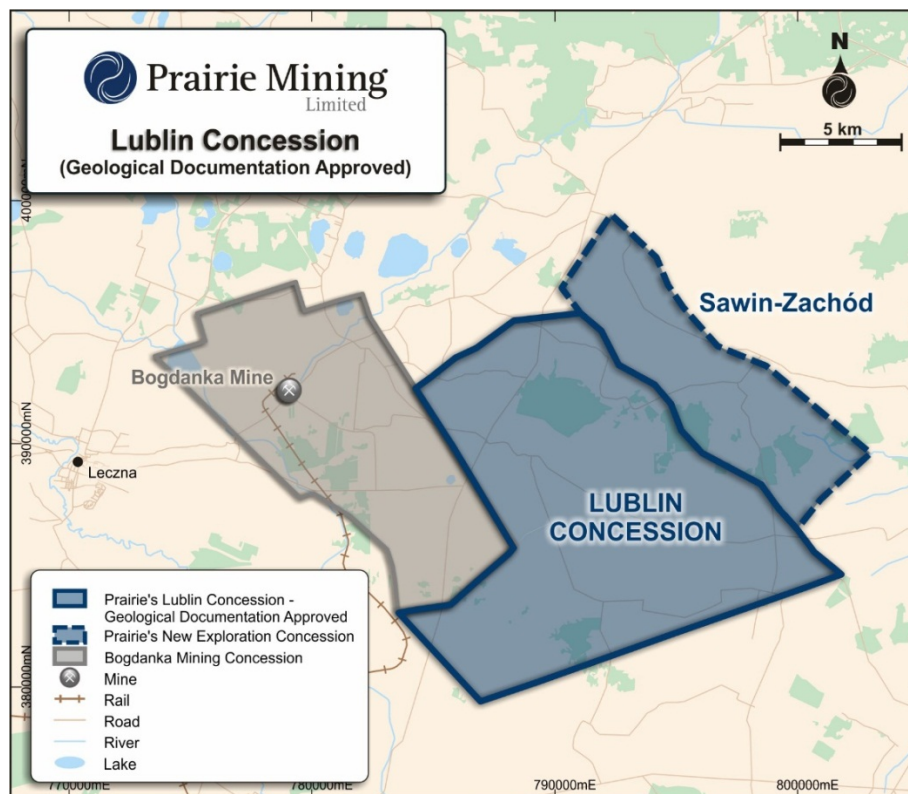


Figure 3: Prairie's Newly Defined "Lublin Concession"

Coal Resource Upgrade

An updated Coal Resource Estimate (“**CRE**”) for the LCP was published subsequent to the end of the quarter, delivering a substantial increase in Indicated Coal Resources to 333 million tonnes (“**Mt**”) which represents a 96% increase from the previous Coal Resource Estimate in 2014

The updated CRE focused on increasing the number of Indicated tonnes within the overall resource to support the mine plan for the Pre-Feasibility Study (“**PFS**”) as the Project heads into the development phase.

The CRE was reported in accordance with the JORC Code (2012) and comprises 333Mt in the Indicated Category as part of a Global CRE of 722Mt. 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.

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

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

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

Coal Quality

The LCP has attractive coal quality parameters, particularly within the 391 seam, with the potential to produce high quality semi-soft coking coal. The updated CRE by RHDHV did not present washed coal quality results but instead presented only raw unwashed coal parameters.

Prairie has conducted separate coal washability testing based on its completed drilling program, the results of which were published by the company in April 2015 (refer ASX announcement “March 2015 Quarterly Report”, 30 April 2015). These results were highly encouraging as they confirmed the 391 coal seam hosts extensive premium coal throughout the planned target mining areas of the Project where the 391 coal seam is thickest. The 391 seam thickens towards the west of the Project area, as it approaches the border with the Bogdanka mine. In these areas, coal seam thicknesses extend up to 3.2 metres in the 391 seam.

The metallurgical coal analysis from the composite results shows Free Swell Index (“**FSI**”) numbers of 3.5 – 6.0 in all target mining areas of the 391 seam, comparable to international benchmark semi-soft coking coals as well as semi-soft coking coals already produced in Poland.

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%

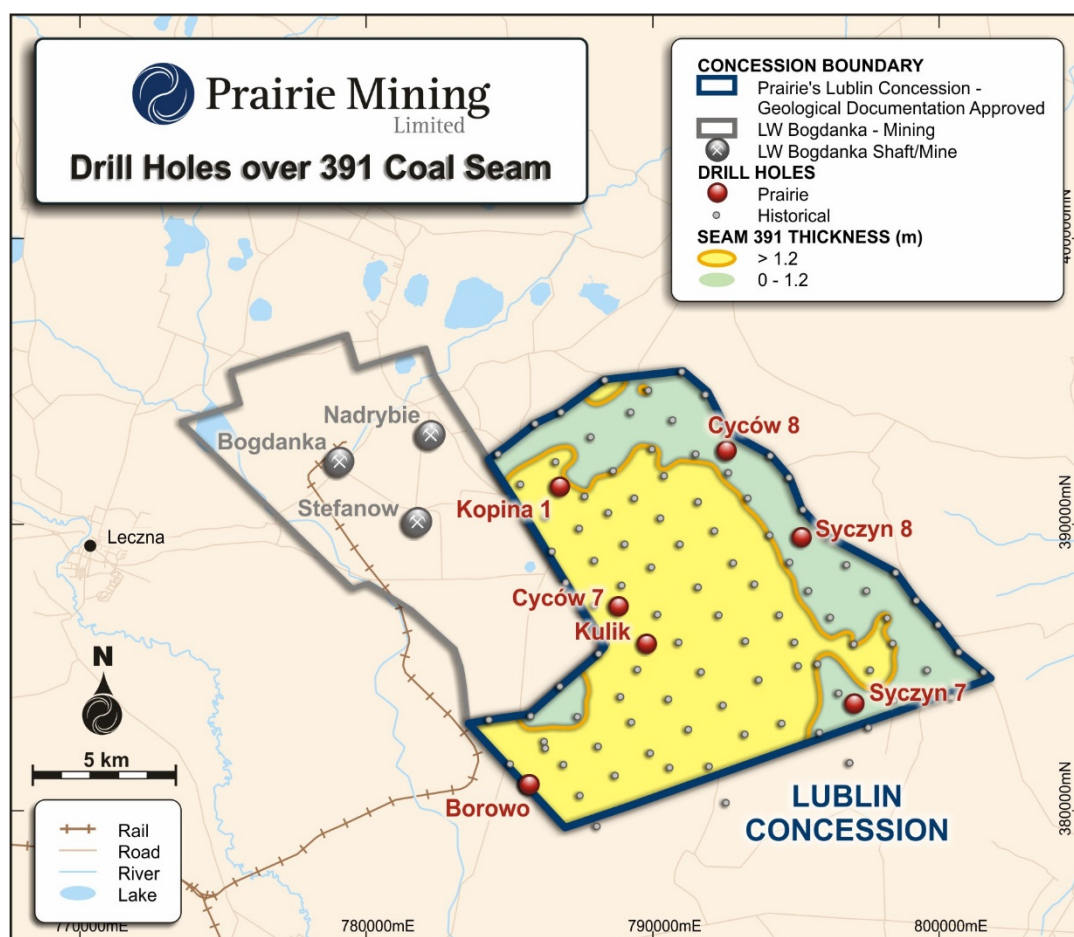


Figure 4: Drill Hole Locations & 391 seam 1.2m thickness contour

Pre-Feasibility Study

During the quarter the Company progressed past the mid-way point of 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.

During the quarter the Company completed the following work streams:

- Translated and reviewed Polish Regulations and Norms related to shaft sinking and testing required for shaft examination boreholes;
- Completed a workshop with Geo-Eko-Wiert, Golders and RHDHV to develop and agree a go forward design for the mine layout;
- Agreed the deliverables for the Deposit Development Plan;
- Held discussions with a number of suppliers of consumables and equipment, including electrical, steel arch, transport systems, rockbolts, ventilation systems, pumps and piping;
- Ongoing review of salary structures to support the PFS cost base;
- Ongoing review of accounting practices for the PFS financial model;
- Meetings conducted with Multiconsult/Atkins and Sunbar to progress spatial planning and environmental impact requirements;
- Prepared draft Project Information Card – a Polish document required to get a scoping opinion on the Polish Environmental and Social Impact Assessment;
- Commissioned a site layout development to support re-zoning;
- Commissioned Golders to develop pillars for mine planning and mine layout based on a combination of steel arches and rockbolting; and
- Introduced Hydrogeologist to support in-house team.

Going forward, Prairie's PFS team will now focus on the completion of the PFS during 2015 including the following study requirements:

- Shaft sinking and hoisting design;
- Geotechnical parameters for roof support system and optimised longwall panel layouts;
- Mine development and production scheduling;
- Finalisation of all surface engineering and transport systems;
- Finalising CHPP design;
- Waste management;
- Staffing requirements;
- Estimates of capital and operating costs; and
- Study reporting.

As part of the PFS work program, Prairie's team is also compiling a detailed schedule of works required for the DFS for the Project.

Railway Spur Line Studies

Prairie's LCP is located approximately 15km from Poland's national railway grid, connecting the Project with domestic and wider European coal markets. During the quarter, Prairie made significant progress with the analysis and selection of railway spur line options to link the Project with the national grid.

Prairie's study team selected possible rail routes for the rail spur line, resulting in the preparation of a Stage One report on supply options, with the next stage being to select the preferred option(s) and commission a detailed report on the selected solution.

Prairie conducted shallow drilling in the areas of the proposed rail routes for geotechnical testing and costing purposes.

Environmental & Social Impact Assessment

Prairie recently completed a number of major work program items in relation to its ongoing ESIA for the LCP. Prairie's ESIA, being conducted by Multiconsult (formerly WS Atkins), is an extensive study that includes a wide range of environmental monitoring programs, field surveys, ecosystem sensitivity assessments, socio-economic surveys and a detailed community study and stakeholder engagement plan. The scope of Prairie's ESIA has been defined to meet Polish, European Union and international standards, including compliance with the Equator Principles as required by Equator Principles Financial Institutions, to support the future financing of the Project.

Prior to the commencement of the environmental baseline field work studies for the LCP, Prairie's ESIA study team completed a desktop review of the available environmental and social data for its concession areas. Given the fact that existing mining operations exist adjacent to Prairie's concessions, Prairie has benefitted by having access to a significant quantity of existing data for the region which represent actual mining conditions, including surface water flows and quality, some information on groundwater and ground levels after subsidence, noise and waste characteristics. This data, where it relates to areas already affected by the existing mine; will assist Prairie in the accuracy of its predictions of impacts resulting from new mining activity.

Following completion of this desktop review, Multiconsult immediately commenced with the required baseline studies to obtain data that was not already publicly available. The baseline studies are now underway for all concession areas at the LCP, and will continue for some time to capture seasonal differences.

The Company has also completed its internal Stakeholder Engagement Plan which is a key component of the ESIA process, and will ensure that the Company communicates effectively with all relevant stakeholders of the Project.

Prairie is on track to complete all environmental baseline studies during 2015 and submit its completed ESIA report(s) to the Polish authorities during 2016. The submitted ESIA will provide the Polish authorities with sufficient information to award an Environmental Consent Decision, which is a pre-requisite for the granting of a Mining Concession over the Company's concessions.

New Agreement Signed over Base Metals Projects

During the quarter Prairie announced that it had entered into a new farm-in agreement ("**New Agreement**") with Marindi Metals Pty Ltd ("**Marindi**") in relation to Prairie's Base Metals Project ("**BMP**"), located approximately 60 kilometers southwest of Newman in the Pilbara region of Western Australia.

Under the terms of the New Agreement, Marindi can earn a 100% interest in the BMP by electing to pay Prairie A\$0.5 million in cash (which Prairie received during the quarter) and a further A\$1 million in cash or shares by 30 September 2016, with Prairie retaining a 2.5% Net Smelter Royalty.

The New Agreement allows Prairie to focus 100% of its time, energy and resources on the world class Lublin Coal Project and provides the incentive for Marindi, which is led by highly experienced base metal mining executives, to rapidly advance the development of the Base Metals Project.

Corporate

Shareholding in B2Gold

As at 30 June 2015, the Company held 3.75 million fully paid shares in B2Gold Corp. (TSX:BTO) (“**B2Gold**”). The B2Gold shares are classified as available-for-sale current financial assets in Prairie’s Statement of Financial Position.

Financial Position

As at 30 June 2015, the Company had working capital (which includes cash reserves and listed securities) of approximately \$9.6 million and no debt, placing the Company in an excellent position to complete its planned development activities at the LCP.

Exploration Tenement Information

The management team and the financial capital of Prairie are 100% focused on the development of the Lublin Coal Project in Poland. The Company holds an historical interest in a base metals project, being the BMP. During the quarter, a New Agreement was signed with third party developer Marindi Metals in relation to the Prairie Downs project and as a result, this project does not require the commitment of Prairie’s financial or managerial resources, however, it does provide the Company with exposure to potential cash and share receipts and a future net smelter royalty should exploration programs at the project prove to be positive. As at 30 June 2015, the Company has an interest in the following projects:

Location	Tenement	Percentage Interest	Status
Lublin Coal Project	Kulik (K-4-5)	100	Granted
Lublin Coal Project	Cycow (K-6-7)	100	Granted
Lublin Coal Project	Syczyn (K-8)	100	Granted
Lublin Coal Project	Kopina (K-9)	100	Granted
Lublin Coal Project	Sawin-Zachód	100	Granted
Prairie Downs	E52/1758	100*	Granted
Prairie Downs	E52/1926	100*	Granted

* The Company has entered into a farm-in agreement to assign up to 100% interest in the Prairie Downs Project.

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 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

The information in the original ASX announcements that relates Coal Resources is based on 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 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 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Prairie Mining Limited

ABN

23 008 677 852

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(817)	(7,379)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(151)	(622)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	59
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	(a) Business development costs	(412)	(1,124)
Net Operating Cash Flows		(1,377)	(9,067)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(4)	(38)
1.9	Proceeds from sale of:		
	(a) prospects	500	500
	(b) equity investments	542	6,438
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		1,038	6,900
1.13	Total operating and investing cash flows (carried forward)	(339)	(2,167)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(339)	(2,167)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,691	1,768
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	(a) Share issue transaction costs	-	(5)
	Net financing cash flows	1,691	1,763
	Net increase (decrease) in cash held	1,352	(404)
1.20	Cash at beginning of quarter/year to date	728	2,580
1.21	Exchange rate adjustments to item 1.20	(3)	(99)
1.22	Cash at end of quarter	2,077	2,077

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(314)
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions Payments include executive remuneration (including bonuses), director fees, superannuation and provision of a fully serviced office.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil
3.2	Credit standby arrangements	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	800
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	1,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,077	728
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,077	728

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does ~~/does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Date: **31 July 2015**
(~~Director~~/Company secretary)

Print name: **Dylan Browne**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.