

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should immediately consult a person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and others securities.

This document comprises a prospectus (the "**Prospectus**") relating to Prairie Mining Limited (the "**Company**" or "**Prairie**") and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of FSMA and has been filed with the FCA. This Prospectus constitutes a prospectus within a form of a single document within the meaning of Article 5 item 3 of the Directive 2003/71/EC ("**Prospectus Directive**") and has been prepared in accordance with the provisions of the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in the prospectus as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements ("**Regulation 809/2004**"). This Prospectus has been approved by FCA in its capacity as the competent authority in the United Kingdom as the Company's home member state within the meaning of the Prospectus Directive. The Company will be authorised to apply for the admission and introduction of the Shares to trading on the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) ("the "**Warsaw Stock Exchange**" or "**WSE**") once the Polish Financial Supervisory Authority (*Komisja Nadzoru Finansowego*) (the "**Polish FSA**") is notified of the approval of this Prospectus by the FCA and receives from the FCA a copy of the approved Prospectus together with a Polish translation of the section containing summary of the information. This document shall be made available to the public as required by the Prospectus Rules and by the Polish Act on Public Offering. This Prospectus shall be made available in an electronic form on 28 August 2015. This document does not constitute a prospectus for the purposes of the Corporations Act 2001 (Cth).

Application has been made to the FCA for all of the issued Ordinary Shares to be admitted to the standard listing segment of the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Ordinary Shares to be admitted to trading on its main market for listed securities (together "**Admission**"). Admission to trading on the London Stock Exchange constitutes admission to trading on a regulated market. It is expected that Admission will become effective and that unconditional dealings will commence in the Ordinary Shares on the London Stock Exchange at 8:00 am (BST) on 3 September 2015.

Pursuant to this Prospectus, an application will be made to the Warsaw Stock Exchange for up to 148,352,432 Ordinary Shares with no par value, issued by the Company, to be admitted and introduced to the Warsaw Stock Exchange (the "**Polish Admission**"). Polish Admission to trading on the Warsaw Stock Exchange constitutes admission to trading on a regulated market within the meaning of the Polish Act on Trading in Financial Instruments. It is expected that Polish Admission will become effective and that dealings will commence in the Ordinary Shares on the Warsaw Stock Exchange on 3 September 2015.

PRAIRIE MINING LIMITED

(Registered in Australia under the Corporations Act 2001 with ACN 008 677 852)

Admission to the standard listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities and admission and introduction of up to 148,352,432 ordinary shares of the Company with no par value to the main market of the Warsaw Stock Exchange



The Ordinary Shares are already listed on ASX. No application has been made, or is currently intended to be made, for the Ordinary Shares to be admitted to listing or traded on any stock exchange other than the London Stock Exchange and the Warsaw Stock Exchange.

The Company and its Directors (whose names appear on pages 71 to 72 of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed "Risk Factors" contained on pages 16 to 39 of this document.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the Ordinary Shares to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such Ordinary Shares by any person in any circumstances in which such offer or solicitation is unlawful and is not for distribution in or into the United States, Canada or Japan.

The Ordinary Shares have not been and will not be registered under the US Securities Act or the applicable securities laws of Canada or Japan and may not be offered or sold within the United States, Canada or Japan or to, or for the account or benefit of, citizens or residents of the United States, Canada or Japan.

CONTENTS

SUMMARY	1
RISK FACTORS	16
GENERAL INFORMATION.....	40
DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS	44
EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS	46
Part 1 Information on the Company	47
Part 2 Directors and Corporate Governance	71
Part 3 Operating and Financial Review	81
Part 4 Taxation	104
Part 5 Additional Information	117
Part 6 Definitions and Glossary of Technical Terms	187
Part 7 Historical Financial Information	198
Part 8 Reviewed Interim Financial Report for the half-year ended 31 December 2014	340
Part 9 Competent Person's Report on the Lublin Coal Project.....	353
Annexure 1	415
Independent Expert's Report	415

SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A - E (A.1 - E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of the words 'not applicable'.

Section A – Introduction and warnings		
Element		
A.1	Introduction	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the Ordinary Shares should be based on consideration of this Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.</p>
A.2	Consent for intermediaries	Not applicable
Section B – Issuer		
Element		
B.1	Legal and Commercial Name	Prairie Mining Limited
B.2	Domicile/ Legal Form/ Legislation/ Country of Incorporation	A company incorporated under the laws of Australia, pursuant to the Corporations Act 2001 with its registered office in Western Australia and principal place of business in London.
B.3	Current	The Company is an emerging coal company with its principal place of business in London, project offices in Warsaw and Lublin and

	Operations/ Principal Activities and Markets	<p>registered office in Western Australia, focused on the development of the Lublin Coal Project in Poland.</p> <p>The Lublin Coal Project is a large scale coal project with a current Coal Resource Estimate of 722 Mt across four coal Exploration Concessions in south eastern Poland.</p> <p>A Competent Person's Report in relation to the Lublin Coal Project is set out in Part 9 of this Prospectus.</p> <p>On 28 April 2014, Prairie announced the results of a positive Scoping Study for the Lublin Coal Project and is currently progressing with a PFS for the Lublin Coal Project.</p> <p>On 1 July 2015, the Company announced that it had been granted a 3 year Priority Right to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód).</p>
B.4a	Significant Trends	<p>For the financial year ended 30 June 2014, the net loss of the Group was A\$5,018,964.</p> <p>On 4 September 2014, the Company announced that it had commenced work on a PFS for the Lublin Coal Project subsequent to the completion of a positive Scoping Study.</p> <p>On 12 January 2015, the Company completed the sale of 949,000 shares in B2Gold Corp to raise gross proceeds of approximately A\$2.24 million.</p> <p>On 3 February 2015, the Company announced that it had secured a 100% interest in a new coal Exploration Concession contiguous to the Lublin Coal Project known as Sawin-Zachód.</p> <p>On 24 March 2015, the Company completed the sale of 250,000 shares in B2Gold Corp to raise gross proceeds of approximately A\$0.54 million.</p> <p>On 27 May 2015, the Company received A\$0.5 million from Marindi Metals Pty Ltd pursuant to the Prairie Downs Base Metal Project farm-in agreement.</p> <p>On 19 July 2015, the Company and PDZ Holdings entered into an agreement with CD Capital under which, subject to the approval of the Company's shareholders, CD Capital agreed to invest in PDZ Holdings and subscribe for and PDZ Holdings agreed to issue a convertible note of a principal amount of A\$15 million, guaranteed by the Company, which may be converted into shares in PDZ Holdings ("PDZ Holdings Shares") at a price of A\$0.335 per PDZ Holdings Share, which are exchangeable into Ordinary Shares at the election of either CD Capital or the Company, pursuant to the Put and Call Option Agreement with CD Capital. A general meeting has been called for 21 September 2015, at which the Company will seek shareholder approval for (among other things) the investment by CD Capital and the issue of Ordinary Shares and CD Options to CD Capital.</p> <p>In 2013, global coal demand continued to grow and was once again the fastest-growing fossil fuel. World coal production reached 7.8 Bt in 2012: 6.9 Bt of hard coal and 0.9 Bt of lignite. In turn, the production of hard coal comprised 5.9 Bt of thermal coal and 1.0 billion tonnes of coking coal.</p> <p>Thermal and metallurgical coal prices declined in 2014, a trend</p>

		<p>that continued into 2015. International coal prices have been under pressure from oversupply as well as price cuts by Chinese domestic producers who were seeking to secure market share. Imported European steam coal prices fell to below USD 60/tonne by the end of March 2015 (ARA Benchmark) whilst Australian metallurgical coal declined to USD 112 by the end of February 2015 (Prime Hard Coking Coal FOB).</p> <p>Mineral forecasting company CRU expects thermal coal prices to improve in the medium to long term as a result of strengthening Chinese coastal trade and improving GDP forecasts in a number of key demand markets which has increased electricity generation forecasts.</p>						
B.5	Description of Issuer's Group	<p>The Company is the holding company of the Group and has five wholly owned subsidiaries:</p> <p>Mineral Investments Pty Ltd (incorporated in Australia);</p> <p>PDZ Holdings Pty Ltd (incorporated in Australia);</p> <p>PDZ (UK) Limited (incorporated in England and Wales);</p> <p>PD CO Holdings (UK) Limited (incorporated in England and Wales); and</p> <p>PD Co spółka z ograniczoną odpowiedzialnością (incorporated in Poland)</p>						
B.6	Shareholders	<p>The following substantial shareholders have notified the Company of their voting power in the Company in accordance with section 671B of the Corporations Act 2001 (which requires shareholders with a voting power of at least 5% to notify the Company of their interests):</p> <table> <tr> <th>Substantial Shareholder</th><th>Number of Ordinary Shares</th><th>Voting power at date of notice</th></tr> <tr> <td>Arredo Pty Ltd</td><td>10,000,000</td><td>6.74</td></tr> </table>	Substantial Shareholder	Number of Ordinary Shares	Voting power at date of notice	Arredo Pty Ltd	10,000,000	6.74
Substantial Shareholder	Number of Ordinary Shares	Voting power at date of notice						
Arredo Pty Ltd	10,000,000	6.74						
		<p>The Company is not directly or indirectly owned or controlled by any person.</p>						
B.7	Selected key historical financial information	<p>The financial information on the Company set out in this element B.7 has been extracted from the Company's audited consolidated statement of financial position and consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity and related notes as of and for the years ended 30 June 2012, 2013, 2014, and reviewed financial statements for the half-year ended 31 December 2014, set forth elsewhere in this Prospectus, beginning on page 198. The financial statements were prepared in accordance with Australian Accounting Standards and comply with International Financial Reporting Standards ("IFRS"). The financial statements for the years ended 30 June 2012, 2013, 2014 were audited by the Company's independent auditors at the relevant time, Ernst & Young (in respect of the year ended 30 June 2014) and BDO Audit (WA) Pty Ltd (in respect of the years ended 30 June 2012 and 30 June 2013). The financial statements for the half-year ending 31 December 2014 were reviewed by Ernst & Young.</p>						

Key Income Statement Data	Year Ended 30 June 2014	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2012
	(Audited)	(Audited)	(Restated Audited)	(Audited)
	(A\$)	(A\$)	(\$A)	(A\$)
Revenue	131,938	141,428	146,802	146,802
Other income	-	166,525	1,469,457	1,469,457
Exploration and evaluation expenses	(6,603,649)	(2,335,377)	(892,894)	(844,927)
Loss before income tax	(8,663,964)	(5,129,352)	(154,872)	(133,715)
Net profit/(loss) for the year	<u>(5,018,964)</u>	<u>(5,954,352)</u>	<u>1,575,378</u>	<u>1,445,860</u>
Total comprehensive income/(loss) for the year	<u>3,531,741</u>	<u>(7,937,800)</u>	<u>2,892,049</u>	<u>2,902,781</u>
Basic earnings/(loss) per share (cents)	(4.00)	(5.62)	1.79	1.64
Key balance sheet data	Year Ended 30 June 2014	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2012
	(Audited)	(Audited)	(Restated audited)	(Audited)
	(A\$)	(A\$)	(A\$)	(A\$)
Total assets	22,368,697	13,813,887	14,298,912	24,338,556
Total liabilities	<u>1,036,409</u>	<u>801,135</u>	<u>98,463</u>	<u>108,888</u>
Net assets/Equity	<u>21,332,288</u>	<u>13,012,752</u>	<u>14,200,449</u>	<u>24,229,668</u>
Key cash flow data	Year Ended 30 June 2014	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2012
	(Audited)	(Audited)	(Restated Audited)	(Audited)
	(A\$)	(A\$)	(A\$)	(A\$)

		Net cash outflow from operating activities	(7,447,575)	(2,853,297)	(608,214)	(587,057)
		Net cash inflow/(outflow) from investing activities	(101,487)	(219,565)	(747,000)	(768,157)
		Net cash inflow from financing activities	3,951,087	6,509,501	2,089,027	2,089,027
		Net increase/(decrease) in cash and cash equivalents	(3,597,975)	3,436,639	733,813	733,813
		Net foreign exchange differences	1,434	133	(1,190)	(1,190)
		Cash and cash equivalents at the end of the year	2,574,300	6,170,841	2,734,069	2,734,069
		Key Income Statement Data	Half Year Ended 31 December 2014 (Reviewed)	Half Year Ended 31 December 2013 (Reviewed)		
			(A\$)	(A\$)		
		Revenue	23,260	73,389		
		Other income	2,664,130	-		
		Exploration and evaluation expenses	(4,292,036)	(3,407,773)		
		Loss before income tax	(3,372,083)	(4,209,536)		
		Net profit/(loss) for the half year	(5,831,997)	(3,279,536)		
		Total comprehensive income/(loss) for the half year	(11,200,028)	(1,011,106)		
		Basic earnings/(loss) per share (cents)	(4.32)	(2.77)		
		Key balance sheet data	Half Year Ended 31 December	Half Year Ended 31 December		

		2014 (Reviewed)	2013 (Reviewed)
		(A\$)	(A\$)
	Total assets	12,967,163	22,368,697
	Total liabilities	<u>1,873,222</u>	<u>1,036,409</u>
	Net assets/Equity	<u>11,093,941</u>	<u>21,332,288</u>
	Key cash flow data	Half Year Ended 31 December 2014 (Reviewed)	Half Year Ended 31 December 2013 (Reviewed)
		(A\$)	(A\$)
	Net cash outflow from operating activities	(4,268,582)	(3,580,780)
	Net cash inflow/(outflow) from investing activities	3,665,293	(7,352)
	Net cash inflow from financing activities	73,731	701,627
	Net increase/ (decrease) in cash and cash equivalents	(529,558)	(2,886,505)
	Net foreign exchange differences	<u>2,598</u>	<u>51,277</u>
	Cash and cash equivalents at the end of the half year	<u>2,047,340</u>	<u>3,335,613</u>
	Certain significant changes to the Company's financial condition and results of operations occurred during 2012, 2013, 2014 and 2015. These changes are set out below: During the year ended 30 June 2012, the Company assumed 100% control of the Prairie Downs Base Metal Project following the election by Ivernica to withdraw from a previously agreed earn-in joint venture agreement. During the year ended 30 June 2013, the Company secured the four Polish Exploration Concessions comprising the Lublin Coal Project. In April 2014, a Scoping Study was completed on the Lublin Coal Project (excluding the Sawin-Zachód concession) which confirmed the potential for a world class high margin coal operation. During the year ended 30 June 2014, the Company commenced an		

		<p>EIA at the Lublin Coal Project which must be completed to provide government authorities with sufficient information to award the environmental decision, which is a pre-requisite to the granting of a Mining Concession over the Company's Exploration Concessions.</p> <p>In September 2014, a PFS commenced on the Lublin Coal Project (excluding Sawin-Zachód) with the study progressing since and due for completion in 2015.</p> <p>The Company held listed securities in Papillon and in October 2014, Papillon implemented a scheme of arrangement by which B2Gold Corp acquired all of the issued shares in Papillon ("Scheme"). In consideration for the Scheme, Prairie received 0.661 B2Gold Corp shares for every Papillon share held. At the time of completing the Scheme, the Company held 5.95 million shares in B2Gold Corp.</p> <p>Since 31 December 2014, the Company has continued with its development of the Lublin Coal Project which has resulted in a net cash outflow from exploration and evaluation activities of approximately A\$4.2 million which included payments to the MoE of approximately A\$1.3 million for the right to use the historical data at the K-4-5, K-8 and K-9 concessions at the Lublin Coal Project.</p> <p>These exploration and evaluation activities have been funded by the sell down of B2Gold Corp listed securities with net proceeds in excess of \$A2.7 million being received, the exercise of over 11.2 million \$0.15 Unlisted Options which raised gross proceeds of \$1.69 million, and the receipt of \$0.5 million from Marindi Metals Pty Ltd pursuant to the Prairie Downs Base Metal Project farm-in agreement.</p> <p>In February 2015, the Group was granted a fifth new large contiguous Exploration Concession for coal at the Lublin Coal Project, known as Sawin-Zachod, increasing the project area by 54km² to over 235km².</p> <p>On 19 July 2015, the Company and PDZ Holdings entered into an agreement with CD Capital under which, subject to the approval of the Company's shareholders, CD Capital agreed to invest in PDZ Holdings and subscribe for and PDZ Holdings agreed to issue a convertible note of a principal amount of A\$15 million, guaranteed by the Company, which may be converted into PDZ Holdings Shares at a price of A\$0.335 per PDZ Holdings Share, which are exchangeable into Ordinary Shares at the election of either CD Capital or the Company, pursuant to the Put and Call Option Agreement with CD Capital.</p>
B.8	Selected pro forma financial information	Not applicable.
B.9	Profit forecast/ estimate	Not applicable.
B.10	Audit report qualifications	Not applicable. There have been no qualifications on the audit reports relating to the audits conducted for the years ending 30

		June 2014, 30 June 2013 and 30 June 2012.
B.11	Insufficient working capital	<p>The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.</p> <p>The Company's working capital is held in the form of cash and the Company currently has a cash balance of approximately A\$1.2 million.</p> <p>The Company has entered into an agreement with CD Capital under which CD Capital agreed to subscribe for a Convertible Note of a principal amount of A\$15 million. This subscription is subject to certain conditions, including the approval of the Company's shareholders in general meeting. A general meeting has been called for 21 September 2015, at which the Company will seek shareholder approval for (among other things) the investment by CD Capital and the issue of Ordinary Shares and CD Options to CD Capital.</p> <p>Should the conditions be satisfied, and the subscription be completed, the Company would have sufficient working capital from the proceeds of CD Capital's subscription from the date of completion of the subscription until the date which is 12 months from the date of this Prospectus and for some time thereafter (even if the Company was unable to realise any proceeds from the sale of its B2Gold Corp shares). The Company would make use of the proceeds of the issue of the Convertible Note to CD Capital to (among other things) fund the costs to complete the PFS, DDP and the EIA for the Lublin Coal Project, continue with ongoing permitting and rezoning activities, conduct further exploration and development expenditure on the Lublin Coal Project, complete a definitive feasibility study and commence project development and construction in addition to funding general ongoing corporate costs such as rent, salaries and advisor and consultant fees. The CD Capital Agreement also provides CD Capital with unlisted options with an exercise price of A\$0.60 that, if exercised, would deliver a further A\$13.4 million in cash to Prairie. Furthermore, the CD Capital Agreement provides CD Capital with a first right to invest up to a further A\$55 million in any future fundraise conducted by the Company, which if taken up, would provide Prairie with the ability to progress with project financing to develop the Lublin Coal Project.</p> <p>Furthermore, the Company holds available-for-sale financial assets comprising listed securities in B2Gold Corp which are valued at approximately A\$5.7 million as at 26 August 2015, being the latest practicable date prior to the date of this Prospectus. The Company has in the past funded, and pending approval of the CD Capital Convertible Note and thereafter, if the CD Capital Agreement is not approved by shareholders or if, following its issue, an event of default occurred in relation to the Convertible Note (including, for example, a failure of the Company's shareholders to approve the election of the CD Nominee Directors) and the Company was required to repay the principal of the Convertible Note, the Company intends to continue to fund, to the extent necessary, its working capital needs through the sale of the B2Gold Corp shares which are currently highly liquid securities trading on the Toronto Securities Exchange. B2Gold Corp has a current market</p>

		<p>capitalisation of C\$1.33 billion with average daily trading volumes over the past six months of over 3.1 million shares as at 26 August 2015, (being the latest practicable date prior to the date of this Prospectus).</p> <p>If B2Gold Corp shares continue to trade at present values and there is sufficient liquidity in the market for B2Gold Corp shares, which currently there is, the Company considers that the sale of these B2Gold Corp shares would realise sufficient proceeds to fund its immediate working capital requirements for the next 12 months from the date of this Prospectus and for some time thereafter (even if, for any reason, the proposed CD Capital subscription for the Convertible Note was not completed). This includes funding the costs to complete the PFS, DDP and the EIA for the project, continuing with ongoing permitting and rezoning activities, conducting further exploration and development expenditure on the Lublin Coal Project, and funding general ongoing corporate costs such as rent, salaries and advisor and consultant fees.</p> <p>If for any reason the Company were unable to realise the value of the B2Gold Corp shares that it currently holds (for example if trading in B2Gold Corp shares were to be suspended for an extended period of time) or if the trading price of B2Gold Corp shares were to dramatically decrease and CD Capital's subscription for Convertible Note in the Company was not completed or if, following its issue, an event of default occurred in relation to the Convertible Note (including, for example, a failure of the Company's shareholders to approve the election of the CD Nominee Directors) and the Company was required to repay the principal of the Convertible Note, the Company has the flexibility to significantly reduce its ongoing expenditure commitments at the Lublin Coal Project as well as corporate overheads in order to ensure the Lublin Coal Project is kept in good standing under Polish law until such time that the Company is able to realise the value of its B2Gold Corp shares or raise additional funding. The Company's existing cash reserves are sufficient for it to fund all of the minimum expenditure commitments required by Polish law in respect of the Exploration Concessions comprising the Lublin Coal Project to keep the Lublin Coal Project in good standing for at least the next 12 months from the date of this Prospectus. Furthermore, at a minimum, the Company would also seek to use its existing working capital to complete the DDP for the Lublin Coal Project which is a key milestone towards the granting of a Mining Concession. The Company currently has total available resources of A\$6.9 million comprising A\$1.2 million in the form of cash and A\$5.7 million in the form of B2Gold Corp shares as at 26 August 2015 (being the latest practicable date prior to the date of this Prospectus). The required working capital for the Company's present requirements for the next 12 months from the date of this Prospectus (including its planned work program and corporate overheads) is A\$6.0 million. The Company expects to realise proceeds of A\$15 million from CD Capital's subscription for the Convertible Note, subject to the approval of this transaction by the Company's shareholders and the satisfaction of the other conditions.</p> <p>The Company's working capital (i.e. that part of its resources held in cash) is expected to be sufficient for the Company's requirements for the next one and a half months. After this</p>
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		period, the Company would require additional working capital of A\$4.8 million to fund its present requirements, that is, for at least the next 12 months from the date of this Prospectus, which it intends to obtain first through the sale of B2Gold Corp shares (as the Company has done successfully in the past) and then to use the proceeds of CD Capital's subscription for the Convertible Note (which would realise proceeds of A\$15 million), subject to receiving shareholder approval of the CD Capital Agreement.
Section C – Securities		
Element		
C.1	Description of the Offer	<p>No new Ordinary Shares are being offered. All of the issued Ordinary Shares (being 148,352,432 Ordinary Shares) are to be admitted to trading on the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities.</p> <p>When admitted to trading, the Ordinary Shares will be registered and will trade under the symbol PDZ and with ISIN AU000000PDZ2. The SEDOL of the Ordinary Shares will be BYSQ580.</p> <p>Up to 148,352,432 Ordinary Shares are to be admitted and introduced to trading on the main market of the Warsaw Stock Exchange.</p>
C.2	Currency of Issue	Not applicable. No Ordinary Shares are being offered.
C.3	Issued Share Capital	As at 26 August 2015 (being the latest practicable date prior to the date of this document), there were 148,352,432 issued Ordinary Shares. All issued Ordinary Shares are fully paid.
		The Ordinary Shares have no par value.
C.4	Rights attaching to the Ordinary Shares	<p>The rights attaching to Ordinary Shares arise from a combination of the Company's Constitution, statute and general law.</p> <p>Ordinary Shares issued following the conversion of Unissued Milestone Shares, exercise of Unlisted Options or the conversion of Performance Rights will rank equally in all respects with the Company's existing Ordinary Shares.</p> <p>The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and Directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or ASX Listing Rules):</p> <p><i>Shares</i></p> <p>The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, the ASX Listing Rules and any rights attached to any special class of shares.</p>

		<p><i>Meetings of Members</i></p> <p>Directors may call a meeting of members whenever they think fit. Shareholders may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two eligible Shareholders.</p> <p>The Company holds annual general meetings in accordance with the Corporations Act 2001 and the ASX Listing Rules.</p> <p><i>Voting</i></p> <p>Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible Shareholder present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.</p> <p>On a poll each eligible Shareholder has one vote for each Ordinary Share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.</p> <p><i>Changes to the Constitution</i></p> <p>The Company's constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.</p>
C.5	Restrictions on transfer	Not applicable.
C.6	Admission to trading	<p>The Ordinary Shares are currently traded on ASX under the code "PDZ".</p> <p>An application has been made to the FCA for all of the Ordinary Shares to be admitted to the Official List of the FCA (by way of a standard listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's Main Market for listed securities. On Admission, the shares will trade on the London Stock Exchange's Main Market for listed securities under the symbol PDZ.</p> <p>Pursuant to this Prospectus, an application will be made to the Warsaw Stock Exchange for the admission and introduction of all of the Ordinary Shares to trading on the main market of the Warsaw Stock Exchange.</p>

C.7	Dividend Policy	The Directors do not intend to declare or pay a dividend in the short to medium term and if any dividend is to be paid it will be, subject to the Directors being satisfied, on reasonable grounds, that immediately after the payment of a dividend, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as and when they fall due. The Directors only intend to commence the payment of dividends when it becomes commercially prudent to do so.
Section D – Risks		
Element		
D.1	Risks that are specific to the Issuer or its industry	<p>There is a risk that the Company may be unable to realise the value of the B2Gold Corp shares that it currently holds (for example if trading in B2Gold Corp shares were to be suspended for an extended period of time) or that the trading price of B2Gold Corp shares may decrease substantially from present levels.</p> <p>The subscription of CD Capital for the Convertible Note is subject to certain conditions, including the approval of the transaction by the Company's shareholders and there being no material adverse change in respect of the Company, PDZ Holdings or the Lublin Coal Project.</p> <p>If the issue of the Convertible Note to CD Capital is approved, the Company will be required to appoint two CD Capital nominees to its board of directors. These nominees must retire and stand for election at the first annual general meeting of the Company occurring after their appointment. If these nominee directors are not elected that will constitute an event of default under the terms of the Convertible Note and would entitle CD Capital to declare the entire principal amount of the Convertible Note immediately due and payable.</p> <p>The Company has no recent history of earnings and has not commenced commercial production on any of its properties. The Company has experienced losses from exploration operations and expects to continue to incur losses for the foreseeable future.</p> <p>The Company is likely to require additional financing to advance the development and construction of any mine constructed at the Lublin Coal Project.</p> <p>The Company has a limited operating history. The future success of the Company is dependent upon a number of factors, including the successful:</p> <ul style="list-style-type: none"> (i) completion of positive technical and feasibility studies which demonstrates that mining of coal can be economically undertaken on the Lublin Coal Project; (ii) design, construction and commissioning of the infrastructure required for the Lublin Coal Project; (iii) progression of permitting and maintenance of title for Lublin Coal Project; and

		<p>(iv) identification of, and agreement with, strategic partners, off-takers and other financiers to fund and assist with the development and operation of mining at the Lublin Coal Project.</p> <p>The Lublin Coal Project Exploration Concessions and the GML requires the holder of Exploration Concessions to satisfy certain exploration activity obligations and to pay an annual fee. Failure to meet these obligations and settle required payments may render the Lublin Coal Project Exploration Concessions liable to be cancelled.</p> <p>The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines.</p> <p>The Company's mineral resources (and any future mineral reserves) are estimates, and no assurance can be given that the estimated resources and/or reserves are accurate or that the indicated level of minerals will be produced.</p> <p>There can be no guarantee that future studies will confirm the technical and economic viability of the Lublin Coal Project or confirm the results of previous studies undertaken by the Company (e.g. the results of the PFS may materially differ to the results of the Scoping Study). Further, even if a study determines the economics of the Lublin Coal Project, there can be no guarantee that the Lublin Coal Project will be successfully brought into production.</p> <p>The Company's operations are primarily located in Poland and will be exposed to related risks and uncertainties associated with this jurisdiction. Changes in mining or investment policies, laws or regulations (or the application thereof), as well as any irregularities in the process of interpretation and application of the law by Polish authorities or shifts in political attitude in Poland, in particular to mining and use of coal may adversely affect the operation or profitability of the Company.</p> <p>The market prices of coal are volatile and are currently depressed from previous levels and there is no guarantee that prices will recover. Coal prices are affected by numerous factors which are and will be beyond the Group's control. Future serious price declines in the market value of coal could cause development of, and any commercial production from, the Lublin Coal Project to be rendered uneconomic.</p> <p>The Company is yet to establish sales or off-take agreements in respect of its planned coal production from the Lublin Coal Project. Assuming the Company is able to secure sales or off-take agreements in the future, the Company may depend upon a small number of large customers, the loss of any of which, or inability to collect payment from, could adversely affect the Company's results of operations and financial condition.</p> <p>The Group may need to invest in the construction of mining and auxiliary infrastructure to be able to mine, transport and export coal.</p>
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D.3	Risks relating to the Ordinary Shares	<p>The value of Ordinary Shares may go down as well as up and the market price of Ordinary Shares may not reflect the underlying value of the Company.</p> <p>The share price of listed emerging companies can be highly volatile and shareholdings illiquid.</p> <p>The Company is subject to requirements for takeovers under Australian law which may affect a bidder's ability to freely acquire Ordinary Shares.</p> <p>Shareholders may be diluted by the issue of Ordinary Shares to CD Capital on the exchange of the Convertible Note or on the exercise of any CD Capital Options issued to CD Capital on exchange of the Convertible Note.</p> <p>Certain provisions of Polish takeover law may be applicable to holders of the Ordinary Shares.</p> <p>There can be no assurance regarding the future development of the market for the Ordinary Shares and its liquidity.</p> <p>Triple listing of the Ordinary Shares will result in differences in liquidity, settlement and clearing systems, trading currencies, prices and transaction costs between the exchanges where the Ordinary Shares will be listed. These and other factors may hinder the transferability of the Ordinary Shares between the three exchanges.</p> <p>Both the market price and trading volume of the Ordinary Shares may depend on the opinions of the securities analysts monitoring the operations of the Company and publishing their research reports on its future performance.</p> <p>The Company does not have a dividend history.</p> <p>The ability of a Shareholder to bring or enforce an action against the Company may be limited under law.</p> <p>Shareholders may be subject to risks arising from adverse movements in the value of their local currency against the Australian Dollar.</p> <p>Non-Australian shareholders may have difficulties exercising rights which are governed by Australian law.</p> <p>Tax treatment of non-Australian investors in an Australian</p>

		company may vary.
Section E – Securities		
Element		
E.1	Net Proceeds/Expenses	Not applicable.
E.2a	Reasons for the offer/Use of Proceeds	Not applicable.
E.3	Terms and Conditions of the Offer	Not applicable.
E.4	Material Interests	Not applicable.
E.5	Selling Shareholder/Lock up Arrangement	Not applicable.
E.6	Dilution	Not applicable.
E.7	Estimated expenses charged to investor	Not applicable.

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any such investment in the Ordinary Shares, the Group's business and the industries in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Prospective investors should note that the risks relating to the Group, its business and industries and the Ordinary Shares summarised in the section of this Prospectus entitled "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events, and depend on circumstances, that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus entitled "Summary" but also, among other things, the risks and uncertainties described below.

The risks and uncertainties described below represent those that the Directors consider to be material and known as at the date of this document.

However, the following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares and should be used as guidance only. These risks and uncertainties are not the only ones facing the Group. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business operations, prospects, financial condition and operational results. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business operations, prospects, financial condition and operational results. If any such risks should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

RISKS RELATING TO THE GROUP'S OPERATIONS AND INDUSTRY

Risks relating to B2Gold Corp shares

The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.

On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting (see section 14.1 of Part 5 for further details).

The Company anticipates that, if the subscription for the Convertible Note by CD Capital is completed, this will provide it with sufficient working capital for its present requirements. However, in addition, the Company currently holds 3.75 million ordinary shares in B2Gold Corp which are recorded in its accounts as current available-for-sale financial assets. If CD Capital's subscription for the Convertible Note does not complete or if, following its issue, an event of default occurred in relation to the Convertible Note (including, for example, a failure of the Company's shareholders to approve the election of the CD Nominee Directors) and the

Company was required to repay the principal of the Convertible Note, the Company would need to sell these B2Gold Corp shares to fund its working capital requirements in the next 12 months from the date of this Prospectus, in particular, being the costs of the PFS and associated studies, the expenditure requirements on the Lublin Coal Project and general ongoing corporate costs such as rent, salaries and advisor's and consultant's fees.

There is a risk that the Company may be unable to realise the value of the B2Gold Corp shares that it currently holds (for example if trading in B2Gold Corp shares were to be suspended for an extended period of time) or that the trading price of B2Gold Corp shares may decrease substantially from present levels. In such circumstances, the Company has the flexibility to significantly reduce its ongoing expenditure at the Lublin Coal Project if required (i.e. if for any reason, CD Capital's subscription for the Convertible Note did not complete) to ensure that it is kept in good standing under Polish law until such time that the Company is able to realise the value of its B2Gold Corp shares. The Company's existing cash reserves are sufficient for it to fund all of the minimum expenditure commitments required by Polish law in respect of the Exploration Concessions comprising the Lublin Coal Project to keep the project in good standing for at least the next 12 months from the date of this Prospectus.

CD Capital's subscription for the Convertible Note is conditional

The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus. On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting (see section 14.1 of Part 5 for further details).

Should the CD Capital Agreement complete and the Company receives the proceeds of CD Capital's subscription for the Convertible Note, the Company believes that this would satisfy its present working capital requirements from the date of CD Capital's subscription until the date that is 12 months from the date of this Prospectus and for some time subsequently.

However, CD Capital's subscription for the Convertible Note is subject to conditions, including the approval of the transaction by a majority of the Company's shareholders and there being no material adverse event or omission affecting the Group or the Lublin Coal Project. While the Company does not believe that there are any grounds to indicate that shareholder approval of the transaction will not be granted or that any material adverse event or omission is likely to occur, there can be no guarantee that this will be the case.

If CD Capital's subscription for the Convertible Note were not to complete, the Company would need to rely on being able to realise the proceeds from the sale of its B2Gold Corp shares to fund its present working capital requirements (subject to the risks described above).

Event of Default

If the issue of the Convertible Note to CD Capital is approved, the Company will be required to appoint two CD Capital nominees to its board of directors. These nominees must retire and stand for election at the first annual general meeting of the Company occurring after their appointment. If these nominee directors are not elected, that will constitute an event of default under the terms of the Convertible Note and would entitle CD Capital to declare the entire principal amount of the Convertible Note immediately due and payable.

In addition to the above, the occurrence of any other event of default (as described in section 14.3.8 of Part 5) would also entitle CD Capital to declare the entire principal amount of the Convertible Note immediately due and payable.

Ability to raise further funding

The ability of the Group to finance future capital investment for the exploration, development and continuing operation of the Lublin Coal Project is dependent, among other things on the Company's ability to raise additional funding through equity or debt financing.

On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting (see section 14.1 of Part 5 for further details).

The Company considers that, subject to satisfaction of the conditions of the CD Capital Agreement, the proceeds from CD Capital's subscription for the Convertible Note and (if required) the sale of its shares in B2Gold Corp should be sufficient to allow it to fund its immediate working capital requirement in the next 12 months from the date of this Prospectus and for some time thereafter (subject to the risks in relation to the B2Gold Corp shares and the CD Capital subscription described above). Even if CD Capital's subscription for the Convertible Note is not completed for any reason, the Company considers that, subject to the risks in relation to B2Gold Corp shares disclosed above, the proceeds of the sale of its B2Gold Corp shares would be sufficient for it to be able to fund its immediate working capital requirement in the next 12 months from the date of this Prospectus.

However, the Company will require further funding (i.e. beyond the funds realised through the sale of its B2Gold Corp shares and CD Capital's subscription) to complete its proposed program of development at the Lublin Coal Project in the future. The key initial items in respect of which the Company would require further funding after this period (i.e. funding in addition to the likely proceeds from sale of the Company's B2Gold Corp shares and CD Capital's subscription) would be the development and construction of the mine at the Lublin Coal Project. In this regard (subject to the risks in relation to the CD Capital subscription, as described above), pursuant to the CD Capital Agreement, CD Capital has a first right to invest a further A\$55 million in any future fund raise conducted by the Company. There is however no guarantee that CD Capital would take up this right in the future and there is a risk that the Company's obligation to offer CD Capital a first right of refusal on any future fund raising could prejudice the Company's ability to raise funds from investors other than CD Capital.

However, the Company considers that it would not be necessary to undertake such development actions until it has secured financing to do so and the timing for commencement of such actions would accordingly depend on the date that such financing is secured. If, in the unlikely event that future financing cannot be secured, the Group has the flexibility to significantly reduce its ongoing expenditure.

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

can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

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

Risk of further challenge by Bogdanka

In April 2015 the MoE issued a decision approving Geological Documentation for the Lublin Coal Project (excluding Sawin-Zachód). Subsequently, Bogdanka filed a motion to be admitted as a party to the proceedings related to the approval of Geological Documentation. On 25 June 2015, the MoE issued its final decision rejecting Bogdanka's application to be admitted as a party to the proceedings relating to the approval of Geological Documentation. This means that the MoE decision approving the Geological Documentation is final - providing PD Co with a three year Priority Right from April 2015 to apply for a Mining Concession for the Lublin Coal Project and confirms that the Company's Geological Documentation complies with the legal requirements of the GML.

Bogdanka has in the past raised several appeals challenging the Company's title to the Exploration Concessions comprising the Lublin Coal Project and actions by government departments in the approval process of the Lublin Coal Project (please see risk factor "Proceedings commenced by Bogdanka in respect of K-6-7 concession area" above and the Litigation section of this prospectus for further details). There is no guarantee that Bogdanka will not seek to file further appeals including appealing the approval of the Geological Documentation by the MoE and the Priority Right secured by the Company as a consequence of that approval. As at 26 August 2015, being the latest practicable date prior to the publication of this Prospectus, the Company has not been notified that any such appeal has been made. If an appeal is made, this may include an appeal of the MoE's final decision to the administrative court in Warsaw.

In the hypothetical event that any such appeals are lodged in respect of the approval of the Company's Geological Documentation, in order for such proceedings to proceed and ultimately be successful, Bogdanka would first have to prove its interested party status (which was rejected) and then have to prove that PD Co's Geological Documentation either did not comply with the requirements of the GML or that the MoE did not observe due process of law in approving the Geological Documentation.

In this regard, the approval of the Company's Geological Documentation by the MoE indicates that MoE considers that the Geological Documentation complies with the legal requirements of the GML.

However, if any appeal was filed by Bogdanka and ultimately found to be successful, the consequences of this could include a delay in the development of the Lublin Coal Project or ultimately a loss of Priority Right if proved that the Geological Documentation failed to comply with the relevant legal requirements or that there had been an abuse of process within the MoE in approving the Geological Documentation and this decision in turn cancels the MoE decision approving the Company's Geological Documentation.

In such circumstances the Company and PD Co would consider any actions necessary to ensure that due process is followed. This may result in the Company and/or PD Co taking further action in the MoE and/or the Polish courts in respect of any irregularities it considers

may have occurred in the MoE's administrative decision making process, as it has previously done in response to procedural issues in relation to the MoE's consideration of Exploration Concession applications. These actions may also include invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time.

The Company has no history of earnings and no production revenues

The Company has no recent history of earnings and has not commenced commercial production on any of its properties. The Company has experienced losses from exploration operations and expects to continue to incur losses for the foreseeable future. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures are likely to increase in future years as needed consultants, personnel and equipment associated with advancing exploration, and, if permitted, development and, potentially, commercial production of its properties, are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties, government regulatory processes and other factors, many of which are beyond the Company's control. The Company expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues or achieve profitability.

The Company has limited operating history

The Company has limited operating history on which it can base an evaluation of its prospects. Despite this, members of the Company's Board of Directors and management team have considerable experience in the exploration, appraisal, funding development and mining of coal projects both globally and within the Lublin Coal Basin.

The future success of the Company is dependent upon a number of factors, including the successful:

- (i) completion of positive technical and feasibility studies which demonstrates that mining of coal can be economically undertaken on the Lublin Coal Project;
- (ii) design, construction and commissioning of the infrastructure required for the Lublin Coal Project;
- (iii) progression of permitting and maintenance of title for Lublin Coal Project; and
- (iv) identification of, and agreement with, strategic partners, offtakers and other financiers to fund and assist with the development and operation of mining at the Lublin Coal Project.

The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty.

The Company has project obligations

The Lublin Coal Project Exploration Concessions and the Polish Mining Law requires the holder of Exploration Concessions to satisfy certain exploration activity obligations and to pay an annual fee. Failure to meet these obligations and settle required payments may render the

Lublin Coal Project Exploration Concessions liable to be cancelled. In this regard, the Company has met all its exploration obligations and has paid all fees owed in relation to the Lublin Coal Project (excluding Sawin-Zachód where the fees and obligations are first due on 30 December 2015). Furthermore, the Company obtained the approval of its submitted Geological Documentation by the MoE, which triggered a three year Priority Right to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód). To apply for a Mining Concession, the Company would need to satisfy the relevant regulatory requirements including the completion of a DDP and EIA (i.e. environmental approval) and rezoning of land for industrial use. However, even if the CD Capital Agreement were not completed for any reason, and the Company were unable to realise any value from the B2Gold Corp shares that is currently holds or if, following its issue, an event of default occurred in relation to the Convertible Note (including, for example, a failure of the Company's shareholders to approve the election of the CD Nominee Directors) and the Company was required to repay the principal of the Convertible Note, the Company considers that its existing working capital is sufficient for it to fund all of the minimum expenditure commitments required by Polish law in respect of the Sawin-Zachód Exploration Concession and to keep the project in good standing for at least the next 12 months from the date of this Prospectus. Furthermore, at a minimum, the Company would also seek to use its existing working capital to complete the DDP for the Lublin Coal Project. In the unlikely event that the Company was unable to secure additional debt or equity financing in the future (i.e. beyond this initial 12 month period), the Company would be able to substantially reduce its expenditure commitments on the Lublin Coal Project to allow it to continue operations at the minimal level required to maintain the Lublin Coal Project Exploration Concessions in good standing until the date of their expiry/expiry of the Priority Right in April 2018. Whilst being able to maintain good standing of the Lublin Coal Project, the Company would however need to source additional funding to complete the EIA and subsequently apply for a Mining Concession at the Lublin Coal Project in this scenario.

The Company may be adversely affected by fluctuations in coal prices

The market prices of coal are volatile and are currently depressed from previous levels and there is no guarantee that prices will recover. Coal prices are affected by numerous factors which are and will be beyond the Group's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. For example, coal prices have recently been driven to a significant extent by demand in China, and India. A decline in Asian demand or a material increase in the supply of coal could have a significant adverse effect on coal prices. In addition, consolidation in the steel industry may lead to increased purchasing power for steel producers which could reduce the price paid for coking coal.

Coal prices have experienced, and in the future may experience, significant fluctuations as a result of these and other factors.

Future serious price declines in the market value of coal could cause development of, and any commercial production from, the Lublin Coal Project to be rendered uneconomic. There is no assurance that, even if commercial quantities of coal are produced, a profitable market will exist for them. Future production, if any, from the Company's mineral properties will be dependent upon the prices of coal being adequate to make these properties economic. Depending on the prices of coal, the Company could be forced to discontinue any production or development and may lose its interest in, or may be forced to sell, some of its properties which may have a material adverse effect on the Group's business, result of operations, financial condition and/or growth prospects.

The Polish coal industry has faced specific recent challenges. Certain mines that are currently state owned and operated may require state aid to continue to operate. If this were to occur it may distort the market for coal in Poland and impact the Company's ability to finance and

develop the Lublin Coal Project. That said, whilst current EU legislation does allow for state subsidies to the coal industry, it also requires that any money-losing mines that received state aid will have to be closed down after 2018. The closure of loss-making mines after 2018 has the potential to positively impact supply dynamics in favour of the Lublin Coal Project. In addition, the Company's strategy is to seek to export a significant amount of the coal produced from the Lublin Coal Project to markets outside of Poland, which may mitigate this risk. However, there is no guarantee that any state intervention into the Polish coal industry would not adversely impact the Company's ability to develop the Lublin Coal Project.

In addition to adversely affecting future reserve estimates, if any, of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, the Directors will review this policy periodically going forward. There can be no assurance that fluctuations in commodity prices will not have a material adverse effect upon the Company's financial performance and results of operations.

Failure to enter into agreements, or reliance on major customers, for sales or off-take

The Company is yet to establish sales or off-take agreements in respect of its planned coal production from the Lublin Coal Project. Assuming the Company is able to secure sales or off-take agreements in the future, the Company may depend upon a small number of large customers, the loss of any of which, or inability to collect payment from, could adversely affect the Company's results of operations and financial condition. Furthermore, the Company's ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its customers. If the Company is unable to collect payments from any of these customers, the Company's financial condition and results of operations could be materially adversely affected. Should the Company be unable to find customers to purchase its produced volume, its financial results may be adversely affected.

However it is noted that the Company has access to multiple potential markets for the sale of its coal products given the location of the Lublin Coal Project in the heartland of industrial Europe, with good rail and port networks. In addition, the coal quality and coal washability testing program conducted by the Company has indicated the potential to produce both metallurgical coals for the steel industry and premium thermal coals for the power industry. The combined advantages of proximity to market and the potential for multiple products provides the Company with significant optionality with respect to the future marketing and off-take arrangements.

Mineral exploration is speculative and uncertain and involves a high degree of risk

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterized by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of end users, mineral

markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, commodity prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in the Company expending significant resources (financial and otherwise) on a property without receiving a return.

The Company has relied on and may continue to rely on consultants and others for mineral exploration project development and exploitation expertise. The Company believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognized industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

There can be no assurance that the Company's mineral exploration and development activities will be successful. If such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

The Company's mineral resources and any future mineral reserves are estimates and may be recalculated and reduced

The Lublin Coal Basin was extensively explored by Polish state entities between the 1960's and 1980's, with the completion of over 200 boreholes drilled within the general vicinity of the Lublin Coal Project. As a result of the historical drilling, and Prairie's own exploration and drilling campaigns conducted to date at the Lublin Coal Project, the resource is at an advanced stage of exploration.

Despite this the Company's mineral resources (and any future mineral reserves) are estimates, and no assurance can be given that the estimated resources and/or reserves are accurate or that the indicated level of minerals will be produced. Such estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Mineral resource and reserve estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

For most new mine developments the actual quality and characteristics of mineral deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, mineral reserves are valued based on future costs and future prices and consequently, the actual mineral reserves and mineral resources may differ from those estimated, which may result in either a positive or negative effect on operations. In the case of the Lublin Coal Project, a large scale and highly productive coal mine, Bogdanka, is in operation adjacent to the Lublin Coal Project which provides a degree of comfort in relation to the geological and mining conditions, coal quality, and mining operational parameters and infrastructure required for the Lublin Coal Project.

Results of studies are uncertain

The Company has completed a Scoping Study on the Lublin Coal Project and is currently completing a PFS on the Lublin Coal Project. The Company may also undertake further studies on the Lublin Coal Project. These studies have been or will be completed within certain parameters designed to determine the technical and economic feasibility of the Lublin Coal Project within certain limits. There can be no guarantee that the studies will confirm the technical and economic viability of the Lublin Coal Project or confirm the results of previous studies undertaken by the Company (e.g. the results of the PFS may materially differ to the results of the Scoping Study).

Further, even if a study determines the economics of the Lublin Coal Project, there can be no guarantee that the Lublin Coal Project will be successfully brought into production. In addition, the ability of the Company to undertake and complete a study in the future, such as a definitive feasibility study or a bankable feasibility study may be dependent on the Company's ability to raise further funds to complete the study if required. However, the Company considers that (subject to the risks relating to B2Gold Corp shares disclosed above) the proceeds of the sale of the B2Gold Corp shares held by the Company would be sufficient to allow for completion of the PFS that is currently being prepared.

Delays in development of Lublin Coal Project

The proposed development of the Lublin Coal Project may exceed the currently envisaged timeframe or cost for a variety of reasons out of the control of the Company. These reasons may include delays in obtaining land use and mining activity approvals or in construction of mine infrastructure or the coal handling and preparation plant. In addition, the contractual terms for the procurement and delivery of the various components of construction are yet to be established. These could also have an impact on the cost of construction. There are many milestones which need to be met in a timely fashion for production to commence in accordance with any proposed mine plan and there is a risk that circumstances (including unforeseen circumstances) may cause a delay, resulting in the receipt of revenue at a later date than expected or not at all, which may have a material or adverse effect on the Company.

Competition

The mineral resource industry is competitive in all of its phases. The Company competes with other companies, including major mineral exploration and mining companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. The Company competes with other exploration and mining companies for the acquisition of leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. Specifically, the Company also competes with many other companies in Poland, including companies with established mining operations. Some of these companies have greater financial resources and political influence than the Company and, as a result, may be in a better position to compete with or impede the Company's current or future activities. There can be no assurance that the Company can compete effectively with these companies. If it cannot do so, this may have a material adverse effect on the Company.

The Company's activities are subject to various regulations

The Company's activities are subject to various laws governing exploration, taxes, labour standards and occupational health, safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's activities.

Amendments to current laws, regulations and permits governing activities of exploration and mining companies, or more stringent implementation thereof, could have a material adverse

impact on the Company and cause increases in expenses or require abandonment or delays in activities.

Failure to comply with any applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. If any member of the Group was required to compensate any persons or was subject to any fine or penalty, this may have a material or adverse effect on the Company.

It is worth noting that Poland, a member of the European Union since 2004, also enjoys strong relations with Australia which includes significant annual trade occurring between the two countries. Australia also holds the status of "Most Favoured Nation" with Poland and the countries signed a Promotion and Protection of Investment Agreement in 1991 (a Bilateral Investment Treaty) which provides reciprocal protections for investments made by residents and entities of both countries.

The Company's operations are conducted in an emerging market

The Company's operations are primarily located in Poland and will be exposed to related risks and uncertainties associated with this jurisdiction. Changes in mining or investment policies, laws or regulations (or the application thereof) or shifts in political attitude in Poland, in particular to mining and use of coal may adversely affect the operation or profitability of the Company. The Company continues to consult with the various levels of government but there can be no assurances that the future political developments in Poland will not impact the Company's operations or its ability to attract funding for its operations.

In this regard, the Company and PD Co will consider any actions necessary to ensure that due process is followed in respect of any political developments. This may result in the Company taking further action in the MoE and/or the Polish courts in respect of any irregularities that may occur, as it has previously done in response to procedural issues in relation to the MoE's consideration of Exploration Concession applications. These actions may also include invoking the protection afforded to the Company under any relevant bi-lateral or multi-lateral investment treaties or such other actions as the Company may consider appropriate at the relevant time.

The Company's title to its properties could be challenged

There can be no assurances that the Company's interest in its properties is free from defects. The Company has investigated its rights and believes that these rights are in good standing. There is no assurance, however, that such rights and title interests will not be revoked or significantly altered to the detriment of the Company. There can be no assurances that the Company's rights and title interests will not be challenged or impugned by third parties.

All of the Exploration Concessions the Group holds may be subject to applications for renewal or extension (as the case may be). The renewal or extension of the term of each Exploration Concession may be at the certain discretion of the relevant government authority. If a relevant concession is not renewed or extended, the Group may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that area.

However, Poland, a member of the European Union since 2004, also enjoys strong relations with Australia which includes significant annual trade occurring between the two countries. Australia also holds the status of "Most Favoured Nation" with Poland and the countries signed a Promotion and Protection of Investment Agreement in 1991 (a Bilateral Investment

Treaty) which provides reciprocal protections for investments made by residents and entities of both countries.

Furthermore, under the Polish GML, the entity which first explored and appropriately documented a deposit is granted priority to apply for a Mining Concession. To do this, an entity must complete its agreed work program over the concession areas as stipulated in the Exploration Concession and then submit a Polish standard resource report (referred to in Poland as "Geological Documentation") to the MoE for approval. Upon approval, the holder of the Exploration Concession is entitled to a three (3) year priority right to apply for a Mining Concession. A Mining Concession application in Poland comprises the submission of a DDP along with an EIA that has been approved by local authorities. The DDP is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations.

The Company relies on key personnel

The Company is dependent on a number of key management personnel, including the services of certain key employees and consultants. The Company's ability to manage its exploration, appraisal and potential development and mining activities will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and a skilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on the Company's ability to manage and expand the business.

It may be difficult for the Company to attract and retain suitably qualified and experienced people, given the modest size of the Company compared with other industry participants. If the Company cannot do so, this could have a material adverse effect on the Company's ability to manage and expand the business.

The Company has uninsured risks

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions and floods. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Prairie may be adversely affected by fluctuations in foreign exchange rates

International prices of various commodities are denominated in United States Dollars and a portion of the Company's capital expenditure and ongoing expenditure is denominated in pounds sterling, Euros or Polish Zloty, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar, pounds sterling, the Euro, the Polish Zloty and the Australian Dollar as determined in international

markets. The Company currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. As the Company's operations change, its directors will review this policy periodically going forward. There can be no assurance that fluctuations in foreign exchange rates will not have a material adverse effect upon the Company's financial performance and results of operations.

The Company's partners, contractors and agents may become insolvent

The Directors are unable to predict the risk of financial failure or default by a participant in any venture to which the Company is, or may become a party; or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or managerial failure by any of the other service providers used by the Company for any activity.

The Company's activities are subject to environmental risks

The operations and activities of the Company are subject to regulations concerning the environment. The Government and other authorities that administer and enforce environmental laws determine these requirements and also have the potential to set trends that encourage renewable energy over fossil fuel use. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Company has not incurred any significant costs for contamination resulting from its activities to date and the Board believes that it is in material compliance with all applicable laws relating to the protection of the environment, including laws regulating the discharge of materials. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

Exploration licences and mining concessions

All of the licences held by the Group (through the Company's Polish subsidiary PD Co) in relation to the Lublin Coal Project were/are Exploration Concessions granted under the laws of Poland. Prior to the commencement of mining and processing activities at any of the Group's projects, mining licences and all other permits and regulatory consents will need to be obtained.

The Group is working towards completing a Mining Concession application in relation to the Exploration Concessions comprising the Lublin Coal Project in Poland. In this regard, the Company has obtained the approval of its submitted Geological Documentation by the MoE, which has triggered a three year Priority Right to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód).

This application requires the submission of a DDP and an EIA that must be approved by local authorities and the successful rezoning of land for mining use. However, although the Directors believe that such concessions, permits and regulatory consents should be obtained for the commencement of mining and production activities, there can be no assurance regarding these matters.

Failure by the Group to obtain the necessary Mining Concessions, government consents, revocation of an existing concession, failure to renew a concession or failure to obtain a concession that is required to move from one stage of the industry cycle to another (including, for example, the exploration phase to the mining phase) could have a material adverse effect on the Group's financial performance, which may lead to a reduction in the carrying value of assets and may materially jeopardize the viability of the Group's Lublin Coal Project.

Changes to Polish law and the Polish tax system

Polish legal system is subject to frequent changes, including the changes in the interpretation and application of the law as Poland harmonises domestic legislation with EU law and Directives. New or amended regulations (particularly in relation to tax law or geological and mining law, as well as in the field of occupational safety and health, labour law or social security) may cause unexpected expenditures needed to adapt the Company's operations to these requirements. Considering the frequency and the complexity of such changes, the Company may not be able to adapt its operations in time and may incur additional costs as well as penalties or damages.

The Polish tax system is characterized by low stability. Tax regulations are frequently amended, often to the detriment of the taxpayers. The frequent changes in regulations governing the taxation of business activities can be unfavourable to the Company. In practice, tax regulators applying the law rely not only on regulations but also on interpretations thereof made by higher authorities or courts. Such interpretations are also subject to change, or can be replaced by new acts, or remain in force but conflict with other regulations. The lack of consistency is further exacerbated by the lack of clarity of many regulations in the Polish tax system, and, to a limited extent, by the lack of clarity of judicial decisions. The Group may be required to pay material additional taxes, fees as well as interest and penalties. The above factors may have a significant adverse effect on the operations, results, financial standing or development prospects of the Company.

Requirement for infrastructure

The Lublin Coal Project has the significant advantage of being located in proximity to good infrastructure including electrified railway lines on the national grid, extensive road networks, power supplies, bridges and water sources. The rail infrastructure connects to bordering countries in Europe and to high quality ports in the north of Poland where the potential exists for export opportunities further abroad.

Mining, processing, development and exploration activities depend on adequate infrastructure. The lack of infrastructure can negatively impact mining capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely impact the Group's activities and profitability.

The Group may need to invest in the construction of mining and auxiliary infrastructure to be able to mine, transport and export coal. This is likely to include, amongst other things, the construction of a new rail spur line extending from the mine to the national railway grid, as well as the construction of new power lines to connect the Lublin Coal Project to regional power providers.

Construction of this infrastructure will either require capital expenditure by the Group or the commissioning of a third party to build, own and operate the infrastructure and charge the company a toll for its use. No assurance can be given that market conditions will continue to make such investments financially viable.

Litigation risks

Legal proceedings may arise from time to time in the course of the Group's activities. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. The Directors cannot preclude that such litigation may be brought against the Company or a member of the Group in the future from time to time.

Proceedings commenced by Bogdanka in respect of K-6-7 concession area

During 2014, Bogdanka submitted to the MoE a Mining Concession application over the K-6-7 mining area of the Lublin Coal Basin in Poland. The K-6-7 area forms an integral part of the Lublin Coal Project for which the Company's subsidiary, PD Co, holds a valid Exploration Concession and associated usufruct agreement.

On 5 September 2014, the MoE rejected Bogdanka's Mining Concession application covering concession area K-6-7. In the MoE official decision, it was confirmed that Bogdanka's application for a Mining Concession was inadmissible. However, on 22 September 2014, Bogdanka filed with the MoE an administrative motion for case reconsideration. On 5 November 2014, the MoE issued a final administrative decision ("**MoE Final Decision**") rejecting Bogdanka's application for a Mining Concession with respect to the K-6-7 concession area and Bogdanka's motion for case reconsideration.

The MoE Final Decision confirmed PD Co's security of tenure and priority to apply for the K-6-7 Mining Concession (subject to the Company securing all necessary approvals). It also confirmed that, given the previous approval of the Company's Geological Documentation in relation to the concession area, PD Co is entitled to a three year Priority Right to apply for a Mining Concession in relation to the K-6-7 concession area in priority to any other party.

Bogdanka has appealed the MoE Final Decision to an administrative court on 12 December 2014 and these proceedings are pending as of the date of this Prospectus. The administrative court has no authority to grant Bogdanka the concession which was refused by the MoE. The administrative court may however cancel the MoE Final Decision. If the administrative court cancels the MoE Final Decision, the MoE will be required to re-assess Bogdanka's Mining Concession application. The court proceedings will only relate to Bogdanka's unsuccessful Mining Concession application covering concession area K-6-7 (which was twice rejected by the MoE). The proceedings will not relate to PD Co's valid and existing priority right to apply for a Mining Concession over the K-6-7 area.

Even if the administrative court cancels the MoE Final Decision and the MoE is forced to reassess Bogdanka's application, the MoE would need to take into account the fact that PD Co has since had Geological Documentation approved for the Lublin Coal Project and currently holds the Priority Right to apply for a Mining Concession and mining usufruct right. As such, the MoE would have to take into account that granting Bogdanka a Mining Concession over K-6-7 mining area would infringe on PD Co's valid Priority Right granted for the Lublin Coal Project.

Furthermore, and as discussed above, Poland, a member of the European Union since 2004, also enjoys strong relations with Australia which includes significant annual trade occurring between the two countries. Australia also holds the status of "Most Favoured Nation" with Poland and the countries signed a Promotion and Protection of Investment Agreement in 1991 (a Bilateral Investment Treaty) which provides reciprocal protections for investments made by residents and entities of both countries.

RISKS RELATING TO THE ORDINARY SHARES

Investment in publicly quoted securities

Prospective investors should be aware that the value of Ordinary Shares may go down as well as up and that the market price of Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

Potentially volatile share price and liquidity

The share price of listed emerging companies can be highly volatile and shareholdings illiquid. The price at which Ordinary Shares are quoted and the price at which investors may realise their Ordinary Shares may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally. These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general, economic, political or regulatory conditions.

Takeovers

The Company is subject to requirements for takeovers under Australian law which may affect a bidder's ability to freely acquire Ordinary Shares. In particular, the Australian Foreign Acquisitions and Takeovers Act generally prohibits a "foreign person" (generally, any person or entity that is not an Australian resident but including any Australian company in which a "foreign person" has voting power of more than 15%), together with its associates, from either directly or indirectly acquiring an interest in 15% or more of the Company's issued shares, without first giving notice to the Australian Treasurer through the Foreign Investment Review Board, and complying with certain other requirements, and either the Australian Treasurer having stated that there is no objection to the acquisition or a statutory period having expired without the Australian Treasurer objecting. Please see Section 12.1.1 of Part 5 of this document for further information about the restrictions imposed under these laws.

In addition, the Constitution contains provisions in relation to "proportional takeover bids" designed to protect Shareholders in the event that a bidder makes a bid for a proportion, but not all, of the Ordinary Shares. Such provisions may affect the ability of a bidder who has made a proportional takeover bid for Ordinary Shares in the Company to freely acquire Ordinary Shares pursuant to that takeover bid. In particular, the Constitution provides that a majority of Shareholders in general meeting must approve a proportional takeover bid in order for it to proceed. Please see Section 3.8 of Part 5 of this document for further details of the restrictions imposed under the Constitution.

The above risks do not impact the ability of holders of Ordinary Shares to freely transfer Ordinary Shares on the London Stock Exchange, the WSE or ASX once Admission and Polish Admission take place.

Certain provisions of Polish takeover law may be applicable to holders of the Ordinary Shares

The Company is organised and exists under the laws of Australia. The Ordinary Shares are listed on the ASX and it is expected that the Ordinary Shares will be listed on the London Stock Exchange and on the Warsaw Stock Exchange. As a result, trading in the Ordinary Shares may be subject to requirements stemming from the regulations of different jurisdictions, in this case those of Australia, the UK and Poland, which are not necessarily coherent.

The Polish Act on Public Offering does not provide clear guidance as to which of its provisions regarding acquisition of shares in listed companies should apply in relation to a public

company with its registered seat in a non-EEA country. Polish law is unclear on whether certain provisions of the Polish Act on Public Offering (in particular, tender offer thresholds) apply only to companies incorporated in Poland, or whether they apply to all companies listed on a Polish regulated market (irrespective of the country of incorporation of these companies). There is a lack of practice and precedent to provide guidance on the interpretation of the appropriate Polish provisions of law. Such situations may cause uncertainty or ambiguity when exercising shareholder rights or fulfilling shareholders obligations, or when fulfilling obligations related to trading in significant block of shares in accordance with the laws of the different jurisdictions.

It may result in the minority shareholders of the Company having lower protection than the minority shareholders of Polish listed companies. For example, it is not clear whether, or which, Polish thresholds for the announcement of tender offers (including takeover bids) would be applicable to an investor who intends to purchase a substantial block of the Ordinary Shares. If an investor fails to fulfil its obligations or violates relevant Polish regulations with respect to trading in the Ordinary Shares, it may be fined for such non-compliance or may be unable to exercise its voting rights in respect of the Ordinary Shares.

The Company may be unable to list the Ordinary Shares on the WSE

The admission of the Ordinary Shares to trading on the WSE requires, inter alia, that: (i) the Ordinary Shares are registered with the clearing and settlement system of the PNDS, and (ii) the WSE approves the listing and trading of the Ordinary Shares on the WSE. To obtain the WSE's approval, the Company has to meet certain requirements provided for in the respective regulations of the WSE and other applicable laws. Such requirements include, but are not limited to: (i) the appropriate free float of the Ordinary Shares; (ii) the appropriate market value of the Ordinary Shares or the equity of the Company; (iii) a lack of restrictions on the transferability of the Ordinary Shares; (iv) the approval of this Prospectus by the FCA and its notification to the Polish FSA; and (v) a lack of bankruptcy or liquidation proceedings pending with respect to the Company. Furthermore, while examining the Company's application for admission of the Ordinary Shares to trading on the WSE, the WSE will take into consideration: (i) the Company's current and projected financial standing; (ii) the Company's development perspectives, in particular, assessment of investment objectives taking into account its financial sources; (iii) the experience and qualifications of the members of the Board; (iv) the terms on which the securities were issued and the compliance of these terms with the principles of the public nature laid out in the WSE Rules; and (v) the security of public trading on the WSE and of the interests of trading participants. Some of the conditions mentioned above are discretionary in nature and, therefore, the Company cannot provide any assurance that the WSE will conclude that the Company meets all of them. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading on the WSE on the date indicated in this Prospectus, or at all.

The rules of the WSE require the Company to file an application for introduction of the Ordinary Shares to trading on the WSE within a period of six months from the date on which the Ordinary Shares have been admitted to such trading. If the Company fails to comply with this obligation, the decision of the WSE on the admission of the Ordinary Shares to trading on the WSE could be annulled.

Trading in the Shares may be suspended

Each of the LSE, the WSE and the ASX has the right to suspend trading in the Ordinary Shares in certain circumstances. If the Ordinary Shares are suspended from trading, the holders of Ordinary Shares may not be able to dispose of their Ordinary Shares on the LSE, WSE or ASX (as the case may be).

ASX

Trading in the Ordinary Shares on ASX may be halted or suspended at the request of the Company or at the discretion of ASX.

At the request of the Company, ASX may grant:

- (i) a halt in the trading of Ordinary Shares on ASX for a period not exceeding the commencement of trading on the second trading day following the day on which the trading halt is requested; or
- (ii) a suspension in the trading of Ordinary Shares on ASX for the period requested by the Company.

ASX also retains a general discretion to suspend trading in the Ordinary Shares in circumstances where the Company is unable or unwilling to comply with the ASX Listing Rules, to prevent a disorderly or uninformed market or for any other reason ASX deems appropriate. ASX will automatically suspend trading in the Ordinary Shares if the Company fails to lodge annual, half yearly and quarterly reports in accordance with the ASX Listing Rules or fails to pay the Company's annual ASX listing fee within 15 business days of the due date. ASX may also suspend trading in Ordinary Shares following the issue of acquisition notices sent to shareholders pursuant to a squeeze out or sell out under the Corporations Act. Please see Section 12.1.4 and 12.1.15 of this document for further details of squeeze outs and sell outs under the Corporations Act.

WSE

The WSE has the right to suspend trading in the Ordinary Shares for up to three months: (i) at the request of the Company; (ii) if the Company fails to comply with the respective regulations of the WSE (such as specific disclosure requirements); or (iii) if it concludes that the suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE shall suspend trading in the Ordinary Shares for up to one month upon the request of the Polish FSA, if the Polish FSA concludes that trading in the Ordinary Shares is being conducted under circumstances which may pose a possible threat to the proper functioning of the WSE, or the safety of trading on that exchange, or may harm investors' interests.

LSE

The FCA may suspend the Ordinary Shares from trading on the LSE from time to time if it determines that the smooth operation of the market is or may be temporarily jeopardised or it is necessary to protect investors.

The Company may be excluded from trading

The Ordinary Shares may be delisted from the WSE, LSE or ASX in certain circumstances. Delisting of the Ordinary Shares from the WSE, LSE or ASX could have an adverse effect on the liquidity of the Ordinary Shares and, consequently, on investors' ability to sell the Ordinary Shares at a satisfactory price.

The Company believes that as at the date of this Prospectus there are no circumstances which could provide grounds for the delisting of the Ordinary Shares from the WSE, LSE or ASX in the foreseeable future. However, there can be no assurance that any such circumstances will not arise in relation to the Ordinary Shares in the future.

ASX

The Company may request that ASX delist Ordinary Shares from ASX at any time. However, ASX may request that the Company provide evidence that the request to delist the Ordinary Shares from ASX is made pursuant to appropriate authorisations or that the delisting occur subject to certain conditions being satisfied. ASX's decision to approve the delisting of Ordinary Shares will typically be subject to certain conditions directed to ensure that the interests of the Company's shareholders are not unduly prejudiced by the delisting.

The Company's request for the Ordinary Shares to be delisted from ASX must be immediately announced to the market and include information such as the proposed date of delisting the Ordinary Shares from ASX, the reasons why the Company is seeking to delist the Ordinary Shares from ASX, the consequences of delisting for shareholders and a statement of whether the Company has received prior in-principle advice from ASX regarding the request for delisting and any conditions imposed.

Where the Ordinary Shares are traded on another securities exchange, such as WSE or LSE, ASX will usually require that the Company send out a communication to shareholders, in a form satisfactory to ASX, setting out the date the Ordinary Shares will be delisted from ASX and the arrangements required for shareholders to trade on other exchanges. If the Ordinary Shares are not traded on another securities exchange, ASX will usually require the Company obtain shareholder approval prior to approving the Company's request to delist the Ordinary Shares.

ASX also retains a general discretion to delist the Ordinary Shares of the Company in various circumstances, including:

- (i) the issue of acquisition notices sent to shareholders pursuant to a squeeze out or sell out under Corporations Act;
- (ii) failure to pay the Company's annual ASX listing fee within 20 business days of the due date;
- (iii) the Ordinary Shares being suspended from trading for a continuous period of 3 years;
- (iv) the Company is unable or unwilling to comply with the ASX Listing Rules;
- (v) to prevent a disorderly or uninformed market; and
- (vi) for any other reason ASX deems appropriate.

The Company believes that as at the date of this Prospectus there are no circumstances which could provide grounds for the delisting of the Ordinary Shares from the WSE, LSE or ASX in the foreseeable future. However, there can be no assurance that any such circumstances will not arise in relation to the Ordinary Shares in the future.

WSE

If the Polish FSA, which is the competent authority of a host EU Member State of the Company, finds that the Company is responsible for irregularities or has infringed its obligations, it shall refer its findings to the FCA, which is the competent authority of the Company's home EU Member State. If, despite the measures taken by the FCA, or because such measures prove inadequate, the Company persists in infringing the relevant legal or regulatory provisions, the Polish FSA shall, after informing the FCA, take all appropriate measures in order to protect investors. The Polish FSA shall notify the European Commission and the European Securities and Markets Authority immediately upon the application of such measures.

If the Company fails to fulfil certain requirements or obligations under the applicable provisions of securities laws, including but not limited to the requirements and obligations provided for under the Polish Act on Public Offering and the Polish Act on Trading in Financial

Instruments, the Polish FSA could impose a fine on the Company or delist its Shares from trading on the WSE.

The WSE shall delist the Ordinary Shares from trading upon the request of the Polish FSA, if the Polish FSA concludes that trading in the Ordinary Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes investors' interests. Moreover, mandatory delisting will also be effected by the WSE where: (i) the transferability of Ordinary Shares has become restricted; (ii) the Ordinary Shares are no longer in book entry form; (iii) the Polish FSA has requested such, in accordance with the Polish Act on Trading in Financial Instruments, and (iv) the Ordinary Shares have been delisted from the regulated market by a competent supervisory authority of such market, provided that the Ordinary Shares were traded on another, regulated market.

The WSE may also delist the Ordinary Shares where: (i) the Ordinary Shares cease to meet all the requirements for admission to trading on the WSE; (ii) the Company persistently violates the regulations of the WSE; (iii) the Company has requested such; (iv) the Company has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Company's assets do not suffice to cover the costs of the bankruptcy proceedings; (v) the WSE considers it necessary in order to protect the interests of the market's participants; (vi) following a decision on a merger, split or transformation of the Company; (vii) when no trading has been effected in the Ordinary Shares within the three preceding months; (viii) the Company has become involved in a business that is illegal under the applicable provisions of laws; and (ix) the Company is in liquidation proceedings.

The Company believes that as at the date of this Prospectus there are no circumstances which could provide grounds for the delisting of the Ordinary Shares from the WSE in the foreseeable future. However, there can be no assurance that any such circumstances will not arise in relation to the Ordinary Shares in the future. Delisting of the Ordinary Shares from the WSE could have an adverse effect on the liquidity of the Ordinary Shares and, consequently, on investors' ability to sell the Ordinary Shares at a satisfactory price.

LSE

The FCA may cancel the listing of the Ordinary Shares on the LSE if it is satisfied that there are special circumstances that preclude normal regular dealings in the Ordinary Shares.

The listing of the Ordinary Shares on the LSE may also be cancelled at the request of the Company, subject to the Company giving at least 20 Business Days' notice of the proposed cancellation of the listing. Because the Company is intending to list on the standard listing segment of the Official List, it would not be required to seek shareholder approval before seeking the cancellation of the listing of the Ordinary Shares on the LSE.

There can be no assurance regarding the future development of the market for the Ordinary Shares and its liquidity

The Company's shares are listed on the ASX. Nevertheless, the past performance of the Shares on the ASX cannot be treated as indicative of the likely future development of the market and future demand for the Ordinary Shares. The lack of a liquid public market for the Ordinary Shares on the ASX and/or London Stock Exchange and/or WSE may have a negative effect on the ability of shareholders or investors to sell their Ordinary Shares, or adversely affect the price at which the holders are able to sell their Ordinary Shares. There can be no assurance as to the liquidity of any trading in the Ordinary Shares, or that the Ordinary Shares will be actively traded on the ASX, London Stock Exchange or the WSE in the future.

Triple listing of the Ordinary Shares will result in differences in liquidity, settlement and clearing systems, trading currencies, prices and transaction costs

between the exchanges where the Ordinary Shares will be listed. These and other factors may hinder the transferability of the Ordinary Shares between the three exchanges

The Ordinary Shares are listed on the ASX. An application will be made to list the Ordinary Shares on the London Stock Exchange and on the WSE. Consequently, the trading in and liquidity of the Ordinary Shares will be split between these three exchanges. Moreover, the price of the Ordinary Shares may fluctuate, and may at any time be different on the ASX, London Stock Exchange and on the WSE, and vice versa. Differences that occur in settlement and clearing systems, trading currencies, transaction costs and other factors may hinder the transferability of the Ordinary Shares between the exchanges. This could adversely affect the trading of the Ordinary Shares on these exchanges and increase their price volatility and/or adversely affect the price and liquidity of the Ordinary Shares on these exchanges.

The Ordinary Shares are quoted and traded in Australian Dollars on the ASX. The Ordinary Shares will be quoted and traded in pounds sterling on the London Stock exchange and in PLN on the WSE. The market price of the Ordinary Shares on those exchanges may also differ due to exchange rate fluctuations. The shares traded on the ASX are settled and cleared through the ASX Settlement. The shares traded on the London Stock Exchange will be settled and cleared through CREST and the shares traded on the WSE will be settled and cleared through the PNDS. Consequently, settlement of trades in the Ordinary Shares will be subject to rules governing three different depositary systems (i.e. Australian, English and Polish) which may result in delays in provision of materials and/or documents to shareholders, dividend payments and/or distribution of surplus in case of liquidation and/or exercise of instructions from the holders of the Ordinary Shares.

Impact of securities or industry analysts

Both the market price and trading volume of the Ordinary Shares may depend on the opinions of the securities analysts monitoring the operations of the Company and publishing their research reports on its future performance. The Company has no control over these analysts, who may downgrade their recommended prices for the Ordinary Shares at any time, issue opinions which are not in conformity with the Board's view, or may drop coverage of the Company altogether.

All the above-mentioned events may have an adverse impact on the trading volume and price of the Ordinary Shares.

The Company does not have a recent dividend history

No dividends on the Ordinary Shares have recently been paid by the Company. The Company anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Company's board of Directors after taking into account many factors, including the Company's financial condition and current and anticipated cash needs.

The ability of a Shareholder to bring or enforce an action against the Company may be limited under law

The Company is incorporated under the laws of Australia and its assets are located in Poland and Western Australia. The majority of the Directors and officers reside outside the United Kingdom and all or a substantial portion of the Company's assets and the assets of the Directors and officers are located outside the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United Kingdom upon the Company or the Directors and officers or to enforce against them in Australia, Western Australia or Poland any judgments of the courts of England and Wales including judgments predicated upon the civil liability provisions of the UK or European securities laws. The ability

of a Shareholder to bring an action against the Company may be limited under law. The rights of Shareholders are governed by the laws of Australia and the Constitution. These rights may differ from the rights of shareholders in a typical company incorporated in England and Wales.

Shareholders may be subject to risks arising from adverse movements in the value of their local currency against the Australian Dollar

The Ordinary Shares have no nominal value, and will be quoted and traded:

- (i) in pounds sterling on the London Stock Exchange;
- (ii) in Australian Dollars on ASX; and
- (iii) in Polish Zloty on the Warsaw Stock Exchange.

In addition, any potential dividends the Company may pay in the future will be declared and paid in Australian Dollars. Shareholders buying shares on the LSE or on the WSE should take into account a potential risk arising from adverse movements in the value of their local currency against the Australian Dollar.

The issue of Shares to CD Capital would dilute existing shareholders

On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in a general meeting.

If the CD Capital Agreement is approved by the Company's shareholders and the Convertible Note is issued, CD Capital would be entitled, and the Company may be entitled to require, in certain circumstances CD Capital to convert and exchange the Convertible Note into approximately 44,776,120 Ordinary Shares at the Conversion Price, representing 23.18% of the Company's diluted share capital (see section 14.1 of Part 5 for further details). If the Convertible Note is converted and exchanged into Ordinary Shares, CD Capital would be entitled to be issued one CD Option for every two Ordinary Shares issued to it on conversion and exchange of the Convertible Note (representing an additional 10.5% of the Company's Share Capital that could be issued to CD Capital on exercise of all of the CD Options issued to it if the entirety of the Convertible Note was converted to Ordinary Shares).

In addition to the Ordinary Shares that it may be issued on conversion and exchange of the Convertible Note or exercise of the CD Capital Options, CD Capital has a right to maintain the interest in the Company it would hold if all of the Convertible Note were converted and exchanged into Ordinary Shares. Under this right, CD Capital can require the Company to issue it such number of additional Ordinary Shares to maintain its percentage shareholding in the Company on an "as converted basis" immediately prior to the dilutionary event (see section 14.1.9 of Part 5 for further details). Other holders of Ordinary Shares will not enjoy these rights.

If the CD Capital Agreement is approved by the Company's shareholders there is a risk that other holders of Ordinary Shares will have their interest in the Company diluted by the issue of Ordinary Shares to CD Capital on conversion of the Convertible Note or of any CD Capital Options issued to CD Capital on such conversion. Section 14.1.15 of Part 5 sets out details of the dilution to existing shareholders that would occur if the CD Capital Agreement is

approved by the Company's shareholders, the Convertible Note is issued and the entire principal amount of the Convertible Note is converted and exchanged into Ordinary Shares, and all CD Options issued on conversion of the Convertible Note are also exercised for Ordinary Shares.

Non-Australian shareholders may have difficulties exercising rights which are governed by Australian law

The Company is organised and exists under Australian law. Accordingly, the rights and obligations of the Company's shareholders are regulated by Australian corporate law and the Company's shareholders must follow Australian legal requirements in order to exercise their rights, in particular the resolutions of the shareholders in general meeting may be passed with majorities different from the majorities required for the adoption of equivalent resolutions under Polish law, English law or other laws. Additionally, to the extent that pre-emptive rights are granted, shareholders in the Company in some jurisdictions may experience difficulties, or may be unable to exercise their pre-emptive rights. Should the Company's share capital be increased in the future, the Company's shareholders who will not exercise their priority right to subscription of new shares should take into account that their interest in the Company's share capital may be diluted upon the issuance of new shares.

Furthermore, the Company's shareholders holding their Ordinary Shares through the PNDs should also take into consideration the arrangements between the PNDs, CREST and CHESS/Computershare, as well as CREST and PNDs rules governing settlement of securities in non-UK registered companies ("*CREST*"), 4.2 ("*Depositary Interest Arrangements*"), 5 ("*Settlement in Poland*") and 12.1.3 ("*Scheme of Arrangement*") in Part 5 ("*Additional Information*") of the Prospectus) in this respect. As a result, the exercise of certain shareholder rights may be more difficult or costly than the exercise of rights in other companies listed on the WSE.

CD Capital enjoys certain preferential rights

Under the terms of the CD Capital Agreement, CD Capital is entitled to nominate between one and two directors to the board of the Company (subject to it satisfying the 5% Threshold or 15% Threshold, as the case may be) and a right of veto in respect of certain actions by the Company, including:

- (i) any amendment to the Constitution which impacts on any rights under the CD Capital Agreement, the Convertible Note, CD Options or Put and Call Option;
- (ii) the expansion of the business of the Company otherwise than through the Group;
- (iii) changing the nature of the business of the Company;
- (iv) passing any resolution to wind up the Company or any member of the Group solvently or entering into a scheme of arrangement with creditors; and
- (v) the use of the A\$15 million provided by CD Capital in a manner other than in accordance with the budget agreed with CD Capital.

Shareholders other than CD Capital do not have such rights. Accordingly, there is a risk that the interests of shareholders in the Company may be prejudiced if the interests of CD Capital are not aligned with the interests of all other shareholders in the Company.

Furthermore, under Australian law, a special resolution (e.g. a resolution to change the Company's constitution or approve a scheme of arrangement) requires 75% of those attending and voting to vote in favour of that special resolution. Accordingly, if CD Capital

held voting power in the Company of over 25% (as it may do if it converted and exchanged the entire principal amount of the Convertible Note and exercised all of the CD Options granted to it on such a conversion and exchange (see section 14.1 of Part 5 for further details)), it would have the power to prevent the passing of a special resolution if it voted against it.

Tax treatment of non-Australian investors in an Australian company may vary

The Company is organised and exists under the laws of Australia and, as such, the Australian tax regime applies to the distribution of profit and other payments from the Company to its shareholders. The taxation of income from such payments, as well as other income, for instance, from the sale of the Ordinary Shares, may vary depending on the tax residence of the shareholder, as well as the existence and provisions of double tax treaties between a shareholder's country of residence and Australia. Tax provisions applying to particular shareholders may be unfavourable and/or may change in the future, in a way which has an adverse effect on the tax treatment of a shareholder's holding of the Ordinary Shares.

GENERAL INFORMATION

Forward Looking Statements

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this Prospectus. Subject to any obligations under the Prospectus Rules, the Listing Rules, the ASX Listing Rules, the Polish Act on Public Offering or the DTR, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Investors should note that the contents of these paragraphs relating to forward-looking statements do not qualify the statement made as to working capital in Section 17 of Part 5 of this document.

Third party information

Where information contained in this document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The sources of such third party information have been disclosed at the location in this Prospectus where such third party information is presented.

Presentation of financial and other information

The financial information on the Company set out in this document has, unless otherwise indicated, been extracted from the Company's audited consolidated statement of financial position and consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity and related notes as of and for the years ended 30 June 2012, 2013, 2014, and reviewed financial statements for the half-year ended 31 December 2014, set forth elsewhere in this Prospectus, beginning on page 156.

The financial statements were prepared in accordance with Australian Accounting Standards and comply with International Financial Reporting Standards ("IFRS"). The financial statements for the years ended 30 June 2012, 2013, 2014 were audited by the Company's independent auditors at the relevant time, Ernst & Young (in respect of the year ended 30 June 2014) and BDO Audit (WA) Pty Ltd (in respect of the years ended 30 June 2012 and 30 June 2013). The financial statements for the half-year ending 31 December 2014 were reviewed by Ernst & Young. Ernst & Young and BDO Audit (WA Pty) Ltd were each members of the Institute of Chartered Accountants Australia at the relevant time.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this document may not be the precise arithmetic sum of the figures that precede them.

References to defined terms

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined in Part 6 of this document.

Consequences of a standard listing and summary of the differences between standard and premium categories of listing

Application will be made for all of the Ordinary Shares to be admitted, to the Official List pursuant to Chapter 14 of the Listing Rules which sets out the requirements for standard listings.

As a company with a standard listing, the Company will not be required to comply with the provisions of, amongst other things:

- Chapter 7 of the Listing Rules setting out the Premium Listing Principles as contained in Listing Rule 7.2.1A that companies with a standard listing are not required to comply with.
- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not appointed and does not intend to appoint such a sponsor in connection with the Admission.
- Chapter 10 of the Listing Rules relating to significant transactions. Nonetheless, the Company is required under Chapter 11 of the ASX Listing Rules to consult with ASX and (in certain circumstances), seek shareholder approval before making a significant change to the nature of its activities, disposing of its main undertaking or disposing of its major assets.
- Chapter 11 of the Listing Rules regarding related party transactions. Nonetheless, the Company is required to comply with Chapter 10 of the ASX Listing Rules which require that the Company not enter into any transaction with a person of influence relating to the acquisition or disposal of a substantial assets of the Company, not issue securities to a related party and not make certain payments to related parties without seeking shareholder approval.
- Chapter 12 of the Listing Rules regarding purchases by the Company of Ordinary Shares. Nonetheless, the Company must comply with the Corporations Act 2001 and the ASX Listing Rules in relation to any purchases of its own shares which require that the Company seek shareholder approval to purchase of Ordinary Shares, subject to minimal exceptions.

- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders. However, the Company is required to comply with the requirements of the ASX Listing Rules, which contain certain obligations in relation to the form and content of any notices of meeting sent to its shareholders where shareholder approval is being sought pursuant to an ASX Listing Rule.

In addition to the above:

- Companies with a standard listing are not eligible for inclusion in the UK series of FTSE indices.
- Companies with a standard listing are not required to: (i) control the majority of their assets and to have done so for the last three years; or (ii) carry on an independent business as their main activity.
- The UK Corporate Governance Code does not apply directly to companies with a standard listing. The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations apply. However, pursuant to paragraph 7.2 of the Disclosure and Transparency Rules, companies with a standard listing are still required to make a statement in the directors' report covering the governance code to which the issuer is subject in relation to the financial reporting process and certain details of its share capital. The directors of companies with a standard listing are also required to include a description of the internal control and risk management systems and the composition of committees. The Company will comply with such requirements set out in DTR 7.2.
- The Model Code on share dealing does not apply to a company with a standard listing.
- A standard listing does not require a company to offer pre-emption rights pursuant to the Listing Rules. However, the Company will be required to comply with the ASX Listing Rules which require (among other things) that it seek shareholder approval before issuing shares representing more than 15% (or 25% in certain circumstances) of its expanded share capital in any 12 month period (subject to certain exceptions).

Application of the City Code on Takeovers and Mergers

The Company is incorporated in, has its registered office and is resident in Australia. Accordingly, transactions involving the Ordinary Shares will not be subject to the provisions of the City Code which regulates takeovers in the UK. However, Chapter 6 of the Corporations Act 2001 contains provisions that are similar or analogous to certain provisions of the City Code.

The Company is subject to requirements for takeovers under the Corporations Act 2001 and other applicable Australian law which may affect a bidder's ability to freely acquire Ordinary Shares.

Polish takeover regulations

The Company is incorporated under the laws of Australia and is therefore subject to the provisions of Australian law. As a consequence, all legal matters regarding the Company as a corporate entity, and in particular its valid existence as a legal entity, its legal capacity and authority to take action, the authority to issue shares and the validity of those shares, its internal organisation and operational rules, are all governed by the laws of Australia. Matters relating to the Company's status as a company and its relationship with shareholders are also generally governed by Australian securities laws.

As the shares will be listed on the WSE, certain Polish laws and regulations will also be applicable to some of these matters. Investors should be aware that, in connection with

certain Polish regulations, in particular those on the trading of securities admitted to trading on the regulated market in Poland and in the regulations of international private law, disputes may arise regarding the possible application of Polish legal regulations to the Company and its shareholders in respect of exercising their rights and performing their obligations under Polish law.

Australian takeover regulations

The takeover provisions of the Corporations Act 2001 apply to dealings in the Ordinary Shares and other securities in the Company. Subject to certain exceptions, the Corporations Act 2001 prohibits the acquisition of a relevant interest in the voting shares of an Australia company that is either listed on a prescribed stock exchange (including ASX) or has more than 50 shareholders if, as a result of the acquisition, the voting power of the acquirer (or any other person) in the company would increase from 20% or below to more than 20%. Similarly, such an acquisition is forbidden if any person who already has more than 20% but less than 90% of the voting power increases their voting power in the target company. However, it is not mandatory for a person who exceeds these thresholds to make a takeover bid for all the shares in the relevant company.

A person's voting power for these purposes is equal to the aggregate relevant interest of the person and their associates in the voting shares of the relevant company. In relation to the Company, the Ordinary Shares are the only class of voting shares in the Company.

A person has a relevant interest in a share if they have the power to control disposal of that share or to control the exercise of the right to vote in respect of that share. A person also has a relevant interest in any share held by a body corporate or managed investment scheme they control or in which they have voting power above 20%. These concepts are broad and, for example, a person can have a relevant interest and voting power in a share as a result of an agreement to purchase the share (even a conditional agreement) or a call option to acquire the share.

There are several exceptions which allow acquisitions which would otherwise be prohibited from taking place. These exceptions include acquisitions (provided certain requirements are met):

- under a formal takeover offer in which all shareholders can participate;
- with the approval of a majority of shareholders who are not parties to the transaction, given at a general meeting of the company;
- in 3% increments every six months (provided that the acquirer has had voting power of at least 19% in the company at all times during the six months prior to the acquisition);
- pro rata offers of new shares in which all shareholders can participate; or
- by an underwriter or sub-underwriter to offers of securities in the company in certain circumstances.

Please see Section 12 of Part 5 below for further details.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Ian Peter Middlemas	Chairman
	Benjamin Rade Stoikovich	Chief Executive Officer
	Anastasios ("Taso") Arima	Executive Director
	Thomas Richard Todd	Non-Executive Director
	John Paul Welborn	Non-Executive Director
	Mark Laurence Pearce	Non-Executive Director
	Todd William Hannigan	Alternate for Thomas Todd
	Further information on the Directors is contained in Part 2 of this document	
Company Secretary	Dylan Paul Browne	
Principal Place of Business	Unit 1C, 38 Jermyn Street London SW1Y 6DN United Kingdom	
Project Offices	<u>Warsaw</u> Ul. Wspolna 35 lok. 4 00-519 Warsaw Poland	
	<u>Lublin</u> Aleje Racławickie 8 20-037 Lublin Poland	
Registered Office	Level 9 BGC Centre 28 The Esplanade Perth WA 6000	
UK Solicitors to the Company	Berwin Leighton Paisner LLP Adelaide House London Bridge EC4R 9HA United Kingdom	
Polish legal counsel to the Company	Linklaters C. Wiśniewski i Wspólnicy Spółka Komandytowa) ul. Sienna 39 PL-00-121 Warsaw Poland	

Polish Broker	IPOPEMA Securities S.A. ul. Próżna 9 PL-00-107 Warsaw Poland
Australian Solicitors to the Company	DLA Piper Level 31, Central Park 152-158 St Georges Terrace Perth WA 6000
Australian Registrars	Computershare Investor Services Pty Ltd Level 11 172 St Georges Terrace Perth WA 6000
UK Registrars	Computershare Investor Services PLC 25 The North Colonnade Canary Wharf London E14 5HS
Auditors to the Company	Ernst & Young 11 Mounts Bay Road Perth WA 6000

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

Each of the times and dates is subject to change without further notice.

Publication of this Prospectus	28 August 2015
Admission	8.00 am 3 September 2015
Polish Admission	3 September 2015

NO ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders are not required to take any action upon receipt of this Prospectus, which is being made available publicly for information purposes only.

This Prospectus has been published solely to enable the Company to obtain Admission of the Ordinary Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market in the United Kingdom and to seek admission and introduction trading of the Ordinary Shares on the main market of the Warsaw Stock Exchange.

Part 1

Information on the Company

1 INTRODUCTION

The Company is an emerging coal company focused on the development of the Lublin Coal Project in Poland.

The Lublin Coal Project is a large scale coal project located in the Lublin coal basin in south east Poland. Further details of the Lublin Coal Project and the Company's strategy for its development are set out below.

2 HISTORY OF THE COMPANY

The Company is an Australian public company limited by shares that was incorporated on 27 June 1957 and admitted to the official list of the ASX on 12 November 1993. The Company is incorporated under the Corporations Act 2001 with an Australian Company Number of 008 677 852. Below is a brief historical summary of the Company:

- The Company was incorporated on 27 June 1957 as Property Investments Ltd;
- On 12 November 1993, the Company was admitted to the official list of the ASX under the name Property Investments Ltd;
- On 16 October 1996, the Company changed its name to Investment Company of the West Ltd;
- On 5 October 2005 the Company acquired the Prairie Downs Base Metals Project ("**BMP**") and changed its name to Prairie Downs Metals Limited. Furthermore and pursuant to shareholder approval, the Company altered the nature and scale of its main activities to mineral exploration at this time;
- On 15 June 2010, the Company signed a earn-in joint venture agreement with Ivernia Australia Exploration Pty Ltd ("**Ivernia**"), a wholly-owned subsidiary of Ivernia Inc (TSX: IVW) to advance the BMP;
- On 13 June 2012, Prairie assumed control of the BMP following the election by Ivernia to withdraw from the earn-in joint venture agreement;
- In August 2012, the Company secured the Lublin Coal Project and the development of the Lublin Coal Project has been its primary focus since this date;
- On 20 June 2014, the Company changed its name to Prairie Mining Limited;
- On 1 July 2015, the Company announced that it had been granted the 3 year Priority Right to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód);
- On 19 July 2015, the Company entered into an agreement with CD Capital under which, subject to the approval of the Company's shareholders, CD Capital agreed to subscribe for and PDZ Holdings has agreed to issue a Convertible Note of a principal amount of A\$15 million, exchangeable into

Ordinary Shares at a price of A\$0.335 per Ordinary Share. A general meeting has been called for 21 September 2015, at which the Company will seek shareholder approval for (among other things) the investment by CD Capital and the issue of Ordinary Shares and CD Options to CD Capital.

Further information on the milestones in the development of the Lublin Coal Project to date are set out in section 3.1 of this Part 1.

The Company is a 'disclosing entity' for the purposes of the Corporations Act 2001 and is therefore subject to regular reporting obligations under the Corporations Act 2001 and also under the ASX Listing Rules.

3 THE BUSINESS

The Company's primary focus is the development of the Lublin Coal Project.

3.1 The Lublin Coal Project

3.1.1 Project Description and Location

During 2012 the Directors of Prairie identified the opportunity to apply for coal Exploration Concessions adjacent to the Bogdanka mine in the Lublin Region of South Eastern Poland, where exploration activities had previously been undertaken by the Polish Government and its agencies during the 1960's to 1980's. These activities consisted of regional geological mapping and drilling programs which demonstrated the region is highly prospective for coal mining. The Company's Polish subsidiary, PD Co, subsequently lodged an application for four coal Exploration Concessions with the MoE and these were approved in August 2012. The four licences together form the Lublin Coal Project and cover 182km² within the Lublin coal basin. The successful grant of the concessions occurred after detailed research and investigations, followed by a lengthy and comprehensive application process.

The Lublin Coal Basin is an established coal province with coal mining activities dating back to 1982 with established infrastructure, including power and rail. The Lublin Coal Project is situated adjacent to the Bogdanka coal mine, operated by Lubelski Węgiel Bogdanka S.A., which has been in commercial production since 1982. Bogdanka has successfully demonstrated that the Lublin Coal Basin has the potential to host a new generation of large scale coal projects. The Lublin basin has ideal geological and mining conditions for high productivity longwall plow operations. In 2014 Bogdanka progressed its announced expansion program to increase nameplate production capacity to between 10.5 - 11.5 Mt of coal per annum (depending on geological conditions). Bogdanka produced 9.2 Mt of saleable coal in 2014 and is targeting production of 9.3 to 9.5 Mt in 2015 with a focus on operational efficiency and cost reduction.

In February 2015, the Group was granted a fifth new large contiguous Exploration Concession for coal at the Lublin Coal Project, increasing the project area by 54km² to over 235km². The new Exploration Concession, Sawin-Zachód confirms the Group's position as a dominant land holder in the Lublin coal basin and provides the potential for a significant increase in coal resource. The Competent Person's Report does not contain any Coal Resource Estimate in respect of Sawin-Zachód.

On 1 July 2015, the Company announced, that the MoE had approved the Company's previously submitted Geological Documentation granting it a 3 year Priority Right to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód).

3.1.2 Geology and Exploration

The mineralisation of the Lublin Coal Project comprises a stratified Upper Carboniferous coal deposit comprising some 21 seams of coal, which include a number of economic target seams, in particular the 389 and 391 seams.

The Lublin Coal Basin was extensively explored by Polish state entities between the 1960's and 1980's. Initial reconnaissance exploration drilling commenced in 1965, although the majority of the boreholes were drilled during the 1970's. A further drilling programme was later commissioned and completed in 1983. A total of approximately over 200 boreholes, from 1965-1983, were drilled within the general vicinity of the Lublin Coal Project Exploration Concessions. Approximately 117 of these boreholes were drilled within the four permitted licence areas comprising the Lublin Coal Project (excluding Sawin-Zachód). The remainder of the boreholes were located in the surrounding areas.

Commencing in 2012, under the terms of its Exploration Concessions, PD Co was required to complete a seven-hole core drilling campaign at the Lublin Coal Project designed to enhance the historical drill database and facilitate the preparation of Geological Documentation (a Polish standard resource report). Prairie announced the completion of the seven-hole drilling program in August 2014 and the submission of Geological Documentation in December 2014. On 1 July, the Company announced that PD Co (the Company's Polish subsidiary) was granted a Priority Right to establish a mining usufruct and apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód).

The Group is currently now working towards completing a Mining Concession application which in Poland comprises of the submission of a DDP along with an EIA that has been approved by local authorities. The DDP is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations.

The DDP and EIA are currently progressing and are expected to be completed alongside the PFS for the Lublin Coal Project in 2015.

3.1.3 Coal Resource Estimate

The summary of the coal resource estimate ("**CRE**") below has been extracted from the Competent Person's Report prepared in relation to the Lublin Coal Project by RoyalHaskoningDHV which is set out in Part 9 of this Prospectus. No resources or reserves have been identified for the Sawin-Zachód concession and accordingly this CRE relates only to Exploration Concession No. 23/2012/p (K-6-7), Exploration Concession No. 20/2012/p (K-4-5), Exploration concession No. 21/2012/p (K-8) and Exploration concession No. 31/2012/p (K-9).

The CRE and the Competent Person's Report have been prepared in accordance with the JORC Code (2012).

Lublin Coal Project (excluding Sawin-Zachód) – Coal Resource Estimate (based on gross tonnage after losses and excl splits)			
Coal Seam	Indicated (Mt)	Inferred (Mt)	Total (Mt)
391	164	82	246
389	19	41	60
Other Seams	150	267	416
Total – Project	333	390	722

Please refer to the Competent Person's Report in Part 9 for further details and for the Competent Person's statement in relation to the CRE.

The Lublin Coal Project has attractive coal quality parameters, particularly within the 391 seam, with the potential to produce both high quality metallurgical coal and premium thermal coals.

A summary of the coal quality averages per seam is extracted in the table below which represents unwashed, raw coal. Further details are contained in the Competent Person's Report in Part 9 of this Prospectus.

Lublin Coal Project - Summary of Coal quality data per seam								
Coal Seam	RAW RD	Moisture (ad) (%)	Ash (ad) (%)	Vols (ad) (%)	Total Sulphur (ad) (%)	Gross CV (ad) (MJ/kg)	ROGA*	Swell*
376	1.39	2.91	14.24	26.88	0.89	28.39	46.05	3.39
377	1.46	3.12	20.50	29.24	1.26	25.18	33.87	2.51
378	1.41	3.06	13.86	33.69	1.59	27.49	43.88	3.26
379	1.44	3.08	16.61	32.06	1.38	26.70	35.71	2.48
380	1.43	3.20	16.31	31.08	1.29	26.66	33.01	2.30
382	1.41	3.62	14.48	32.10	1.59	27.12	42.10	3.73
385	1.51	2.89	24.77	27.20	0.90	24.48	47.42	3.27
389	1.41	2.92	13.64	32.36	1.74	27.77	58.19	4.40
391	1.36	2.89	11.01	32.60	1.28	28.84	61.69	4.54
392	1.49	2.82	21.92	28.30	2.45	24.54	60.91	4.66
AVG.	1.41	3.05	15.11	31.58	1.44	27.26	50.15	3.75

** ROGA and swell (FSI) values are based on beneficiated analyses, where a basic wash has been applied. Swell values are averaged and therefore do not fall under the defined index scale of whole and half numbers.*

Preliminary washability analysis conducted by Prairie on cores from its completed drilling campaign indicates that sulphur levels reduce to 0.7 – 1.06% for floats at RD 1.35, with core yields of between 71 – 95%.

3.1.4 Scoping Study

The results of a Scoping Study completed on the Lublin Coal Project (excluding the Sawin-Zachód concession) in April 2014 confirmed the potential for a world class high margin metallurgical and premium thermal coal operation. The Scoping Study also highlighted the potential for average annual operating cash costs of US\$37 per tonne (steady state and excluding royalties), which would place the Lublin Coal Project on the lowest position on the global cost curve for hard coal delivered into Europe.

The Scoping Study was conducted by independent engineering consultants Wardell Armstrong International ("WAI").¹

Key parameters of the Scoping Study included:

Key Scoping Study Parameters (to a maximum accuracy variation +/- 30%)	
Average ROM Coal Production (Steady State)	7.7 Mtpa
Average Clean Coal Production (Steady State)	6.0 Mtpa
Initial Mine Life	22 years
Average Annual Cash Operating Costs (Steady State and excluding royalties)	US\$37/t
Low Capital Costs (Includes shaft sinking, underground infrastructure, CHPP and surface facilities, contingencies, etc)	US\$684 million
Coal Geology	Highly Productive
Mining Method	Longwall
Coal Handling and Process Plant	Dense Media

3.1.5 Pre-Feasibility Study

In September 2014, the Company commenced a PFS for the Lublin Coal Project. The Company has engaged Golder Associates (UK) Ltd and Royal Haskoning DHV UK Ltd as lead consultants in relation to the preparation of the PFS. The PFS 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 Bankable Feasibility Study stage. The PFS is expected to be completed in 2015.

3.1.6 Title to the Lublin Coal Project

¹ In accordance with the JORC Code, the information in this Prospectus that relates to the Scoping Study was extracted from Prairie's ASX announcements dated 28 April 2014 entitled 'Scoping Study Confirms Potential for World Class High Margin Met and Thermal Coal Project' 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 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 Prospectus have not been materially modified from the original ASX announcements. The Company advises that the information relating to the Scoping Study referred to in this Prospectus 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 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'.

Mineral deposits in Poland are owned by the State Treasury and all exploration and mining activities fall under the administration of Poland's MoE. In order to explore for, or mine, strategic minerals such as coal, an entity must hold:

- (a) An Exploration Concession: an administrative permit issued by the MoE granting the holder the right to explore a particular deposit in a specified area. The Exploration Concession outlines the minimum geological works to be carried out by the holder within a specified timeframe; and
- (b) A Usufruct Agreement: an agreement signed between the entity and the MoE (acting on behalf of the State Treasury) that entitles the holder to use a deposit for a specified natural resource on an exclusive basis for the purposes of carrying out exploration or mining activities.

The GML also includes provisions for protecting the rights and interest of entities conducting exploration work by providing the beneficiary of an Exploration Concession and Usufruct Agreement with: "exclusivity" to explore a deposit; as well as "priority" in obtaining a Mining Concession.

According to the GML, an entity that first explored and appropriately documented a deposit is given a preferential position (the "priority") to obtain a legal title (Usufruct Agreement) and a Mining Concession to commence production of the explored deposit provided that (i) the deposit is explored in line with law and an Exploration Concession; (ii) the deposit is documented to a degree enabling preparation of a DDP; and (iii) Geological Documentation in relation to the deposit is approved by a final decision of the concession authority.

Priority to a mining usufruct agreement arises when the Geological Documentation is approved and expires three (3) years after that date.

In the Company's case, its 100% owned Polish subsidiary, PD Co, has secured a 3 year Priority Right (on approval of its Geological Documentation for the Lublin Coal Project (excluding Sawin-Zachód)) from April 2015 to apply for a Mining Concession at the Lublin Coal Project (excluding Sawin-Zachód). The attainment of the 3 year Priority Right means that PD Co is not required to renew or extend the Exploration Concessions nor the Usufruct Agreements described below to continue with its application for a Mining Concession in respect of the Lublin Coal Project.

Approval of Geological Documentation

Decision No. DGK-VII-4741-8233/63/12750/15/EZD (dated 2 April 2015) and decision No. DGK-III-4741-5/23745/15/MP (dated 25 June 2015).

Exploration concessions (administration permits to conduct exploration works)

K-6-7

Exploration Concession No. 23/2012/p dated 31 July 2012 (as amended by decision No. DGKks-4770-72/6070/12/AP dated 13 February 2013, decision No. DGKks-4770-55/28050/13/TS dated 17 July 2013, decision No. DGKks-4770-106/33270/13/KD dated 5 November 2013 and a decision No. DGKks-4770-180/3138/13/KD dated 24 January 2014).

The Exploration Concession enables PD Co to explore mining area K-6-7 (with a total area of 41 km²). The Exploration Concession expired on 31 July 2015. The Exploration Concession was extended up to 31 July 2018 by the decision No. DGK-

VI-4770-35/28838/15/TS, dated 30 July 2015. The extension is not yet final. Unless appealed by the interested parties (property owners) to the MoE by 17 August 2015 the extension of the Exploration Concession will be final and effective. Any objections would be notified to the MoE and there is no prescribed time within which the MoE must notify the Company of any objections received by the MoE. As at 26 August 2015, being the latest practicable date prior to the publication of this Prospectus the Company has not received notification of any objections from the MoE.

K-4-5

Exploration Concession No. 20/2012/p dated 30 July 2012.

The Exploration Concession enables PD Co to explore mining area K-4-5 (with a total area of 48.75 km²). The Exploration Concession expired on 30 July 2015. The Exploration Concession was extended up to 30 July 2018 by the decision No. DGK-VI-4770-36/28547/15/TS, dated 24 July 2015. The extension is not yet final. Unless appealed by the interested parties (e.g. property owners) to the MoE by 17 August 2015 the extension of the Exploration Concession will be final and effective. Any objections would be notified to the MoE and there is no prescribed time within which the MoE must notify the Company of any objections received by the MoE. As at 26 August 2015, being the latest practicable date prior to the publication of this Prospectus the Company has not received notification of any objections from the MoE.

K-8

Exploration concession No. 21/2012/p dated 30 July 2012.

The Exploration Concession enables PD Co to explore mining area K-8 (with a total area of 43.38 km²). The Exploration Concession expired on 30 July 2015. The Exploration Concession was extended up to 30 July 2018 by the decision No. DGK-VI-4770-37/28548/15/TS, dated 24 July 2015. The extension is not yet final. Unless appealed by the interested parties (e.g. property owners) to the MoE by 17 August 2015 the extension of the Exploration Concession will be final and effective. Any objections would be notified to the MoE and there is no prescribed time within which the MoE must notify the Company of any objections received by the MoE. As at 26 August 2015, being the latest practicable date prior to the publication of this Prospectus the Company has not received notification of any objections from the MoE.

K-9

Exploration concession No. 31/2012/p dated 16 November 2012.

The Exploration Concession enables PD Co to explore mining area K-9 (with a total area of 49.23 km²). The Exploration Concession expires on 16 November 2015. The Exploration Concession was extended up to 16 November 2018 by the decision No. DGK-VI-4770-38/28551/15/TS, dated 24 July 2015. The extension is not yet final. Unless appealed by the interested parties (e.g. property owners) to the MoE by 17 August 2015 the extension of the Exploration Concession will be final and effective. Any objections would be notified to the MoE and there is no prescribed time within which the MoE must notify the Company of any objections received by the MoE. As at 26 August 2015, being the latest practicable date prior to the publication of this Prospectus the Company has not received notification of any objections from the MoE.

Sawin-Zachód

Exploration concession No. 35/2014/p dated 30 December 2014.

The Exploration Concession enables PD Co to explore mining area Sawin-Zachód (with a total area of 54.3 km²). The Exploration Concession expires on 30 December 2017.

Each of the above exploration concessions can be extended by the MoE upon application by the holder (PD Co). The Group obtained non-final decisions on extensions of each Exploration Concession that expired in 2015.

PD Co is required to submit (quarterly and annually) reports summarising the conducted exploration operations and the results of such operations and the exploration operations to be still performed.

3.1.7 Mining usufruct agreements (securing legal title to the mineral deposits, complying with relevant Exploration Concessions)

K-6-7

Mining usufruct agreement dated 31 July 2012 concluded between PD Co and the Polish State Treasury.

The mining usufruct agreement entitles PD Co to exclusively explore the deposit. The mining usufruct agreement is concluded for a fixed period.. The usufruct agreement was extended up to 31 July 2018 based on the annex No. 1 to the usufruct agreement dated 30 July 2015. PD Co is obliged to pay a mining usufruct fee (subject to an annual indexation) in the amount of PLN 93,803 (for 2016), 187,606 (for 2017), 187,606 (for 2018).

K-4-5

Mining usufruct agreement dated 30 July 2012 concluded between PD Co and the Polish State Treasury.

The mining usufruct agreement entitles PD Co to exclusively explore the deposit. The mining usufruct agreement is concluded for a fixed period. The usufruct agreement was extended up to 30 July 2018 based on the annex No. 1 to the usufruct agreement dated 24 July 2015. PD Co is obliged to pay a mining usufruct fee (subject to an annual indexation) in the amount of PLN 111,534 (for 2016), PLN223,068 (for 2017) and PLN223,068 (for 2018).

K-8

Mining usufruct agreement dated 30 July 2012 concluded between PD Co and the Polish State Treasury.

The mining usufruct agreement entitles PD Co to exclusively explore the deposit. The mining usufruct agreement is concluded for a fixed period. The usufruct agreement was extended up to 30 July 2018 based on the annex No. 1 to the usufruct agreement dated 24 July 2015. PD Co is obliged to pay a mining usufruct fee (subject to an annual indexation) in the amount of PLN 99,248 (for 2016), PLN198,496 (for 2017) and PLN198,496 (for 2018).

K-9

Mining usufruct agreement dated 30 July 2012 concluded between PD Co and the Polish State Treasury (as amended by an annex 1 dated 16 November 2012).

The mining usufruct agreement entitles PD Co to exclusively explore the deposit. The mining usufruct agreement is concluded for a fixed period. The usufruct agreement was extended up to 16 November 2018 based on the annex No. 2 to the usufruct agreement dated 24 July 2015. PD Co is obliged to pay a mining usufruct fee (subject to an annual indexation) in the amount of PLN112,632 (for 2016), PLN225,264 (for 2017), and PLN225,264 (for 2018).

The above mining usufruct agreements require PD Co to notify the Polish State Treasury about any material changes including (a) a change in the company's name or organizational form, (b) an increase or decrease in the company's share capital, (c) filing of a bankruptcy motion, or (d) the initiation of liquidation proceedings. The Polish State Treasury is entitled to terminate the agreements if (a) PD Co is in breach with its obligations under the agreements (only if the breach is not caused by the force majeure event), (b) PD Co is in delay with mining usufruct fee payments for more than three months or (c) PD Co fails to notify the concession granting authority of the transfer of the concession by law to another entity and the limitation of its scope, within the time limit set in the Polish geological and mining law. The Polish State Treasury is entitled to claim a contractual penalty in the amount of 25% of the annual mining usufruct fee, if the Polish State Treasury terminates the agreements due to the reason stated in point (a) above.

Sawin-Zachód

Mining usufruct agreement dated 27 January 2015 concluded between PD Co and the Polish State Treasury.

The mining usufruct agreement entitles PD Co to exclusively explore the deposit. The mining usufruct agreement is concluded for a fixed period and expires on 27 January 2018 (with an option to extend it at the PD Co's request). PD Co is obliged to pay a mining usufruct fee (subject to an annual indexation) in the amount of PLN 60,659 annually.

The mining usufruct agreement relating to Sawin-Zachód mining area require PD Co to notify the Polish State Treasury about any material changes including (a) a change in the company's name or organizational form, (b) an increase or decrease in the company's share capital, (c) filing of a bankruptcy motion, or (d) the initiation of liquidation proceedings. The Polish State Treasury is entitled to terminate the agreements if (a) PD Co is in breach with its obligations under the agreement (only if the breach is not caused by the force majeure event), (b) PD Co is in delay with mining usufruct fee payment for more than 30 days or (c) PD Co fails to notify the concession granting authority of any material changes (indicated above) within 30 days from the date of the material change occurrence. The Polish State Treasury is entitled to claim a contractual penalty in the amount of 25% of the annual mining usufruct fee, if the Polish State Treasury terminates the agreement due to the reason stated in point (a) above. The Polish State Treasury is entitled to seek damages exceeding the amount of stipulated contractual penalty.

3.2 Infrastructure

The Lublin Coal Project is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland as identified by a

transport infrastructure study completed in April 2014 which was conducted as part of the Company's Scoping Study for the Lublin Coal Project.

Development of the Lublin Coal Project, amongst other things, requires the construction of a new rail spur line extending from the mine to the national rail grid, as well as the construction of new power lines to connect the Lublin Coal Project to regional power providers.

3.3 **Prairie Downs Base Metal Project**

Prairie also has a second project, the BMP. The BMP comprises two tenements (E52/1758 and E52/1926) covering an area of 550km², located approximately 60 kilometres southwest of Newman in the Pilbara region of Western Australia. These were acquired in October 2005. The BMP is not considered to be material to the Company or the Group, taken as a whole. The Company considers the BMP to be an asset available for sale and has agreed terms with Marindi Metals Pty Ltd ("**Marindi**") under which Marindi may acquire the BMP for a further payment of A\$1 million, further details of which are summarised in more detail below, and in section 15.9 of Part 5 of this Prospectus. For these reasons, the BMP has not been included in the Group's resource or reserve estimates set out in the Competent Person's Report and summarised in section 3.1 above.

For a number of years this project has not been core to the Company's strategy and the Company has been seeking to farm-out, joint venture or dispose of this project to preserve the Company's cash and other resources for other projects. Pursuant to this strategy for the BMP, on 15 June 2010, the Company signed a earn-in joint venture agreement with Ivernia Australia Exploration Pty Ltd, a wholly-owned subsidiary of Ivernia Inc (TSX: IVW) to advance the BMP. Ivernia's exploration work included geological mapping and sampling, infill surveys and some additional drilling targeting other prospects at the Project. In June 2012, Prairie assumed control of the BMP following the election by Ivernia to withdraw from the earn-in joint venture agreement.

Subsequently and in October 2013, the Company entered into a farm-in agreement with Marindi Metals Pty Ltd under which Marindi may earn an interest of up to 100% in the BMP. On 8 April 2015 the Company and Marindi revised the farm-in agreement of which details are set out in section 15.9 of Part 5 of this Prospectus.

On 27 May 2015, the Company received A\$0.5 million from Marindi pursuant to the farm-in agreement. Marindi can earn a 100% interest in the BMP by paying a further A\$1 million to Prairie in either cash or listed Marindi shares (which are required to be freely tradable) on or before 30 September 2016. Upon Marindi obtaining a 100% interest in the BMP, Prairie would be granted a 2.5% Net Smelter Royalty in the BMP.

If Marindi fails to make the final A\$1 million payment, Prairie would retain the initial A\$0.5 million cash payment although Marindi can earn an interest by funding certain expenditure for the BMP thereafter (refer to section 15.9 of Part 5 of this Prospectus). Marindi may withdraw during the farm-in period at any time by giving 90 days' notice without any liability to expend further moneys, provided Marindi has kept the licences in good standing at the date of withdrawal.

In the event that Marindi elects to withdraw, the Company does not intend to commit further expenditure to the BMP and will seek to find an alternative partner for this project, failing which it would consider relinquishing its interest in the BMP at an appropriate time.

SUMMARY OF THE GROUP'S MINING PROJECTS

Set out below is a summary of the Group's mining projects:

Licence No.	Duration of Licence	Conditions for Exploring and Developing Licence
Lublin Coal Project		
Exploration Concession No. 23/2012/p (K-6-7)	Expiry date: 31 July 2015 (renewal extension not yet final).	The Licence is an Exploration Concession granted pursuant to the laws of Poland. PD Co also holds a Priority Right to apply for a Mining Concession at the Lublin Coal Project (including this Exploration Concession). Refer to section 5 of the Prospectus and the CPR for more information.
Exploration Concession No. 20/2012/p (K-4-5)	Expiry date: 30 July 2015 (renewal extension not yet final).	The Licence is an Exploration Concession granted pursuant to the laws of Poland. PD Co also holds a Priority Right to apply for a Mining Concession at the Lublin Coal Project (including this Exploration Concession). Refer to section 5 of the Prospectus and the CPR for more information.
Exploration concession No. 21/2012/p (K-8)	Expiry date: 30 July 2015 (renewal extension not yet final).	The Licence is an Exploration Concession granted pursuant to the laws of Poland. PD Co also holds a Priority Right to apply for a Mining Concession at the Lublin Coal Project (including this Exploration Concession). Refer to section 5 of the Prospectus and the CPR for more information.
Exploration concession No. 31/2012/p (K-9)	Expiry date: 16 November 2015 (renewal extension not yet final).	The Licence is an Exploration Concession granted pursuant to the laws of Poland. Refer to section 5 of the Prospectus and the CPR for more information.
Sawin-Zachód		

Licence No.	Duration of Licence	Conditions for Exploring and Developing Licence
Exploration concession No. 35/2014/p (Sawin-Zachód)	Expiry date: 30 December 2017	The Licence is an Exploration Concession granted pursuant to the laws of Poland. Refer to section 5 of the Prospectus and the CPR for more information.
BMP		
E52/1758	Expiry date: 9 December 2015	The Licence is an exploration licence granted pursuant to the laws of Western Australia.
E52/1926	Expiry date: 28 May 2016	The Licence is an exploration licence granted pursuant to the laws of Western Australia.

5 POLISH REGULATORY OVERVIEW

5.1 Overview

The geological and mining operations in Poland are governed by the Polish Geological and Mining Law Act dated 9 June 2011 (Journal of Laws 2011, No. 163, item 981 as amended) ("**GML**"), as well as Polish secondary legislation. The GML sets out, among other things, the terms and conditions for undertaking and completing geological works, extracting minerals from deposit and conditions for applying for an exploration and Mining Concessions.

Pursuant to Polish law, in order to perform mining operations in Poland the interested entity should obtain a Mining Concession and conclude a mining usufruct agreement with the Polish State Treasury.

The Company's Polish subsidiary, PD Co, currently holds a 3 year Priority Right to apply for a Mining Concession on approval of its Geological Documentation as well as Exploration Concessions for Sawin-Zachód and mining areas K-4-5, K-6-7, K-8, K-9 (although the extension of these Exploration Concessions is not yet final) (as well as associated mining usufruct agreements for all of these mining areas). PD Co also holds an Exploration Concession and associated mining usufruct agreement for Sawin-Zachód. PD Co intends to apply for Mining Concessions for the Lublin Coal Project upon satisfaction of the relevant regulatory requirements (including obtaining the environmental approval and completing the rezoning of land for mining use).

5.2 Mining Concession

A Mining Concession is granted in the form of an administrative decision of the MoE. A Mining Concession gives its holder an exclusive right to perform the specified regulated economic activity with regard to the area designated in the concession.

An application for a Mining Concession has to meet the legal requirements set out in the GML and should contain, inter alia, the following information:

- (a) description of the mineral deposit;
- (b) description of the planned amount of mining and the planned means of mining;
- (c) geological and hydrogeological conditions of mining;
- (d) information about the legal title to the land (land surface) where mining operations are to be conducted (this requirement may be fulfilled by providing the Minister of Environment with a copy of the concluded tenancy agreements or other agreements securing the legal title, relating to the land where the mining operations are to be carried out);
- (e) indication of a required time frame of mining operations and intended operation's commencement date;
- (f) indication of protection areas (environmental/heritage) which would potentially be affected by the mining operations;
- (g) indication of measures intended to prevent adverse environmental effects;
- (h) evidence of legal title to use the geological information (under Polish law the right to geological information is vested in the Polish State Treasury, which makes it available for a fee. An entity that has incurred the cost of conducting its own geological works, on which its geological information is based, over a period of three years after the delivery of a decision on approval of geological documentation holds the exclusive right to use it free of charge for the purpose of seeking to conduct activities regulated by the GML);
- (i) copy of a decision approving the Geological Documentation (the deposit's Geological Documentation is prepared based on the obtained geological information);
- (j) copy of a DDP (which is prepared based on a deposit's geological documentation and forms a basis for conducting mining operations); and
- (k) indication of the resources possessed by the applicant (including financial, personnel and technical resources) to pursue properly the mining operations.

The MoE exercises a certain level of discretion in granting Mining Concessions and may refuse to do so based on public policy reasons. As an example, the MoE is entitled to refuse to grant a concession if the planned mining operations are contrary to public interest associated with national security or environmental protection. The MoE's discretion is not absolute and its refusal should be well grounded and justified.

A Mining Concession is granted for a specified period, which must be not shorter than three (3) years and not longer than 50 years. It may also contain special conditions for conducting mining operations, in particular the duty to observe environmental conditions.

A Mining Concession may be revoked or limited in scope (without the obligation to pay any compensation to the concession holder) by the MoE in situations specified in the GML, which include a failure by the concession holder to comply with and/or cease to breach the Mining Concession's conditions.

A Mining Concession will expire:

- (a) upon the expiry of the period for which it has been granted;
- (b) in the case of the liquidation of the company which held the Mining Concession;
- (c) if the concession holder abandons the Mining Concession; or
- (d) if the Mining Concession became immaterial (for example when the mineral deposit has been exhausted.).

The entity that has obtained the Mining Concession is required to set up a mine decommissioning fund as a financial guarantee for the winding up of a mine. The fund value amounts to at least 3% of the depreciation and amortisation value of the fixed assets of a mining plant. It takes the form of a cash deposit on a bank account or an investment in the Polish State Treasury's bonds. Additionally, in certain circumstances set out in the GML (such as the protection of material public interest or national interest), the MoE may require the concession holder to provide a relevant security instrument (bank guarantee, civil liability insurance, etc.) protecting against the potential claims which may arise from conducting the mining operations.

5.3 **Mining usufruct agreement with the Polish State Treasury**

An entity interested in performance of mining activities in Poland must obtain contractual title to the deposit owned by the Polish State Treasury through entry into a mining usufruct agreement with the Polish state (acting through the Minister of Environment). Under Polish law, this is referred to as a "*mining usufruct right*", which is a civil law right that entitles its holder to use (explore or exploit) an underground area (deposit) on an exclusive basis (i.e. with the exclusion of third parties) for the purposes of carrying out exploration and mining activity.

A mining usufruct agreement constitutes a legal title to use the mineral deposits (which are owned by the Polish State Treasury). Only a holder of both a mining usufruct agreement and a Mining Concession is entitled to carry out mining operations under Polish law.

As long as the Mining Concession and usufruct right are in place, third parties are not allowed to use the same space and shall not receive a concession or usufruct right which conflicts with a previously established mining usufruct right and concession.

Entry into a mining usufruct right agreement typically takes place on the date of issuing of the Mining Concession, with the mining usufruct agreement coming into effect at the date of granting of a concession and terminating on the date of termination of the concession.

5.4 **Priority right**

The entity which first explored and appropriately documented a deposit is granted priority to obtain the mining usufruct right provided that:

- (a) the deposit is explored in line with law and an Exploration Concession;
- (b) the deposit is documented to a degree enabling preparation of a DDP; and
- (c) Geological Documentation in relation to the deposit is approved by a final decision of the concession authority.

Priority to a mining usufruct agreement arises when the Geological Documentation is approved and expires three (3) years after that date. This priority is enforceable and can be pursued in court (the mining usufruct right would then be established by virtue of a court ruling). There are legal remedies available to the holder if its priority right is infringed.

PD Co has completed its core hole drilling campaign in relation to the Lublin Coal Project (excluding Sawin-Zachód) and, in December 2014, Geological Documentation for the Lublin Coal Project (excluding Sawin-Zachód) was submitted to the MoE in order to acquire a decision on the Geological Documentation approval. PD Co has obtained an approval of the Geological Documentation, and, as a result of the approval, acquired a Priority Right to apply for a Mining Concession and a mining usufruct agreement (subject to any other terms or conditions imposed by the MoE) by April 2018.

5.5 **Mining fees**

A one-off concession fee is payable for an exploration or prospecting concession. The beneficiary of the Mining Concession is required to pay a periodical extraction fee (based on the amount of mined deposit), set out in the Polish secondary legislation.

In addition, each concession holder is required to pay a mining usufruct fee, set out in the mining usufruct agreement. A mining usufruct fee is a payment for granting mining usufruct rights. There are governmental guidelines setting out the basis for establishing the mining usufruct fee.

The mining usufruct fee for extraction of coal consists of two components:

- (a) an annual fixed payment of 0.01% of the deposit value in use (calculated according to the formula stated in the governmental guidelines); and
- (b) an annual variable payment of 10% of the fixed extraction fee.

The mining usufruct fee is indexed annually by the inflation rate as published by the relevant Polish governmental authority.

5.6 **Environmental decision and conduct of an environmental impact assessment**

Under Polish law, the environmental decision has to be obtained prior to the obtaining of the Mining Concession. The environmental decision is issued by a specialised environmental authority (the Regional Environmental Protection Director). Issuance of the environmental decision may require a prior environmental impact assessment.

5.7 **Environmental damage**

Pursuant to the provisions of the Polish Act on Preventing and Remedying Environmental Damage dated 13 April 2007 (Journal of Laws 2007, No. 75, item

493, as amended) which sets out the rules on preventing the environmental damage, the binding principle is that "*the polluter pays*". According to this principle, a polluter (i.e. an entity conducting a business operation causing environmental damage or creating an imminent threat of such damage) is held liable for all contamination both on site where it acted, as well as on other affected properties. A polluter is also obliged to undertake and bear the costs of preventive and/or remedial actions (e.g. decontamination).

However, if the person holding the land (i.e. the owner of land or an entity disclosed in the land register as the holder of the land) consented to the actions that caused the pollution or was aware of such actions, such person may be liable jointly with the actual polluter on a joint and several basis. The person holding the land may avoid or limit such liability provided such person notifies the action causing the contamination to the relevant environmental authority immediately after becoming aware of such action.

The above "*polluter pays*" rule applies to contamination that occurred after 30 April 2007. If the soil had been contaminated before 30 April 2007 or if the contamination derives from an activity that took place and finished before 30 April 2007, the "holder pays" principle applies irrespective of when the current owner acquired legal title to the property. According to the "holder pays" principle, the holder of the land (defined as the owner or the holder of a perpetual usufruct right, formally registered as holding the title to the land in the register kept by the local authority) is liable for soil contamination existing on the land and is obliged to decontaminate the soil at his own expense.

6 THE MARKET

6.1 The Market for Coal in Europe

The International Energy Agency has stated that in 2013, global coal demand continued to grow and was once again the fastest-growing fossil fuel.

Euracoal has further indicated that world coal production reached 7.8 Bt in 2012: 6.9 Bt of hard coal and 0.9 Bt of lignite. In turn, the production of hard coal comprised 5.9 Bt of steam coal and 1.0 Bt of coking coal.

The International Energy Agency stated that China remains the centre of the coal world. In energy units, China consumed more than 50% of global coal demand in 2013. Moreover, China is by far the largest producer and importer of coal. Asian countries, in particular China, remain the driving force of coal demand growth.

Euracoal states that the European Union is the world's third largest coal-using region, after China and North America. Each year, Europe mines around 130 Mt of hard coal and imports a further 210 Mt making it the world's largest importer behind China. 27% of EU electricity production comes from burning coal and lignite in power stations.

Poland and Germany are the two largest consumers of coal in Europe, together accounting for approximately half of total European coal consumption. The location of the Lublin Coal Project in eastern Poland is significant given its proximity to the two largest markets in Europe and the fact that both countries are becoming increasingly reliant on imported coal.

Euracoal states that Germany is largely dependent on energy imports, except in the case of lignite (or brown coal). In 2012, imports accounted for more than 85% of hard coal consumed in Germany. Subsidised hard coal production in Germany is to

be phased out by 2018 as a result of national and European legislation. Lignite use is expected to remain stable until 2020, but practically disappears as an energy source by 2050. As such, Germany is expected to rely increasingly on imported coal.

In Poland coal is expected to remain the main fuel for electricity generation (refer to the "Energy Policy of Poland to 2030"). Electricity consumption in Poland in 2030 is expected to increase by 30%. Poland is Europe's biggest hard coal producer and was once one of the world's leading suppliers. Whilst Polish coal mines still have a geographic advantage, this is beginning to reduce with the expansion of ports and logistic hubs near Poland's eastern border, both of which facilitate coal imports from abroad. As such, Poland recently became a net importer of coal with imports dominated by deliveries from Russia.

Thermal and metallurgical coal prices declined in 2014, a trend that continued into 2015. International coal prices have been under pressure from oversupply as well as from price cuts by Chinese domestic producers seeking to secure market share.

Imported European steam coal prices fell to below USD 60/tonne by the end of March 2015 (ARA Benchmark) whilst Australian metallurgical coal declined to USD 112 per tonne by the end of February 2015 (Prime Hard Coking Coal FOB). In this low price market environment, coal producers continued their efforts to reduce supply costs; however, many are still operating at a loss.

Mineral forecasting company CRU expects thermal coal prices to improve in the medium to long term as a result of strengthening Chinese coastal trade and improving GDP forecasts in a number of key demand markets which has increased electricity generation forecasts.

6.2 **Marketing Strategy of the Company**

The Lublin Coal Project has the potential to produce a range of coal products for sale to the steel making sector and power generation sector. Rather than targeting only the local Polish markets, the Company will focus its marketing efforts on export markets across wider Europe that are easily accessible by rail and via sea from the Northern ports of Poland, in order to maximise competitive tension across the product range. Such target markets include Germany (Europe's largest coal consumer), the Czech Republic, Austria, Slovakia and markets further afield including Morocco and Turkey.

Historical test work at the Lublin Coal Project by Polish state entities, as well as Prairie's own drilling and coal quality testing program, has confirmed the 391 coal seam contains a type 34 coal under the Polish classification – equivalent to semisoft coking coal and for use in coke blends for steel making. In addition, the 391 and 389 coal seams of the Lublin Coal Project have been proven to contain particular qualities that are attractive as a fuel source for domestic, other European and seaborne power markets.

7 **CD CAPITAL AGREEMENT**

On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company.

Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in a general meeting (as described in more detail in section 8 below).

Please refer to section 14.1 of Part 5 of this Prospectus for further details of the CD Capital Agreement, the rights that CD Capital will be granted under this agreement (which include the right to appoint up to two nominee directors to the Company's board and an anti-dilution right in relation to its shareholding in the Company) and the key terms and conditions of the Convertible Note to be granted to CD Capital.

If the conditions are satisfied and the Company's shareholders approve the CD Capital Agreement, CD Capital would become a key strategic partner of Prairie's, positioning the Company to benefit from CD Capital's significant mine development experience and strong capital backing to advance the development of the Lublin Coal Project.

CD Capital (UK) Limited ("**CD Capital Limited**") is an independent investment fund manager and adviser based in the United Kingdom, founded by Carmel Daniele in 2007. CD Capital Limited is registered and authorised by the UK Financial Conduct Authority and currently manages a total of three mining investment funds. CD Capital Limited has a track record of implementing investments in the mining sector. CD Capital Natural Resources Fund III LP is CD Capital Limited's third fund and invests in world class projects in the bulk commodities, precious metals and base metals sectors and its core focus is to identify, invest in and develop world class mining projects.

The initial investment of A\$15m would allow Prairie to complete work programs to progress towards the grant of a mining concession for the Lublin Coal Project. The transaction would also position Prairie for potential follow-on financing of up to A\$55 million to develop the future mine.

8 **APPROVAL OF CD CAPITAL AGREEMENT**

8.1 **General meeting of shareholders**

As noted above, it is a condition of the CD Capital Agreement that issue of the Convertible Note by PDZ Holdings to CD Capital and any subsequent issue of Shares or CD Options by the Company to CD Capital be approved by the Company's shareholders. If granted, the effect of this approval will be that the Convertible Note and CD Options are able to be converted by CD Capital into Ordinary Shares without causing CD Capital to be in breach of the takeover provisions of the Corporations Act 2001. Please see section 12 of Part 5 of this Prospectus for further information on the Australian takeover regime.

A notice of meeting calling a general meeting of the Company's shareholders on 21 September 2015, to vote on (among other things) the issue of the Convertible Note and of Ordinary Shares and CD Options to CD Capital (the "**General Meeting**") was despatched to the Company's shareholders and released to the ASX on 20 August 2015. This notice of meeting proposed resolutions for shareholders to consider and, if thought fit, approve:

- (a) The issue to CD Capital of:
 - (i) the Convertible Note and the Put and Call Option;
 - (ii) Ordinary Shares on exercise of the Put and Call Option (in whole or in part) and the acquisition by CD Capital of a relevant interest

in up to 44,776,120 Ordinary Shares upon the exercise of the Put and Call Option; and

- (iii) Ordinary Shares upon exercise of the CD Options and the acquisition by CD Capital of a relevant interest in up to 22,388,060 Ordinary Shares upon the exercise of the CD Options.
- (b) Certain amendments to the Company's Performance Rights Plan, under which the limit to the number of Performance Rights that can be on issue at any time is increased to 10% of the total number of Ordinary Shares on issue;
- (c) The grant of 2,500,000 Performance Rights to Benjamin Rade Stoikovich under the Performance Rights Plan; and
- (d) The variation of the terms of 1,747,000 of the existing Performance Rights such that the expiry date of these Performance Rights is extended from 31 December 2016 to 30 June 2017.

8.2 **BDO Report**

The proposed issue of Ordinary Shares pursuant to the CD Capital Agreement will result in CD Capital holding more than 20% of the issued capital of the Company (23.18% after the issue of Ordinary Shares and CD Options to CD Capital and 31.16% after the issue of Ordinary Shares to CD Capital on conversion of the CD Options). Therefore and in accordance with the ASX Listing Rules and section 611 of the Corporations Act 2001, the notice of meeting calling the General Meeting was required to supply shareholders with all information that is material to enable them to form a decision on how to vote at the General Meeting. To satisfy this requirement, the Directors of the Company have included an independent expert's report in the notice of meeting expressing an opinion as to whether the transaction with CD Capital is fair and reasonable to the shareholders of the Company who are not associated with CD Capital.

An independent expert's report has been prepared by BDO Corporate Finance (WA) Pty Ltd ("**BDO**"), which is contained at Annexure 1 to this Prospectus (the "**BDO Report**").

The BDO Report has been prepared in accordance with the Corporations Act 2001, taking into account Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 74 'Acquisitions Approved by Members', Regulatory Guide 111 'Content of Expert's Reports' and Regulatory Guide 112 'Independence of Experts'. It has been prepared solely for the purpose of the decision of shareholders on the resolutions to be considered at the General Meeting (as described at section 8.1(a) above) and should not be relied upon for any other purpose. Appendix 3 to the BDO Report contains an independent valuation report prepared by Royal HaskoningDHV in respect of the Lublin Coal Project and the Sawin-Zachod concession (the "**Valuation Report**").

Further information can be obtained from the BDO Report contained in Annexure 1 of this Prospectus.

9 **STRATEGY**

The Company is focused on creating long-term shareholder value by continuing to develop the Lublin Coal Project. To achieve its objective, the Company currently has the following business strategies and prospects:

- (i) complete a PFS on the Lublin Coal Project, which is scheduled for completion in 2015;
- (ii) continue the Mining Concession process for the Lublin Coal Project, having been granted the 3 year Priority Right, including the rezoning of land for mining use, the completion of a DDP and EIA for the Lublin Coal Project and submission of these to the local authorities for approval. Once approved the Company will apply for a Mining Concession for the Lublin Coal Project;
- (iii) complete European coal marketing studies for the Lublin Coal Project;
- (iv) complete further coal quality and washability testing to confirm product potential and yields to support a definitive feasibility study;
- (v) complete the CD Capital transaction, which would enable the Company, subject to the results of the PFS, to commence and fund a definitive feasibility study and development and financing of the Lublin Coal Project; and
- (vi) conduct additional exploration at Sawin-Zachód.

All of these activities are subject to inherent risks and the Prairie Board is unable to provide certainty that any or all of these developments will be able to be achieved.

It is the Company's intention that action item (v) in the list above, together with the completion of the DDP for the Lublin Coal Project will be funded from the Company's existing cash balances. The remaining items will require additional financing beyond the Company's current cash balances. The Company intends to first fund these items through the sale of the B2Gold Corp shares that it currently holds and then, if required, to use the proceeds of CD Capital's subscription for the Convertible Note (subject to completion of that subscription).

If the CD Capital subscription is not completed, the Company intends to fund these items through the sale of the B2Gold Corp shares that it currently holds (although there is no guarantee that it will continue to be able to realise sufficient proceeds from the sale of these B2Gold Corp shares in order to allow it to do so).

However, even if CD Capital's subscription for the Convertible Note was not completed and the Company were unable to realise any value from the B2Gold Corp shares that it currently holds, the Company considers that its existing working capital is sufficient for it to fund all of the minimum expenditure commitments required by Polish law in respect of the Sawin-Zachód Exploration Concession and to keep the project in good standing for at least the next 12 months from the date of this Prospectus. Furthermore, at a minimum, the Company would also seek to use its existing working capital to fund the completion of the DDP for the Lublin Coal Project. In the unlikely event that the Company was unable to secure additional debt or equity financing in the future (i.e. beyond this initial 12 month period), the Company would seek to substantially reduce its expenditure commitments on the Lublin Coal Project to allow it to continue operations at the minimal level required to maintain the Lublin Coal Project Exploration Concessions in good standing until the date of their expiry/expiry of the Priority Right. Whilst seeking to maintain the good standing of the Lublin Coal Project, the Company would however need to source additional funding to complete the EIA and subsequently apply for a Mining Concession at the Lublin Coal Project in this scenario.

The Company believes that there remain a number of opportunities to create shareholder value in the Lublin Coal basin and this basin is core to the Company's strategy. Whilst the focus is to continue the development of the Lublin Coal Project, in the unlikely scenario that this is not possible or, in addition to this, the Company may seek to carry out additional exploration at Sawin-Zachód to establish a geological resource and the Company may also continue to evaluate opportunities to acquire additional licences in the wider basin. Were the Company to seek to carry out such activities, it would seek to rely on its existing resources (e.g. its working capital at the relevant time, including any proceeds from the CD Capital investment and its B2Gold Corp shares) to fund any necessary expenditure. If it did not have sufficient available resources to fund any such activities at the relevant time, the Company would need to raise additional funding through debt or equity financing in order to carry out such activities.

10

KEY STRENGTHS

Large Scale, High Quality Coal Project

The Lublin Coal Project is a large scale coal project with a current CRE of 722 Mt across four coal Exploration Concessions (including a Priority Right and excluding Sawin-Zachód) covering 182km². The CRE is based on the review and modelling of historic data over the Company's concessions, including the logs from 117 cored boreholes, together with the results of the Company's completed drilling program and coal quality testing.

The Lublin Coal Project also has attractive coal quality parameters, particularly within the 391 seam, with the potential to produce both metallurgical and premium thermal coals. Prairie has confirmed Free Swell Index ("FSI") numbers of up to 6.0 in the target mining areas of the key 391 coal seam. Results from coal quality testing are set out in the Competent Person's Report.

Excellent Potential Project Economics

The results of a Scoping Study completed on the Lublin Coal Project in April 2014 confirmed the potential to develop a large scale, long life mine with attractive fundamentals. The Scoping Study also highlighted the potential for average annual operating cash costs of US\$37 per tonne (steady state and excluding royalties), which would place the Lublin Coal Project amongst on the lowest positions on the global cost curve for coal delivered into Europe.

Please refer to section 3 above for further discussion on the Scoping Study Results.

Lublin Coal Project Adjacent to a Proven Operating Mine

The Lublin Coal Project is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982. Bogdanka has successfully demonstrated that the Lublin Coal Basin has the potential to host a new generation of large scale coal projects. The Lublin basin has ideal geological and mining conditions for high productivity longwall plow operations. As a result of these favourable conditions Bogdanka has previously achieved world record longwall production rates and is said to be one of the most productive and cost-effective coal mines in Europe. In FY2014 Bogdanka progressed its announced expansion program to increase nameplate production capacity to between 10.5 to 11.5 Mtpa (depending on geological conditions). Bogdanka produced 9.2 Mt of saleable coal in 2014 and is targeting production of 9.3 to 9.5 Mt in 2015 with a focus on operational efficiency and cost reduction.

Infrastructure

The Lublin Coal Project is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland as identified by a transport infrastructure study completed in April 2014 which was conducted as part of the Company's Scoping Study for the Lublin Coal Project.

Experienced Board and Management Team

The Company has a strong and experienced Board with proven development experience. Its management team has significant expertise in the coal industry and experience in Poland.

11 REASONS FOR THE LISTING

Given the geographic location of the Company's flagship Lublin Coal Project in the heartland of industrial Europe and the size and maturity of the Company and its operations, the Directors consider that a listing on both the London Stock Exchange and the WSE in addition to the Company's existing ASX listing is appropriate to provide the Company with options for its future growth potential. The directors believe that such listings will provide increased liquidity for its investor base and provide access to significant new pools of capital including large UK institutional shareholders, Polish mutual funds and pension funds as well as retail shareholders in Europe, many of which could not be accessed previously. Furthermore, the listings are expected to deliver a higher profile for the Company in European markets, including the potential for local Polish ownership of the Company's shares which is considered an important strategic consideration for the Company.

12 CONTROLLING SHAREHOLDER

The Company has no controlling shareholder(s).

13 SUMMARY FINANCIAL INFORMATION

The following information has been extracted from the financial information on the Group contained in Parts 8 and 9 of this document.

Prospective investors should read the whole of this document and should not rely solely on this summary.

	<i>Year ended 30 June 2014 (Audited) (A\$)</i>	<i>Year ended 30 June 2013 (Audited) (A\$)</i>	<i>Year ended 30 June 2012 (Restated Audited) (A\$)</i>	<i>Year ended 30 June 2012 (Audited) (A\$)</i>
Revenue	131,938	141,428	146,802	146,802
Profit (loss) from operations	(8,663,964)	(5,129,352)	(154,872)	(133,715)
Profit (loss) before tax	(8,663,964)	(5,129,352)	(154,872)	(133,715)

Profit (loss) for the year	(5,018,964)	(5,954,352)	1,575,378	1,445,860
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14 **CURRENT TRADING AND PROSPECTS**

Since 30 June 2014, trading in relation to the current financial year has been in line with the Directors' expectations and demonstrates continued progress in the development of the Group's operations.

15 **DIVIDEND POLICY**

The Company currently does not have a dividend policy as the Directors do not intend to declare or pay a dividend in the short to medium term and if any dividend is to be paid it will be, subject to the Directors being satisfied, on reasonable grounds, that immediately after the payment of a dividend, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as and when they fall due. The Company has not paid a dividend during any of the financial years ended 30 June 2012, 30 June 2013 or 30 June 2014. The Directors only intend to commence the payment of dividends when it becomes commercially prudent to do so, if at all.

16 **TAXATION**

Further information on United Kingdom taxation, Poland taxation and Australian taxation with regard to the Ordinary Shares is set out in Part 4 of this document. All information in relation to taxation in this document is intended only as a general guide to the position in each of Australia, Poland and the United Kingdom. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than Australia, Poland and the United Kingdom, you should consult your own independent professional adviser immediately.

17 **CREST, CHESS AND PNDS**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Constitution permits trading in Ordinary Shares to take place in uncertificated form.

The Company, through its Registrar in the United Kingdom, Computershare Investor Services PLC, has established a depository facility whereby depository interests, representing Ordinary Shares, are issued to Shareholders who wish to hold their Ordinary Shares in electronic form in CREST. Accordingly, settlement of transactions in Ordinary Shares following Admission will take place within the CREST system, if the relevant Shareholders so wish.

Current arrangements for the settlement of transactions in Ordinary Shares on the ASX pursuant to CHESS (the electronic settlement system operated by ASX Settlement in accordance with the ASX Settlement Rules) will continue to apply whilst the Company remains listed on the ASX.

Upon Polish Admission the settlement of transactions in the Ordinary Shares, executed on the WSE will be settled in accordance with the principles established by the PNDS applicable to all companies listed on the WSE. For details see also Paragraph 5 ("*Settlement in Poland*") in Part 5 ("*Additional Information*") of the Prospectus.

CERTAIN REQUIREMENTS CONNECTED WITH THE WSE LISTING**The Warsaw Stock Exchange**

The WSE runs its business pursuant to applicable laws, including the Polish Act on Trading in Financial Instruments and internal regulations, as well as the WSE Rules and the WSE Best Practices for Listed Companies.

The exchange market operated by the WSE constitutes a regulated market for the purposes of the relevant regulations of EU laws and the Polish Act on Trading in Financial Instruments. Moreover, the WSE organises and operates an Alternative Trading System, which is a non-regulated market. The exchange market operated by the WSE includes the main floor (i.e. the official stock exchange market), and the parallel market.

Stock exchange trading mechanisms

As at the date of this Prospectus, WSE sessions are held regularly from Monday to Friday, from 9:00 a.m. to 5:00 p.m. Warsaw time, unless the management board of the WSE decides otherwise.

Depending on the market on which the relevant securities are listed, quotations are made in a continuous trading system (the main floor) or in a single-price system with one or two auctions (the parallel market). In addition, for large blocks of securities, so-called block transactions are also possible, outside of the public order book in the continuous trading system or in a single-price system.

Information as to price, trading volume and any specific rights (i.e. priority right to subscribe for the new shares or dividend rights) attached to securities is available on the WSE's official website at www.gpw.pl. Brokerage commissions in Poland are not fixed by the WSE or other regulatory bodies and are instead set by the brokerage house executing the transaction.

Part 2

Directors and Corporate Governance

1 DIRECTORS AND EMPLOYEES

1.1 Current Directors

Mr Ian Peter Middlemas *B.Com, CA*

Chairman

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a Director with a number of publicly listed companies in the resources sector. Mr Middlemas was appointed a Director of the Company on 25 August 2011.

Mr Benjamin Rade Stoikovich *B.Eng, M.Eng, M.Sc, CEng, CEnv*

Director and Chief Executive Officer

Mr Stoikovich is a mining engineer and professional corporate finance executive. He has extensive experience in the resources sector gained initially as an underground Longwall Coal Mining Engineer with BHP Billiton where he was responsible for underground longwall mine operations and permitting, and more recently as a senior executive within the investment banking sector in London where he gained experience in mergers and acquisitions, debt and off take financing.

He has Bachelor of Mining Engineering from the University of NSW; a Master of Environmental Engineering from the University of Wollongong; and a M.Sc in Mineral Economics from Curtin University. Mr Stoikovich also holds a 1st Class Coal Mine Managers Ticket from the Coal Mine Qualifications Board (NSW, Australia) and is a registered Chartered Engineer (CEng) and Chartered Environmentalist (CEnv) in the United Kingdom.

Mr Stoikovich was appointed a Director of the Company on 17 June 2013.

Mr Anastasios (Taso) Arima

Executive Director

Mr Arima was a founder and former Executive Director of Coalspur Mines Limited ("**Coalspur**"), having been instrumental in the identification and acquisition of Coalspur's coal projects, as well as the corporate strategy and marketing of the company. At the time of his resignation from the Board, Coalspur's fully diluted market capitalisation was approximately A\$1.2 billion.

Mr Arima has previously worked in the hydrocarbon division at WorleyParsons Limited, and was also an analyst for an investment banking firm, where he specialised in the technical and financial requirements of bulk commodity and other resource projects.

Mr Arima was appointed a Director of the Company on 13 September 2012.

Mr Thomas Richard Todd *BSc (Hons), CA Non-Executive Director*

Mr Todd was the Chief Financial Officer of Aston Resources from 2009 to November 2011. Prior to Aston Resources, Mr Todd was Chief Financial Officer of Custom Mining, where his experience included project acquisition and funding of project development for the Middlemount project to the sale of the company to Macarthur Coal. A graduate of Imperial College, Mr Todd holds a Bachelor of Physics with first class Honours. He is a member of The Institute of Chartered Accountants in England and Wales and a graduate of the Australian Institute of Company Directors.

Mr Todd was appointed a Director on 16 September 2014.

Mr John Paul Welborn *B.Com, CA, FAIM, SA Fin, MAICD, MAusIMM*

Non-Executive Director

Mr Welborn is a Chartered Accountant with a Bachelor of Commerce degree from the University of Western Australia and currently holds memberships of the Australasian Institute of Mining and Metallurgy, the Institute of Chartered Accountants in Australia, the Financial Services Institute of Australasia, the Australian Institute of Management, and the Australian Institute of Company Directors. Mr Welborn has extensive experience in the resources sector as a senior executive and in corporate management, finance and investment banking. Mr Welborn was the Head of Specialised Lending in Western Australia for Investec Bank (Australia) Ltd and has more than 20 years of commercial experience in national and international professional services and management consulting firms.

Mr Welborn was appointed a Director of the Company on 4 February 2009.

Mr Mark Laurence Pearce *B.Bus, CA, FCIS, FFin*

Non-Executive Director

Mr Pearce is a Chartered Accountant and is currently a Director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Governance Institute of Australia and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of the Company on 25 August 2011.

Mr Todd William Hannigan *B. Eng (Hons)*

Alternate Director for Mr Thomas Todd

Mr Hannigan was the Chief Executive Officer of Aston Resources from 2010 to 2011. During this time, the company significantly progressed the Maules Creek project, including upgrades to the project's resources and reserves, completion of all technical and design work for the Definitive Feasibility Study, negotiation of two major project stake sales and joint venture agreements, securement of port and rail access and progression of planning approvals to final stages. Mr Hannigan has worked internationally in the mining and resources sector for over 18 years with Aston Resources, Xstrata Coal, Hanson PLC, BHP Billiton and MIM.

Mr Hannigan was appointed as Alternate for Mr Thomas Todd on 16 September 2014.

1.2 **CD Capital Nominee Directors**

- 1.2.1 On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company.

Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting. Please refer to section 14.1 of Part 5 of this Prospectus for further details of the CD Capital Agreement.

- 1.2.2 If the Company's shareholders approve the CD Capital Agreement, the other conditions to the CD Capital Agreement are satisfied and CD Capital subscribes for the Convertible Note, Prairie will be required to take immediate steps to reconstitute its Board to comprise of six directors, of which CD Capital will have the right to nominate (subject to the nominee being approved by shareholders and suitably qualified to serve as a company director as required by applicable laws):

- (a) if it satisfies the 5% Threshold, one director of the Company; and
- (b) if it satisfies the 15% Threshold, two directors of the Company.

As a result, two existing Directors of the Board will need to resign, with the effect from completion of the transaction. As at 26 August 2015, being the last practicable date before publication of this Prospectus, the Board has not determined which two non-executive Directors will resign, other than it will not be the chairman of the Company.

- 1.2.3 CD Capital's right to nominate directors of the Company ceases if it fails to satisfy the 5% Threshold or 15% Threshold. If this occurs, CD Capital must cause its relevant nominee(s) to resign as a director(s) of the Company.
- 1.2.4 The Company must pay an annual fee to the relevant CD Capital nominee director of A\$20,000 per annum.

1.3 **Employees**

At the date of this document and as at 30 June 2013, 30 June 2014 and 31 December 2014 the Group has and had only one employee, being Mr Anastasios Arima, Executive Director, who is currently based in Australia and was based in Australia at all specified times. At 30 June 2012, the company had no employees. At 30 June 2014, the Group had 19 full time equivalent consultants and contractors based in the UK and Poland.

2 **CORPORATE GOVERNANCE**

2.1 **The Board**

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board comprises the Chairman, three Non-Executive Directors (and an alternative Non-Executive Director), the Chief Executive Officer and an Executive Director.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Chief Executive Officer is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- appointing and removing the Chief Executive Officer and any other executives and approving their remuneration;
- appointing and removing the Company Secretary/Chief Financial Officer and approving their remuneration;
- determining the strategic direction of the Group and measuring performance of management against approved strategies;
- reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- monitoring the Group's medium term capital and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

The Board has delegated responsibilities for the day-to-day operational, corporate, financial and administrative activities of the Group to the Chief Executive Officer and the Executive Director.

Details of the skills, experience and expertise relevant to the position of each Director who is in office at the date of this report, and their terms of office, are included in Section 1 of this Part 2.

In assessing the composition of the Board, the Directors have followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The board has assessed the independence status of the directors and has determined that there are four independent directors, being Messrs Middlemas, Todd, Welborn and Pearce.

Apollo Group Pty Ltd, a company associated with Mr Pearce, is paid a monthly retainer to provide administrative services, company secretarial services, accounting services and a fully serviced office to the Company. The Board considers that this relationship is not material or significant enough to impact the independent judgement of Mr Pearce.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake the Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than the managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his

last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

2.2 **ASX Corporate Governance Council's Corporate Governance Principles and Recommendations**

The Company currently seeks and, following Admission will, to the extent practicable for a company of its size and nature, continue to seek to follow the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASXCGCs") to the extent practicable for a company of its size and nature.

As at the date of this prospectus, the Company complies, except as disclosed below, with Australian corporate governance requirements applicable to a company listed on the ASX. The ASX Listing Rules require companies to either adopt the ASXCGCs or explain why they have not adopted a recommendation if they consider it inappropriate in the company's circumstances:

Provision of the ASXCGC

Company Position

2.1 The board of a listed entity should have a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

8.1 The board of a listed entity should have a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company (although individual Board members abstain from voting on any decisions relating to their own remuneration).

4.1 The Board should establish an audit committee.

The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review

of the operation of the internal control systems.

1.5 A listed entity should have a policy concerning diversity

At the date of this report the Company has one employee, being Mr Anastasios Arima, Executive Director. The Company currently has no female employees, executives, or directors, however it does have one female Supervisory Board member for the Company's polish subsidiary, PD Co. The Board's policy is to employ the best candidate for a specific position, regardless of gender, and considers that the Company is not currently of a size to justify a policy regarding diversity and objectives regarding gender diversity.

Save for the above departures, the Company complies with the ASXCGCs.

2.3

Corporate governance rules for companies listed on the Warsaw Stock Exchange

The Company only has one body charged with governance, being its Board of Directors, however the Company's Polish subsidiary, PD Co, has a management and supervisory board which is controlled by the Company and is intended to attract high calibre and recognized Polish executives to the Company and PD Co to ensure the best outcomes can be achieved at the Lublin Coal Project.

The Best Practices for WSE Listed Companies are a set of corporate governance rules for public companies whose securities are listed on the WSE. The Best Practices for WSE Listed Companies are aimed at enhancing transparency of listed companies, improving the quality of communication between companies and investors, and strengthening protection of shareholder rights, including those not regulated by legislation, while refraining from imposing a burden on listed companies that may outweigh the benefits resulting from market needs.

The Best Practices for WSE Listed Companies include non-binding rules relating to the good practices of listed companies which are included in the following sections: (i) recommendations related to best practices for listed companies; (ii) best practices for the management boards of listed companies; (iii) best practices for supervisory board members; and (iv) best practices for shareholders. All the rules contained in sections (ii), (iii) and (iv) above are subject to the "comply or explain" principle, i.e. the companies need to provide the market with direct information about any non-compliance with such rules. The rules contained in section (i) above are recommendations which are not subject to the "comply or explain" principle; instead they provide general trends concerning adequate levels of internal relations within listed companies, as well as their relations with the business environment.

Under Article 29 section 3 of the WSE Rules, should a specific governance rule contained in section (ii), (iii) or (iv) of the Best Practices for WSE Listed Companies not be applied by a public company on a permanent basis or be violated incidentally, such public company must publish a current report specifying under what circumstances and for what reasons a rule has not been applied, as well as how it intends to address the effects, if any, of not having applied a given rule or what steps it intends to take to mitigate the risk of the corporate governance rules not being applied in the future.

As at the date of this Prospectus, the Company does not comply with all the rules set forth in the Best Practices for WSE Listed Companies. Upon the Polish Admission, the Board of Directors of the Company, acting within the competences entrusted to it by the Constitution and generally binding provisions of applicable law, intends to make the Company apply to the broadest extent possible with the rules set out in the Best Practices for WSE Listed Companies. The Company is organized and functioning under the Australian law and therefore certain rules of the Best Practices for WSE Listed Companies will apply to the Company only to the extent permitted by Australian law and subject to the Company's corporate structure which provides for one body – Board of Directors combining management and supervisory functions.

The Company aims to ensure the highest transparency of its operations and proper quality of the investor relations. Upon the Polish Admission, the Company intends to adhere to all principles of corporate governance pursuant to the Best Practices for WSE Listed Companies, subject to the following exceptions:

- (a) *Recommendation 5:* which in part refers to the Company adopting rules defining the remuneration policy for the members of the management and supervisory bodies as far as such rules should take into account Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC).

The Company has adopted rules for defining the remuneration of the Directors. According to the Constitution, the shareholders in general meeting are entitled to set forth the remuneration of the Non-Executive Directors whereas the remuneration of the Executive Directors is fixed by the Directors. Basic principles of the Directors' remuneration policy are set forth in the Constitution and detailed information in this regard was adopted by shareholders at an Annual General Meeting held on 25 November 2014. Detailed description of the Company's remuneration policy is provided in the 2014 Annual Report of the Company that can be found at the Company's website, on the ASX announcements platform and which is also incorporated into this Prospectus by reference. The Company complies and intends to continue to comply with the ASX Corporate Governance Principles and Recommendations regarding a remuneration policy.

- (b) *Recommendation 9:* which in part refers to the Company ensuring that there is a balanced proportion of women and men holding managerial and supervisory positions.

As at the date of this Prospectus, the Company has no female executives or directors thus does not ensure the balanced proportion of men and women in the management and supervisory functions. The Board is composed of seven members, all men. The Company policy is to employ the best candidate for a specific position, regardless of the gender, and considers that the Company is not currently of a size to justify implementation of the policy regarding diversity and objectives regarding gender diversity.

It is noted however the Company's Polish subsidiary, PD Co, has one female supervisory board member, with the other 4 Supervisory Board members being all men.

- (c) *Best practice II.1, item 9a:* a public company should publish, on its website, a record of a Shareholders meeting in audio or video format:

As at the date of this Prospectus, minutes of general meetings are available in writing in accordance with the requirements of the Corporations Act 2001. Australian law does not require the Company to record the general meeting in any form than in writing and therefore the Company does not publish such a record in audio and/or video format.

- (d) *Best practice II.1, item 12:* stating that where a company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from to its introduction:

The Company has already implemented an employee scheme based on shares and/or financial instruments convertible into the shares in the Company. Due to that fact that it is not possible to determine the total cost as it would depend on the future value of the shares in the Company. Detailed information about the incentive schemes for the key management personnel as well as the information about the remuneration of the key management personnel is disclosed in the Annual Report of the Company.

- (e) *Best practice III.5:* stating that a Supervisory Board member should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board:

The Company has only one body combining management and supervisory functions. The Company is willing to comply with the rule however there may be circumstances where a director may resign despite detrimental impact, due to directors duties and function (e.g. due to a conflict of interests).

- (f) *Best practice III.6:* at least two members of the Supervisory Board should meet the criteria of being independent set forth in the Annex II to the Commission Regulation of 15 February 2005 on the role of non-executive directors of listed companies and on the committees of the (supervisory) board:

The Company complies with the ASX Principles when assessing the independence of the directors. These principles are not as comprehensive and exhaustive as those of the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board though are based on the similar concept of independence. Currently, the Company has four non-executive directors meeting independence criteria set forth in the ASX Principles.

- (g) *Best practice III.8:* which provides that Annex I to the Commission Regulation of 15 February 2005 on the role of non-executive directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the (supervisory) board:

The Company does not comply with the principle. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a these committees. The Board has

established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of the appropriate ethical standards. If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

- (h) *Best practice IV.10:* the Company should enable its shareholders to participate in the General Meeting using electronic communication means:

As at the date of this Prospectus, the Company does not comply with this rule and it is unlikely that it will comply with this rule in the foreseeable future as due to the current nature and size of the Company at present.

The Company will, in accordance with the WSE Rules, disclose in its Annual Report to shareholders its compliance with the corporate governance rules and regularly of non-compliance with a specified rule permanently or its incidental infringement. In this respect, the Company shall be under an obligation to report which (if any) rules are not complied with or which has not been applied, what the circumstances were and the reasons for non-compliance with each rule, and how the Company intends to remedy the potential effects of non-compliance and what measures it intends to undertake to diminish the risk of non-compliance in the future. The report will be published on the official website of the Company and pursuant to the same procedure which applies to the delivery of current reports in accordance with appropriate requirements, as referred to § 29 of the WSE Rules. This obligation occurs immediately after the Company is justified in its supposition that a given rule will not be applied or will not be complied with, in each case immediately upon the occurrence of an event constituting infringement of a corporate governance rule.

3

MODEL CODE

The Company complies with the Securities Trading Policy in relation to the Ordinary Shares.

The Securities Trading Policy applies to the Key Management Personnel (including Directors) as defined in the Corporations Act 2001 ("**KMP**") and employees of the Company.

Under the Securities Trading Policy, KMP and employees are prohibited from dealing in the Company's securities if they have in their possession information that they know, or ought reasonably to know, is inside information.

The Securities Trading Policy also provides prescribed closed periods (based around the release of material information, including results of feasibility studies, exploration and corporate activities) during which KMP are prohibited from dealing in the Company's securities. Directors must obtain written clearance from an approving officer at least two business days prior to any dealings in the Company's securities. The Company's Remuneration Policy prohibits KMP from entering into arrangements to limit their exposure to securities in the Company granted as part of their remuneration packages.

However, as, on Admission, the Ordinary Shares will be listed on the standard listing segment of the Official List, the Company is not required to comply with the Model Code set out in Chapter 9 of the Listing Rules. Accordingly, the FCA will not have authority to monitor the Company's compliance with the Securities Trading Policy.

Part 3

Operating and Financial Review

The following operating and financial review should be read in conjunction with the financial information set out in Part 7 and Part 8 of this document and the other financial information relating to the Group included elsewhere in this document. This review contains forward-looking statements based on the current expectations and assumptions about the Group's future business. Such statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in the "Risk Factors" section of this document.

The selected financial information discussed in this Part 3 has been extracted from the financial information of the Group as at, and for the three financial years ended 30 June 2012, 2013 and 2014 and for the half-year ended 31 December 2014, which were prepared in accordance with Australian Accounting Standards and IFRS. The financial statements for the years ended 30 June 2012, 2013, 2014 were audited by the Company's independent auditors at the relevant time, Ernst & Young (in respect of the year ended 30 June 2014) and BDO Audit (WA) Pty Ltd (in respect of the years ended 30 June 2012 and 30 June 2013). The financial statements for the half-year ending 31 December 2014 were reviewed by Ernst & Young.

BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW

1 OVERVIEW

The Company is listed on the ASX and is an emerging coal company focused on the development of the Lublin Coal Project in Poland.

The Company is focused on creating long-term shareholder value by continuing to develop the Lublin Coal Project. To achieve its objective, the Company currently has the following business strategies and prospects:

- complete a PFS on the Lublin Coal Project, which is scheduled for completion in 2015;
- continue the Mining Concession process for the Lublin Coal Project, having been granted the 3 year Priority Right, including the rezoning of land for mining use, the completion of a DDP and EIA for the Lublin Coal Project and submission of these to the local authorities for approval. Once approved the Company will apply for a Mining Concession for the Lublin Coal Project;
- complete European coal marketing studies for the Lublin Coal Project;
- complete further coal quality and washability testing to confirm product potential and yields to support a definitive feasibility study;
- Complete the CD Capital transaction (see section 14.1 of Part 5 of this Prospectus for further details of the CD Capital Agreement), which would enable the Company, subject to the results of the PFS, to commence and fund a definitive feasibility study and development and financing of the Lublin Coal Project; and

- Conduct additional exploration at Sawin-Zachód.

All of these activities are subject to inherent risks and the Prairie Board is unable to provide certainty that any or all of these developments will be able to be achieved.

2

FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Company's financial risk management policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Company does not enter into derivative transactions to mitigate the financial risks. In addition, the Company's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Company's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Company's financial risks as summarised below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

As the Group's projects are still at the development stage, there are no significant concentrations of credit risk within the Company. The carrying amount of the Company's financial assets represents the maximum credit risk exposure.

With respect to credit risk arising from cash and cash equivalents, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Company invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Company trades only with recognised, creditworthy third parties. It is the Company's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due.

The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.

However, on 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting. Please refer to section 14.1 of Part 5 of this Prospectus for further details of the CD Capital Agreement. If the conditions to the CD Capital Agreement are satisfied and CD Capital subscribes for the Convertible note, the Company considers that this would provide it with sufficient working capital to meet its present requirements.

The Company also currently holds 3.75 million shares in B2Gold Corp which are classified in its accounts as current available-for-sale financial assets and which, as at 26 August 2015 (being the last practicable date before publication of this Prospectus) had a market value of A\$5.7 million.

As the Company's assets are not producing and earning revenue, the Company may need to raise further funds in the future (whether through debt or an issue of further equity) in order to ensure that it has sufficient liquidity to meet its liabilities when due. As noted in Section 17 of Part 5 of this document, the Company intends to make use of the proceeds of CD Capital's subscription for the Convertible Note (subject to shareholder approval and satisfaction of the conditions to the CD Capital Agreement) and sell the B2Gold Corp shares that it currently holds in order to provide working capital for its present requirements, that is for at least the next 12 months from the date of this document.

Interest Rate Risk

As the Company does not currently have any bank facilities, the Company's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

The Company currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Equity Price Risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as available-for-sale financial assets. The Company has investments in the listed equity securities of one TSX listed entity (B2Gold Corp).

Furthermore, if the price of the Company's securities were to fall, this could impact its ability to raise funds through the issue of equity if required in the future.

Commodity Price Risk

The Company is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Company's control.

Future serious price declines in the market value of coal could cause development of, and any commercial production from, the Lublin Coal Project to be rendered uneconomic. Future production, if any, from the Company's mineral properties will be dependent upon the prices of coal being adequate to make these properties economic.

As the Company is currently engaged in exploration and development of the Lublin Coal Project and also business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

3 **CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Company's financial statements are described as follows:

Exploration and Evaluation Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

(i) Impairment

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the

asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using an appropriate valuation pricing model.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

4

THREE YEAR HISTORY

Summary Financial Statements

The following information has been extracted from the financial information on the Group contained in Parts 8 and 9 of this document.

Prospective investors should read the whole of this document and should not rely solely on this summary.

In reviewing this information, it should be noted that during the financial period ended 30 June 2013, the policy for accounting for exploration and evaluation expenditure was changed from the policy applied in previous reporting periods. In previous reporting periods, the costs incurred in connection with the exploration and evaluation of areas with current rights of tenure were capitalised to the Statement of Financial Position. Under the new policy, except as noted below, exploration and evaluation expenditure is expensed to the Statement of Profit or Loss and other Comprehensive Income as and when it is incurred. Exploration and evaluation costs are only capitalised to the Statement of Financial Position if they result from an acquisition of a project. Exploration and evaluation costs, subsequent to the acquisition of the rights to explore are expensed as incurred, up and until the preparation of a bankable feasibility study. Unless otherwise stated, the financial information relating to the year ended 30 June 2012 discussed in this Section 4 has been restated to reflect the change in accounting policy.

Year ended Year ended Year ended Year ended Half-year Half-year

	<i>30 June 2014 (Audited) (A\$)</i>	<i>30 June 2013 (Audited) (A\$)</i>	<i>30 June 2012 (Restated, Audited)² (A\$)</i>	<i>30 June 2012 (Audited) (A\$)</i>	<i>ended 31 December 2014 (Reviewed) (A\$)</i>	<i>ended 31 December 2013 (Reviewed) (A\$)</i>
Revenue	131,938	141,428	146,802	146,802	23,260	73,389
Other income	Nil	166,525	1,469,457	1,469,457	2,664,036	Nil
Exploration and evaluation expenses	(6,603,349)	(2,335,377)	(892,894)	(844,927)	(4,292,130)	(3,407,773)
Employment expenses	(273,188)	(286,112)	(208,012)	-	(95,933)	(139,293)
Share-based payment expense	(636,708)	(110,604)	(2,151)	-	(889,725)	(211,725)
Administration and corporate expenses	(323,654)	(289,422)	(247,540)	(821,602)	(111,657)	(154,353)
Occupancy expenses	(398,065)	(436,324)	(337,089)	-	(247,570)	(159,253)
Business development expenses	(560,638)	(294,466)	(83,445)	(83,445)	(422,552)	(210,528)
Other expenses	Nil	(1,685,000)	Nil	Nil	Nil	Nil
Profit (loss) before tax	(8,663,964)	(5,129,352)	(154,872)	(133,715)	(3,372,083)	(4,209,536)
Income tax benefit (expense)	3,645,000	(825,000)	1,730,250	1,579,575	(2,459,914)	930,000
Profit (loss) for the year	(5,018,964)	(5,954,352)	1,575,378	1,445,860	(5,831,997)	(3,279,536)

The following events have influenced the general development of Prairie's business over the past three completed financial years and the six months to 31 December 2014:

Year ended 30 June 2012 (as restated) compared to year ended 30 June 2011

General overview

During the financial year ended 30 June 2012:

² During the financial period ended 30 June 2013, the policy for accounting for exploration and evaluation expenditure was changed from the policy applied in previous reporting periods. In previous reporting periods, the costs incurred in connection with the exploration and evaluation of areas with current rights of tenure were capitalised to the Statement of Financial Position. The financial information relating to the year ended 30 June 2012 extracted in this column of the table has been restated to reflect the change in accounting policy.

- Prairie completed a placement of 22.5 million Ordinary Shares and 15.75 million attaching A\$0.15 Unlisted Options to raise gross proceeds of A\$2.25 million; and
- Prairie assumed 100% ownership and control of the Prairie Downs Base Metal Project following the election by Ivernica, to withdraw from a previously agreed earn-in joint venture agreement.

Revenue (increase of A\$10,523)

During the year to 30 June 2012, the Group's revenue increased to A\$146,802, an increase of A\$10,523 from the financial year ended 30 June 2011, where revenue was A\$136,279. This was primarily due to interest revenue earned on a greater cash balance in 2012 compared to 2011 as a result of the completed placement of 22.5 million Ordinary Shares as discussed above.

Other income (decrease of A\$1.26 million)

During the year to 30 June 2012, the Group's other income decreased to A\$1.49 million, a decrease of A\$1.26 million from the financial year ended 30 June 2011, where revenue was A\$2.73 million. This was primarily as a result of a decrease in fair value gains on financial assets through profit and loss to A\$0.827 million from A\$1.792 million in the year ended 30 June 2011 and a decrease in geological services income of A\$0.458 million from A\$0.703 million for the year ended 30 June 2011 following the election from Ivernica to withdraw from the Prairie Downs Base Metal Project joint venture agreement.

Exploration and evaluation expenses (increased by A\$113,669)

The increase in exploration and evaluation expenses for the year was due to additional funds being invested in the BMP as a result of Ivernica withdrawing from the earn-in joint venture agreement as discussed above.

Administration and corporate expenses (decreased by A\$156,895)

Upon the Company restating its 2012 accounts for the purposes of the change in accounting policy for exploration and evaluation activities, the Company reclassified the administration and corporate expenses incurred in relation to the 2012 financial year to ensure the financial report was more relevant to its users. The reclassification resulted in breakdown of administration and corporate expenses into three separate expense units including (i) administration and corporate expenses relating to administration and corporate functions of the Group (including but not limited to bank fees, insurances, legal fees, share register fees, ASX fees, etc), (ii) employment expenses relating to expenses incurred by the Company in relation to corporate employment activities and (iii) occupancy expenses in relation to corporate office leases and related activities. Overall the reclassification did not impact the reported loss for the 2012 period or the earnings per share. The table below illustrates the effect of this restatement:

<i>Year ended 30 June 2012 (Restated Audited) (A\$)</i>	<i>Year ended 30 June 2012 (Audited) (A\$)</i>	<i>Year ended 30 June 2011 (Audited) (A\$)</i>
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Employment expenses	(210,163)	-	-
Administration and corporate expenses	(247,540)	(821,602)	(951,687)
Occupancy expenses	(337,089)	-	-
	(794,792)	(821,602)	(951,687)

The decrease in the overall administration and corporate expenses (which includes employment and occupancy expenses) for the year ended 30 June 2012 was due predominantly to a significant reduction in director and executive fees as a result of the board being restructured during the year.

Business development expenses (increased by A\$68,835)

The increase in business development expenses from A\$14,610 in the year ended 30 June 2011 to A\$83,445 in the financial year ended 30 June 2012 was a direct result in increased business development activities to at first seek new investment opportunities for the Company and secondly to secure the Lublin Coal Project which both included additional legal fees, travel costs and due diligence expenses.

Profit/(loss) before tax (decreased by A\$1.277 million)

The Group's loss before tax for the financial year ended 30 June 2012 was A\$0.154 million, a decrease of A\$1.277 million from the year ended 30 June 2011 where profit was A\$1.123 million. This was primarily due to the decrease in other income of A\$1.26 million discussed above.

Income tax expense/benefit (recognition of a benefit of A\$1.730 million)

The initial recognition of an income tax benefit recognised during the financial year was as a result of the cumulative gain in the fair value of available-for-sale assets. An income tax benefit had not been recognised in the previous financial year.

Financial Position

The Group made a net profit for the financial year ended 30 June 2012 of A\$1.575 million, compared to a net profit for the previous financial year of A\$1.223 million. This was primarily as a result of the increased income tax benefit recognised during the year discussed above.

At 30 June 2012, the Company had cash reserves of A\$2.734 million, an increase of approximately A\$0.733 million from the position at 30 June 2011 and available-for-sale financial assets of A\$9.400 million, an increase of A\$6.650 million from the position at 30 June 2011. This was as a result of the placement of 22.5 million Ordinary Shares as discussed above and due to the increase in the fair value available-for-sale assets.

At 30 June 2012, the Company had net assets of A\$14.200 million, an increase of A\$4.994 million compared with the position at 30 June 2011. This is consistent and largely attributable to the increase in the fair value available-for-sale assets during the financial year ended 30 June 2012 discussed above.

Year ended 30 June 2013 compared to year ended 30 June 2012 (as restated)

General overview

During the financial year ended 30 June 2013:

- the Company acquired the four Polish Exploration Concessions comprising the Lublin Coal Project;
- the Company completed a placement of 3 million Ordinary Shares and 1.5 million attaching A\$0.40 Unlisted Options to raise gross proceeds of A\$0.9 million and a placement of 12 million Ordinary Shares to raise gross proceeds of A\$6.0 million.

Revenue (decrease of A\$5,374)

During the year to 30 June 2013, the Group's revenue decreased by A\$5,374 from A\$146,802 in the financial year ended 30 June 2012 to A\$141,802. This was primarily due to a decrease in interest rates which resulted in less interest being earned on cash held.

Other income (decrease of A\$1.303 million)

During the financial year to 30 June 2013, the Group's other income was A\$166,525 a decrease of A\$1.303 million from the previous financial year where revenue was A\$1.469 million. This was primarily due to Ivernia withdrawing from the earn-in joint venture in relation to the BMP which resulted in the decrease in geological services income being earned, and as a result of the Company exercising 5 million options held in Papillon during the year ended 30 June 2011, which resulted in the unrealised fair value gain through profit and loss decreasing to nil.

Exploration and evaluation expenses (increased by A\$1.442 million)

The increase in exploration and evaluation expenses to A\$2.335 million for the financial year ended 30 June 2013 (from A\$0.893 million in the previous financial year) was due to the commencement of exploration activities at the newly secured Lublin Coal Project which included the delineation of a maiden coal resource estimate and the commencement of a seven hole drilling campaign.

Employee expense (increased by A\$78,100)

An increase in employee expenses for the financial year was as a result of securing the Lublin Coal Project, the Company appointed a number of key employees and consultants to manage and conduct exploration activities at the Lublin Coal Project.

Share-based payment expense (increased by A\$108,453)

The increase in share-based payment expenses to A\$110,604 for the financial year ended 30 June 2013 (up from A\$2,151 in the previous financial year) was due to 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 – in this case the 1.25 million Unlisted Options issued in the year ended 30 June 2012 were fully expensed in the year ended 30 June 2013 as a result of their vesting conditions being satisfied during the period.

Administration and corporate expenses (increased by A\$41,882)

The increase in administration and corporate expenses to A\$289,422 for the financial year ended 30 June 2013 (up from A\$247,540 in the previous financial year) was a result of increased administration and corporate expenses required to support the exploration and development of the newly acquired Lublin Coal Project.

Occupancy expenses (increased by A\$99,235)

The increase in occupancy expenses to A\$436,324 for the financial year ended 30 June 2013 (up from A\$337,089 in the previous financial year) was due to the establishment of an office in Warsaw, Poland as a result of securing the Lublin Coal Project.

Business development expenses (increased by A\$211,021)

The increase in business development expenses to A\$294,466 for the financial year ended 30 June 2013 (up from A\$83,445 in the previous financial year) was due to increased investor relations activities (travel, roadshows, conferences etc) to market and promote the Lublin Coal Project.

Other expenses (increased by A\$1,685,000)

The increase in other expenses from nil to A\$1.685 million related to an impairment expense of A\$1.685 million recognised in respect of the Group's exploration and evaluation assets which arose because, based on market conditions and the best available information at the time, a decision was made during the year to fully impair the carrying value of the BMP.

Profit (loss) before tax (decreased by A\$4.974 million)

The Group's loss before tax for the financial year ended 30 June 2013 was A\$5.129 million, an increase of A\$4.974 million from the previous financial year's loss before tax of A\$154,872. This was primarily due to the increase in other expenses and the increase in exploration and evaluation expenditure, each of which are discussed above.

Income tax expense/benefit (increase in expense of A\$2.555 million)

The income tax expense incurred during the financial year was A\$0.825 million (an increase from a benefit of A\$1.730 million in the previous financial year) as a result of the reversal of the deferred tax asset recognised to offset the deferred tax liability on the fair value decrease of available-for-sale financial assets.

Financial Position

The Group made a net loss for the financial year ended 30 June 2013 of A\$5.954 million, compared to a net profit for the previous financial year of A\$1.575 million. This was primarily as a result of the increase in other expenses and the increase in exploration and evaluation expenditure as well as the increase in the income tax expense, each of which are discussed above.

At 30 June 2013, the Company had cash reserves of A\$6.170 million, an increase of approximately A\$3.436 million from the position at 30 June 2012 and available-for-sale financial assets of A\$6.650 million, a decrease of A\$2.750 million from the position at 30 June 2012. This was as a result of the share placements completed during the year, each of which are discussed above, and a decrease in the fair value of available-for-sale financial assets held as at 30 June 2013.

At 30 June 2013, the Company had net assets of A\$13.013 million, an decrease of A\$1.187 million compared with the position at 30 June 2012. This is consistent and largely attributable to net loss after tax for the year ended 30 June 2013, the completion of share placements during the year and the decrease in the fair value of available-for-sale financial assets.

Year ended 30 June 2014 compared to year ended 30 June 2013

General overview

During the financial year ended 30 June 2014:

- the Company completed a placement of 13.5 million Ordinary Shares to raise gross proceeds of A\$3.6 million;
- the Company entered into an agreement with the MoE to obtain a right to use a completed set of detailed historical exploration data for the K-6-7 Exploration Concession at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to MoE of PLN1,911,709 (~A\$690,500) for the right to use the historical geological information. This amount constitutes 10% of the overall fee for the data. Please refer to Part 5 Section 15.2 for further details as discussed in the Material Contracts section;
- the Company appointed Polish consultancy, GEO-EKO-WIERT, to prepare the Geological Documentation and DDP for the Lublin Coal Project; and
- the Company commenced an EIA at the Lublin Coal Project which under Polish legislation must be completed to provide government authorities with sufficient information to award the Environmental decision, which is a pre-requisite to the granting of a Mining Concession over the Company's Exploration Concessions.

Revenue (decrease of A\$9,490)

During the year to 30 June 2014, the Group's revenue was A\$131,938, a decrease of A\$9,490 from the financial year ended 30 June 2013 (where revenue was A\$141,428). This was primarily due to a lower average cash position during the year ended 30 June 2014 resulting in a decrease in interest revenue earned.

Other income (decrease of A\$166,525)

During the financial year to 30 June 2014, the Group did not receive any other income (down from A\$166,525 for the previous financial year). This was due to the Company ceasing to receive geological services income or office services income as a result of Ivernica withdrawing from the previous earn-in joint venture agreement for the BMP.

Exploration and evaluation expenses (increased by A\$4.268 million)

The increase in exploration and evaluation expenses to A\$6.603 million for the financial year ended 30 June 2014 (up from A\$2.335 million in the previous financial year) was due to the fact that a significant amount of exploration and development activity was conducted at the Lublin Coal Project during the financial year.

Employee expense (decreased by A\$12,924)

The decrease in employee expenses for the financial year to A\$273,188 (down from A\$286,112 in the previous financial year) was the result of having already established a management and operating team, recruitment, training and induction expenses decreased during the year.

Share-based payment expense (increased by A\$526,104)

The increase in share-based payment expenses for the financial year ended 30 June 2014 to A\$636,708 (up from A\$110,604 in the previous financial year) was as a result 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 unlisted Options or Performance Rights. During the year ended 30 June 2014, the Company implemented a Performance Rights plan which resulted in the issue of a number of Performance Rights as an incentive to key employees and contractors. The Company also issued a number of Unlisted Options to key management personal during the year.

Administration and corporate expenses (increased by A\$34,232)

The increase in administration and corporate expenses to A\$323,654 for the financial year ended 30 June 2014 (up from A\$289,422 in the previous financial year) was due to increased corporate activity including completing two general meetings during the year to approve the issue of securities and to change the Company's name respectively.

Occupancy expenses (decreased by A\$38,259)

The decrease in occupancy expenses to A\$398,065 for the financial year ended 30 June 2014 (down from A\$436,324 in the previous financial year) was due to a lease on the Company's previous office ending.

Business development expenses (increased by A\$266,172)

The increase in business development expenses to A\$560,638 for the financial year ended 30 June 2014 (up from A\$294,466 in the previous financial year) was due to continued investor relations activities to support the Lublin Coal project which included the appointment of a Head of Business Development and further travel, marketing and promotional activities required to support the development of the Lublin Coal Project.

Other expenses (decreased by A\$1.685 million)

The decrease in other expenses to nil was because no impairment loss or other expenses were recorded in the year ended 30 June 2014, whereas an impairment loss of A\$1.685 million was recognised in respect of the Group's exploration and evaluation assets in relation to the BMP for the year ended 30 June 2013.

Profit (loss) before tax (decreased by A\$3.535 million)

The Group's loss before tax for the financial year ended 30 June 2014 was A\$8.664 million, an increase of A\$3.535 million from the previous year, where the Group's loss before tax was A\$5.129 million. This was primarily due to the increase in exploration and evaluation expenditure by A\$4.268 million which is discussed above.

Income tax expense/benefit (increase in benefit of A\$4.470 million)

An income tax benefit of A\$3.645 million was recognised during the financial year ended 30 June 2014 (up from an expense of A\$0.825 million during the previous financial year). This was as a result of the gain in the fair value of available-for-sale assets and the corresponding recognition of a deferred tax asset to offset the deferred tax liability on the fair value increase in available-for-sale financial assets.

Financial Position

The Group made a net loss for the financial year ended 30 June 2014 of A\$5.018 million, compared to a net loss for the previous financial year of A\$5.954 million. This was as a result of the various matters discussed above.

At 30 June 2014, the Company had cash reserves of A\$2.574 million, a decrease of approximately A\$3.597 million from the position at 30 June 2013 and available-for-sale financial assets of A\$18.800 million, an increase of A\$12.150 million from the position at 30 June 2013. This was a result of and was consistent with the Group's loss before tax during the year and the fair value increase in available-for-sale assets.

At 30 June 2014, the Company had net assets of A\$21.332 million, an increase of A\$8.319 million compared with the position at 30 June 2013. This is consistent and largely attributable to the increase in value of available-for-sale financial assets offset by the current year's net loss after tax.

Six months ended 31 December 2014 compared to six months ended 31 December 2013

General overview

- At 1 July 2014, the Company held 10.0 million fully paid ordinary shares (available-for-sale financial assets) in Papillon. On 1 September 2014, the Company completed the sale of a parcel of one million shares in Papillon. 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 (comprising the remaining shares in Papillon) were reclassified from non-current to current financial assets, which substantially increased the Company's current financial assets. Furthermore, on 3 October 2014, Papillon implemented a scheme of arrangement by which B2Gold Corp acquired all of the issued shares in Papillon ("**Scheme**"). In consideration for the Scheme, Prairie received 0.661 B2Gold Corp shares for every Papillon share held. At 31 December 2014, the Company held 4.9 million fully paid ordinary shares in B2Gold Corp.
- On 21 December 2014, the Company entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical geological information for the Lublin K-4-5 deposit at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to the Polish MoE of PLN1,698,111 (~A\$595,830) for the right to use the historical geological information. This amount constitutes 10% of the overall fee for the data. Please refer to Part 5 Section 15.3 for further details as discussed in the Material Contracts section.
- On 17 December 2014, the Company entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical geological information for the Lublin K-8 deposit at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to the Polish MoE of PLN1,368,129 (~A\$480,045) for the right to use the historical geological information. This amount constitutes 10% of the

overall fee for the data. This amount constitutes 10% of the overall fee for the data. Please refer to Part 5 Section 15.4 for further details as discussed in the Material Contracts section.

- On 17 December 2014, the Company entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical geological information for the Lublin K-9 deposit at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to the Polish MoE of PLN616,077 (~A\$216,165) for the right to use the historical geological information. This amount constitutes 10% of the overall fee for the data. Please refer to Part 5 Section 15.5 for further details as discussed in the Material Contracts section.

Revenue (decrease of A\$50,129)

During the six months to 31 December 2014, the Group's revenue was A\$23,260 (a decrease of A\$50,129 from the previous corresponding period, where revenue was A\$73,389). This was primarily due to a lower average cash position during the year 6 months ended 31 December 2014 compared to the corresponding previous period resulting in a decrease in interest revenue earned.

Other income (increase of A\$2.664 million)

During the six months to 31 December 2014, the Group's other income was A\$2.664 million (up from nil during the previous corresponding period). This was as a result of the gain on sale of Papillon/B2Gold Corp available-for-sale financial assets.

Exploration and evaluation expenses (increased by A\$884,263)

The increase in exploration and evaluation expenses to A\$4.292 million for the six months to 31 December 2014 from A\$3.407 million during the previous corresponding period was due to the continued exploration and development activities conducted at the Lublin Coal Project as discussed in the general overview above.

Employee expense (decreased by A\$43,360)

The decrease in employee expenses for the six month period to 31 December 2014 to A\$95,933 (down from A\$139,293 in the previous corresponding period) is a result of a decrease in non-executive director fees during the period coupled with a decrease in recruitment and training expenses as a result of the management and operating team being established compared to the prior comparative period.

Share-based payment expense (increased by A\$678,000)

The increase in share-based payment expenses for the six months to 31 December 2014 to A\$889,725 (up from A\$211,725 in the previous corresponding period) was primarily due to incentive securities being issued to 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. This 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 Unlisted Options and Performance Rights issued.

Administration and corporate expenses (decreased by A\$42,696)

The decrease in administration and corporate expenses to A\$111,657 for the six months to 31 December 2014 (down from A\$154,353 in the previous corresponding period) was due to a decrease in corporate activities including not holding a general meeting of shareholders in the six months to 31 December 2014 compared to the corresponding previous period, and a decrease in insurance expenses as a result of altering the annual cover period to begin from 1 January rather than in previous periods where it commenced on 1 October.

Occupancy expenses (increased by A\$88,317)

The increase in occupancy expenses to A\$247,570 for the six months to 31 December 2014 (up from A\$159,253 in the previous corresponding period) was due to the fact of the Company establishing a project site office in Lublin and corporate office in London.

Business development expenses (increased by A\$212,024)

The increase in business development expenses for the six months to A\$422,552 for the six months to 31 December 2014 (up from A\$210,528 in the previous corresponding period) (which includes expenses relating to the Group's investor relations activities) was due to the fact in the 6 months to 31 December 2014 compared to the previous corresponding period, the Company had a Head of Business Development conducting investor relations activities to support the development of the Lublin Coal Project.

Other expenses (no change)

No other expenses were recorded for the six months to 31 December 2014 or the previous corresponding period.

Profit (loss) before tax (loss decreased by A\$837,453)

The Group's loss before tax for the six months to 31 December 2014 was A\$3.372 million, a decrease of approximately A\$0.837 million from the net loss for the previous corresponding period of A\$4.210 million. This was primarily due to the increase in other income, offset by an increase in exploration and evaluation expense each of which is discussed above.

Income tax expense/benefit (increase in expense of A\$3.390 million)

The income tax expense incurred during the six months to 31 December 2014 was A\$2.460 million (up from a benefit of A\$0.930 during the previous corresponding period). This was as a result of the reversal of the deferred tax asset recognised to offset the deferred tax liability on the available-for-sale financial assets.

Financial Position

The net loss of the Group for the six months to 31 December 2014 was A\$5.832 million compared to a net loss for the previous corresponding period of A\$3.280 million). This increase in net loss is largely attributable to the increase in income tax expense as discussed above and the matters discussed in relation to the Group's loss before income tax.

As at 31 December 2014, the Company had cash reserves of A\$2.047 million, compared to A\$3.336 million as at 31 December 2013 and available-for-sale financial assets of A\$9.912 million (comprising primarily of shares in B2Gold Corp) compared to A\$22,000 as at 31 December 2013.

At 31 December 2014, the Company had net assets of A\$11.094 million compared to A\$13.116 million as at 31 December 2013.

5 **SEGMENT REPORTING**

The Group 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 Group.

6 **LIQUIDITY AND CAPITAL RESOURCES**

At 31 December 2014, the Group had cash reserves of A\$2.047 million (30 June 2014: A\$2.574 million), available-for-sale financial assets of A\$9.912 million (30 June 2014: A\$18.800 million) and no debt.

Outlined below are details of the funds raised by the Company since 1 July 2011:

<i>Date</i>	<i>Details</i>	<i>Issue Price (A\$)</i>	<i>Number of Ordinary Shares (#)</i>
24-Aug-2011	Ordinary Share placement	0.10	5,000,000
24-Nov-2011	Ordinary Share placement	0.10	17,500,000
12-Sep-2012	Ordinary Share placement	0.30	3,000,000
10-Apr-2013	Ordinary Share placement	0.50	12,000,000
10-Apr-2013	Exercise of Unlisted Options	0.15	351,014
12-June-2013	Exercise of Unlisted Options	0.15	16,853
21-Aug-2013	Exercise of Unlisted Options	0.15	1,375,000
8-Jan-2014	Ordinary Share placement	0.27	13,500,000
2-May-2014	Exercise of Unlisted Options	0.15	50,000
9-May-2014	Exercise of Unlisted Options	0.15	1,300,000
22-May-2013	Exercise of Unlisted Options	0.15	700,000
2-Jul-2014	Exercise of Unlisted Options	0.15	10,315
14-Oct-2014	Exercise of Unlisted Options	0.15	479,895
15-Dec-2014	Exercise of Unlisted Options	0.15	25,000
30-Jun-2015	Exercise of Unlisted Options	0.15	10,325,000
3-Jul-2015	Exercise of Unlisted Options	0.15	947,343

Furthermore, during the period from 1 September 2014 until 26 August 2015, the Company sold 3.2 million available-for-sale financial assets (primarily shares in B2Gold Corp) to raise gross proceeds of approximately A\$6.5 million.

As at 26 August 2015, (being the latest practicable date prior to publication of this Prospectus, the Group had consolidated cash balances of approximately A\$ 1.2 and available-for-sale financial assets of A\$5.7 million.

6.1 **Cash Flows**

Set out below are details of the Group's cash outflows for the financial years ended 30 June 2014, 2013 and 2012 and the six month period ended 31 December 2014. The financial information below has been extracted without material adjustment from the Group's historical financial information for the financial years ended 30 June 2014, 2013 and 2012 and the six month period ended 31 December 2014 as set out in Part 7 of this document.

<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Half-year</i>	<i>Half-year</i>
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	<i>30 June 2014 (Audited) (A\$)</i>	<i>30 June 2013 (Audited) (A\$)</i>	<i>30 June 2012 (Restated Audited)³ (A\$)</i>	<i>ended 31 December 2014 (Reviewed) (A\$)</i>	<i>ended 31 December 2013 (Reviewed) (A\$)</i>
Net cash flow from operating activities	(7,447,575)	(2,853,297)	(608,214)	(4,268,582)	(3,580,780)
Net cash flow from investing activities	(101,487)	(219,565)	(747,000)	3,665,293	(7,352)
Net cash flow from financing activities	3,951,087	6,509,501	2,089,027	73,731	701,627
Cash and cash equivalents at the beginning of the period	6,170,841	2,734,069	2,001,446	2,574,300	6,170,841
Net foreign exchange differences	1,434	133	(1,190)	2,598	51,277
Cash and cash equivalents at the end of the period	2,574,300	6,170,841	2,734,069	2,047,340	3,335,613

Net cash flow from operating activities

The net cash flow from operating activities is primarily attributable to geological and office service revenue (on-charged costs in relation to the BMP farm-in agreement) plus any interest revenue, less any payments made to suppliers and employees in relation to operating activities which includes exploration and evaluation activities, and any business development and administration functions supporting the Company and its projects.

The net outflow from operating activities for the financial year 30 June 2012 decreased by approximately A\$0.207 million from the previous financial year primarily due to a decrease in payments made to suppliers and employees of approximately A\$0.219 million coupled with a decrease in overall revenue received of approximately A\$0.011 million.

In the financial year ended 30 June 2013, the Company incurred increased expenditure from suppliers and employees in relation to the exploration and development of the Lublin Coal Project following the acquisition of the Lublin Coal

³ During the financial period ended 30 June 2013, the policy for accounting for exploration and evaluation expenditure was changed from the policy applied in previous reporting periods. In previous reporting periods, the costs incurred in connection with the exploration and evaluation of areas with current rights of tenure were capitalised to the Statement of Financial Position. The financial information relating to the year ended 30 June 2012 extracted in this table has been restated to reflect the change in accounting policy which resulted in A\$21,157 being re-classified from net cash flows from investing activities to net cash flows from operating activities.

Project in August 2012. The increase in payments made to suppliers and employees amounted to approximately A\$1.787 million. Following the election by Ivernia to withdraw from an earn-in joint venture agreement on the BMP, geological and office service revenue decreased by A\$0.440 million while interest revenue decreased by approximately A\$0.018 million. The net cash outflow incurred on operating activities increased by approximately A\$2.245 million.

In the year ended 30 June 2014, the Company continued to explore and develop the Lublin Coal Project as discussed above. As a result there was an increase in payments made to suppliers and employees of approximately A\$4.302 million. No geological and office service revenue was received (decrease of A\$0.319 million) while interest revenue increased by A\$0.027 million. Overall the net cash outflow incurred on operating activities increased by approximately A\$4.594 million.

For the 6 months from 1 July 2014 to 31 December 2014, the company progressed with its development activities at the Lublin Coal Project resulting in a net cash outflow from operating activities of approximately A\$4.269 million, an increase of A\$0.649 million from the previous corresponding period where the net cash outflow from operating activities was A\$3.580 million.

Net cash flow from investing activities

The net cash flow from investing activities is generally attributable to the payments to acquire exploration projects, plant and equipment and equity instruments, plus any proceeds received for the sale of available-for-sale financial assets.

For the year ended 30 June 2012, the Company's net cash flow from investing activities was influenced by the cost of exercising 5,000,000 options held in Papillon (net cost of A\$0.750 million). Net proceeds from the sale of plant and equipment of A\$3,000 resulting in net cash outflows from investing activities of A\$0.747 million.

For the year ended 30 June 2013, cash payments to secure the Lublin Coal Project amounted to A\$0.200 million while net payments for plant and equipment were A\$24,175. The net cash outflows from investing activities amounted to A\$0.220 million, a decrease of A\$0.527 million compared to the year ended 30 June 2012, with the difference primarily due to the fact that no equity instruments were purchased in 2013 (decrease of A\$0.750 million).

For the year ended 30 June 2014, net payments for plant and equipment were A\$101,487, an increase of A\$77,132 from the previous financial year. There were no other cash outflows from investing activities.

In the 6 months from 1 July 2014 to 31 December 2014, the Company purchased A\$22,799 worth of plant and equipment, while receiving proceeds of A\$3.688 million for the sale of available-for-sale financial assets, resulting in an increase in cash inflows from financing activities of A\$3.658 million from the previous corresponding period.

Net cash flow from financing activities

Cash from financing activities is principally derived from the issue of Ordinary Shares offset by payments made in relation to share issues costs such as professional and advisory fees.

For the year ended 30 June 2012, Prairie completed a placement of 22.5 million Ordinary Shares to raise A\$2.250 million, offset by share issue costs of A\$0.161 million.

During the year ended 30 June 2013, the company issued approximately 18.4 million Ordinary Shares to raise gross proceeds of approximately A\$6.955 million. Share issue costs amounted to A\$0.446 million.

The Company issued approximately 17.9 million Ordinary Shares to raise gross proceeds of approximately A\$4.159 million in the year ended 30 June 2014. This was offset by share issue costs of A\$0.208 million.

For the 6 months from 1 July 2014 to 31 December 2014, the Company issued approximately 0.5 million Ordinary Shares on the exercise of Unlisted Options to raise gross proceeds of approximately A\$0.077 million.

6.2 Short Term and Long Term Capital Resources

At 31 December 2014, the Company had cash reserves of A\$2.047 million (30 June 2014: A\$2.574 million) and available-for-sale financial assets of A\$9.912 million (30 June 2014: A\$18.800 million).

The Company does not have any debt.

Overall, the Company defines its capital as total equity of the Company. The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

6.3 Borrowing Requirements and Funding Structure

The Company has no requirement to borrow any funds at this point in time and in the immediate future.

6.4 Restrictions on Use of Capital Resources

The Company is not subject to externally imposed capital requirements.

6.5 Anticipated Sources of Funds for Future Investments and Fixed Assets

Given the stage of development of the Company, the Board's objective is to fund the development of the Lublin Coal Project, initially out of its cash reserves and through the sale of available-for-sale financial assets (namely its shares in B2Gold Corp) and from the proceeds of CD Capital's subscription for the Convertible Note (which would realise proceeds of A\$15 million), subject to receiving shareholder approval of the CD Capital Agreement.

7 CAPITALISATION AND INDEBTEDNESS

Capitalisation

The table below sets out the capitalisation of the Group as at 31 December 2014. The capitalisation figures have been extracted from the Group's historical financial information as at 31 December 2014 as set out in Part 8 of this Prospectus.

<i>Description</i>	<i>As at 31 December 2014 (A\$)</i>
Total current debt	
- Guaranteed	-
- Secured	-
- Unguaranteed/unsecured	-
Total non-current debt (excluding current portion of long-term debt)	
- Guaranteed	-
- Secured	-
- Unguaranteed/Unsecured	-
Total indebtedness	-

Shareholder's equity⁽¹⁾

a. Share Capital	34,936,844
b. Legal Reserve	6,707,944
c. Other Reserves	-

(1) Shareholder's equity does not include accumulated losses

There have been no material changes to the capitalisation of the Group since 31 December 2014.

Indebtedness

The table below sets out the indebtedness of the Group as at 31 December 2014. The capitalisation figures have been extracted from the Group's historical financial information as at 31 December 2014 as set out in Part 8 of this Prospectus.

<i>Description</i>	<i>As at 31 December 2014 (A\$)</i>
Cash and Cash Equivalents	2,047,340
Trading Securities	9,911,563
Liquidity	11,958,903
Current Financial Receivable	404,115
Current Bank Debt	-
Current Portion of Non-Current Debt	-
Other Current Financial Debt	-

Net Current Financial Indebtedness	12,368,018
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Non-Current Bank Loans	-
Bonds Issued	-
Other Non-Current Loans	-

Non-Current Financial Indebtedness	-
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Net Financial Indebtedness	12,368,018
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The Group had no indirect or contingent financial indebtedness as at 31 December 2014.

There have been material changes in the Group's liquidity position since 31 December 2014 and as a consequence, the Group's indebtedness position has changed. The table below sets out Group's indebtedness position as at 30 June 2015.

<i>Description</i>	<i>As at 30 June 2015 (A\$)</i>
Cash and Cash Equivalents	2,077,108
Trading Securities	7,569,753
Liquidity	9,646,861

Current Financial Receivable	197,878
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Current Bank Debt	-
Current Portion of Non-Current Debt	-
Other Current Financial Debt	-

Net Current Financial Indebtedness	9,844,739
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Non-Current Bank Loans	-
Bonds Issued	-
Other Non-Current Loans	-

Non-Current Financial Indebtedness	-
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Net Financial Indebtedness

9,844,739

Part 4 Taxation

1 TAXATION

This section of the prospectus provides general information on the Australian and UK income tax and stamp duty consequences that may arise for certain Shareholders in respect of holding and disposing of Ordinary Shares in the Company. Shareholders should not rely on these comments as advice in relation to their own particular tax affairs. It is strongly recommended that Shareholders supplement this general information by obtaining specialist tax advice on the consequences of holding and disposing of Ordinary Shares in their own particular circumstances.

This information is based on tax legislation, judicial interpretation and administrative practices of the revenue authorities in Australia and the UK as at the date of this prospectus. The consequences of holding and disposing of Ordinary Shares in the Company may therefore be different if the legislation is amended, the courts change their interpretation or the relevant revenue authority changes its practice.

General

The Company is incorporated in Australia and currently conducts its affairs in such a way that it is regarded as a resident of Australia for tax purposes. The summary below is prepared on the assumption that the Company will remain resident in Australia for these purposes.

1.1 Tax Residence

Provided that the Company is centrally managed and controlled in Australia it will be a resident of Australia for tax purposes and will not be resident in the United Kingdom for the purpose of the United Kingdom's domestic law. The summary below is prepared on the assumption that the Company will remain resident in Australia for these purposes.

2 AUSTRALIAN TAXATION

The following comments are based on the provisions of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 and current tax authority rulings and practice.

The following is intended only as a descriptive summary and does not purport to be a complete analysis of all of the potential Australian tax implications of owning and disposing of Ordinary Shares. The specific tax position of each Shareholder will determine the applicable Australian income tax implications for that Shareholder and we recommend each Shareholder consult their own tax adviser concerning the implications of receiving dividends and owning and disposing of Ordinary Shares.

2.1 Acquisition & Disposal

2.1.1 Australian Resident Shareholders

The taxation treatment on the disposal of Ordinary Shares will depend upon whether the shares are held on revenue or capital account. This will be a question of fact and each investor will need to consider its own circumstances.

Australian resident Shareholders who trade in Ordinary Shares as part of the ordinary course of their business would hold their shares on revenue account. These Shareholders will be required to include the profit arising from the disposal of their Ordinary Shares in their assessable income. Conversely, a loss arising from the disposal of Ordinary Shares on revenue account may be allowed as a deduction from assessable income.

Generally, all other Australian resident Shareholders will hold their Ordinary Shares on capital account. These Australian resident Shareholders should consider the impact of Australian capital gains tax rules on the disposal of their Ordinary Shares.

A Shareholder acquires an Ordinary Share on the date the Ordinary Share is issued or transferred. The cost base of an Ordinary Share acquired is generally the amount the Shareholder pays to acquire the Ordinary Share plus any associated costs incurred, including, for example, brokerage.

An Australian resident Shareholder will derive a capital gain where the proceeds received on disposal exceed the cost base of an Ordinary Share for capital gains tax purposes. Similarly, a Shareholder will incur a capital loss on the disposal of an Ordinary Share where the disposal proceeds received are less than the reduced cost base of the Ordinary Share for capital gains tax purposes. Capital losses can only be used to offset current year capital gains or carried forward to offset future capital gains. They cannot be used to reduce non capital income.

Any net capital gain (after recoupment of capital losses) is included in the Shareholder's assessable income. The applicable tax payable on the net capital gain will be dependent on the type of Shareholder. An Australian tax resident individual Shareholder will be taxed at their marginal rate. Alternatively, an Australian resident company Shareholder will be subject to tax at the corporate rate of 30 per cent of taxable income.

Where an Australian resident Shareholder has held the Ordinary Share as a capital asset for at least 12 months the capital gain may be reduced by the general capital gains tax discount concession for particular Shareholders. The discount percentage for individual and trusts is 50%, and for complying superannuation funds and life insurance companies 33 per cent. This means generally only 50% (for individuals and trusts) and 67 per cent (for complying superannuation funds) of the capital gain is included in the Shareholder's assessable income after the offset of any capital losses. Corporate Shareholders are not eligible for the general capital gains tax discount concession.

2.1.2 Non – Australian Resident Shareholders

Where Non-Australian resident Shareholders hold Ordinary Shares on revenue account, the profits on the sale of the Ordinary Shares may be required to be included in the Shareholder's assessable income. This is subject to the application of any double tax treaty relief which may exclude such profits from Australian taxation, unless the profit is in respect of the disposal of shares which consist wholly or principally of real property situated in Australia (in which case Australia will have taxing rights under the Treaty).

Generally, all other Non-Australian resident Shareholders will hold their Ordinary Shares on capital account. These Non-Australian resident Shareholders should

consider the impact of Australian capital gains tax rules on the disposal of their Ordinary Shares.

Under the existing law, subject to two exceptions, a resident of the United Kingdom disposing of shares in Australian companies will be free from capital gains tax in Australia. The relevant exceptions are as follows:

- a. shares held as part of a trade or business conducted through a permanent establishment in Australia; or
- b. shares held in companies where the shareholder and its associates holds (or has held for a 12 month period during the last 24 months) an interest of 10% or more in the issued capital of the company and more than 50% of the company's assets relate to Australian real property (see definition below).

If the above applies, capital gains tax in Australia is payable as follows (or after 11:45am on September 21, 1999):

- For an individual investor, capital gains tax is payable on 50% of any capital gains (without adjustment for inflation indexation) on the disposal of shares held for at least 12 months at normal marginal tax rates.
- For corporate investors, capital gains tax is payable on any capital gains made (without adjustment for inflation indexation) at the corporate tax rate of 30%.

There may be other special rules which apply to the taxation of capital gains for other types of entities, we have not considered these. Further, different rules may apply to shares acquired prior to 11:45 a.m. on 21 September 1999, however we have not outlined these rules as we understand there should be no such shareholders.

Australian real property is real property situated in Australia (including a lease of land, if the land is situated in Australia) or a mining, quarrying or prospecting right (to the extent that the right is not real property), if the minerals, petroleum or quarry materials are situated in Australia.

2.2 **Dividends**

Broadly, dividends paid on Ordinary Shares may be "franked" or "unfranked". Franked dividends have franking credits attached. These credits represent underlying Australian corporate tax that has been paid on the profits distributed. To the extent a dividend is "unfranked" no franking credits are attached.

Depending on the residency status of the Shareholder and whether a dividend is franked or unfranked will have different income tax implications as set out below.

2.2.1 **Australian Resident Shareholders**

Australian resident Shareholders will include dividends received together with any attached franking credits in their assessable income. A tax offset will be allowed equal to the amount of franking credits attached to the dividend.

Generally, to be eligible for the franking credit or franking offset, the Shareholder must have held the shares at risk for 45 days (not counting the day of acquisition or disposal). However, this rule should not apply where the tax offset entitlement

does not exceed A\$5,000 in respect of all dividends received during the income year in which the dividend is paid.

Individual Shareholders and complying superannuation funds may receive a tax refund if the franking credits attached to the dividend exceed their tax liability for the income year.

Where the Shareholder is a corporate entity, the Shareholder will be entitled to a franking tax offset. Where the franking tax offset is greater than the tax payable by the company in an income year, the balance of the franking tax offset may be grossed up and carried forward as a tax loss that can be used to reduce taxable income in the future years. The receipt of a franked dividend will also generally give rise to a credit in the corporate entity's franking account to the extent the dividend is franked.

2.2.2 **Non - Australian Resident Shareholders**

Fully franked dividends paid to Non-Australian resident shareholders are generally not subject to withholding tax. Dividends that are not fully franked dividends are subject to withholding tax on the unfranked portion except to the extent that the dividend is declared to be "conduit foreign income" (in essence income and gains that have a foreign source from an Australian perspective which would include dividends received from non-Australian subsidiaries).

Dividends paid to a non-resident shareholder which are not fully franked are subject to dividend withholding tax at the rate of 30% to the extent they are unfranked and not paid out of conduit foreign income (unless a lower withholding tax rate applies under a double tax treaty).

For example, in the case of residents of the United Kingdom, the rate is reduced to 15% under the tax treaty, provided the shares are not effectively connected with a permanent establishment or a fixed base of a non-resident in Australia through which the non-resident carries on business in Australia or provides independent personal services. Where a UK company holds directly at least 10% of the voting interest in the company paying the dividend, the withholding tax rate is reduced to 5%. In the case of residents of the UK that have a permanent establishment or fixed base in Australia and the shares in respect of which the dividends are paid are attributable to a permanent establishment or fixed base, the dividends will not be subject to dividend withholding tax; rather, such dividends will be taxed on a net assessment basis in Australia and, where the dividends are franked, entitlement to a tax offset may arise to the extent of the franking credits which can be offset against Australian income tax payable by the shareholder.

The Company will send shareholders statements that indicate the extent to which dividends are franked, paid out of conduit foreign income, and the amount of tax (if any) withheld.

UK holder of ordinary shares (who is not also a tax resident of Australia and who does not hold ordinary shares as a business asset through a permanent establishment in Australia) with no other Australian source income is not required to file an Australian tax return.

2.3 **Australian Stamp Duty**

While the Ordinary Shares remain quoted on the ASX or LSE, the acquisition or disposal of Ordinary Shares will not have any stamp duty implications in Australia.

Australian stamp duty however may arise if a person, together with related persons, acquires a significant interest in the company (90% or greater interest) while the company is listed on the ASX or the LSE.

2.4 Goods and Services Tax (GST)

While the Ordinary Shares remain quoted on the ASX or LSE the acquisition or disposal of Ordinary Shares should not have any direct GST implications in Australia.

Shareholders who are registered for GST will need to consider their individual circumstances as to whether they are entitled to claim input tax credits for GST incurred on expenses related to acquiring or disposing of Ordinary Shares.

2.5 Other Matters

Australian Resident Shareholders will generally be required to notify the Company of their tax file number (or Australian Business Number if carrying on an enterprise) in respect of Ordinary Shares held. Failure to do so may result in the Company being required to withhold tax at the top marginal individual rate including Medicare levy (currently 46.5 per cent.). The Shareholder will however be entitled to a credit or refund in their tax returns to the extent of the tax withheld.

3 UNITED KINGDOM TAXATION CONSIDERATIONS

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident (and in the case of individual Shareholders, domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

Any person who is in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

3.1 United Kingdom Taxation of Chargeable Gains

3.1.1 UK tax resident Shareholders

If a Shareholder sells or otherwise disposes of all or some of the Ordinary Shares, they may, depending on his circumstances and subject to any available exemption or relief, incur a liability to tax on any chargeable gains.

3.1.2 Non-UK tax resident Shareholders

A Shareholder who is not a resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Ordinary Shares unless the Shareholder is carrying

on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be a resident for tax purposes in the UK for a period of five years or less and who disposes of all or part of his Ordinary Shares during that period may be liable to CGT on his return to the UK, subject to available exemptions or reliefs. Different rules apply where the five year period began on or prior to 6 April 2013.

3.2 **Taxation of Dividends**

The Company is not required to withhold tax when paying a dividend. Liability to UK tax on dividends will depend upon the individual circumstances of a Shareholder.

An individual Shareholder holding less than 10% of the Ordinary Shares who is a resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit to one-ninth of the amount of the dividend received, which is equivalent to 10 % of the aggregate dividend received and the tax credit (the "gross dividend"), and will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 %, so that the tax credit, if available, will satisfy the income tax liability of such a Shareholder in full. A Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate (currently) of 32.5% to the extent that such sum, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate income tax. After taking into account the 10 % tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5% of the gross dividend, equal to 25% of the net dividend. Where the tax credit exceeds the Shareholder's tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual Shareholder who is a resident for tax purposes in the UK and who is liable to tax at the additional rate will be liable to tax on the gross dividend at the rate of 37.5%.

Most dividends paid on the Shares to UK resident corporate Shareholders will fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, the exemptions are not universal and are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

Shareholders who are a resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividend received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A Shareholder who is a resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

3.3 **Subsequent transfers**

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also arise on an unconditional agreement to transfer Shares or on the date upon which a conditional agreement to transfer Shares becomes unconditional (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument (or the instrument is exempt from stamp duty), any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

3.4 **Shares held through CREST**

Paperless transfers of Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into or out of the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise.

4 **POLISH TAX CONSIDERATIONS**

The following summary outlines certain principal Polish tax law consequences of investing in the Ordinary Shares. It does not purport to be a comprehensive description of all potentially relevant Polish tax considerations. This summary is not tax advice; it is intended as general information only, and each prospective investor should consult a professional tax advisor on the tax consequences of an investment in the Ordinary Shares.

4.1 **Personal Income Tax and Corporate Income Tax**

4.1.1 **Capital gains of individuals who are Polish tax residents (i.e. subject to unlimited tax liability in Poland)**

Pursuant to Article 3 section 1 of the Personal Income Tax Act (the "**PIT Act**"), individuals who reside within the territory of the Republic of Poland are required to pay tax on all their worldwide income (revenue) regardless of the location of the source of that revenue (unlimited tax liability). A person is deemed to be 'residing within the territory of the Republic of Poland' if: (i) their centre of personal or economic interests (centre of vital interests) lies within the territory of the Republic of Poland; or (ii) they stay within the territory of the Republic of Poland more than 183 days in any tax year. The above rules are applicable subject to the relevant treaties on avoiding double taxation to which the Republic of Poland is a party (Article 4a of the PIT Act).

Pursuant to Article 30b section 1 of the PIT Act, income from the transfer of the ownership of securities (including Ordinary Shares) in exchange for consideration is

taxed at a flat rate of 19%. Taxable income from the disposal of securities in exchange for consideration is calculated as the difference between the proceeds earned in a given tax year from the disposal of securities (the value of the securities at the price set forth in the contract for sale), and the tax-deductible costs (in principle, the expenditure on the acquisition of these securities or their subscription), which are deductible at the time the revenue is generated from the sale of securities. The revenue from the sale of securities for consideration is therefore the revenue due, even if it is not actually received. If a taxpayer disposes of, against consideration, securities acquired at different prices and it is impossible to determine the acquisition price of the securities being transferred, the rule that applies when determining the income from such transfers is that each transfer will be made in respect of the securities acquired at the earliest date (this rule applies separately for each securities account). Where the price of securities expressed in a contract is, for no sound reason, significantly different from the market value thereof, then the revenue from the disposal of securities in exchange for consideration will be determined by a tax authority or tax inspection authority in an amount that reflects the market value. Such income is not aggregated with income from other sources and is taxed separately. During the tax year, individuals who earn income from the disposal of securities in exchange for consideration are not required to make any income tax prepayment. Tax (or tax prepayment) on the above-mentioned transaction is not withheld by the tax remitters. However, after the end of a given tax year, which in the case of individuals is the same as the calendar year, taxpayers earning income from the disposal of securities in exchange for consideration are required to disclose such income in their annual tax return, calculate the amount of tax due and pay it to the account of the relevant tax office.

In the case of a tax loss incurred on the disposal of securities in a given tax year, the loss may decrease the income generated from its source (i.e. from the disposal of securities) in the next five consecutive tax years; however, the amount of the decrease in any particular year cannot exceed 50% of the loss. Tax loss incurred on the disposal of securities is not combined with tax losses incurred by the taxpayer on other titles (sources of revenue).

Annual tax returns are prepared by taxpayers by the end of April of the year immediately following the tax year in which gains are made, are based on personal information held on the amount of income earned, and are delivered by the end of the February of the following tax year by sole traders, legal persons and their organisational units as well as organisational units which are not legal persons. The above regulations do not apply if securities are sold as a result of the performance of any business activities, as in such cases revenue from the sale of securities should be qualified as originating from the performance of such activities and should be settled according to general terms.

4.1.2 Capital gains of individuals who are not Polish tax residents (i.e. subject to limited tax liability in Poland)

In accordance with Article 3, section 2a of the PIT Act, individuals who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax liability). According to Article 4a of the PIT Act, the abovementioned regulation is applied in consideration of double tax treaties to which the Republic of Poland is a party. According to the current position of the Polish tax authorities, individuals subject to limited tax liability who earn income from the disposal of securities on the Warsaw Stock Exchange need to follow the same taxation rules governing the disposal of securities as specified above, except as otherwise stated in the relevant double tax treaties to which the Republic of

Poland is a party. In light of Article 30b section 3 of the PIT Act, the application of a tax rate resulting from the appropriate double tax treaty or the non-payment of tax under such a treaty is also possible, provided that the taxpayer proves his place of residence for tax purposes with a relevant certificate of tax residence.

4.1.3 **Income (revenue) from dividends and other revenue from an Ordinary Share in the profits of legal persons earned by individuals who are Polish tax residents (i.e. subject to unlimited tax liability in Poland)**

Pursuant to Article 30a section 1 item 4 of the PIT Act, income (revenue) from dividends and other revenue from an Ordinary Share in the profits of legal persons (e.g. revenue generated on the redemption of Ordinary Shares and revenue generated on the receipt of the legal person's assets due to its liquidation) earned by individuals subject to unlimited tax liability are subject to taxation at a flat rate of 19% of the income (revenue) earned. Income (revenue) from dividends and other revenue from an Ordinary Share in the profits of legal persons is the income (revenue) actually earned on their Ordinary Share. Pursuant to Article 41 section 4 of the PIT Act, a flat rate of income tax on payments made or cash or pecuniary values placed at the taxpayer's disposal (such as dividend payments and other income from an Ordinary Share in the profits of legal persons) is withheld by the entities performing such actions. Under Article 41 section 4d of the PIT Act, tax on dividends is withheld by entities keeping securities accounts for taxpayers, in their capacity as tax remitters, if the income (revenue) is earned in the territory of Poland and is associated with the securities registered in these accounts, and, further, if relevant payments are made to the taxpayers through those entities. However, it is not clear whether the tax due on dividend income earned by individuals from an Australian company shall be withheld by a Polish brokerage house for assistance in the payment, under the provision of Art. 41 sec. 4d of the PIT Act. There is a provision which stipulates that amounts of tax due on dividends earned outside Poland and the amounts of tax paid outside Poland on such dividends should be reported by the taxpayer in his annual tax return (Art. 30a sec. 11 of the PIT Act). Most tax advisers regard the latter provision as overruling the first, and are thus of the opinion that a Polish brokerage house should not withhold any tax. However, in case of doubt, taxpayers should consult their tax adviser.

The Double Tax Treaty concluded by Poland and Australia ("**Australia/Poland Double Tax Treaty**") provides that dividends paid by a company with its registered office in Australia to a Polish taxpayer may be taxed both in Poland and Australia, but that the Australian tax cannot exceed 15% of the gross amount of the dividend.

It should be noted that in relation to dividends which may be subject to taxation in Australia, pursuant to Art. 24 sec. 1 of the Australia/Poland Double Tax Treaty, a tax credit applies in Poland.

Pursuant to the provisions of the Australia/Poland Double Tax Treaty, if the Polish taxpayer conducts business in Australia through a permanent establishment situated in Australia (i.e. a fixed place of business through which the business of an enterprise is wholly or partly conducted), or performs independent personal services in Australia from a fixed base situated in Australia, and if the Ordinary Shares in respect of which the dividends are paid are effectively connected with such permanent establishment or fixed base, then the dividends will be taxed in Australia as business profits or income from independent personal services earned by that permanent establishment or fixed base.

Under Article 41 section 10 of the PIT Act, in the case of dividend payments from securities registered in omnibus accounts, flat-rate income tax is collected and

remitted by the entities keeping the omnibus accounts, through which the payments are made. The tax is withheld on the date of a dividend payment's release to the omnibus account holder. Tax remitters must pay tax amounts by the twentieth day of the month following the month in which the tax was withheld, to the account of the relevant tax office. By the end of January of the year following the tax year, the tax remitters referred to in Article 41 of the PIT Act are required to send an annual tax return in a standard form to the tax office territorially competent for their registered office. Income (revenue) from dividends and other revenue from an Ordinary Share in the profits of legal persons where a flat rate tax was withheld is not aggregated with income from any other sources, and is not disclosed in the annual tax return. Nevertheless, pursuant to Article 45, section 3b of the PIT Act, if the remitter does not withhold the tax, the individual is required to settle the tax in its annual tax return filed by the end of April of the year following the given financial year.

Under Article 30a section 2a of the PIT Act, with respect to income (revenue) from dividends transferred to taxpayers holding rights attached to securities registered in omnibus accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the omnibus account holder. Annual tax returns on this income are filed by the tax remitter (i.e. by the entities keeping the omnibus accounts) with the tax office relevant for the taxation of foreign persons. Under Article 45 section 3c of the PIT Act, taxpayers are required to disclose the amount of dividend in their annual tax return if securities were registered in an omnibus account and the taxpayer's identity was not revealed to the tax remitter. As far as such taxpayers are concerned, the remitter is not required to prepare or to send any individual information regarding the value of the income.

4.1.4 **Income (revenue) from dividends and other revenue from an Ordinary Share in the profits of legal persons earned by individuals who are not Polish tax residents (i.e. subject to limited tax liability in Poland)**

In accordance with Article 3, section 2a of the Personal Income Tax Act, natural persons, if they do not reside within the territory of Poland, are liable to pay tax exclusively on income obtained within the territory of Poland (limited tax liability). In the light of the current position of the Polish tax authorities, income in the form of dividends and other income from the Ordinary Share in the profits of legal persons without registered offices in the Republic of Poland, that is earned by individuals subject to limited tax liability in Poland, should not be subject to taxation in Poland.

4.1.5 **Capital gains realized by persons subject to Corporate Income Tax having their registered office or Management Board within the territory of the Republic of Poland (i.e. subject to unlimited tax liability in Poland)**

The taxpayers of corporate income tax are legal persons, companies in organisation and organisational units having no legal personality, except for partnerships other than joint stock partnerships. In accordance with Article 3 section 1 of the Corporate Income Tax Act (the "**CIT Act**"), taxpayers which have their registered office or management board within the territory of the Republic of Poland are required to pay tax on all of their income, irrespective of the location of the source of their revenue (unlimited tax liability).

Gains on the disposal of securities by a legal person having its registered office or management board within Poland are subject to taxation under the general rules stipulated in the CIT Act. Taxable income is the difference, in a tax year, between

the proceeds from the disposal of securities (the price for securities determined in the sale agreement) and the tax-deductible costs (in principle, the expenditure on acquisition of these securities), which are deductible at the time that the revenue on the sale of securities is generated. If the price of the securities expressed in the contract is, for no sound reason, significantly different from the market value thereof, then the revenue from the disposal of securities in exchange for consideration will be determined by a tax authority or tax inspection authority in an amount that reflects the market value. Income from the disposal of securities in exchange for compensation is aggregated with the income of the taxpayer that is earned from other sources, to form the taxable base. Pursuant to Article 19 section 1 of the CIT Act, the income of a corporate income taxpayer is taxed at a rate of 19% of the taxable base.

4.1.6 Capital gains realized by persons subject to Corporate Income Tax not having their registered office or Management Board within the territory of the Republic of Poland (i.e. subject to limited tax liability in Poland)

Pursuant to Article 3, section 2 of the CIT Act, taxpayers which do not have their registered office or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland (limited tax liability). The provisions of the CIT Act also apply to income earned within the territory of the Republic of Poland by partnerships having their registered offices or management board in other countries, if they are treated as legal persons under the tax law provisions of a given country and are liable to tax on the total amount of their income, irrespective of the location of the source of their income (Article 1 section 3 of the CIT Act).

According to the current position of the Polish tax authorities, persons subject to corporate income tax and subject to limited tax liability who earn income from the disposal of securities in exchange for compensation on the Warsaw Stock Exchange need to follow the same taxation rules governing the disposal of securities as specified above, except as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. Such taxpayers may be required to present a tax residency certificate to document the legitimacy of the application of a tax rate based on a relevant double tax treaty or lack of tax in accordance with such treaty.

4.1.7 Income (revenue) from dividends and other revenue from an Ordinary Share in the profits of legal persons earned by persons subject to Corporate Income Tax having their registered office or Management Board within the territory of the Republic of Poland (i.e. subject to unlimited tax liability in Poland)

Income (revenue) from Dividends and Other Revenue from an Ordinary Share in the Profits of Legal Persons earned by persons subject to Corporate Income Tax and having their registered office or management board within the territory of the Republic of Poland is subject to taxation according to the general rules under the CIT Act. Such income is generally subject to taxation at the basic 19% rate.

The Australia/Poland Double Tax Treaty stipulates that dividends paid by a company with its registered office in Australia to Polish taxpayers may be taxed both in Poland and Australia, although such Australian tax cannot exceed 15% of the gross amount of the dividend.

It should be noted that in relation to the dividends which may be subject to taxation in Australia, pursuant to Art. 24 sec. 1 of the Australia/Poland Double Tax Treaty, a tax credit applies in Poland.

Pursuant to the provisions of the Australia/Poland Double Tax Treaty, if a Polish taxpayer conducts business in Australia through a permanent establishment situated in Australia (i.e. a fixed place of business through which the business of an enterprise is wholly or partly conducted), and the Ordinary Shares in respect of which the dividends are paid are effectively connected with such permanent establishment, dividends will be taxed in Australia as business profits earned by that permanent establishment.

4.1.8 **Income (revenue) from dividends and other revenue from an Ordinary Share in the profits of legal persons earned by persons subject to Corporate Income Tax not having their registered office or Management Board within the territory of the Republic of Poland (i.e. subject to limited tax liability in Poland)**

In accordance with Article 3, section 2 of the CIT Act, taxpayers which do not have their registered office or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland (limited tax liability). In the light of the current position of the Polish tax authorities, income in the form of dividends and other income from the Ordinary Share in the profits of legal persons without registered offices in the Republic of Poland and earned by taxpayers subject to limited tax liability in Poland, should not be subject to taxation in Poland.

4.2 **Tax on civil law transactions**

Pursuant to Article 1, section 1, item 1, letter a) in conjunction with Article 1, section 4 of the Act on Tax on Civil Law Transactions, tax on civil law transactions applies to agreements for the sale or exchange of property and property rights. These transactions are taxable if their subjects are: (i) property located in Poland or property rights exercisable in Poland; (ii) property located abroad or property rights exercisable abroad if the purchaser's place of residence or registered office is in Poland and the civil law transaction was carried out in Poland.

Under Article 9 item 9 of the Act on Tax on Civil Law Transactions, the sale of property rights that are financial instruments: (i) to investment firms (including foreign investment firms); or (ii) through the intermediation of investment firms (including foreign investment firms); or (iii) through organised trading; or (iv) outside organised trading by investment firms (including foreign investment firms) if such financial instruments were acquired by such companies as part of organized trading, within the meaning of the Act on Trading in Financial Instruments, is exempted from tax on civil law transactions. Consequently, sale of the Ordinary Shares on the Warsaw Stock Exchange is exempted from tax on civil law transactions.

4.3 **Taxation of gifts and inheritance**

Pursuant to Article 1 section 1 of the Act on Tax on Inheritance and Donations, tax on inheritance and donations is paid by natural persons who receive title to property located in Poland or property rights exercised in Poland by right of succession, as legacy, further legacy, testamentary instruction, donation or on the benefactor's instruction. This tax also applies in the case of property rights exercisable outside the territory of Poland where, at the time of donation or inheritance, the acquirer was a Polish resident or had a permanent place of residence in Poland.

The tax is paid by the heir, successor or beneficiary. The taxable base is the value of the property or property rights received after deducting the debts and

encumbrances (net value), assessed based on the condition of the property and property rights on the day of their receipt and based on the market prices applicable as of the day the tax liability arose. The tax base is computed according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship to the person from whom the property or the property rights were received or inherited. Inheritances and donations are taxed at a progressive rate from 3% to 20% of the taxable base depending on the tax group to which the recipient was assigned. There are certain amounts exempt from tax in each group. Taxpayers are required, except for cases in which the tax is charged by the tax remitter, to file with the competent head of the tax office a tax return specifying the receipt of the property or property rights in a standard form, within one month from the date the tax liability arose. The tax return should be accompanied by any documents that may influence the determination of the tax. The tax is paid within 14 days from the receipt of the decision issued by the head of the tax office assessing the amount of the tax liability.

Under Article 4a, section 1 of the Act on Tax on Inheritances and Donations, the acquisition of property or property rights (including securities) by a spouse, descendant, ascendant, stepson, siblings, stepfather or stepmother are tax exempt, provided that they notify the competent head of the tax office of acquisition of the property or property rights within six months from the date the tax liability arose, and in the case of receipt by right of succession, within six months from the date the court decision acknowledging the acquisition of the inheritance becomes final and binding. The above exemption applies if, at the time of the acquisition, the acquirer was a Polish citizen or a citizen of an EU Member State or a country belonging to the EEA, or had their place of residence within the territory of Poland or within any such states.

In the case of failure to meet the above conditions, the acquisition of the property or property rights is subject to taxation on the general terms specified for persons assigned to the first tax group.

Part 5 Additional Information

1 INCORPORATION AND STATUS OF THE COMPANY

The Company (formerly Property Investments Ltd, Investment Company of the West Ltd and Prairie Downs Metals Limited) is an Australian public company limited by shares that was incorporated on 27 June 1957 and admitted to the official list of the ASX on 12 November 1993. The Company is incorporated and registered in Australia under the Corporations Act 2001 with an Australian Company Number of 008 677 852.

The Company's legal and commercial name is Prairie Mining Limited.

The Company is domiciled in Australia. The Company's registered office is at Level 9, BGC Centre, 28 The Esplanade, Perth WA 6000. The telephone number of the Company's registered office is +61 8 9322 6322.

The Company's principal place of business is Unit 1C, 38 Jermyn Street, London SW1Y 6DN, United Kingdom

The principal legislation under which the Company operates and under which the Ordinary Shares have been created is the Corporations Act 2001 and the regulations made thereunder.

2 SHARE CAPITAL OF THE COMPANY

As at 26 August 2015 (being the latest practicable date prior to the date of this document) the issued share capital of the Company is 148,352,432 Ordinary Shares. It is intended that the issued share capital of the Company will continue to be 148,352,432 Ordinary Shares immediately following Admission (subject to the issue of any Ordinary Shares on the exercise of any Unlisted Options, Performance Rights or Milestone Shares).

Ordinary Shares have no nominal or par value and are recorded at their issue price less any costs associated with issuing the shares. All Ordinary Shares are fully paid. Ordinary Shares issued pursuant to the exercise of Unlisted Options are recorded at their exercise price less any costs associated with issuing the shares. Ordinary Shares issued pursuant to the conversion of Performance Rights are recorded at their conversion price (being nil).

Under the Corporations Act 2001, the Company does not have an authorised share capital and there is generally no limit under the Corporations Act 2001 or the Company's Constitution on the power of the Directors to issue Ordinary Shares or other securities.

Since 1 July 2011 to 26 August 2015 (being the latest practicable date prior to the date of this document), there have been the following changes to the capital structure of the Company:

Ordinary Shares

Date	Details	Issue Price or Consideration (A\$)	Number of Ordinary Shares (#)
1-Jul-2011	Opening Balance	N/a	75,940,598
24-Aug-2011	Ordinary Share placement	0.10	5,000,000
24-Nov-2011	Ordinary Share placement	0.10	17,500,000
	Balance at 30 June		
30-Jun-2012	2012	N/a	98,440,598
12-Sep-2012	Ordinary Share placement	0.30	3,000,000
12-Sep-2012	Issue of Ordinary Shares issued upon grant of coal leases in Poland	-	3,000,000
	Balance at 30 June		
30-Jun-2013	2013	N/a	104,440,598
10-Apr-2013	Ordinary Share placement	0.50	12,000,000
10-Apr-2013	Exercise of Unlisted Options	0.15	351,014
12-June-2013	Exercise of Unlisted Options	0.15	16,853
21-Aug-2013	Ordinary Shares issued to a consultant in lieu of cash for the grant of coal leases	0.31	652,414
	Exercise of Unlisted Options	0.15	1,375,000
21-Aug-2013	Options	0.15	1,375,000
8-Jan-2014	Ordinary Share placement	0.27	13,500,000
	Conversion of Performance Rights	-	294,000
1-May-2014	Exercise of Unlisted Options	0.15	50,000
1-May-2014	Exercise of Unlisted Options	0.15	1,300,000
9-May-2014	Options	0.15	1,300,000
22-May-2014	Exercise of Unlisted Options	0.15	700,000
	Balance at 30 June		
30-Jun-2014	2014	N/a	134,679,879
2-Jul-2014	Exercise of Unlisted Options	0.15	10,315
14-Oct-2014	Exercise of Unlisted Options	0.15	479,895
15-Dec-2014	Exercise of Unlisted Options	0.15	25,000
	Balance at 31		
31-Dec-2014	December 2014	N/a	135,195,089
	Exercise of Unlisted Options	0.15	10,325,000
30-Jun-2015	Options	0.15	10,325,000
3-Jul-2015	Exercise of Unlisted	0.15	947,343

Date	Details	Issue Price or Consideration (A\$)	Number of Ordinary Shares (#)
	Options		
24-Jul-2015	Conversion of Performance Rights	-	1,885,000
26 August 2015	Closing Balance		148,352,432

2.1 **Unissued Milestone Shares**

The Unissued Milestone Shares are not listed or quoted on a marketplace. As at 26 August 2015 (being the latest practicable date prior to the date of this document) 600,000 Unissued Milestone Shares are convertible into 600,000 Ordinary Shares for no additional consideration and on the occurrence of certain specified performance conditions with an expiry date of 31 December 2015.

Please refer to Section 8 of this Part 5 for more details of the Milestone Shares.

2.2 **Unlisted Options**

As at 26 August 2015 (being the latest practicable date prior to the date of this document) 12,475,000 Unlisted Options are presently exercisable (subject to various exercise prices ranging from A\$0.25 to A\$0.60 and various expiry dates ranging from 30 June 2016 to 30 June 2018). However, if all are exercised, this would result in the issue of 12,475,000 Ordinary Shares.

The Unlisted Options include options issued to the Company's Directors, employees and contractors. These options are not quoted on the ASX.

Please refer to Section 7 of this Part 5 for more details of the Unlisted Options.

2.3 **Performance Rights**

As at 26 August 2015 (being the latest practicable date prior to the date of this document) 4,147,000 Performance Rights are convertible into 4,147,000 Ordinary Shares for no additional consideration and on the occurrence of certain specified performance conditions with various expiry dates ranging from 31 December 2016 to 31 December 2020.

It is proposed that, subject to approval of the relevant resolutions by the Company's shareholders in the General Meeting, a further 2,500,000 Performance Rights will be issued to Benjamin Stoikovich.

Please refer to Section 6 of this Part 5 for more details of the Performance Rights.

2.4 **Convertible Note**

On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company.

Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting. If these

conditions are satisfied, CD Capital will be issued the Convertible Note. The Convertible Note can be converted into PDZ Holdings Shares at a Conversion Price of A\$0.335 per PDZ Holdings Share. Each PDZ Holdings Share can be exchanged into an Ordinary Share pursuant to the Put and Call Option.

CD Capital has the right, subject to compliance with the Corporations Act 2001, at any time while the Convertible Note is outstanding to convert all or part of the outstanding principal amount of the Convertible Note into PDZ Holdings Shares at the Conversion Price. Each PDZ Holdings Share can be exchanged for an Ordinary Share pursuant to the Put and Call Option. The Convertible Note must be converted and exchanged at a minimum amount of A\$250,000 and additional amounts converted in A\$250,000 increments.

The Group has the right, while there is no Event of Default existing, to convert all or part of the principal amount of the Convertible Note at the Conversion Price if:

- (a) at any time 12 months after the date of issue of the Convertible Note, the weighted average trading price of the Company's Ordinary Shares exceeds the Conversion Price for the 30 trading day period prior to Group electing to convert all or part of the Convertible Note; and
- (b) at any time after the issue of the Convertible Note if a person acquires a relevant interest in at least 50% of the Ordinary Shares pursuant to a takeover bid or an Australian court approves a merger by way of a scheme of arrangement.

Please refer to section 14.3 of Part 5 for more details of the Convertible Note.

- 2.5 Other than as disclosed in this Prospectus and on exercise of the Unlisted Options, Performance Rights or Unissued Milestone Shares or any CD Options that are issued or on the exchange of PDZ Holdings Shares issued pursuant to the Convertible Note for Ordinary Shares pursuant to the Put and Call Option (each as described above) the Company has no present intention to issue any new Ordinary Shares in the share capital of the Company.
- 2.6 The Company does not have on issue any securities not representing share capital.
- 2.7 No shares of the Company are currently on issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 2.8 Save as disclosed in this Section 2, there has been no other issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and no such issues are proposed.
- 2.9 Save as disclosed in this Section 2, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
- 2.10 Save as disclosed in this Section 2, on Admission no share or loan capital of the Company or any other member of the Group will be under option or has been agreed conditionally or unconditionally to be put under option.

2.11 None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to the Official List.

2.12 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register.

2.13 **Rights attaching to Ordinary Shares**

The rights attaching to Ordinary Shares arise from a combination of the Company's Constitution, statute and general law. Section 3 below contains a summary of certain provisions of the Company's constitution relation to the Ordinary Shares.

Shareholders should be aware that there are certain situations under statute and the general law where they may be deprived of their rights attaching to Ordinary Shares. In particular, if the Company is under the control of an administrator, due to concerns relating to the solvency of the Company, the administrator has the power under the Corporations Act 2001 to compulsorily transfer shares from shareholders to third parties, such as creditors, without the consent of shareholders, provided leave of a court has been obtained. A court is only permitted to grant an administrator leave for the compulsory transfer of the shares if satisfied that the transfer does not unfairly prejudice the interests of shareholders. This will typically occur where evidence is presented to the court that the shares in the Company have no residual value to shareholders and that shareholders would be unlikely to receive any distribution if the Company were placed into liquidation.

The rights of a shareholder to freely transfer their shares is also limited when a liquidator has been appointed to wind up the Company. If the Company is in liquidation, a transfer of shares will not be effective unless a shareholder obtains the consent of the liquidator or an order of a court authorising the transfer, such consent or authorisation being provided where the transfer of shares is in the best interests of the Company's creditors as a whole.

Ordinary Shares issued following the conversion of Unissued Milestone Shares, exercise of Unlisted Options or the conversion of Performance Rights will rank equally in all respects with the Company's existing Ordinary Shares.

In addition, on 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to invest in PDZ Holdings and subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting. If these conditions are satisfied, CD Capital will be issued the Convertible Note. If the Convertible Note is issued, any Ordinary Shares issued to CD Capital on conversion of the Convertible Note and exercise of the Put and Call Option will rank equally with all other Ordinary Shares.

3 **CONSTITUTION**

The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and Directors, including provisions, inter alia, to the following effect (when read in conjunction with the Corporations Act 2001 and ASX Listing Rules).

3.1 **Objects**

The Constitution does not contain any limitations on the Company's objects and purposes.

3.2 **Voting rights**

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each Shareholder of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of Shareholders put to a vote at a general meeting will be decided by a show of hands (which is the raising of hands to indicate voting for or against a resolution) unless a poll is demanded. On a show of hands each eligible Shareholder present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one Shareholder, on a show of hands that person is entitled to one vote only despite the number of Shareholders the person represents.

If a poll is demanded pursuant to the Company's Constitution, each eligible Shareholder has one vote for each Ordinary Share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

3.3 **Restrictions on voting**

A holder of restricted shares on issue from time to time is not entitled to any voting rights in respect of those restricted shares which would result in a breach of the ASX Listing Rules or a breach of a restriction agreement. A Shareholder is only entitled to a fraction of one vote equal to the proportion which has been paid up for each Ordinary Share. Shareholders who have not paid any calls due and payable in respect of their shares are not entitled to vote on any resolution in respect of those shares.

As at 26 August 2015 (being the last practicable date prior to the date of this Prospectus), there are no issued restricted shares in the Company and it is expected that there will continue to be no issued restricted shares immediately after Admission.

A Shareholder is not entitled to vote on any resolution at a meeting where the vote is prohibited by the Corporations Act 2001, the ASX Listing Rules, and an order of a court of competent jurisdiction or any other applicable law.

A holder of preference shares on issue from time to time only has the right to vote in the following circumstances:

- (a) during a period during which a dividend (or part of a dividend) in respect of the share is in arrears;
- (b) on a proposal to reduce the share capital of the Company;
- (c) on a resolution to approve the terms of a buy-back agreement;
- (d) on a proposal that affects rights attached to the share;
- (e) on a proposal to wind up the Company;
- (f) on a proposal for the disposal of the whole of the property, business and undertaking of the Company; and

- (g) during the winding up of the Company.

As at 26 August 2015 (being the last practicable date prior to the date of this Prospectus), there are no issued preference shares in the Company and it is expected that there will continue to be no issued preference shares immediately after Admission.

3.4 **Dividends**

Subject to and in accordance with the Corporations Act 2001, the ASX Listing Rules, the rights of any preference shares and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare dividend to be paid to the shareholders entitled to the dividend. Subject to the rights of any preference shares and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such shares.

3.5 **Return of capital**

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among shareholders in the proportions which the amount paid (including amounts credited) on the shares of a shareholder is of the total amounts paid and payable (including amounts credited) on the shares of all shareholders. The liquidator may, with the sanction of a special resolution, distribute among shareholders the whole or any part of the property of the Company and decide how to distribute the property as between shareholders or different classes of shareholders.

3.6 **Variation of rights**

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

3.7 **Transfer of shares**

The Company may participate in any clearing and settlement facility provided under the Corporations Act 2001, the ASX Listing Rules and the ASTC Operating Rules.

Subject to the restriction set out in this Section 3.7, a Shareholder may transfer one or more of his or her shares by:

- (a) a proper ASTC transfer;
- (b) an instrument of transfer that is:
 - (i) in writing;
 - (ii) in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
 - (iii) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee;

- (iv) stamped, if required by a law about stamp duty; and
- (v) delivered to the Company, at the place where the Register is kept, together with the certificate (if any) of the share to be transferred and any other evidence as the Directors require to prove:
 - (A) the title of the transferor to that share;
 - (B) the right of the transferor to transfer that share; and
 - (C) the proper execution of the instrument of transfer; or
- (c) any other method permitted by the Corporations Act, the ASX Listing Rules and the ASTC Operating Rules ("**Applicable Law**").

Subject to the ASTC Operating Rules, the transferor is deemed to remain the holder of the shares concerned until the transfer for the name of the transferee is entered in the register in respect of those shares.

The Company must refuse to register a transfer of shares where the Applicable Law or a law about stamp duty require the Company to do so. The Company may also refuse to register a transfer of shares where the Applicable Law permits the Company to do so. The Company must give notice in writing of any refusal to register and transfer of shares, and the reasons for the refusal, to the person transferring those shares and the person who lodged the transfer (if not the same person).

Save as aforesaid, the Constitution contains no restrictions as to the free transferability of fully paid shares.

3.8 **Proportional Takeovers**

A proportional takeover bid is one in which the offer or offers only to buy a specified proportion of each shareholders' shares.

The Constitution provides for Shareholder approval of any proportional takeover bid for the shares. Subject to the ASX Listing Rules and ASTC Operating Rules, the provisions require the Directors to refuse to register any transfer of shares made in acceptance of a proportional takeover offer until the requisite shareholder approval has been obtained.

The perceived advantages of including proportional takeover provisions in the Constitution are that such provisions may:

- (a) enhance the bargaining power of Directors in connection with any potential sale of the Company;
- (b) improve corporate management by eliminating the possible threat of a hostile takeover through longer term planning;
- (c) make it easier for Directors to discharge their fiduciary and statutory duties to the Company and its shareholders to advise and guide in the event of a proportional bid occurring; and
- (d) strengthen the position of shareholders of the Company in the event of a takeover, assuming the takeover will result in a sharing of wealth between the offeror and shareholders, as the more cohesive shareholders are in

determining their response the stronger they are. A requirement for approval can force shareholders to act in a more cohesive manner. Where shareholders know that a bid will only be successful if a specified majority of shareholders accept the offer, they have less to fear by not tendering to any offer which they think is too low.

The perceived disadvantages of including proportional takeover provisions in the Constitution include the following:

- (a) a vote on approval of a specific bid suffers from a bias in favour of the incumbent Board;
- (b) the provisions are inconsistent with the principle that a share in a public company should be transferable without the consent of other shareholders; and
- (c) a shareholder may lack a sufficient financial interest in any particular company to have an incentive to determine whether the proposal is appropriate.

To comply with the Corporations Act 2001, the proportional takeover provisions must be renewed by Shareholders in general meeting at least every 3 years to remain in place. The proportional takeover provisions were last renewed by Shareholders on 28 November 2012. The Directors intend to renew the proportional takeover provisions prior to 28 November 2015.

3.9 Disposal of less than a Marketable Parcel

For the sake of avoiding excessive administration costs, the Constitution contains provisions enabling the Company to procure the disposal of Shares where the Shareholder holds less than a marketable parcel of shares within the meaning of the ASX Listing Rules (being a parcel of shares with a market value of less than A\$500). To invoke this procedure, the Directors must first give notice to the relevant Shareholder holding less than a marketable parcel of shares, who may then elect not to have his or her shares sold by notifying the Directors.

3.10 Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

Shares may be converted or cancelled with shareholder approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act 2001 and the ASX Listing Rules.

The Company may buy back shares in itself on terms and at such times determined by the Directors in accordance with the requirements of the Corporations Act 2001.

Subject to any rights or restrictions as of the relevant time attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible Shareholder present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible Shareholder has one vote for each Ordinary Share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

Subject to and in accordance with the Corporations Act 2001, the ASX Listing Rules, the rights of any preference shares and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the shareholders entitled to the dividend. Subject to the rights of any preference shares and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such shares.

3.11 Alteration of capital and purchase of own shares

The Company may alter its share capital in accordance with the provisions in any manner permitted by Applicable Law.

3.12 General meetings

3.12.1 Annual general meetings

Directors may call a meeting of members whenever they think fit. Shareholders may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two eligible Shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the ASX Listing Rules.

3.12.2 Orderly conduct of meetings

The chairperson of a meeting of members is responsible for the general conduct of any such general meeting, including, making rulings or adjourning a meeting without putting the question to vote if that action is required to ensure the orderly conduct of the meeting, refuse admission to or require a person to leave or remain out of the meeting if that person does not comply with a reasonable direction of the chairperson, has a placard or banner, has an article that the chairperson considers to be dangerous, offensive or liable to cause disruption to the meeting or behaves or threatens to behave in a dangerous, offensive or disruptive manner.

3.12.3 Notice of general meetings

The Company is required to provide Shareholders with 28 days notice of any general meeting of members, unless a shorter period of time is permitted under the Corporations Act 2001. The notice of meeting must include the date and time of the meeting and the general nature of the business of the meeting. Notice of the meeting must be provided to all Shareholders, Directors, alternative Directors and any auditors of the Company.

3.12.4 Quorum

A quorum for a meeting of members is two eligible Shareholders.

3.12.5 Chairperson

At each general meeting, the chairperson of the Board or, if he is absent or unwilling, one of the other Directors who is appointed by a majority of the Board or (failing appointment by the Board) shall preside as chairperson of the meeting. If at a meeting a chairperson has not been elected by the Board or is the elected chairperson by the Board is not willing to chair all or part of the meeting, the members presented must elect another person present and willing to act as part of all or part of that meeting.

3.12.6 Directors entitled to attend and speak

All Directors are entitled to attend and speak at all meetings of members.

3.12.7 Adjournment

The chairperson:

- (a) may adjourn a meeting of members to any day, time and place; and
- (b) must adjourn a meeting of members if eligible members presented by a majority of votes agree or direct the chairperson to do so.

No other person other than the chairperson of the meeting may adjourn the meeting. The Company is only required to give notice of a meeting of members resumed from an adjourned meeting if the period of adjournment exceeds 28 days. Only business left unfinished is to be transferred at the adjourned meeting.

3.12.8 Cancellation and postponement

Directors may at any time postpone or cancel a meeting of members by giving notice not less than 5 business days before the time at which the meeting to the Australian Securities Exchange and each Shareholder, Director, alternative Director and auditor of the Company.

A meeting of members called at the request of a Shareholder in accordance with the Corporations Act 2001 must not be cancelled by the Directors without the consent of the Shareholder who requested the meeting.

3.12.9 Method of voting and demand for poll

Unless a poll is requested, a resolution put to vote at a meeting of members must be decided on a show of hands. A declaration by the chairperson of the meeting that a resolution on a show of hands is passed, passed by a particular majority or not passed, and entry to that effect in the minutes of the meeting, is sufficient evidence of that fact.

A poll may be demanded on any resolution at a meeting of members, before or immediately after the results of the vote on the resolution, by:

- (a) at least 5 eligible Shareholders present and entitled to vote on the resolution;
- (b) one or more eligible Shareholders present and who together holds at least 5% of the votes that may be cast on the resolution; or
- (c) the chairperson of the meeting.

A demand for a poll may be withdrawn.

3.12.10 Taking a poll

A poll demand on a resolution at a meeting of members, other than for the election of a chairperson or adjournment of the meeting, must be taken in the manner and at the time and place directed by the chairperson.

3.12.11 Proxies

An eligible Shareholder may appoint a proxy to attend and vote at the meeting on the Shareholder's behalf. The Constitution contains provisions specifying the manner of lodgement of proxy instruments. An eligible Shareholder may appoint an individual or corporation to act as its representative.

3.12.12 Form of proxy

An appointment of a proxy in writing is valid if it is signed by a Shareholder making the appointment and contains:

- (a) the name and address of that Shareholder;
- (b) the name of the Company;
- (c) the name of the proxy or name of the office of the proxy; and
- (d) the meeting of Shareholders at which the proxy may be used.

The chairperson of the meeting may determine that a written document appoint a proxy is valid even if it contains only some of the above information. The decision of a chairperson of the validity of a proxy is final and conclusive.

3.12.13 Deposit of proxy

The appointment of a proxy is effective only if the Company receives the appointment not less than:

- (a) 48 hours before the time scheduled for commencement of that meeting; or
- (b) for an adjourned meeting, 48 hours before the time scheduled for resumption of the meeting.

3.12.14 Notice of revocation of proxy

Unless the Company has received a notice of revocation of a proxy not less than 48 hours before the time scheduled for the commencement of a meeting, a vote cast at the meeting by the appointed proxy is valid, even if before the proxy votes:

- (a) the Shareholders has sold their shares; or
- (b) the Shareholder revoked the appointment of that proxy.

3.13 **Directors**

3.13.1 Number

The number of Directors shall be not less than three (3) and not more than 10. The Company may, by ordinary resolution, alter the minimum or maximum number of Directors provided that the minimum is not less than three (3).

3.13.2 Appointment of Directors

The Directors may appoint any person as Director.

The Company may, by ordinary resolution, appoint any person as a Director.

A Director need not be a member.

3.13.3 Retirement of Directors

A Director must retire from office no later than the longer of:

- (a) the third annual general meeting of the Company; or
- (b) three (3) years following that Director's last election or appointment.

If the Company has three (3) or more Directors, one third of the Directors (rounded down to the nearest whole number) must retire at each annual general meeting. If the Company has less than three (3) Directors, one Director must retire at each annual general meeting.

The Directors to retire shall be those Directors who have held their office as Director the longest period of time since their last election or appointment to that office but, as between persons who have held office for the same period of time, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The retirement provisions of the Constitution do not apply to the managing Director of the Company, or if more than one, the managing Director of the Company determined by the Directors. However, a Director who ceases to be the managing Director must retire at the next annual general meeting following the Director ceasing to be managing Director.

A Director appointed by the existing Directors and not by ordinary resolution may retire at the next general meeting of the Company. If the Director does not retire at the general meeting, he or she must retire at the next annual general meeting.

3.13.4 Position of retiring Directors

A Director who retires under the Constitution is eligible for re-election.

3.13.5 Removal of Directors

The Company may, by ordinary resolution, remove any Director, and if through fit, appoint another person in place of that Director.

A Director may resign from office by giving the Company notice in writing.

3.13.6 Vacation of office of Director

A Director ceases to be a Director if:

- (a) the Director becomes of unsound mind or a person whose property is liable to be dealt with under a law about mental health;
- (b) the Director is absent without the consent of the Directors from all meetings of the Directors held during a period of 6 months;
- (c) the Director resigns or is removed under the Constitution;
- (d) the Director is an Executive Director (including a managing Director) and ceases to be an employee of the Company (not including being a Non-executive Director) or of a related body corporate of the Company;
- (e) the Director becomes an insolvent under administration; or
- (f) the Corporations Act 2001 so provides.

3.13.7 Managing Director

The board may appoint one or more directors as managing director, for any period and on any terms as the directors resolve. A Director appointed as a managing director shall automatically cease to hold that position if he ceases to be a Director.

3.13.8 Power to appoint alternate Directors

With approval of a majority of the other Directors, each Director may appoint a person to act as an alternate Director of that Director for any period.

The appointing Director may terminate the appointment of his or her alternate Director at any time.

3.13.9 Directors' interests

A Director may:

- (a) hold an office or place of profit (except as auditor) in the Company, on any terms as the Directors resolve;
- (b) hold an office or otherwise be interested in any related body corporate of the Company or other body corporate in which the Company is interested; or
- (c) act, or the Director's firm may act, in any professional capacity for the Company (except as auditor) or any related body corporate of the Company or other body corporate in which the Company is interested,

and retain the benefits of doing so if the Director discloses in accordance with the Corporations Act 2001 the interest giving rise to those benefits.

If a Director discloses his or her interest in accordance with the Corporations Act 2001:

- (a) the Director may contract or make an arrangement with the Company, or a related body corporate of the Company or a body corporate in which the Company is interested, in any matter in any capacity;

- (b) the Director may, subject to the Corporations Act 2001, be counted in a quorum for a meeting of Directors considering the contract or arrangement;
- (c) the Director may, subject to the Applicable Law, vote on whether the Company enters into the contract or arrangement, and on any matter that relates to the contract or arrangement;
- (d) the Director may sign on behalf of the Company, or witness the affixing of the common seal of the Company to, any document in respect of the contract or arrangement;
- (e) the Director may retain the benefits under the contract or arrangement; and
- (f) the Company cannot avoid the contract or arrangement merely because of the existence of the Director's interest.

The Director must give to the Company the information which the Company is required by the Listing Rules to disclose to ASX in respect of:

- (a) notifiable interests of the Director; and
- (b) changes to the notifiable interests of the Director,

in the form which the Company is required to tell ASX under the Listing Rules.

3.13.10 Benefits and Remuneration

The Company may pay non-executive Directors a maximum of the total amount as determined by the Shareholders in general meeting and such sum must not be paid by way of commission on, or percentage of, profits or operating revenue.

The remuneration of executive Directors will be subject to the provisions of any contract between each of them and the Company and may be by way of commission on, or percentage of, profits of the Company, but will not be by way of commission on, or percentage of, operating revenue.

The Company may give, or agreed to give, a person a benefit in connection with that person's, or someone else's, retirement from a board or managerial office in the Company or a related body corporate of the Company.

3.13.11 Powers of the board

The Company may exercise in any manner permitted by the Corporations Act any power which a public company limited by shares may exercise under the Corporations Act 2001.

The business of the Company is managed by or under the direction of the Directors. The Directors may exercise all the powers of the Company except any powers that the Corporations Act 2001 or the Constitution requires the Company to exercise in general meeting.

In accordance with the Corporations Act 2001, the Constitution provides for execution of documents by the Company without the use of the Company's company seal.

3.13.12 Borrowing powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.13.13 Indemnity of officers

To the extent permitted by law, the Company indemnifies every person who is or has been a Director or Secretary of the Company against a liability incurred by that person in his or her capacity as a Director or Secretary provided that the liability does not arise out of conduct involving a lack of good faith (otherwise referred to as an excluded liability). A similar indemnity is provided in respect of legal proceedings. The Company may also pay the premiums on Directors' and officers' liability insurance.

3.13.14 Committees and Delegates

The Directors may delegate any of their powers (including the power to delegate) to a committee of Directors, a Director, an employee of the Company or any other person.

The Directors may revoke or vary any power so delegated.

3.13.15 Board meetings

The Directors may meeting, adjourn and otherwise regulate Board meeting as they think fit. A Director may call a Board meeting at any time and must call a Board meeting on request of any Director or Company Secretary.

3.13.16 Notice of board meetings

Notice of Board meetings must be provided to each Director and alternative Director. Not less than 12 hours' notice must be provided to all Directors, unless all Directors otherwise agree. A Director or alternative Director may waive notice of a Board meeting.

3.13.17 Quorum

A quorum for a meeting of Directors is the number determined by the Board or otherwise 2 Directors.

3.13.18 Voting

A resolution of Directors is determined by a majority of votes. Each Directors has one vote and if there is an equality of votes, the chairperson of the meeting has the casting vote on the resolution, in addition to any vote they had in their capacity as a Director.

3.13.19 Telephone and video conference meetings

A meeting of Directors may be held by using any technology. If a meeting is held in 2 or more places linked together by technology:

- (a) a Director present at one place is taken to be present at the meeting unless and until the Director states to the chairperson that the Director is discontinuous their participation in the meeting; and
- (b) the chairperson may determine at which place the meeting will be taken to have been held.

3.13.20 Resolutions in writing

The Directors may pass a resolution in writing signed by all Directors entitled to vote on the resolution containing a statement that the Directors are in favour of the resolution set out in the document. Separate copies of the document may be used for the written resolution provided that the wording of the resolution and the statement is identical in each copy.

4 SETTLEMENT IN THE UK

4.1 CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.

The Company has entered into depositary arrangements to enable investors to settle and pay for interests in Ordinary Shares through the CREST system. Pursuant to arrangements put in place by the Company, the Depositary will hold the Ordinary Shares on trust for the investors and will issue dematerialised Depositary Interests to CREST accounts representing the underlying Ordinary Shares.

4.2 Depositary Interest Arrangements

The Depositary Interests are independent securities constituted under English law and are held on a register maintained by the Depositary. The Depositary Interests have the same ISIN number as the Ordinary Shares which they represent and do not require a separate listing on the LSE.

The Depositary Interests will be created pursuant to and issued on the terms of the Deed Poll. Prospective holders of Depositary Interests should note that they will have no rights in respect of the underlying Ordinary Shares, or the Depositary Interests representing them, against CREST or its subsidiaries. The Deed Poll also sets out the procedure for holders of Depositary Interests to vote at general meetings of the Company and to exercise their rights as Shareholders. Each Depositary Interest will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends.

Ordinary Shares will be transferred to the Custodian and the Depositary will issue Depositary Interests to participating members and provide the necessary custodial services.

In relation to those Ordinary Shares held by Shareholders in uncertificated form, although the Company's register shows the Custodian as the legal holder of the Ordinary Shares, the beneficial interest in the Ordinary Shares remains with the Depositary Interest Holder (the Shareholder), who has the benefit of all the rights attaching to the Ordinary Shares as if the Depositary Interest Holder were named on the certificated share register itself.

Each Depositary Interest will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depositary Interests will have the same ISIN number as the underlying Ordinary Shares. The Depositary Interests can then be traded and settlement will be within the CREST system in the same way as any other CREST securities.

Application has been made for the Depositary Interests to be admitted to CREST with effect from Admission.

Please see sections 15.7 and 15.8 of Part 5 of this Prospectus for further information in relation to the Depositary Interest arrangements.

5 **SETTLEMENT IN POLAND**

Upon the Polish Admission, the settlement of transactions in the Ordinary Shares, executed on the WSE will be settled in accordance with the principles established by the PNDS applicable to all companies listed on the WSE.

Under current WSE regulations, all transactions on the regulated WSE market are made on a delivery versus payment basis, with the transfer of rights to securities occurring upon settlement, on a T+2 basis. Each investor must hold a securities account and a cash account with an investment firm or a custodian in Poland, and each investment firm and custodian must hold relevant accounts with the PNDS and a main cash account with a clearing bank.

In accordance with the rules and regulations of the WSE and the PNDS, the PNDS is required to arrange, based on a list of transactions provided by the WSE, the settlement of transactions effected by WSE members. In turn, WSE members coordinate settlement with the investors on whose accounts the transactions were executed.

An investor who wants to trade the Ordinary Shares on the WSE should order to transfer such Ordinary Shares to the Polish depositary system organised by the PNDS, to a securities account opened with an investment firm or a custodian in Poland (being participants of the PNDS). All Ordinary Shares transferred to the Polish system will be credited to an account of the PNDS opened with Clearstream.

6 **PERFORMANCE RIGHTS PLAN**

This section gives a brief outline of the Performance Rights Plan ("**Performance Rights Plan**") and its terms and conditions.

6.1 **Eligible Participants**

The eligible participants under the Performance Rights Plan are full time employees and permanent part-time employees of the Company and its subsidiaries (including Directors) and any other person determined by the Board to be included for the purposes of the Performance Rights Plan ("**Eligible Employees**") and contractors engaged by the Company and its subsidiaries who are determined by the Board to be eligible participants for the purposes of the Performance Rights Plan ("**Eligible Contractors**"). In accordance with the ASX Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan and be granted Performance Rights.

6.2 **Limits on Entitlement**

An offer of Performance Rights may only be made under the Performance Rights Plan if the number of Ordinary Shares that may be issued on exercise of those Performance Rights, when aggregated with:

- the number of Ordinary Shares which would be issued if each outstanding Performance Right was exercised into Ordinary Shares (as the case may be); and
- the number of Ordinary Shares issued during the previous 3 years pursuant to the Performance Rights Plan,

does not exceed 5% of the total number of issued Ordinary Shares as at the time of the offer.

A resolution has been proposed for shareholders to consider and, if thought fit, approve, at the General Meeting, pursuant to which the limit on the number of Performance Rights that may be offered at any time would be increased to 10% of the total number of issued Ordinary Shares as at the time of the offer.

6.3 **Individual Limits**

The Performance Rights Plan does not set out a maximum number of Ordinary Shares that may be made issuable to any one person or company.

6.4 **Consideration Payable**

Performance Rights will be issued for no consideration and no amount will be payable upon exercise thereof.

6.5 **Offer and Performance Conditions**

The Performance Rights issued under the Performance Rights Plan to eligible participants may be subject to performance conditions, determined by the Board from time to time and expressed in a written offer letter (Offer) made by the Company to the eligible participant which is subject to acceptance by the eligible participant within a specified period. The performance conditions may include one or more of (i) service to the Company of a minimum period of time (ii) achievement of specific performance conditions by the participant and/or by the Company (iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest, or (iv) such other performance conditions as the Board may determine and set out in the Offer. The Board in its absolute discretion determines whether performance conditions have been met.

6.6 **Expiry Date & Lapse**

Performance Rights may have an expiry date as the Board may determine in its absolute discretion and specify in the Offer. The Board is not permitted to extend an expiry date without shareholder approval.

If a performance condition of a Performance Right is not achieved by expiry date then the Performance Rights will lapse. A Performance Right will also lapse if the Board determines the participant ceases to be an Eligible Employee or an Eligible Contractor for the purposes of the Performance Rights Plan for any reason (other than as a result of retirement, disability, bona fide redundancy or death).

It is proposed that the expiry date of 1,747,000 Performance Rights currently on issue will be varied such that the expiry date will be extended from 31 December 2016 to 30 June 2017. This requires the grant of a waiver of ASX Listing Rule 6.23.3 (which the Company has sought from ASX) and the approval of the Company's shareholders, which is being sought at the General Meeting.

6.7 Retirement, Disability, Redundancy, Death or Removal as a Director

Under the Performance Rights Plan, upon the retirement, total and permanent disability, bona fide redundancy, death of a participant or in the case of persons holding managerial or executive office who are participants, removal from that office (unless the Board determines otherwise), then in respect of those Performance Rights which have not satisfied the performance condition but have not lapsed, then the participant shall be permitted to continue to hold those Performance Rights as if the participant was still an Eligible Employee.

6.8 Forfeiture

If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Ordinary Shares to be forfeited. In the event the underlying Ordinary Shares have been sold by the participant, the participant will be required to pay all or part of the net proceeds of that sale to the Company.

6.9 Assignment

Without prior approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

6.10 Takeover Bid or Change of Control

All Performance Rights automatically vest in the event of:

- a Court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company);
- a takeover bid (as defined in the Corporations Act 2001) is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of the Ordinary Shares in the Company; or
- any person acquires a relevant interest in 50.1% or more Ordinary Shares in the Company by any other means.

6.11 Alteration in Share Capital

Appropriate adjustments will be made to the number of Performance Rights in accordance with the ASX Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

6.12 **Pro Rata Issue of Securities**

A holder of Performance Rights will only be able to participate in a pro rata offer of new securities in the Company to existing Shareholders, if, prior to the record date, the Performance Rights have been duly exercised. In addition, no adjustment to the number of Ordinary Shares a Performance Rights holder is entitled to or adjustment to any Performance Condition which is based, in whole or in part, upon the Company's Ordinary Share price, shall occur as a result of the Company undertaking a rights issue.

6.13 **Bonus Issue**

If, during the term of any Performance Rights, the Company completes a bonus issue, the number of Ordinary Shares each Performance Rights holder is then entitled, shall be increased by that number of securities which the holder would have been issued if the Performance Rights then held by the holder were exercised immediately prior to the record date for the bonus issue.

6.14 **Participation in other Opportunities**

There are no participation rights or entitlements inherent in the Performance Rights though the Company will use its reasonable endeavours to ensure that each holder is given an opportunity to participate on the same basis as if his or her Performance Rights had been exercised.

6.15 **Termination, Suspension or Amendment**

The Board may terminate, suspend or amend the Performance Rights Plan at any time subject to any resolution of the Company required by the ASX Listing Rules.

7 **UNLISTED OPTIONS**

7.1 **Right to subscribe for Ordinary Shares**

Each Unlisted Option gives the holder the right to subscribe for one Ordinary Share at the exercise price of that Unlisted Option.

All Ordinary Shares issued on exercise of the Unlisted Options rank equally with all other Ordinary Shares of the Company.

7.2 **Vesting and Exercise Period**

Unlisted Options may only be exercised after the vesting date and prior to their expiry of the exercise period, in each case as set out in the terms of the relevant Unlisted Option.

7.3 **Change of Control**

All Unlisted Options currently on issue automatically vest in the event of:

- (a) A takeover bid pursuant to the Corporations Act 2001 for all of the Ordinary Shares in the Company having become unconditional where the bidder has at acceptances in respect of at least 50.1% of the Ordinary Shares; or
- (b) The Company announcing that the its shareholders have, at a court convened meeting of shareholders voted in favour (by the necessary

majority) of a scheme of arrangement under which all Ordinary Shares are to be either cancelled or acquired by a third party and the court has approved the scheme of arrangement.

7.4 **Quotation on ASX**

The Company will apply to ASX for quotation of all Ordinary Shares issued on exercise of Unlisted Options.

7.5 **Alteration in Share Capital**

Appropriate adjustments will be made to the number of Performance Rights in accordance with the ASX Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

7.6 **Adjustment for bonus issue**

If the Company makes a bonus issue of Ordinary Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Ordinary Shares which must be issued on the exercise of an Unlisted Option will be increased by the number of Ordinary Shares which the Unlisted Option holder would have received if the Unlisted Option holder had exercised the Incentive Option before the record date for the bonus issue; and
- (b) no change will be made to the exercise price of the Unlisted Options

7.7 **Adjustment for rights issue**

If the Company makes an issue of Ordinary Shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Unlisted Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P - (S + D)]}{N + 1}$$

Where:

O = the old exercise price of the Unlisted Option.

E = the number of underlying Ordinary Shares into which one Unlisted Option is exercisable.

P = average market price per Ordinary Share weighted by reference to volume of the underlying Ordinary Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Ordinary Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Ordinary Shares (except those to be issued under the pro rata issue).

N = the number of Ordinary Shares with rights or entitlements that must be held to receive a right to one new Ordinary Share

7.8 Limits on share capital

Pursuant to Chapter 7 of the ASX Listing Rules, the Company must not issue options if it would have more options on issue than Ordinary Shares on issue.

Furthermore and pursuant to Chapter 7 of the ASX Listing Rules, without approval of shareholders, the Company must not issue or agree to issue more equity securities (including options) than 15% of the Company's Ordinary Shares on issue 12 months before the issue date or date of agreement to issue, subject to certain exceptions, less any actual issues of equity securities issued or agreed to be issued in the 12 months before the issue date or agreement of issue, subject to certain exceptions.

8 UNISSUED MILESTONE SHARES

8.1 Right to subscribe for Ordinary Shares

Each Unissued Milestone Share gives the holder the right to be issued one Ordinary Share, subject to the Company receiving necessary approvals, at no cost upon the Company announcing an independently prepared measured and/or indicated coal resource of at least 1,000 Mt at the Lublin Coal Project.

8.2 Expiry

The Unissued Milestone Shares will expire on 31 December 2015.

8.3 Reconstruction or change of control

The terms and conditions of the Milestone Shares contain no provisions relating to reconstruction or adjustment as a consequence of any rights issue or bonus issue by the Company. The terms of the Milestone Shares do not provide for vesting on a change of control of the Company.

9 DIRECTORS' INTERESTS

- 9.1 As at 26 August 2015 (being the latest practicable date prior to the date of this document) and as expected to be held on Admission, the interests (all of which are beneficial) of the Directors and their immediate families (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the 2006 Act) in the Company's issued share capital are or are expected to be as follows:

Name of Director	Number of Ordinary Shares	Percentage of issued share capital on admission
Mr Ian Middlemas	10,000,000	6.74
Mr Benjamin Stoikovich	-	-
Mr Anastasios Arima	2,410,000	1.62
Mr Thomas Todd	2,800,000	1.89
Mr John Welborn	4,500,000	3.03
Mr Mark Pearce	3,000,000	2.02

Mr Todd Hannigan

3,146,398

2.12

Name of Director	Security	Expiry Date	Exercise Price A\$	Number Held	Number Vested
Mr Benjamin Stoikovich	Unlisted Options	30-Jun-2017	0.35	1,500,000	1,500,000
Mr Benjamin Stoikovich	Unlisted Options	30-Jun-2017	0.45	1,500,000	1,500,000
Mr Benjamin Stoikovich	Unlisted Options	30-Jun-2017	0.60	1,500,000	-
Mr Anastasios Arima	Unlisted Options	30-Jun-2016	0.40	1,500,000	1,500,000
Mr Thomas Todd	Unlisted Options	30-Jun-2018	0.45	1,400,000	1,400,000
Mr Todd Hannigan	Unlisted Options	30-Jun-2018	0.45	1,400,000	1,400,000

9.2 It is proposed that, subject to approval by the Company's shareholders at the General Meeting of the grant of the Performance Rights, an additional 2,500,000 Performance Rights will be issued to Benjamin Stoikovich and that the 1,500,000 Unlisted Options with an exercise price of A\$0.60 currently held by Mr Stoikovich would be cancelled. If the relevant resolution is approved (see Section 8.1(b) of Part 1 for further details), these Performance Rights would be issued within 12 months of the date of the General Meeting.

9.3 As at 26 August 2015 (being the latest practicable date prior to the date of this document), other than as disclosed below no persons have notified the Company that they have an interest in 5% or more of the voting power of the Company and, therefore, hold a substantial interest in the Company within the meaning of that term under section 671B of the Corporations Act 2001. 5% is the threshold for disclosure of shareholdings under the Corporations Act 2001, the law under which the Ordinary Shares were created and under which the Company operates.

Substantial Holder	Number of Ordinary Shares	Percentage of issued share capital at date of notice
Arredo Pty Ltd ⁴	10,000,000	6.74

9.4 On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to invest in PDZ Holdings and subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general

⁴ Ian Middlemas, the Company's Chairman is a director and shareholder of Arredo Pty Ltd.

meeting. If the CD Capital Agreement is approved by the Company's shareholders and the Convertible Note is issued, CD Capital would be entitled, and the Company may be entitled to require, in certain circumstances CD Capital to convert and exchange the Convertible Note into Ordinary Shares. The Convertible Note is convertible into PDZ Holdings Shares and CD Capital is entitled to one PDZ Holdings Option for every two PDZ Holdings Shares issued to it on conversion of the Convertible Note. Pursuant to the Put and Call Option Agreement, the each PDZ Holdings Share and PDZ Holdings Option is exchangeable into one Ordinary Share and one CD Option, respectively, at the election of either CD Capital or the Company. If all PDZ Holdings Shares that may be issued to CD Capital pursuant to the Convertible Note were exchanged for Ordinary Shares, CD Capital would hold approximately 44,776,120 Ordinary Shares representing 23.18% of the Company's diluted share capital (see section 14.1 of Part 5 for further details). In those circumstances, CD Capital would also hold approximately 22,388,060 CD Options (representing an additional 10.5% of the Company's Share Capital that could be issued to CD Capital on exercise of all of the CD Options issued to it if the entirety of the Convertible Note was converted). In such circumstances, CD Capital would have voting power of up to 31.16% in the Company (see section 14.1.15 of this Part 5 for details). As disclosed in section 12.1.2 of this Part 5, the acquisition of such voting power would be a breach of the takeover provisions of the Corporations Act 2001 unless an exemption applies. To ensure that the Convertible Note and CD Options are able to be converted by CD Capital without breaching the takeovers provisions of the Corporations Act 2001, prior to the issue of the Convertible Note and CD Options the Company will seek shareholder approval at the General Meeting to be held on 21 September 2015 to permit CD Capital to potentially acquire a relevant interest and voting power in the Company above 20%. See section 12.1.2 of this Part 5 for further details. In addition to the Ordinary Shares that it may be issued on conversion and exchange of the Convertible Note or exercise of the CD Capital Options, CD Capital has a right, from the time of completing the transaction until the publication by the Company of a definitive feasibility study, to maintain the interest in the Company it would hold if all of the Convertible Note were converted and exchanged into Ordinary Shares. Please see section 14.1 of Part 5 for further details in relation to the agreement with CD Capital and the terms and conditions of the Convertible Note.

9.5 Save as disclosed in Section 9.4 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

9.6 Save as disclosed in section 9.7 below, the persons (including the Directors) referred to in Sections 9.3 to 9.4 above, do not have voting rights that differ from those of other Shareholders.

9.7 As noted above, on 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to invest in PDZ Holdings and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company, subject to the satisfaction of certain conditions, including the approval of the Company's shareholders. If the conditions are satisfied, and the Convertible Note is issued to CD Capital, it will not have any additional voting rights at a general meeting of the Company. However, subject to the Corporations Act 2001 and completion of the transaction, the Group will undertake that the following will not occur without the prior written consent of CD Capital:

- (a) any amendment to the Constitution which impacts on any rights under the CD Capital Agreement, the Convertible Note, CD Options or Put and Call Option;
- (b) the expansion of the business of the Company otherwise than through the Group;
- (c) changing the nature of the business of the Company;
- (d) passing any resolution to wind up the Company or any member of the Group solvently or entering into a scheme of arrangement with creditors; and
- (e) the use of the A\$15 million provided by CD Capital in a manner other in accordance with the budget agreed with CD Capital.

The requirement to obtain CD Capital's consent in relation to the matters in (a) to (d) above only applies while CD Capital satisfies the 15% Threshold. However, the requirement in (e) applies while CD Capital satisfies the 2.5% Threshold.

9.8 Save as disclosed in Section 9.4 (inclusive) above, the Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

9.9 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

9.10 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

Name	Position	Current directorships, or partnerships	Past directorships or partnerships
Directors			
Mr Ian Peter Middlemas	Chairman	Paringa Resources Limited	Papillon Resources Limited
		PDZ (UK) Limited	Sierra Mining Limited
		PD Co Holdings (UK) Limited	Decimal Software Limited
		McCourt Mining (UK)	Global Petroleum

Name	Position	Current directorships, or partnerships	Past directorships or partnerships
		Limited McCourt Holdings (UK) Limited LIP Investments Limited Berkeley Resources Limited Pacific Ore Limited Equatorial Resources Limited WCP Resources Limited Sovereign Metals Limited Odyssey Energy Limited Hartshorne Coal Mining Pty Ltd PDZ Holdings Pty Ltd MMA AUST Pty Ltd Mineral Investments Pty Ltd IJM Foundation Pty Ltd WCP Copper Pty Ltd WCP Energy Pty Ltd WCP Gold Pty Ltd WCP Phosphate Pty Ltd Wildhorse Energy Limited Mt Phillips Exploration Pty Ltd Latitude Energy Pty Ltd Latitude Energy (Services) Pty Ltd Jedan Pty Limited Petersview Pty Ltd Arredo Pty Ltd Siti Investments Pty Ltd	Limited Coalspur Mines Limited Migme Limited Mantra Resources Limited Agua Resources Limited Pacific Energy Limited Indo Mines Limited Neon Energy Limited Renewable Energy Corporation Pty Ltd Dampier Oil Pty Ltd Global Mine Management Pty Ltd Global Petroleum (USA) Pty Ltd KEP Pty Ltd Namtumbo Resources Pty Ltd Terrace Gold Pty Ltd Indo Energy Pty Ltd Indo Mines (Indonesia) Pty Ltd Mini Scrips Pty Ltd
Mr Benjamin Rade Stoikovich	Director and CEO	PDZ (UK) Limited PD Co Holdings (UK) Limited PDZ Holdings Pty Ltd Windellama Capital Limited	Caracal Resources Limited Cordeaux Capital Limited
Mr Anastasios Arima	Executive Director	Paringa Resources Limited PDZ (UK) Limited PD Co Holdings (UK) Limited	Coalspur Mines Limited Coalspur Mines (Holdings) Pty Ltd

Name	Position	Current directorships, or partnerships	Past directorships or partnerships
		HCM Resources Limited Hartshorne Coal Mining Pty Moshos Family Investments Pty Ltd	
Mr Thomas Richard Todd	Non-Executive Director	Paringa Resources Limited Biggins Allotment Pty Ltd Coves Allotment Pty Ltd T2 Resources Pty Ltd Todd Family Pty Ltd Moodster Investments Pty Ltd Bean Investments (Aust) Pty Ltd	Aston Resources Limited Latrobe Fuels Limited Latrobe Fertiliser Holdings Limited Australian Energy Company Limited Aston Coal 2 Pty Ltd Aston Coal 3 Pty Ltd Maules Creek Coal Pty Ltd Cursole Pty Ltd Patinack Farm Holdings Pty Ltd Maules Creek Marketing Pty Ltd Australian Carbon Fertilisers Pty Ltd Supercar International Holdings Pty Ltd
Mr John Paul Welborn	Non-Executive Director	Resolute Mining Limited Orbital Corporation Limited Equatorial Resources Limited Equatorial (ROC) Pty Ltd Equatorial Exploration Pty Ltd Mineral Investments Pty Ltd Equatorial (Africa) Pty Ltd RGW Projects Pty Ltd	Noble Mineral Resources Limited Pindan Capital Limited Pindan Capital Two Rocks Pty Ltd Otan Grouped Dwellings Pty Ltd Pindan South Beach Elements Pty Ltd Otan Subiaco Fine China No 2 Pty Ltd Otan Subiaco Fine China No 1 Pty Ltd Otan Perth Office Fund Pty Ltd Otan South Hedland Pty Ltd Otan Karratha Pty Ltd Otan Freshwater Claremont Pty Ltd Otan Swan River Guildford Pty Ltd Otan South Beach

Name	Position	Current directorships, or partnerships	Past directorships or partnerships
			Group Housing No1 Pty Ltd Otan South Beach Apartments Pty Ltd Otan Subi Centro Pty Ltd Otan Queens Park Pty Ltd Pindan Capital Viveash Pty Ltd
Mr Mark Laurence Pearce	Non-Executive Director	Pacific Ore Limited Equatorial Resources Limited WCP Resources Limited Sovereign Metals Limited Odyssey Energy Limited NWS O & G Pty Ltd PDZ (UK) Limited PD Co Holdings (UK) Limited McCourt Mining (UK) Limited McCourt Holdings (UK) Limited McCourt Mining Pty Ltd Equatorial Exploration Pty Ltd Pacific Ore Exploration Pty Ltd Hartshorne Coal Mining Pty Ltd HCM Resources Pty Ltd PDZ Holdings Pty Ltd Mineral Investments Pty Ltd Pacific Ore (WA) Pty Ltd Pacific Ore Mining Pty Ltd Pacific Ore (UK) Limited Trafalgar Mining Pty Ltd Sovereign Coal Pty Ltd Equatorial (Africa) Pty Ltd Pacific Ore Holdings Pty Ltd WCP Copper Pty Ltd	Decimal Software Limited Coalspur Mines Limited Migme Limited Agua Resources Limited Indo Mines Limited Mantra Resources Limited Coalspur Mines (Holdings) Pty Ltd KEP Pty Ltd Agua Mining Pty Ltd Agua Phosphate Pty Ltd Terrace Gold Pty Ltd

Name	Position	Current directorships, or partnerships	Past directorships or partnerships
		WCP Energy Pty Ltd WCP Gold Pty Ltd WCP Phosphate Pty Ltd Wildhorse Energy Limited Mt Phillips Exploration Pty Ltd Sovereign Mozambique Pty Ltd Sovereign Zambia Pty Ltd Sovereign Cloncurry Pty Ltd Latitude Energy Pty Ltd Latitude Energy (Services) Pty Ltd Montage Petroleum Pty Ltd Crystal Brook Investments Pty Ltd Roseberry Holdings Pty Ltd Apollo Group Pty Ltd	
Mr Todd William Hannigan	Alternate Director	Paringa Resources Limited Skin Laundry Pty Ltd Clean Clear Correct Pty Ltd T2 Resources Pty Ltd Hannigan Charity Pty Ltd Galena Hill Investments Pty Ltd Silverrock Equity Pty Ltd	Aston Resources Limited Aston Coal 2 Pty Ltd DITM Holdings Pty Ltd Maules Creek Coal Pty Ltd Maules Creek Marketing Pty Ltd Aston Coal 3 Pty Ltd

9.11 The business address of all the Directors is Level 9, BGC Centre, 28 The Esplanade, Perth WA 6000.

9.12 Save as set out below, as at the date of this Prospectus, none of the Directors has at any time within the last five years:

- had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

- been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or
- been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

Mr Thomas Richard Todd

Mr Todd was appointed as a director of Supercar International Holdings Ltd (a company incorporated in Australia) on 24 December 2008 and ceased to be a director on 1 July 2010. On 30 May 2011 Supercar International Holdings Ltd was put into liquidation by order of the Supreme Court of New South Wales. Supercar International Holdings Ltd was deregistered on 28 July 2013.

Mr Todd was appointed as a director of Australian Energy Company Limited (a company incorporated in Australia) on 6 June 2008 and ceased to be a director on 14 September 2010. Almost 2 years subsequent to resigning as a director and on 31 May 2012, Australian Energy Company Limited was put into liquidation by order of the Supreme Court of Western Australia. In the account filed by the liquidator, the liquidator indicates that Australian Energy Company Limited has in excess of A\$5 million of creditors and A\$15,699 in cash. The liquidator has indicated that they do not expect any creditors will be paid and that it is likely that there may be material deficiency to creditors with respect to the liquidation of Australian Energy Company Limited.

Mr John Paul Welborn

Mr Welborn was appointed as a director of Noble Mineral Resources Limited (a company incorporated in Australia) on 1 March 2013 and ceased to be a director on 20 December 2013. On 12 September 2013 Noble Mineral Resources Limited was put into voluntary administration. A deed of company arrangement was executed in relation to Noble Mineral Resources Limited on 26 November 2013.

9.13 Other than the proposed arrangement with CD Capital described in paragraph 9.14 below, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected.

9.14 On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting. If the conditions are satisfied and CD Capital subscribed for the Convertible Note, CD Capital will have the right to nominate:

- (a) if it satisfies the 5% Threshold, one director of the Company; and
- (b) if it satisfies the 15% Threshold, two directors of the Company.

Please refer to Section 14 of this Part 5 for more details of CD Capital's right to nominate directors to the Board.

9.15 There are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Company's securities. Save as disclosed,

there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

- 9.16 Mr Ian Middlemas is a director and shareholder of Arredo Pty Ltd, the Company's largest shareholder, which currently holds a 6.74% interest in the Company. The Board considers that this is not material or significant enough to impact the independent judgement of Mr Middlemas.
- 9.17 Save for the agreement between the Company and Windellama Capital Limited in relation to Mr Stoikovich (as described in paragraph 10.5 of this section), the Board does not presently consider there to be any potential conflicts of interests between any of the Directors' duties to the Company or the Group and their private interests and/or other duties.

10 DIRECTORS' REMUNERATION AND SERVICE AGREEMENTS

- 10.1 In the Financial Year ended 30 June 2014, the aggregate remuneration (including any contingent or deferred consideration, pension fund contributions and benefits in kind) of the Directors was A\$763,058.
- 10.2 There are no amounts set aside or accrued by the Company to provide pension, remuneration or similar benefits.

Directors

- 10.3 The remuneration and consulting fees accruing to each of the Directors for the year ending 30 June 2014 was as follows. Certain Directors also received option based payments during the year, which are disclosed in Section 9.1 of this Prospectus.

	Short-term benefits			Post-employment benefits (A\$)	Total (A\$)
	Salary & Consulting fees (A\$)	Cash Incentive Payments (A\$)	Living Allowance (A\$)		
Directors					
Mr Ian Peter Middlemas	36,000	-	-	-	36,000
Mr Benjamin Rade Stoikovich	401,354	144,300	-	-	545,654
Mr Anastasios Arima	100,000	-	-	9,250	109,250
Mr John Paul Welborn	33,022	-	-	3,055	36,077
Mr Mark Laurence Pearce	33,022	-	-	3,055	36,077

- 10.4 Mr Stoikovich has signed an appointment letter with an effective appointment date of 17 June 2013, under the terms of which he agrees to serve as a Director of the Company. Mr Stoikovich's appointment letter is terminable, pursuant to the Company's Constitution, by giving the Company notice in writing. Mr Stoikovich receives a fixed fee of £25,000 per annum pursuant to this appointment letter.
- 10.5 Windellama Capital Limited, a company of which Mr. Stoikovich is a director and shareholder, has a consulting agreement with the Company to provide project management and capital raising services (CEO services) related principally to the Lublin Coal Project.

The contract with Windellama Capital Limited commenced effectively from 9 July 2015. Under this agreement, Windellama Capital Limited is paid a fixed fee of £200,000 per annum and an annual incentive payment of up to £80,000 payable upon the successful completion of key project milestones as determined by the Board. In addition, Windellama Capital Limited will be entitled to receive a payment incentive of £112,500 in the event of a change of control clause being triggered with the Company. The consulting contract may be terminated by either Windellama Capital Limited or the Company by giving six months' notice. No amount is payable to Windellama in the event of termination of the contract arising from negligence or incompetence in regard to the performance of services specified in the contract. The Board considers that this contract with Windellama Capital Limited may give rise to a conflict of interest between Mr Stoikovich's private interests as a director and shareholder of Windellama Capital Limited and his duties as a Director of the Company. Accordingly, Mr Stoikovich will excuse himself from any board discussions where the arrangements between the Company and Windellama Capital Limited are to be considered.

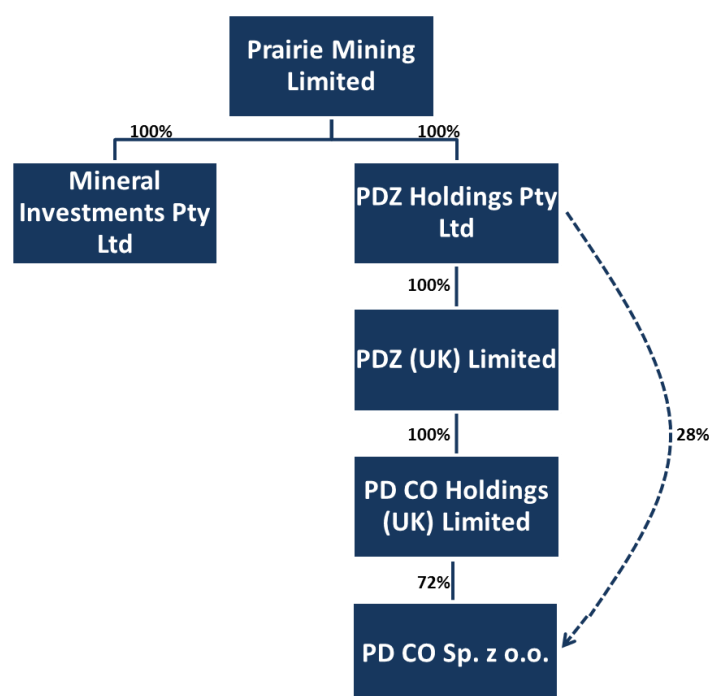
- 10.6 Mr Arima, Executive Director, has an employment contract with the Company dated 13 September 2012. The contract specifies the duties and obligations to be fulfilled by an Executive Director. The contract may be terminated by either party by giving one month's notice. Effective 1 February 2015, Mr Arima receives a fixed remuneration component of A\$50,000 per annum.
- 10.7 Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, is paid a monthly retainer of, effective 1 July 2015, A\$20,000 for the provision of serviced office facilities and administration services. The amount is payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice.
- 10.8 **Non-Executive Directors**
 - 10.8.1 The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Unlisted Options may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.
 - 10.8.2 The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Unlisted Options in order to secure and retain their services.
 - 10.8.3 Fees for the Chairman are presently \$36,000 per annum and fees for Non-Executive Directors' are presently set at \$20,000 per annum. These fees cover main board activities only. Only Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees. The Company prohibits executives entering into arrangements to limit their exposure to Unlisted Options granted as part of their remuneration package.

- 10.8.4 The letter of appointment in relation to each Non-Executive Director may be terminated by each Non-Executive Director pursuant to the Company's Constitution, by giving the Company notice in writing. The Company may terminate the letter of appointment in relation to each Non-Executive Director without notice.

11 THE COMPANY AND ITS SUBSIDIARIES

11.1 Organisational Structure

The organisational structure of the Company and its subsidiaries is as set out below:



- 11.2 The Company is the holding company of the Group and has the following principal subsidiaries:

Subsidiary Name	Country of registration or incorporation	Principal activity	Equity Interest (%)
Mineral Investments Pty Ltd	Australia	Mineral exploration	100
PDZ Holdings Pty Ltd	Australia	Holding Company	100
PDZ (UK) Limited	England and Wales	Holding Company	100
PD CO Holdings (UK) Limited	England and Wales	Holding Company	100
PD Co Sp. z o.o.	Poland	Mineral exploration and development	100

- 11.3 All of the above companies are directly or indirectly wholly-owned by the Company and have their registered office at Level 9, BGC Centre, 28 The Esplanade, Perth Western Australia 6000 except for PDZ (UK) Limited and PD CO Holdings (UK) Limited which have a registered office of 3rd floor Citygate, St. James Boulevard,

Newcastle upon Tyne, Tyne and Wear, England, NE1 4JE and PD Co, which has a registered office of Ul. Wspolna 35 lok. 4, 00-519 Warsaw, Poland.

12 **TAKEOVER REGIMES**

12.1.1 **The City Code, the Corporations Act 2001, the Australian Foreign Acquisitions and Takeovers Act and the Polish takeover regime and United Kingdom**

The Company is incorporated in, has its registered office and is resident in Australia, and has its place of central management outside of the United Kingdom, the Channel Islands or the Isle of Man. Accordingly, transactions involving the Ordinary Shares will not be subject to the provisions of the City Code which regulates takeovers in the UK. However, Chapter 6 of the Corporations Act 2001 contains provisions that are similar or analogous to certain provisions of the City Code.

Upon Admission, the Company will be subject to the provisions of Chapter 5 of the Disclosure and Transparency Rules.

12.1.2 **Australia**

The takeover provisions of the Corporations Act 2001 apply to dealings in the Ordinary Shares and other securities. Subject to certain exceptions, the Corporations Act 2001 prohibits the acquisition of a relevant interest in the voting shares of an Australia company that is either listed on a prescribed stock exchange (including ASX) or has more than 50 shareholders if, as a result of the acquisition, the voting power of the acquirer (or any other person) would increase from 20% or below to more than 20%. Similarly, such an acquisition is forbidden if any person who already has more than 20% but less than 90% of the voting power increases their voting power in the target company. However, it is not mandatory for a person who exceeds these thresholds to make a takeover bid for all the Ordinary Shares.

A person's voting power for these purposes is equal to the aggregate relevant interest of the person and their associates in the voting shares of the relevant company. In relation to the Company, the Ordinary Shares are the only class of voting shares in the Company.

A person has a relevant interest in a share if they have the power to control disposal of that share or to control the exercise of the right to vote in respect of that share. A person also has a relevant interest in any share held by a body corporate or managed investment scheme they control or in which they have voting power above 20%. These concepts are broad and, for example, a person can have a relevant interest and voting power in a share as a result of an agreement to purchase the share (even a conditional agreement) or a call option to acquire the share.

There are several exceptions which allow acquisitions which would otherwise be prohibited from taking place. These exceptions include acquisitions (provided certain requirements are met):

- (a) under a formal takeover offer in which all shareholders can participate;
- (b) with the approval of a majority of shareholders who are not parties to the transaction, given at a general meeting of the company;

- (c) in 3% increments every six months (provided that the acquirer has had voting power of at least 19% in the company at all times during the six months prior to the acquisition);
- (d) *pro rata* offers of new shares in which all shareholders can participate; or
- (e) by an underwriter or sub-underwriter to offers of securities in the company in certain circumstances.

There have never been any public takeover bids in respect of the Company's shares.

On 19 July 2015, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to invest in PDZ Holdings and subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting. If the CD Capital Agreement is approved by the Company's shareholders and the Convertible Note is issued, CD Capital would be entitled, and the Company may be entitled to require, in certain circumstances CD Capital to convert the Convertible Note into PDZ Holdings Shares. CD Capital would be entitled to one PDZ Holdings Option for every two PDZ Holdings Shares issued to it on conversion of the Convertible Note. Pursuant to the Put and Call Option Agreement, the each PDZ Holdings Share and PDZ Holdings Option is exchangeable into one Ordinary Share and one CD Option, respectively, at the election of either CD Capital or the Company. If all PDZ Holdings Shares that may be issued to CD Capital pursuant to the Convertible Note were exchanged for Ordinary Shares, CD Capital would hold approximately 44,776,120 Ordinary Shares representing 23.18% of the Company's diluted share capital (see section 14.1 of Part 5 for further details). If the Convertible Note is converted and all PDZ Holdings Shares were exchanged into Ordinary Shares, CD Capital would also hold approximately 22,388,060 PDZ Holdings Options, which may be exchanged for CD Options under the Put and Call Option Agreement. If all PDZ Holdings Options were exchanged for CD Options, this would represent an additional 10.5% of the Company's Share Capital that could be issued to CD Capital on exercise of all of the CD Options it held.

As of the date of this document, the conversion of the entirety of the Convertible Note and the exchange of all PDZ Holdings Shares and PDZ Holdings Options that would be issued to CD Capital on such a conversion into Ordinary Shares and CD Options would result in CD Capital having voting power in the Company of approximately 31.16% (if the entirety of the Convertible Note was converted and all PDZ Holdings Shares exchanged for Ordinary Shares pursuant to the Put and Call Option and all PDZ Holdings Options exchanged for CD Options, which were also exercised). Section 14.1.15 of Part 5 of this Prospectus sets out details of the dilution of existing shareholders that would occur in these circumstances.

The issue of the Convertible Note and CD Options to CD Capital does not result in CD Capital breaching the takeovers provisions of the Corporations Act 2001 as this only applies to issued voting shares in a company and not unissued shares. It is only upon conversion of the Convertible Note and CD Options, and the resulting issue of new Shares in the Company that CD Capital will acquire a relevant interest in the Shares of the Company.

The issues of Ordinary Shares pursuant to the Convertible Note and Put and Call Option and, if exercised, on exercise of the CD Options will result in CD Capital

acquiring a relevant interest and voting power in the Company above 20%, in breach of the takeovers provisions of the Corporations Act 2001 unless an exception applies. To ensure that the Convertible Note and CD Options are able to be converted by CD Capital without breaching the takeovers provisions of the Corporations Act 2001, prior to the issue of the Convertible Note and CD Options the Company will seek shareholder approval to permit CD Capital to potentially acquire a relevant interest and voting power in the Company above 20% in reliance on the exception described in (b) above.

The Australian Foreign Acquisitions and Takeovers Act generally prohibits a "foreign person" (generally, any person or entity that is not an Australian resident but including any Australian company in which a "foreign person" has voting power of more than 15%), together with its associates, from either directly or indirectly acquiring an interest in 15% or more of the issued shares, or controlling 15% or more of the voting power, of an Australian business valued at more than A\$252 million (or increasing its interest above that level), without first giving notice to the Australian Treasurer through the Foreign Investment Review Board, and complying with certain other requirements, and either the Australian Treasurer having stated that there is no objection to the acquisition or a statutory period has expired without the Australian Treasurer objecting.

The Australian Foreign Acquisitions and Takeovers Act also applies to any acquisition by a "foreign person" where two or more "foreign persons" (together with their associates), even if unrelated to each other, in aggregate hold or control, or as a result of the acquisition would hold or control, 40% or more of the issued shares or voting power in an Australian company. While a prior notification obligation generally does not arise in respect of such an acquisition (provided that the 15% threshold described above is not exceeded as a result of the acquisition), the Australian Treasurer may, if he considers that the acquisition is contrary to Australia's national interest, make orders, including to require the acquirer to divest its shares in the company. It is possible, but not obligatory, to make a voluntary notification to the Australian Treasurer of an acquisition of shares where this 40% threshold is exceeded that will compel consideration of the proposed acquisition. If such a notification is made in the prescribed manner, and no objection is taken by the Australian Treasurer within prescribed time periods, then the Australian Treasurer will not be empowered to make a divestiture or other order in relation to the relevant acquisition.

The Australian Government has also published additional policies relating to foreign investment, including a policy requiring notification to the Foreign Investment Review Board of any proposed direct investment by a foreign government or its agency (including sovereign wealth funds and state owned enterprises), or by a company in which a such an entity has an interest in 15% or more of the issued shares or voting power.

12.1.3 **Scheme of Arrangement**

In addition to takeover bids, the other main method of acquiring all of the voting shares of an Australian listed company is a scheme of arrangement. A scheme of arrangement is a statutory procedure under the Corporations Act 2001 that allows a company to reorganise its capital structure to give effect to a proposal, such as transferring all of the voting shares in a company to a bidder.

Unlike a takeover bid, a scheme of arrangement is a legal process involving the target company and its shareholders consenting to a proposal that will bind all

shareholders. For a scheme of arrangement to bind all shareholders, the following majority approvals must be obtained from shareholders:

- (a) head count test – a simple majority in number (more than 50%) of the shareholders who vote; and
- (b) voted shares test – at least 75% of the total number of votes cast.

The scheme of arrangement must also be approved by an Australian court, having regard to whether the majority approvals for shareholders have been achieved.

The advantage of a scheme of arrangement compared to a takeover bid is that a change of control of the company can be effected by achieving the above majority approvals, which does not require the unanimous agreement of all shareholders.

Unlike a takeover bid, the bidder has a limited role in a scheme of arrangement as the process is controlled by target company whose co-operation is required to put forward the bidder's proposal before a meeting of the target company's shareholders. The co-operation of the target company means that it would be difficult for a bidder to effect a change of control by a hostile scheme of arrangement. For these reasons, the bidder's role in a scheme of arrangement is generally confined to:

- (a) making the proposal to acquire all the shares in the target company by scheme of arrangement;
- (b) negotiating and entering into a scheme implementation agreement setting out the obligations of the target and bidder to co-operate to give effect to implementation of the scheme of arrangement; and
- (c) providing input into the target company's explanatory statement to shareholders which explains why the target company is proposing the scheme of arrangement.

Once the terms of the scheme implementation are agreed, the target will then draft a notice of meeting to shareholders, commonly referred to as a scheme booklet, explaining the terms of the proposed scheme of arrangement and containing all information shareholders require when deciding whether to approve the scheme of arrangement. The Scheme Booklet is then lodged with the Australian corporate regulator, the ASIC, for review.

Following ASIC's review of the scheme booklet, the target will apply to an Australian court for an order to convene a meeting of its shareholders to consider and vote on the proposed scheme of arrangement. After the approval of an Australian court is received, the Scheme Booklet is despatched to the target company's shareholders and a shareholders meeting convened to consider the proposed scheme of arrangement.

If the target company's shareholders approve the scheme of arrangement at the meeting, the target company will then notify ASIC and apply for a second hearing before an Australian Court seeking approval of the scheme of arrangement. The Australian Court then has the discretion to either approve or decline the scheme of arrangement, but will not substitute its assessment of the merits of the scheme of arrangement for that of the majority shareholders who voted in favour of it. Shareholders of the target company may appear at the second hearing and petition the Australian Court to not approve the proposed scheme of arrangement if they

believe prejudices their interests or that it has not met legal requirements. ASIC may also appear at the second hearing if it objects to the proposed scheme.

Once the scheme of arrangement is approved by the Australian Court, it becomes legally binding on all shareholders of the target company, including those who voted against the scheme or omitted to vote as soon as the Court's order is lodged with ASIC. Following which, the scheme will be implemented according to its terms.

12.1.4 Squeeze out

The Corporations Act 2001 provides that a person who has made a takeover bid which results in, at the end of the offer period, that person (and its associates) having a relevant interest in at least 90% of the issued shares and having acquired 75% (by number) of the shares that the person offered to acquire under the bid, may compulsorily acquire any remaining shares it does not hold at the same price offered under the bid, within one month after the end of the offer period. In addition, and even if a takeover bid has not been made, a person who otherwise lawfully acquires a relevant interest in at least 90% of the issued shares is able to acquire the remaining shares for fair value (as determined by an independent expert).

12.1.5 Sell out

The Corporations Act 2001 permits a minority shareholder to require an offeror to acquire its shares if the offeror has a relevant interest in at least 90% (by number) of the issued shares that the person offered to acquire under the bid.

12.1.6 Poland

The following summary of the Polish securities laws applicable to the holders of the Ordinary Shares is of a general nature and is based upon laws, regulations, administrative practice and judicial decisions in effect as at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set out herein. This summary does not purport to be a legal opinion or to address all aspects of that may be relevant to a holder of Ordinary Shares and/or to the investors in the Ordinary Shares. Each investor and/or prospective Shareholder is urged to consult its own legal advisor before acquiring Ordinary Shares in the Company or entering into any other agreement relating to the Ordinary Shares.

Tender offers

Voluntary tender offers

According to Article 72 clause 1 of the Polish Act on Public Offering, the purchase of shares in a public company where such purchase results in an increase of the share in the total number of votes by more than:

- (a) 10.0% of the total number of votes in less than 60 days, by an entity whose share of the total votes in the company is less than 33.0%; or
- (b) 5.0% of the total number of votes in less than 12 months, by a shareholder whose share of the total votes in the company amounts to at least 33.0%,

may take place only as a result of launching a tender offer for the sale or exchange of such shares in a number not less than respectively 10.0% or 5.0% of the total number of votes in the public company.

The obligation to launch a tender offer does not arise if the shares are being purchased in the primary market, in exchange for in-kind contributions to a company, and in the event of mergers or demergers of a company.

The obligation to launch a tender offer does not arise if the shares are being purchased from the State Treasury:

- (a) in an initial public offering; or
- (b) within three years after the end of the sale of shares by the State Treasury as a result of an initial public offering.

Mandatory tender offers

Exceeding the 33.0% threshold

According to Article 73 of the Polish Act on Public Offering, exceeding the threshold of 33.0% of the total number of votes in a public company may take place only by launching a tender offer for the sale or exchange of such shares, in the number of shares allowing the seller to reach 66.0% of the total number of votes, except where in excess of 33.0% of the total number of votes shall be held as a result of the tender offer.

According to Article 73 clause 2 of the Polish Act on Public Offering, if the threshold of 33.0% of the total number of votes was exceeded as a result of an indirect acquisition of shares, purchase of shares in an initial public offering, or as a result of an in-kind contribution to a company, or merger or split of companies, or as a result of a change of the articles of association, expiry of the preference of shares or occurrence of a legal event other than a legal act, the purchaser is obliged to undertake one of the following actions within three months of exceeding 33.0% of the total number of votes:

- (a) launch a tender offer for the sale or exchange of shares of the company in the number resulting in the holder reaching 66.0% of the total number of votes; or
- (b) sell the shares in the number resulting in the holder reaching not more than 33.0% of the total number of votes,

unless in that time the holdings of the shareholder changes to 33.0% or less of the total number of votes as a result of a share capital increase, change of the articles of association or expiration of preference shares.

If 33.0% or more of the total number of votes are held due to inheritance, the tender offer obligations apply only if, after such inheritance, the total number of votes increases further. The period for fulfilling such duties begins from the date on which the event resulting in the increase in the share in the total number of votes occurs.

The tender offer obligations do not arise where such shares are purchased from the State Treasury:

- (a) in an initial public offering;

- (b) within three years after the end of the sale of shares by the State Treasury as a result of an initial public offering.

Exceeding the 66.0% threshold

According to Article 74 of the Polish Act on Public Offering, exceeding the threshold of 66.0% of the total number of votes in a public company may take place only by launching a tender offer for the sale or exchange of all remaining shares of the company.

Exemption from the requirements to launch a tender offer

The obligation to launch a tender offer under Articles 72-74 of the Polish Act on Public Offering does not arise in the case of the purchase of shares:

- (a) introduced to trading in alternative trading systems which are not subject to a request for admission to trading in the regulated market or have not been admitted to such trading;
- (b) from an entity within the same capital group;
- (c) pursuant to bankruptcy and rehabilitation laws or in enforcement proceedings;
- (d) pursuant to a hedging agreement concluded by authorised entities in accordance with the Polish Act of 2 April 2004 on some types of financial hedging (consolidated text: Journal of Laws 2012 item 942 as amended);
- (e) encumbered by a pledge in order to satisfy a pledge authorised pursuant to applicable laws permitting such satisfaction of a pledge; or
- (f) by virtue of inheritance, other than as identified in Article 73 clause 3 and Article 74 clause 5 of the Polish Act of Public Offering.

Terms of the tender offer

According to Article 77 of the Polish Act on Public Offering, the tender offer may be launched only after the establishment of collateral valued at not less than 100.0% of the value of the shares that are the subject of the tender offer. The collateral should be documented by a certificate issued by a bank or other financial institution providing the collateral or intermediating in the provision thereof.

If the tender offer is launched by an entity conducting brokerage activities in the Republic of Poland, which is obliged to provide simultaneous notification about the intent to announce the tender offer to the Polish FSA and the company managing the regulated market in which the given shares are listed within 14 business days before the subscription date. It is not possible to withdraw from a launched tender offer unless, after launching the tender offer, a third party launches a tender offer, regarding the same shares. Withdrawal of a tender offer for all remaining shares of the company is permitted only when another entity announces a tender offer for all remaining shares of the company at a price not lower than the price in the initial tender offer.

In the period between notice of a tender offer and completion of the tender offer, (i) the entity obliged to announce the tender offer; (ii) the entities dependent on the entity obliged to announce the tender offer; and (iii) the parent entity of the entity obliged to announce the tender offer the entities being a party to an

arrangement concluded with the entity obliged to announce the tender offer with regard to the purchase by the said entities of the shares of a public company or compliant voting at the general meeting or conducting long-term policy against the company, may (a) purchase the shares of the company to which the tender offer refers only within such tender offer and in the manner determined in the tender offer; (b) may not sell the shares of the company to which the tender offer refers nor conclude agreements which would require them to sell the shares by them during the term of the tender offer; and (c) may not indirectly acquire shares of the public company that the tender offer relates to.

After the tender offer is announced, the entity obliged to announce the tender offer and the management board of the company whose shares are covered by the tender offer shall provide information on the tender offer, including its disclosure to the representatives of employee associations active at the company, and if there are no such associations at the company, directly to employees.

If shares that are the subject of the tender offer are admitted to trading on a regulated market in the Republic of Poland and in another Member State, the entity announcing the tender offer is obliged to ensure access to any information and documentation within any other Member State that is made available to the public with respect to the tender offer, in the manner specified by legislation of such Member State.

After the termination of the tender offer, the entity which announced the tender offer is obliged to disclose, in accordance with the procedures set forth in Article 69 of the Polish Act on Public Offering, the number of shares acquired in the tender offer and the share in the total vote achieved following the tender offer.

Upon receipt of notification announcing a tender offer, the Polish FSA may no later than three business days before the subscription date, request that the entity launching the tender offer change and supplement disclosure in the tender offer document or explain the tender offer document, at the date determined in the request; however, not less than two days.

The commencement of subscription period determined in the tender offer shall be suspended by the time of completing the activities mentioned above at the request of the entity obliged to announce the tender offer.

Price of shares in the tender offer

In the case where any of the shares of the company are subject to trading in the regulated market, the price of the shares proposed in the tender offer may not be lower than:

- (a) the average market price in the period of six months preceding the tender offer announcement, during which the shares were traded in the main market; or
- (b) the average market price in a shorter period, if the trading of the shares in the main market was shorter than the period determined in the above clause.

Should it be impossible to determine a price according to the principles identified above or, in the case of a company subject to bankruptcy proceedings, the price may not be lower than the fair value of the shares.

The price of the shares proposed in the tender offers may not be lower than either:

- (a) the highest price for which the shares subject to the tender offer were purchased within 12 months before the tender offer announcement by the entity obliged to announce the tender offer, the entities dependent of the entity obliged to announce the tender offer or by the parent entity of the same, or by the entity being a party to an arrangement concluded with the entity obliged to announce the tender offer with regard to the purchase by the said entity of the shares of a public company or compliant voting in the general meeting or conducting long-term policy against the company; or
- (b) the highest value of the assets or rights issued by the entity obliged to announce the tender offer or the entities mentioned in clause (a) in exchange for the shares subject to the tender offer within 12 months before the tender offer announcement.

If the average market price of the shares is determined in accordance with the principles identified above and the price significantly differs from the fair value of these shares due to:

- (a) the granting to the shareholders of pre-emptive rights, the right to dividends, the right to acquire shares in the acquirer in connection with the division of a public company by unbundling or other property rights connected with the possession of shares in a public company;
- (b) a significant decrease in the financial or proprietary situation as a result of events or circumstances which cannot be predicted or prevented by the company; or
- (c) the company being threatened by permanent insolvency,

the offeror may apply to the Polish FSA for consent to propose a price in the tender offer which does not comply with the criteria set forth above. The Polish FSA may give its consent provided that the proposed price is not lower than the fair value of these shares and the tender offer does not breach the legitimate interest of shareholders.

The price of shares proposed in the tender offer mentioned in Article 74 of the Polish Act on Public Offering may also not be lower than the average market price within three months of trading the shares in the regulated market preceding the tender offer announcement.

The price proposed in the tender offer may be lower than the price determined pursuant to the rules described above for shares comprising at least 5.0% of all company shares to be acquired in the tender offer from a specific person accepting such tender offer if agreed by the entity obliged to announce the tender offer and such person.

Squeeze-out

According to Article 82 of the Polish Act on Public Offering, the shareholder of a public company who independently or jointly with the entities dependent on that shareholders or its parent entities or entities being a party to an arrangement concluded with the entity obliged to announce the tender offer with regard to the purchase by the said entities of the shares of a public company or compliant voting in the general meeting regarding the major affairs of the company, achieved or exceeded 90.0% of the total number of votes in the company, has the right to request other shareholders to sell to it all the shares held by them ("squeeze-out").

This should be done not later than within three months from the date of achieving or exceeding this threshold.

The price of the shares subject to the squeeze-out is determined according to the principles set out in the Polish Act on Public Offering regarding the determination of the shares price in the tender offer, as discussed above. If reaching or exceeding the threshold of 90.0% has occurred due to the announced tender offer for sales or exchange of all the remaining shares in a company, the right of squeeze-out price cannot be lower than the price proposed in the tender offer.

The squeeze-out is announced and carried out through an entity running brokerage activities in Republic of Poland, which is obliged (not later than at 14 business days before the forced redemption beginning) to simultaneously notify the Polish FSA and the company managing the regulated market in which the given shares are listed about the intent of announcing the same, or if the shares of the company are listed in several regulated markets, all of such companies. The entity attaches to the notification the information about the forced redemption.

Once announced, the withdrawal from the forced redemption is not allowed.

Reverse squeeze-out ("sell out")

According to Article 83 of the Polish Act on Public Offering, a shareholder of a public company may request that another shareholder who has reached or exceeded 90.0% of the total number of votes in such company buys out all the shares held by the requesting shareholder.

The request should be filed in writing within three months from the date on which other shareholder achieved or exceeded the level of 90.0% of votes.

The obligation to buy out the minority shareholder is a joint and several obligation of the shareholder who achieved or exceeded the 90.0% of the total number of votes and its dependent or dominating entities within 30 days of the date of the claim notification. The duty to buy out the shares from the shareholders is also jointly vested in each of the parties of the arrangement on purchasing by the members of such arrangements of the shares of a public company or compliant voting at the general meeting or conducting long-term policy against the company, should the members of such arrangement possess jointly with the dominating or dependent entities at least 90.0% of the total number of votes.

The price of the shares subject to forced buy out shall be determined according to the principles set out in the Polish Act on Public Offering regarding the determination of the shares price in the call, as discussed above. If reaching or exceeding the threshold of 90.0% has occurred due to the announced tender offer for sales or exchange of all the remaining shares of a company, the shareholder requesting the buy back of shares shall be entitled to receive the price no lower than the price proposed in such tender offer.

Specific cases of the applicability of the provisions of the Polish Act on Public Offering regarding the tender offers, the squeeze-out or sell out

According to Article 87 of the Polish Act on Public Offering, the duties determined in the provisions regarding the notification the Polish FSA about reaching or exceeding particular threshold of the total vote in a public company the tender offers, the squeeze-out or the sell out are vested also in:

- (a) the entity, who reaches or exceeds a threshold of the total vote defined herein as a result of acquisition or disposal of depository receipts issued in connection with shares of a public company;
- (b) an investment fund, also in the case when the achievement or exceeding of the given threshold of the total number of votes determined in the regulations takes place with regard to the possession of shares jointly by other investment funds managed by the same investment funds company or other investment funds established outside of the territory of the Republic of Poland and managed by the same entity;
- (c) also the entity in the case of which the achievement or excess of the given threshold of the total number of votes set out in the provisions of the Polish Act on Public Offering takes place in reference to the possession of shares by (i) a third party in its own name, however to the order or for the benefit of such entity, excluding the shares purchased within the execution of certain actions defined in Polish Act on Trading in Financial Instruments; (ii) within carrying out of certain actions designed in the Polish Act on Trading in Financial Instruments in reference to the shares included in the managed securities portfolios, for which the entity as a management company may enforce the right of vote in the general meeting on behalf of the ordering parties; (iii) a third party with whom the entity has concluded an agreement the subject of which is the transfer of the right to the enforcing the right to vote;
- (d) also the proxy who, when representing the shareholder at the general shareholders meeting, has been authorised to exercise voting rights from public company shares, provided such shareholder has not issued binding written instructions as to the manner of voting;
- (e) also jointly in all entities which are bound with a written or oral arrangement regarding the purchasing by the entities of the shares of a public company or compliant voting in the general meeting and conducting long-term policy against the company, if at least one of such entities made or planned to make activities resulting in the origin of such duties; and
- (f) entities that conclude the arrangement mentioned above, possessing the shares of a public company, in the number ensuring the joint achievement or excess of the given threshold of the total number of votes.

In the cases mentioned above in the two latest sub-items, the duties determined in the regulations regarding the major stakes of shares may be fulfilled by one of the parties to the arrangement identified by the parties to the arrangement.

The duties determined in the provisions regarding the notification Polish FSA about reaching or exceeding particular threshold of the total vote in a public company, the tender offers, the squeeze-out or the sell out result also in the case the voting rights are related to securities deposited or registered with the entity that may manage the same according to its own discretion:

13 NOTIFICATIONS OF SHAREHOLDINGS

United Kingdom

- 13.1 The provisions of DTR 5 will apply to the Company and its Shareholders once its shares are admitted to the Official List. DTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a

Shareholder exceed, reach or fall below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

- 13.2 DTR 5 provides that disclosure by a Shareholder to the Company must be made within four trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt.

Australia

- 13.3 Whilst the Company remains listed on ASX, the Corporations Act 2001 requires Shareholders to notify the Company and ASX if they acquire voting power in 5% or more of the issued share capital of the Company, of any changes of 1% or more in their holding, and if they cease to have voting power of 5% or more.

Poland

- 13.4 Once the shares of the Company are admitted to trading on the WSE, Article 69 of the Polish Act on Public Offering governing notification of shareholdings will apply to the Company and its Shareholders. According to this provision, anyone who:

- (a) reached or exceeded the level of 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total number of votes in a public company; or
- (b) holds at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total number of votes in a public company and, as a result of reducing that share, reached the level of 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90%, respectively, or less of the total number of votes,

is obliged to promptly notify the Polish FSA and the relevant public company not later than four business days from the date on which their shareholdings changed or with due diligence the date on which the person learned or could have learned about such change. Where the change resulted from a purchase of shares in a public company in a transaction concluded on a regulated market, not later than six trading days from the date of the transaction. Trading days are days specified by the company managing the regulated market (in the present case – the WSE) in its rules, pursuant to the Act on Trading in Financial Instruments and announced by the Polish FSA on its website.

- 13.5 According to Article 69 clause 2 of the Polish Act on Public Offering, the obligation to notify the Polish FSA and the public company also arises when the shareholding of:
- (a) a holder that currently possesses more than 10% of the total number of votes changes its holding by at least:
 - (i) 2% of the total number of votes in a public company shares of which are admitted to trading on the main market of the WSE; or
 - (ii) 5% of the total number of votes in a public company shares of which are admitted to trading on a regulated market other than the main market of the WSE; or

- (b) a holder that currently possesses more than 33% of the total number of votes changes its holdings by at least 1% of the total number of votes.
- 13.6 The notification obligation does not arise when, upon settlement by a depository of several transactions on the regulated market on the same day, the change in the total number of votes in a public company as at the end of the settlement date does not result in the achievement or excess of the thresholds indicated above.
- 13.7 The above notification obligations also apply to entities that have reached or exceeded a given threshold of the total number of votes in connection with:
- (c) occurrence of a legal event other than a legal act; or
 - (d) an acquisition or disposal of financial instruments from which an unconditional right or obligation arises to acquire already issued shares of a public company; or
 - (e) an indirect acquisition of shares of a public company.
- 13.8 A public company must promptly make such information public and disclose such information to the Polish FSA and the company managing the regulated market in which the shares of the company are listed at the same time.

14 **CD CAPITAL**

14.1 **CD Capital Agreement**

On 19 July 2015, the Company, CD Capital Natural Resources Fund III L.P. ("**CD Capital**") and PDZ Holdings, a wholly owned subsidiary of the Company, entered into an investment agreement ("**CD Capital Agreement**") where CD Capital agreed to invest in PDZ Holdings (a wholly owned subsidiary of the Company), and PDZ Holdings agreed to issue a convertible note of a principal amount of A\$15 million, guaranteed by the Company, (the "**Convertible Note**"), convertible into PDZ Holdings Shares at a price of A\$0.335 per PDZ Holdings Share ("**Conversion Price**"). Each PDZ Holdings Shares that would be issued to CD Capital on exercise of the Convertible Note may be converted into one Ordinary Share pursuant to the Put and Call Option.

The following is a summary of the material terms and conditions of the CD Capital Agreement relating to the issue of the Convertible Note to CD Capital.

Conditions Precedent to complete the transaction and issue of Convertible Note

- 14.1.1 Completion of the CD Capital Agreement and the issue of the Convertible Note to CD Capital are conditional on the following conditions being satisfied or waived prior to 30 November 2015:
- (a) Shareholders approving the transactions contemplated under the CD Capital Agreement, Put and Call Option Agreement and the issue of the Put and Call Option and the issue of Ordinary Shares on exercise of the Put and Call Option and exercise of the CD Options for the purposes of the ASX Listing Rules and Corporations Act 2001;
 - (b) Shareholders approving the director(s) nominated by CD Capital; and
 - (c) at the date the condition (a) is satisfied:

- (i) no applicable law prevents CD Capital providing the A\$15 million in subscription for and being issued the Convertible Note;
- (ii) no event or omission has occurred in respect of the Company, Group or the Lublin Coal Project which has a material adverse effect on their business, operations, assets, capitalisation, financial condition or liabilities;
- (iii) there is no action or proceeding pending or threatened that is reasonably likely to prohibit CD Capital from holding Ordinary Shares pursuant to the Convertible Note and Put and Call Option or prohibit or materially delay the subscription to and issue of the Convertible Note;
- (iv) the representations and warranties of CD Capital and the Company being true and correct in all material respects; and
- (v) CD Capital and the Group complying in all material respects with their obligations under the CD Capital Agreement.

CD Capital Nominee Directors

14.1.2 On satisfaction of the conditions and following completion of CD Capital's subscription for the Convertible Note, Prairie will be required to take immediate steps to reconstitute its Board to comprise of six directors, of which CD Capital has the right to nominate (subject to each nominee being approved by shareholders and suitably qualified to serve as a company director as required by applicable laws):

- (a) if it satisfies the 5% Threshold, one director of the Company; and
- (b) if it satisfies the 15% Threshold, two directors of the Company,

(the "**CD Capital Nominee Directors**").

Subject to CD Capital satisfying the 5% Threshold or 15% Threshold, if any CD Capital Nominee Director ceases to hold office for any reason, CD Capital is entitled to nominate a replacement person to act as their nominee director(s) of the Company.

14.1.3 In accordance with the ASX Listing Rules, the CD Capital Nominee Directors will be required to stand for election at the next annual general meeting of the Company after their appointment. If the CD Capital Nominee Directors are not elected at the 2015 annual general meeting of the Company (which is likely to be held in October 2015), this would give CD Capital the right to terminate the CD Capital Agreement and constitute an event of default in respect of the Convertible Note, as discussed at paragraph 14.3.8 below.

14.1.4 Following the issue of the Convertible Note, the Company may only appoint additional directors with the consent of CD Capital. However, CD Capital's consent is not required to replace any of the four directors not nominated by CD Capital. If the size of the Board exceeds eight directors, CD Capital is entitled to appoint a third director to the Company.

Undertakings

- 14.1.5 Subject to the Corporations Act 2001, satisfaction of the conditions of the CD Capital Agreement and completion of the transaction, the Group undertake that the following will not occur without the prior written consent of CD Capital:
- (a) any amendment to the Constitution which impacts on any rights under the CD Capital Agreement, the Convertible Note, CD Options or Put and Call Option;
 - (b) the expansion of the business of the Company otherwise than through the Group;
 - (c) changing the nature of the business of the Company;
 - (d) passing any resolution to wind up the Company or any member of the Group solvently or entering into a scheme of arrangement with creditors; and
 - (e) the use of the A\$15 million provided by CD Capital in a manner other than in accordance with the budget agreed with CD Capital.
- 14.1.6 The requirement to obtain CD Capital's consent in relation to the matters in (a) to (d) above only applies while CD Capital satisfies the 15% Threshold. However, the requirement in (e) applies while CD Capital satisfies the 2.5% Threshold.
- 14.1.7 While the Convertible Note remains outstanding, the Company and Group undertake not to create or allow to exist any encumbrance (other than those occurring through the ordinary course of business) over any of the assets of the Group. This does not apply to project financing provided by a third party (including engineering, procurement and contracting services, off-take services or mining equipment supply services of not less than A\$1 million) relating to construction of the Lublin Coal Project.

First Right to discuss future financing

- 14.1.8 Subject to completing the transactions and certain other exceptions, CD Capital has a pre-emptive right to provide the Company with funding up to an aggregate of A\$55 million on terms agreed with the Company if the Company intends to raise capital in the form of debt and/or equity which in aggregate exceeds A\$10 million and this capital raising occurs within the later of (i) two years after the issue of the Convertible Note and (ii) the date CD Capital ceases to satisfy the 5% Threshold.

Anti-dilution right

- 14.1.9 From the date of completing the transaction and issuing the Convertible Notes, and subject to ASX providing the Company with a waiver from the ASX Listing Rules, if the Company issues Ordinary Shares to any person or entity prior to the release of the results of a bankable feasibility study (a "**Dilution Event**"), CD Capital has the right to subscribe and be issued additional Ordinary Shares to maintain its percentage shareholding in the Company on an "as converted basis" immediately prior to the dilutionary event ("**Top-Up Right**"). The Top-Up Right does not apply to any Ordinary Shares issued as a consequence of the exercise of the Unlisted Options, Performance Rights or Milestone Shares.
- 14.1.10 The Ordinary Shares issued on exercise of the Top-Up Right will:

- (a) if the Dilution Event involved the issue of Ordinary Shares for cash consideration, have an issue price per Ordinary Share which is equal to the cash consideration paid by the third parties pursuant to the Dilution Event;
- (b) if the Dilution Event involved the issue of Ordinary Shares for non-cash consideration, have an issue price per Ordinary Share equal to the volume weighted average price of Ordinary Shares trading on ASX over the fifteen (15) trading days immediately prior to the public announcement of the Dilution Event; and
- (c) if the Dilution Event involves the issue of Ordinary Shares as a result of the exercise or conversion of any convertible security (i.e. Unlisted Options or Performance Rights), have an issue price per Ordinary Share equal to the exercise price of the convertible security (or if there is nil exercise price, a price per Ordinary Share equal to the volume weighted average price of Ordinary Shares trading on ASX over the fifteen (15) trading days immediately prior to the exercise of the relevant convertible security).

Termination of CD Capital Agreement

14.1.11 The CD Capital Agreement may be terminated prior to the issue of the Convertible Note:

- (a) by mutual agreement between CD Capital and the Group;
- (b) if shareholders do not approve the resolutions relating to the Convertible Note transaction, issue of the Put and Call Option and issue of Ordinary Shares upon exercise of the Put and Call Option and CD Options;
- (c) any of the conditions precedent are not satisfied or waived prior to 30 November 2015;
- (d) by CD Capital, if there is a material breach of a representation or warranty, failure to perform an obligation or a material adverse event occurs in relation to the Group which is incapable of being remedied or not remedied within 15 Business Days after notice from CD Capital; or
- (e) by the Group, if there is a material breach of a representation or warranty or failure to perform an obligation by CD Capital which is incapable of being remedied or not remedied within 15 Business Days after notice from the Company.

Exclusivity

14.1.12 During the period between 19 July 2015 and the earlier of completing the transaction with CD Capital or terminating the CD Capital Agreement, the Group will not seek finance or funds in competition with or which could replace or affect the completion of the transaction with CD Capital.

Fees

14.1.13 The Company must, on completion of the CD Capital Agreement, pay the legal, accounting and other third party professional fees incurred by CD Capital relating to the Investment subject to an aggregate total cap of A\$200,000.

Other terms

- 14.1.14 The CD Capital Agreement also contains a number of terms and conditions, indemnities, representations and warranties from CD Capital and the Company. These are in a form which are considered standard for an investment agreement relating to a convertible note and the Company's liability is subject to an aggregate cap of A\$15 million

Dilutionary effect of issue of shares to CD Capital

- 14.1.15 If the CD Capital Agreement is approved by the Company's shareholders, the dilutionary effect of the issue of Ordinary Shares to CD Capital on conversion of the Convertible Note and the exercise of CD Options would be as follows:

	Shares	Options	Performance Rights	CD Capital Interest
Current issued capital as at 26 August 2015 (being the latest practicable date prior to the date of this document)	148,352,432 ^(f)	12,475,000	4,147,000	
Ordinary Shares and CD Options to be issued to CD Capital	44,776,120	22,388,060	-	
Total issued capital after issue of Ordinary Shares and CD Options to CD Capital	193,128,552	34,863,060	4,147,000	23.18%
Shares to be issued on exercise of CD Options	22,388,060	(22,388,060)	-	
Total issued capital after issue of Ordinary Shares to CD Capital and conversion of CD Options	215,516,612	12,475,000	4,147,000	31.16%

Notes:

This table assumes that:

- (a) the whole of the Convertible Note is converted into PDZ Holdings Shares and attaching PDZ Holdings Options;
- (b) the Put Option or the Call Option is exercised to exchange all of the PDZ Holdings Shares and all of the PDZ Holdings Options issued on conversion of the Convertible Note into Ordinary Shares and CD Options;
- (c) all of the CD Options issued upon the exercise of the Put Option or the Call Option are exercised;
- (d) no other Convertible Securities are exercised or converted;
- (e) no further Ordinary Shares or securities are issued by the Company; and
- (f) This figure includes the 600,000 Unissued Milestone Shares.

14.2 Put and Call Option

- 14.2.1 Simultaneous with the issue of the Convertible Note under the CD Capital Agreement, the Company and CD Capital will also enter into the Put and Call Option Agreement.

14.2.2 Under the terms of the Put and Call Option Agreement, either of CD Capital or the Company can, in their sole discretion, require that:

- (a) each PDZ Holdings Share issued to CD Capital be exchanged for an Ordinary Share; and
- (b) each PDZ Holdings Option issued to CD Capital be exchanged for a CD Option,

at any time during the 30 day period after issue of any PDZ Holdings Shares on conversion of the Convertible Note.

14.2.3 The Put and Call Option may be exercised in respect of some or all of the PDZ Holdings Shares or PDZ Holdings Options held by CD Capital.

14.2.4 CD Capital may assign its rights under the Put and Call Option Agreement to any third party who holds a Convertible Note, provided that that third party enters into a deed of assumption in respect of the Put and Call Option Agreement.

14.2.5 The Put and Call Option Agreement terminates after conversion or repayment of the entire amount of the Convertible Note and all PDZ Holdings Shares and PDZ Holdings Shares being exchanged into Ordinary Shares and CD Options.

14.3 **CD Capital Convertible Note**

General

14.3.1 PDZ Holdings, a wholly owned subsidiary of the Company, will issue the Convertible Note with a principal amount of A\$15 million to CD Capital which is only repayable upon an Event of Default occurring.

14.3.2 No interest is payable on the Convertible Note.

14.3.3 For every two PDZ Holdings Shares issued on conversion of all or part of the Convertible Note PDZ Holdings has agreed to issue CD Capital one PDZ Holdings Option. The terms and conditions of the PDZ Holdings Options are set out below at Section 14.5 of this Part 5.

Conversion Rights

14.3.4 CD Capital has the right, subject to compliance with the Corporations Act 2001, at any time while the Convertible Note is outstanding to convert all or part of the outstanding principal amount of the Convertible Note into PDZ Holdings Shares at the Conversion Price. The Convertible Note must be converted at a minimum amount of A\$250,000 and additional amounts converted in A\$250,000 increments.

14.3.5 The Group has the right, while there is no Event of Default existing, to convert and exchange all or part of the principal amount of the Convertible Note at the Conversion Price if:

- (a) at any time 12 months after the date of issue of the Convertible Note, the weighted average trading price of the Company's Ordinary Shares exceeds the Conversion Price for the 30 trading day period prior to Group electing to convert all or part of the Convertible Note; or
- (b) at any time after the issue of the Convertible Note if a person acquires a relevant interest in at least 50% of the Ordinary Shares pursuant to a

takeover bid or an Australian court approves a merger by way of a scheme of arrangement.

New issues and adjustment of Conversion Price

- 14.3.6 The Convertible Note does not provide CD Capital with any right to participate in any new issues of securities.
- 14.3.7 If the Company reorganises its capital structure, such as by subdividing or consolidating the number of Ordinary Shares, conducts a pro rata offer to existing Shareholders or distributes assets or securities to Shareholders then the Conversion Price of the Convertible Note will be adjusted so that the number of Ordinary Shares received by CD Capital on conversion of the Convertible Note (assuming that all PDZ Holdings Shares issued to CD Capital were exchanged for Ordinary Shares pursuant to the Put and Call Option) is the same as if the Convertible Note were converted prior to relevant event.

Events of Default

- 14.3.8 Each of the following events is an "Event of Default" in relation to the Convertible Note:
- (c) Any representation or warranty made by the Group is false or misleading which is reasonably likely to have a material adverse effect on the ability of Group to perform its obligations in relation to the Convertible Note, the CD Capital Agreement or the assets, business, conditions (including financial), prospects or operations of the Group, and if such breach is capable of remedy, it is not remedied within 45 days.
 - (d) The Group breaches a covenant or condition in the Convertible Note or CD Capital Agreement which is likely to have a material adverse effect on the ability of the Group to perform its obligations in relation to the Convertible Note, the CD Capital Agreement or the assets, business, conditions (including financial), prospects or operations of the Company, and if such breach is capable of remedy, it is not remedied within 45 days.
 - (e) An Insolvency Event occurs in relation to the Group.
 - (f) The Group ceases to carry on business.
 - (g) The Company does not maintain the listing and trading of Ordinary Shares on at least one of ASX, LSE or WSE.
 - (h) The Company's shareholders do not approve the election of the CD Capital Nominee Directors at the first annual general meeting of the Company following their appointment.

An Event of Default entitles CD Capital to declare the principal amount of the Convertible Note immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Group.

Assignment of Convertible Note

- 14.3.9 CD Capital may assign, transfer or encumber in whole or in part (in amounts of at least A\$1 million) its rights under the Convertible Note to any third party by providing written notice to the Group provided the third party has provided a deed of assumption in respect of the Put and Call Option Agreement.

14.4 **CD Options**

For every two PDZ Holdings Shares issued on conversion of all or part of the Convertible Note PDZ Holdings has agreed to issue CD Capital one PDZ Holdings Option. Each PDZ Holdings Option may be exchanged for one CD Capital Option pursuant to the Put and Call Option.

The key terms and conditions on which the CD Options will be issued are as follow:

General

14.4.1 Each CD Option gives the holder the right to subscribe for one Ordinary Share at an exercise price of A\$0.60.

14.4.2 All Ordinary Shares issued on exercise of the CD Options rank equally with all other Ordinary Shares of the Company.

Exercise Period

14.4.3 CD Options may be exercised at any time during the 36 month period after the date of issue.

Quotation on ASX

14.4.4 The Company will apply to ASX for quotation of all Ordinary Shares issued on exercise of any CD Options.

Alteration in Share Capital

14.4.5 Appropriate adjustments will be made to the number of Performance Rights in accordance with the ASX Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

Adjustment for bonus issue

14.4.6 If the Company makes a bonus issue of Ordinary Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

(a) the number of Ordinary Shares which must be issued on the exercise of an CD Option will be increased by the number of Ordinary Shares which the CD Option holder would have received if the CD Option holder had exercised the CD Option before the record date for the bonus issue; and

(b) no change will be made to the exercise price of the CD Options

Adjustment for rights issue

14.4.7 If the Company makes an issue of Ordinary Shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of CD Options will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P - (S + D)]}{N + 1}$$

Where:

O = the old exercise price of the CD Option.

E = the number of underlying Ordinary Shares into which one CD Option is exercisable.

P = average market price per Ordinary Share weighted by reference to volume of the underlying Ordinary Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of an Ordinary Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Ordinary Shares (except those to be issued under the pro rata issue).

N = the number of Ordinary Shares with rights or entitlements that must be held to receive a right to one new Ordinary Share

Depository Interests

14.4.8 If requested by the a holder of CD Options, the Company will use all reasonable endeavours to assist the holder to promptly transfer the Ordinary Shares issued upon exercise of any CD Options to either:

- (a) the Company's United Kingdom depository, such that the requisite number of depository interests are subsequently issued to the holder which are able to be traded on the London Stock Exchange; or
- (b) if applicable, to the Company's Polish depository to enable the Ordinary Shares or depository interests thereof to be traded on the Warsaw Stock Exchange.

Transferability

14.4.9 The CD Options are freely transferable provided that the transfer of the CD Options complies with section 707(3) of the Corporations Act 2001.

14.5 PDZ Holdings Options

14.5.1 As noted above, CD Capital has a right to be issued one PDZ Holdings Option for every two PDZ Holdings Shares issued under the Convertible Note.

The key terms of the PDZ Holdings Options are as follows:

General

14.5.2 Each PDZ Holdings Option gives the holder the right to subscribe for one PDZ Holdings Share at an exercise price of A\$0.60.

14.5.3 All PDZ Holdings Shares issued on exercise of the PDZ Holdings Options rank equally with all other PDZ Holdings Shares of the Company.

Exercise Period

14.5.4 PDZ Holdings Options may be exercised at any time during the 36 month period after the date of issue and shall expire 36 months from the date of issue.

Alteration in Share Capital

- 14.5.5 Appropriate adjustments will be made to the number of PDZ Holdings Options in the event of a reconstruction of the share capital of the Company such as a share consolidation, share split or other reduction of capital in accordance with the ASX Listing Rules as if the PDZ Holding Options were exercisable into Ordinary Shares.

Adjustment for bonus issue

- 14.5.6 If the Company or PDZ Holdings makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of PDZ Holdings Shares which must be issued on the exercise of an PDZ Holdings Option will be increased by the number of PDZ Holdings Shares which the PDZ Holdings Option holder would have received if the PDZ Holdings Option holder had exercised the PDZ Holdings Option before PDZ Holdings' record date for the bonus issue, or in the case of a bonus issue of the Company, as if the PDZ Holdings Options had been exercisable into Ordinary Shares; and
- (b) no change will be made to the exercise price of the PDZ Holdings Options.

Adjustment for rights issue

- 14.5.7 If PDZ Holdings or the Company makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of PDZ Holdings Options will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P - (S + D)]}{N + 1}$$

Where:

- O = the old exercise price of the PDZ Holdings Option.
- E = the number of underlying shares into which one PDZ Holdings Option is exercisable.
- P = average market price per Ordinary Share weighted by reference to volume of the underlying Ordinary Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of an Ordinary Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).
- N = the number of shares with rights or entitlements that must be held to receive a right to one new share.

Transferability

- 14.5.8 The PDZ Holdings Options are freely transferable provided that the transfer of the PDZ Holdings Options complies with section 707(3) of the Corporations Act 2001.

14.6 **Limits on share capital**

Pursuant to Chapter 7 of the ASX Listing Rules, the Company must not issue options if it would have more options on issue than Ordinary Shares on issue.

Furthermore and pursuant to Chapter 7 of the ASX Listing Rules, without approval of shareholders, the Company must not issue or agree to issue more equity securities (including options) than 15% of the Company's Ordinary Shares on issue 12 months before the issue date or date of agreement to issue, subject to certain exceptions, less any actual issues of equity securities issued or agreed to be issued in the 12 months before the issue date or agreement of issue, subject to certain exceptions.

15 **MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document.

15.1 **CD Capital Agreement**

See section 14 of this Part 5 above.

15.2 **Use of Geological Information on the 'Lublin K-6-7' Deposit for Consideration Agreement**

On 21 January 2014, the Company entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical geological information for the Lublin K-6-7 deposit at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to the MoE of PLN1,911,709 (~A\$690,500) for the right to use the historical geological information. This amount constitutes 10% of the overall fee for the data. The term of the agreement is for 30 months and upon the grant of a Mining Concession at the Lublin K-6-7 deposit by the MoE, the balance (subject to indexation) is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a Mining Concession.

15.3 **Use of Geological Information on the 'Lublin K-4-5' Deposit for Consideration Agreement**

On 12 December 2014, the Company entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical geological information for the Lublin K-4-5 deposit at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to the Polish MoE of PLN1,698,111 (~A\$595,830) for the right to use the historical geological information. This amount constitutes 10% of the overall fee for the data. The term of the agreement is for 30 months and upon the grant of a Mining Concession at the Lublin K-4-5 deposit by the MoE, the balance (subject to indexation) is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a Mining Concession.

15.4 Use of Geological Information on the 'Lublin K-8' Deposit for Consideration Agreement

On 17 December 2014, the Company entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical geological information for the Lublin K-8 deposit at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to the Polish MoE of PLN1,368,129 (~A\$480,045) for the right to use the historical geological information. This amount constitutes 10% of the overall fee for the data. The term of the agreement is for 30 months and upon the grant of a Mining Concession at the Lublin K-8 deposit by the MoE, the balance (subject to indexation) is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a Mining Concession.

15.5 Use of Geological Information on the 'Lublin K-9' Deposit for Consideration Agreement

On 17 December 2014, the Company entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical geological information for the Lublin K-9 deposit at the Lublin Coal Project. Under the terms of the agreement, the Company was required to make a payment to the Polish MoE of PLN616,077 (~A\$216,165) for the right to use the historical geological information. This amount constitutes 10% of the overall fee for the data. The term of the agreement is for 30 months and upon the grant of a Mining Concession at the Lublin K-9 deposit by the MoE, the balance (subject to indexation) is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a Mining Concession.

15.6 Usufruct agreements

Please refer to Section 3.1.7 of Part 1 in relation to usufruct agreements over the Exploration Concessions constituting the Lublin Coal Project.

15.7 Depositary Interest Deed Poll

Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll available for inspection at the offices of the Depositary or by written request to the Depositary (subject to a reasonable copying charge). In summary, the Deed Poll contains, amongst other things, provisions to the following effect which are binding on holders of Depositary Interests.

The Depositary will hold (itself or through its nominated Custodian), as bare trustee, the Ordinary Shares issued by the Company and all and any rights and other securities, property and cash attributable to the Ordinary Shares and pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests.

Holders of the Depositary Interests warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary and for the account of the holders of Depositary Interests are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's Articles nor any contractual obligation, law or regulation. The holder of Depositary Interests indemnifies the Depositary for any losses it incurs as a result of breach of this warranty.

The Depositary and the Custodian must pass on to Depositary Interest holders and exercise on behalf of Depositary Interest holders all rights and entitlements

received or to which they are entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on to the holders of Depositary Interests upon being received by the Custodian and in the form in which they are received by the Custodian together with any amendments and additional documentation necessary to effect such passing on.

The Depositary shall re-allocate any Ordinary Shares or distributions which are allocated to the Custodian and which arise automatically out of any right or entitlement of Ordinary Shares already held by the Custodian to holders of Depositary Interests pro rata to the Ordinary Shares held for their respective accounts provided that the Depositary shall not be required to account for any fractional entitlements arising from such re-allocation and shall donate the aggregate fractional entitlements to charity.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any holder of Depositary Interests or to any other person for liabilities in connection with the performance or non-performance of its obligations under the Deed Poll or otherwise, except to the extent that any losses result from its own negligence or wilful default or fraud. Furthermore, except in the case of personal injury or death, the Depositary's liability to a holder of Depositary Interests will be limited to the lesser of:

- (a) the value of the Ordinary Shares and other deposited property properly attributable the Depositary Interests to which the liability relates; and
- (b) that proportion of £5 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the Depositary Interest holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5 million.

The Depositary is not liable for any losses attributable to or resulting from the Company's negligence or wilful default or fraud or that of the CREST operator.

The Depositary is entitled to charge holders of Depositary Interest fees and expenses for the provision of its services under the Deed Poll.

Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of Depositary Interests held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent, if such Custodian or agent is a member of the Depositary's group, or, if not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.

The Depositary may compulsorily withdraw the Depositary Interests (and the holders of Depositary Interests shall be deemed to have requested their cancellation) if certain events occur. These events include, amongst other things, where the Depositary believes that ownership of the Depositary Interests may result in a taxation or pecuniary, fiscal or material regulatory disadvantage to the Depositary or the Custodian or where the Depositary Interests are held by a person

in breach of the law or the Company's Articles. If these events occur the Depositary shall make such arrangements for the deposited property as it sees fit, including sale of the deposited property and delivery of the net proceeds thereof to the holder of the Depositary Interests in question.

The Depositary may terminate the Deed Poll by giving not less than 30 days' prior notice. During such notice period holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must as soon as reasonably practicable, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of Depositary Interests in respect of their Depositary Interests.

The Depositary or the Custodian may require from any holder, or former or prospective holder, information as to the capacity in which Depositary Interests are owned or held and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying Ordinary Shares and holders are bound to provide such information requested. Furthermore, to the extent that the Company's Constitution requires disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Ordinary Shares, the holders of Depositary Interests are to comply with such provisions and with the Company's instructions with respect thereto.

Holders of Depositary Interests are responsible for the payment of any tax, including stamp duty reserve tax on the transfer of their Depositary Interests.

15.8 **Depositary Agreement**

A depositary services and custody services agreement dated 2 July 2015 between the Company and the Depositary (the "**Depositary Agreement**") relating to the Depositary's appointment as Depositary and Custodian in relation to the Ordinary Shares and the provision of depositary and custodian services in connection with the Depositary Interests.

The Depositary agrees that it will comply, and will procure certain other persons comply, with the terms of the Deed Poll and that it and they will perform their obligations in good faith and with all reasonable skill, diligence and care. The Depositary assumes certain specific obligations, including the obligation to arrange for the Depositary Interests to be admitted to CREST as participating securities and to provide copies of and access to the register of Depositary Interests. The Depositary will either itself or through its appointed Custodian hold the deposited property on trust (which includes the Ordinary Shares represented by the Depositary Interests) for the benefit of the holders of the Depositary Interests as tenants in common, subject to the terms of the Deed Poll. The Company agrees to provide such assistance, information and documentation to the Depositary as is reasonably required by the Depositary for the purposes of performing its duties, responsibilities and obligations under the Deed Poll and the Depositary Agreement. In particular, the Company is to supply the Depositary with all documents it sends to its Shareholders so that the Depositary can distribute the same to all holders of Depositary Interests. The agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution.

The Company is to indemnify the Depositary for any loss it may suffer as a result of performing of the Depositary Agreement except to the extent that any losses result

from the Depositary's own negligence, fraud or wilful default. The Depositary is to indemnify the Company for any loss the Company may suffer as a result of in connection with the Depositary's fraud, negligence or wilful default save that the aggregate liability of the Depositary to the Company over any 12 month period shall in no circumstances whatsoever exceed twice the amount of the fees payable to the Depositary in any 12 month period in respect of a single claim or in the aggregate.

Subject to earlier termination, the Depositary is appointed for a fixed term of one year and thereafter until terminated by either party giving not less than three months' notice.

In the event of termination, the parties agree to phase out the Depositary's operations in an efficient manner without adverse effect on the Shareholders and the Depositary shall deliver to the Company (or as it may direct) all documents, papers and other records relating to the Depositary Interests which is in its possession and which is the property of the Company.

The Company is to pay certain fees and charges, including a set up fee, an annual fee, a fee based on the number of Depositary Interest per year and certain CREST related fees.

The Depositary is also entitled to recover reasonable out-of-pocket fees and expenses.

15.9 **Prairie Downs Base Metal Project farm-in agreement**

The Company has entered into a farm-in agreement with Marindi Metals Pty Ltd ("**Marindi**") under which Marindi may earn an interest of up to 100% in the BMP.

The farm-in agreement provides for Marindi to farm-in into a joint venture with the Company, on the following terms:

- Marindi can earn a 100% interest in the BMP by:
 - Paying Prairie A\$0.5 million in cash by June 2015 (which was received on 27 May 2015); and
 - Paying a further A\$1 million to Prairie in either cash or listed Marindi shares (or the shares of a holding company which includes the Tenements as part of the listed entity's assets) at its election on or before 30 September 2016. Marindi may only elect to issue shares to Prairie in the event that such shares are free from escrow.
- Upon Marindi obtaining a 100% interest in the BMP, Prairie would be granted a 2.5% Net Smelter Royalty in the BMP.
- If Marindi fails to make the final A\$1 million payment, Prairie would retain the initial A\$0.5 million cash payment and the terms of the Farm-in would be as follows:
 - Marindi to earn a 51% interest in the BMP by keeping the exploration licences in good standing over a period of three (3) years;

- Marindi to earn a 70% interest in the BMP by spending an further \$4 million over an additional three (3) years;
- Marindi to earn a 90% interest in the BMP by spending a total of \$10 million over an additional three (3) years; and
- In the event Marindi earns a 90% interest, automatic conversion to a 100% interest, with the Company acquiring a 2.5% Net Smelter Royalty on all minerals mined on the BMP.

The Company may elect to maintain its interest at each stage of the farm-in once Marindi has earned a 51% interest.

Marindi may withdraw during the farm-in period at any time by giving 90 days' notice without any liability to expend further moneys, provided Marindi has kept the licences in good standing at the date of withdrawal.

15.10 **Ipopema Agency Agreement**

- 15.10.1 The Company has entered into an agency agreement with Ipopema Securities S.A. ("**Ipopema**") under which Ipopema has agreed to provide certain services to the Company in connection with the Company's admission to the WSE.
- 15.10.2 The Company shall pay Ipopema a fee of €70,000 for the services performed under this Agreement, which shall be payable in two instalments (€25,000 on execution of the agreement and €45,000 after introduction of the Ordinary Shares to trading on a regulated market in Poland). The Company must also reimburse all reasonable expenses of Ipopema under the agreement.
- 15.10.3 The agreement is for a term of one year, but may be terminated by either party in the case of a material breach or of material adverse change.
- 15.10.4 In certain circumstances where the agreement is terminated as a consequence of a material breach or material adverse change, the Company would be obliged to pay Ipopema a fee of up to €45,000.

15.11 **GMP Agreement**

- 15.11.1 As noted in section 14 above, CD Capital, the Company and the Company's wholly owned subsidiary, PDZ Holdings entered into the CD Capital Agreement under which CD Capital agreed to invest in PDZ Holdings and subscribe for, and PDZ Holdings agreed to issue the Convertible Note for a principal amount of A\$15 million, guaranteed by the Company. Completion of the CD Capital Agreement is subject to certain conditions, including the approval of the Company's shareholders in general meeting.
- 15.11.2 In connection with the proposed investment by CD Capital, the Company has been advised by GMP Securities Europe LLP ("**GMP**"). It is proposed that GMP will receive a customary commission in connection with the initial investment by CD Capital in the Company of A\$15 million pursuant to the Convertible Note. This will be payable by the Company in cash and shares on receipt of funds from CD Capital pursuant to the Convertible Note.

16 **RELATED PARTY TRANSACTIONS**

The following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to the Company and have

been entered into by the Company or any other member of the Group during the period commencing on the period covered by historical financial information and up to the date of this document. Each of the transactions was concluded at arm's length.

16.1 **Serviced Office Agreement**

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, is paid a monthly retainer of, effective 1 July 2015, A\$20,000 for the provision of serviced office facilities and administration services. The amount is payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice.

16.2 **Cordeaux Capital Agreement**

Cordeaux Capital Limited, a company of which Mr. Benjamin Stoikovich was a director and shareholder, previously was party to a consulting agreement with the Company to provide project management and capital raising services (CEO services) related principally to the Lublin Coal Project.

The contract with Cordeaux Capital Limited commenced on 17 June 2013 and terminated on 8 July 2015. Under this contract, Cordeaux Capital Limited was paid a fixed fee of £200,000 per annum and an annual incentive payment of up to £80,000 payable upon the successful completion of key project milestones as determined by the Board.

16.3 **Windellama Capital Agreement**

Windellama Capital Limited, a company of which Mr. Benjamin Stoikovich is a director and shareholder, has a consulting agreement with the Company to provide project management and capital raising services (CEO services) related principally to the Lublin Coal Project. This is on materially the same terms as the Cordeaux Capital Agreement described above at section 16.2.

The contract with Windellama Capital Limited took effect on 9 July 2015. Under the Windellama contract, Windellama Capital Limited is paid a fixed fee of £200,000 per annum and an annual incentive payment of up to £80,000 payable upon the successful completion of key project milestones as determined by the Board. In addition, Windellama Capital Limited will be entitled to receive a payment incentive of £112,500 in the event of a change of control clause being triggered with the Company. The consulting contract may be terminated by either Windellama Capital Limited or the Company by giving six months' notice. No amount is payable to Windellama in the event of termination of the contract arising from negligence or incompetence in regard to the performance of services specified in the contract.

17 **WORKING CAPITAL**

The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.

The Company's working capital is held in the form of cash and the Company currently has a cash balance of approximately A\$1.2 million.

The Company has entered into an agreement with CD Capital under which CD Capital agreed to subscribe for a Convertible Note of a principal amount of A\$15 million. This subscription is subject to certain conditions, including the approval of the Company's shareholders in general meeting, which is to be held on 21

September 2015. Should the conditions be satisfied, and the subscription be completed, the Company would have sufficient working capital from the proceeds of CD Capital's subscription from the date of completion of the subscription until the date which is 12 months from the date of this Prospectus and for some time thereafter (even if the Company was unable to realise any proceeds from the sale of its B2Gold Corp shares). The Company would make use of the proceeds of the issue of the Convertible Note to CD Capital to (among other things) fund the costs to complete the PFS, DDP and the EIA for the Lublin Coal Project, continue with ongoing permitting and rezoning activities, conduct further exploration and development expenditure on the Lublin Coal Project, complete a definitive feasibility study and commence project development and construction in addition to funding general ongoing corporate costs such as rent, salaries and advisor and consultant fees. The CD Capital Agreement also provides CD Capital a first right to invest up to a further A\$55 million in any future fundraise conducted by the Company, which if taken up, would provide Prairie with the ability to progress with project financing to develop the Lublin Coal Project.

Furthermore, the Company holds available-for-sale financial assets comprising listed securities in B2Gold Corp which are valued at approximately A\$5.7 million as at 26 August 2015 being the latest practicable date prior to the date of this Prospectus. The Company has in the past funded, and pending approval of the CD Capital Convertible Note and thereafter, if the CD Capital Agreement is not approved by shareholders, the Company intends to continue to fund, to the extent necessary, its working capital needs through the sale of the B2Gold Corp shares which are currently highly liquid securities trading on the Toronto Securities Exchange. B2Gold Corp has a current market capitalisation of C\$1.33 billion with average daily trading volumes over the past six months of over 3.1 million shares as at 26 August 2015, (being the latest practicable date prior to the date of this Prospectus).

If B2Gold Corp shares continue to trade at present values and there is sufficient liquidity in the market for B2Gold Corp shares, which currently there is, the Company considers that the sale of these B2Gold Corp shares would realise sufficient proceeds to fund its immediate working capital requirements for the next 12 months from the date of this Prospectus and for some time thereafter (even if, for any reason, the proposed CD Capital subscription for the Convertible Note was not completed). This includes funding the costs to complete the PFS, DDP and the EIA for the project, continuing with ongoing permitting and rezoning activities, conducting further exploration and development expenditure on the Lublin Coal Project, and funding general ongoing corporate costs such as rent, salaries and advisor and consultant fees.

If for any reason the Company were unable to realise the value of the B2Gold Corp shares that it currently holds (for example if trading in B2Gold Corp shares were to be suspended for an extended period of time) or if the trading price of B2Gold Corp shares were to dramatically decrease and CD Capital's subscription for Convertible Note in the Company was not completed or if, following its issue, an event of default occurred in relation to the Convertible Note (including, for example, a failure of the Company's shareholders to approve the election of the CD Capital Nominee Directors) and the Company was required to repay the principal of the Convertible Note (as discussed in section 14.3.8 of Part 5 of this Prospectus), the Company has the flexibility to significantly reduce its ongoing expenditure commitments at the Lublin Coal Project as well as corporate overheads in order to ensure the Lublin Coal Project is kept in good standing under Polish law until such time that the Company is able to realise the value of its B2Gold Corp shares or raise additional funding. The Company's existing cash reserves are sufficient for it to fund all of the minimum expenditure commitments required by Polish law in

respect of the Exploration Concessions comprising the Lublin Coal Project to keep the Lublin Coal Project in good standing for at least the next 12 months from the date of this Prospectus. Furthermore, at a minimum, the Company would also seek to use its existing working capital to complete the DDP for the Lublin Coal Project which is a key milestone towards the granting of a Mining Concession.

The Company currently has total available resources of A\$6.9 million comprising A\$1.2 million in the form of cash and A\$5.7 million in the form of B2Gold Corp shares as at 26 August 2015 (being the latest practicable date prior to the date of this Prospectus). The required working capital for the Company's present requirements for the next 12 months from the date of this Prospectus (including its planned work program and corporate overheads) is A\$6.0 million. The Company expects to realise proceeds of A\$15 million from CD Capital's subscription for the Convertible Note, subject to the approval of this transaction by the Company's shareholders and the satisfaction of the other conditions.

The Company's working capital (i.e. that part of its resources held in cash) is expected to be sufficient for the Company's requirements for the next one and a half months. After this period, the Company would require additional working capital of A\$4.8 million to fund its present requirements, that is, for at least the next 12 months from the date of this Prospectus, which it intends to obtain first through the sale of B2Gold Corp shares (as the Company has done successfully in the past) and then to use the proceeds of CD Capital's subscription for the Convertible Note (which would realise proceeds of A\$15 million), subject to receiving shareholder approval of the CD Capital Agreement.

18 **PROPERTY, PLANT AND EQUIPMENT**

The Group's material existing tangible fixed assets (including leased properties), other than its mine, licence and contract terms which are summarised in section 3 of Part 2 of this Prospectus are set out below:

Company Name	Location	Tenure	Area (approx m ²)	Rent (per month)	Uses
Prairie Mining Limited	Level 9, BGC Centre 28 The Esplanade Perth Western Australia 6000 Australia	N/A ⁽¹⁾	N/A ⁽¹⁾	Nil ⁽¹⁾	Corporate Office
PD Co Sp z o.o.	Ul. Wspolna 35 lok. 4 00-519 Warsaw Poland	1-Jan-2015 – 31-Dec-2017	162	PLN12,650	Project Office
PD Co Sp z o.o.	Aleje Racławickie 8 20-037 Lublin	12-Nov-2013 – 12-Nov-2018	253	PLN14,000	Project Office

Company Name	Location	Tenure	Area (approx m ²)	Rent (per month)	Uses
	Poland				

Notes

¹ Please refer to Section 16.1 above in relation to the serviced office fees

19 LITIGATION

Other than as set out below, there are no governmental, legal or arbitration proceedings (including such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Company's or the Group's financial position or profitability.

19.1 Proceedings commenced by Bogdanka in respect of K-6-7 concession area

During 2014, Bogdanka submitted to the MoE a Mining Concession application over the K-6-7 mining area of the Lublin Coal Basin in Poland. The K-6-7 area forms an integral part of the Company's Lublin Coal Project for which the Company's subsidiary, PD Co, holds a valid Exploration Concession and associated usufruct agreement.

On 5 September 2014, the MoE rejected Bogdanka's Mining Concession application covering concession area K-6-7. In the MoE official decision, it was confirmed that Bogdanka's application for a Mining Concession was inadmissible and therefore it was denied. However, on 22 September 2014, Bogdanka filed with the MoE an administrative motion for case reconsideration. On 5 November 2014, the MoE issued a final administrative decision ("**MoE Final Decision**") rejecting Bogdanka's application for a Mining Concession with respect to the K-6-7 concession area i.e., Bogdanka's motion for case reconsideration was rejected.

The MoE Final Decision expressly confirms PD Co's security of tenure and exclusive right to apply for the K-6-7 Mining Concession (subject to the Company securing all necessary approvals). It also confirms that, if the Geological Documentation in relation to the concession area is approved, PD Co would be entitled to a three year priority right to apply for a Mining Concession in relation to the K-6-7 concession area in priority to any other party.

Bogdanka has appealed the MoE Final Decision to an administrative court on 12 December 2014 and these proceedings are still pending. The administrative court has no authority to grant Bogdanka the concession which was refused by MoE. The administrative court may however cancel the MoE Final Decision. In the event that the administrative court cancels the MoE Final Decision, the MoE will be required to re-assess Bogdanka's Mining Concession application. The court proceedings will relate to Bogdanka's unsuccessful Mining Concession application covering concession area K-6-7 (which was twice rejected by the MoE) but not to PD Co's valid Exploration Concession issued in July 2012, nor to PD Co's exclusive exploration rights and future priority rights to apply for a Mining Concession or to a mining usufruct right.

Even if the administrative court cancels the MoE Final Decision and the MoE is forced to reassess Bogdanka's application, the MoE would need to take into account the fact that PD Co has since had Geological Documentation approved for the Lublin Coal Project and currently holds the Priority Right to apply for a Mining

Concession and mining usufruct right. As such, the MoE would have to take into account that granting Bogdanka a Mining Concession over K-6-7 mining area would infringe on PD Co's valid Priority Right granted for the Lublin Coal Project.

Furthermore, Poland, a member of the European Union since 2004, also enjoys strong relations with Australia which includes significant annual trade occurring between the two countries. Australia also holds the status of "Most Favoured Nation" with Poland and the countries signed a Promotion and Protection of Investment Agreement in 1991 (a Bilateral Investment Treaty) which provides reciprocal protections for investments made by residents and entities of both countries.

19.2 Administrative Proceedings relating to approval of geological documentation

On 8 December 2014, PD Co applied for the approval of the Geological Documentation for the Lublin Coal Project encompassing the mining areas K-4, K-5, K-6-7, K-8 and K-9.

In April 2015 the MoE issued a decision approving Geological Documentation for the Lublin Coal Project (excluding Sawin-Zachód). In the course of the approval proceedings Bogdanka filed a motion to be admitted as a party to the proceedings related to the approval of Geological Documentation. On 25 June 2015, the MoE issued its final decision rejecting Bogdanka's application to be admitted as a party to the proceedings relating to the approval of Geological Documentation. This means that the MoE decision from April 2015 approving the Geological Documentation is final - providing PD Co with a three year Priority Right from April 2015 to apply for a Mining Concession for the Lublin Coal Project and confirms the MoE's decision that the Company's Geological Documentation complies with the legal requirements of the GML.

Bogdanka has in the past raised several legal challenges to the Company's title to the Exploration Concessions comprising the Lublin Coal Project and actions by government departments in the approval process of the Lublin Coal Project (please see risk factor "Proceedings commenced by Bogdanka in respect of K-6-7 concession area" above and the Litigation section of this prospectus for further details). There is no guarantee that Bogdanka will not seek to file further challenges including challenging the approval of the Geological Documentation by the MoE and the Priority Right secured by the Company as a consequence of that approval. If a challenge is made, such challenges could include an appeal of the MoE's final decision to the administrative courts of Poland which could be brought by Bogdanka within 30 days from the date that the MoE's decision of 25 June 2015 is delivered to Bogdanka. For such court proceedings to succeed Bogdanka would have to show that Geological Documentation did not comply with the legal requirements of the GML or that the MoE has not complied with due process of law while approving it.

As at 26 August 2015, being the latest practicable date prior to the publication of this Prospectus, the Company has not been notified that any such challenge has been made.

19.3 Proceedings commenced by PD Co against Mr Zbigniew Stopa

On 4 December 2014 PD Co filed a suit for the protection of PD Co's personal rights against Mr Zbigniew Stopa, Bogdanka's president of the management board. Mr Stopa has made several deceptive comments and statements concerning PD CO

and its investment in the Lublin Coal Project in Polish television and newspaper interviews as well as during meetings of a Polish parliamentary commission.

PD Co requested the court to order Mr Stopa to cease making any defamatory statements regarding PD Co and Lublin Coal Project in the future, publish rectifications of his statements and apologies to PD Co as well as to pay PLN100,000 to a nominated charity. On 20 February 2015, Mr Stopa filed with the court his response to PD Co's suit, rejecting all statements and demands of the suit. On 3 April 2015, PD Co submitted a written response to Mr Stopa's reply to the lawsuit. On 5 June 2015 Mr Stopa has filed with the court his further response to PD Co's reply. As at the date of this Prospectus, the first hearing in the case is scheduled for 19 October 2015. Under Polish Law, PD Co's financial liability in relation to these proceedings is limited to the court admission fee and any legal fees incurred by the defendant, which is capped under Polish Law, if the suit is not successful. The financial liabilities in relation to the proceedings are not considered material to the Group.

20 **GENERAL**

20.1 Save as set out below, there has been no significant change in the financial or trading position of the Group since 31 December 2014, the date to which the last published financial statements of the Group were prepared:

- (a) Since 31 December 2014, the Company has completed the sale of 1.2 million shares in B2Gold Corp to raise net proceeds of A\$2.7 million),
- (b) 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-Zachod deposit;
- (c) On 18 February 2015, the Company granted 2,400,000 performance rights to key employees and contractors of the Company;
- (d) On 27 May 2015, the Company received A\$0.5 million from Marindi Metals Pty Ltd pursuant to the Prairie Downs Base Metal Project farm-in agreement;
- (e) Since 31 December 2014, the Company received approximately A\$1.69 million upon the exercise of 11.2 million unlisted options exercisable at A\$0.15 on or before 30 June 2015; and
- (f) On 19 July 2015, the Company entered into the CD Capital Agreement, under which, subject to satisfaction of the conditions of the CD Capital Agreement, including the approval of the Company's shareholders in a general meeting, CD Capital agreed to subscribe for and PDZ Holdings, a wholly owned subsidiary of the Company, agreed to issue the Convertible Note for a subscription amount of A\$15 million, guaranteed by the Company, convertible into PDZ Holdings Shares at a price of A\$0.335 per PDZ Holdings Share. Each PDZ Holdings Share may be exchanged into one Ordinary Share in the Company pursuant to the Put and Call Option.

20.2 The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 434 of the 2006 Act. Ernst & Young, a Chartered Firm with the Institute of Chartered Accountants Australia of 11 Mounts Bay Road, Perth, WA 6000 were the auditors of the Company for the financial year ended 30 June 2014 and the half year ended 31 December 2014 and BDO Audit (WA) Pty Ltd (a Chartered Firm with the Institute of

Chartered Accountants Australia) were the auditors of the Company for the financial years ended 30 June 2012 and 2013 and each has given unqualified audit reports on the statutory accounts of the Company for those financial years. Statutory accounts of the Company for each of the three financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 have been delivered to ASIC in accordance with the Corporations Act 2001.

- 20.3 BDO has given and not withdrawn its consent to the inclusion of the BDO Report in this Prospectus in the form and context in which it is included and has authorised the contents of the BDO Report for the purposes of Rule 5.5.3R(2)(F) of the Prospectus Rules. BDO accepts responsibility for the information from the BDO Report included in this document. To the best of BDO's knowledge and belief (who has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 20.4 Royal HaskoningDHV has given and not withdrawn its consent to the inclusion of the CPR and the Valuation Report in this Prospectus in the form and context in which they are included and has authorised the contents of the CPR and the Valuation Report for the purposes of Rule 5.5.3R(2)(F) of the Prospectus Rules. Royal HaskoningDHV accepts responsibility for the information from the CPR and the Valuation Report included in this document. To the best of Royal HaskoningDHV's knowledge and belief (who has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 20.5 BDO Audit (WA) Pty Ltd resigned as the Company's auditor and Ernst & Young was appointed as the Company's auditor with effect from the Company's 2013 annual general meeting on 21 November 2013. This was due to a review by the Company of its audit arrangements, which resulted in the appointment of Ernst & Young as the Company's auditor after completion of a tender process.
- 20.6 Save as otherwise disclosed in this document there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 20.7 The Ordinary Shares are currently listed on ASX and traded on ASX in accordance with the ASX Listing Rules, the ASX Settlement Rules and the Corporations Act 2001.

21 **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA from the date of this document to the date one month from the date of Admission:

- (a) the Constitution;
- (b) the Scoping Study;
- (c) the Competent Person's Report;
- (d) the BDO Report; and

(e) the statutory accounts referred to in Section 20.2 above.

Dated: 28 August 2015

Part 6

Definitions and Glossary of Technical Terms

Definitions

"2.5% Threshold"	CD Capital holding for a continuous 30 day period at least 2.5% of the total number of Ordinary Shares on a diluted basis, calculated as if the Convertible Note had been exchanged into Ordinary Shares by CD Capital, pursuant to the conversion of the convertible Note and exercise of the Put and Call;
"5% Threshold"	CD Capital holding for a continuous 30 day period at least 5% of the total number of Ordinary Shares on a diluted basis, calculated as if the Convertible Note had been exchanged into Ordinary Shares by CD Capital, pursuant to the conversion of the convertible Note and exercise of the Put and Call;
"15% Threshold"	CD Capital holding for a continuous 30 day period at least 15% of the total number of Ordinary Shares on a diluted basis, calculated as if the Convertible Note had been exchanged into Ordinary Shares by CD Capital, pursuant to the conversion of the convertible Note and exercise of the Put and Call;
"A\$" or "Australian Dollar" and "cents"	Australian dollars, the lawful currency of Australia;
"Admission"	admission of the Ordinary Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities becoming effective;
"IFRS"	International Financial Reporting Standards;
"Applicable Law"	the Corporations Act 2001, the ASX Listing Rules and the ASTC Operating Rules;
"ASIC"	the Australian Securities and Investments Commission;
"ASTC Operating Rules"	the ASX Settlement Operating Rules, as operated by ASX;
"ASX"	ASX Limited (ACN 008 624 691) or the financial market conducted by it as the context requires;
"ASX Listing Rules"	the official listing rules of ASX as from time to time amended or waived in their application to a party;

"ASX Settlement"	ASX Settlement Pty Limited (ACN 008 504 532);
"ASX Settlement Rules"	the rules of ASX Settlement;
"ASXCGCs"	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations;
"Australia"	the Commonwealth of Australia;
"Australian Foreign Acquisitions and Takeovers Act"	the Foreign Acquisitions and Takeovers Act 1975 (Cth);
"Australia/Poland Double Tax Treaty"	The Double Tax Treaty concluded by the Republic of Poland and the Republic of Australia;
"Australian Registrar"	Computershare Investor Services Pty Limited
"Australian Treasurer"	the Treasurer of the Commonwealth of Australia
"B2Gold Corp"	B2Gold Corp, a company listed on the Toronto Stock Exchange;
"BDO"	BDO Corporate Finance (WA) Pty Ltd;
"BDO Report"	the independent expert's report prepared by BDO in connection with the resolution proposed at the General Meeting to approve the transaction with CD Capital contained at Appendix 1 of this Prospectus;
"BMP"	Prairie Downs Base Metals Project as described more particularly in Section 3.3 of Part 1
"Best Practices for WSE Listed Companies"	"Best Practices for WSE Listed Companies" adopted by the supervisory board of the WSE on 21 November 2012 and effective as of 1 January 2013
"Bt"	billion tonnes
"Bogdanka"	Lubelski Węgiel Bogdanka S.A.
"Board"	the board of Directors of the Company;
"CD Capital"	CD Capital Natural Resources Fund III L.P.
"CD Capital Agreement"	means the investment agreement between the Company, CD Capital and PDZ Holdings described in Section 14.1 of Part 5;
"CD Option"	means unlisted options to subscribe for Ordinary Shares in the company with an exercise price of A\$0.60 and on substantially the same terms and conditions as the Unlisted Options excluding the

	conditions relating to any vesting condition, vesting period and automatic vesting upon a change of control through a takeover bid or scheme of arrangement
"CHESS"	the Clearing House Electronic Subregister System operated by ASX Settlement in accordance with the ASX Settlement Rules;
"City Code"	the City Code on Takeovers and Mergers as amended from time to time;
"Coal Resources Estimate" or "CRE"	an estimate of coal resources and/or reserves prepared in accordance with the JORC Code;
"Company" or "Prairie"	Prairie Mining Limited (ACN 008 677 852);
"Competent Person's Report"	the Competent Person's Report prepared in respect of the Lublin Coal Project by Royal HaskoningDHV as set out in Part 9 of this Prospectus;
"Constitution"	the constitution of the Company as amended from time to time;
"Conversion Price"	means A\$0.335 per PDZ Holdings Share;
"Convertible Note"	means the convertible note issued by PDZ Holdings to CD Capital of a principal amount of A\$15 million, guaranteed by the Company, as described in Section 14.1 of Part 5;
"Corporations Act 2001"	the <i>Corporations Act 2001</i> (Cth);
"CREST"	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertified form, operated by Euroclear UK and Ireland Limited;
"Current Report"	Current information filed submitted by the Company in the form and to the extent specified in the applicable laws and regulations
"Custodian"	means the Depositary or a subsidiary or third party appointed by the Depositary;
"Depositary"	Computershare Investor Services PLC;
"Depositary Interests"	the dematerialised depositary interests in respect of the Ordinary Shares issued or to be issued by the Depositary;
"Directors"	the directors of the Company, whose names are set out on page 71 of this Prospectus;

"DDP"	a deposit development plan prepared in accordance with applicable Polish law;
"DTR"	the Disclosure Rules and Transparency Rules issued by the Financial Services Authority;
"Eligible Contractors"	those contractors of the Group eligible to participate in the Performance Rights Plan as described in more detail at section 6 of Part 5;
"Eligible Employees"	those employees of the Group eligible to participate in the Performance Rights Plan as described in more detail at section 6 of Part 5;
"Environmental Protection Act"	the Environmental Protection Act of Poland;
"EIA"	an Environmental Impact Assessment prepared in accordance with applicable Polish law;
"EU"	The European Union and its member states as at the date of this Prospectus
"EU Member State"	Member state of the EU as at the date ;of this Prospectus;
"EUR, Euro and €"	The currency of the participating member states in the third stage of the Economic and Monetary Union of the treaty establishing the European Community;
"Euracoal"	The European Association for Coal and Lignite;
"European Regulation"	The law as it comprises European Community and European Union laws;
"Event of Default"	an event of default in relation to the Convertible Note;
"Executive Directors"	the executive Directors of the Company, being Messrs Arima and Stoikovich;
"Exploration Concession"	an exploration concession granted in accordance with the laws of Poland;
"Financial Information"	the Historical Financial Information and the Interim Financial Information;
"Foreign Investment Review Board"	the Foreign Investment Review Board of Australia;
"General Meeting"	the general meeting of the Company's shareholders to be held on 21 September 2015, as described in more detail at section 8.1 of Part 1.
"Geological Documentation"	a Polish standard resource report

"GML"	the Polish Geological and Mining Law Act dated 9 June 2011 (Journal of Laws 2011, No. 163, item 981 as amended);
"Group"	the Company and each of its subsidiaries and its subsidiary undertakings;
"Historical Financial Information"	the Group's financial information for the three years ended 30 June 2012, 30 June 2013 and 30 June 2014 as set out in Part 7 of this Prospectus;
"IED Directive"	Commission; Directive 2010/75/EU on industrial emissions
"IFRS"	International Financial Reporting Standards;
"Insolvency Event"	respect of a person (including an entity): <ul style="list-style-type: none"> (a) an administrator being appointed to the person; (i) the person resolving to appoint a controller or analogous person to the person or any of the person's property; (ii) an application being made to a court for an order to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property and not being withdrawn, stayed or dismissed within 30 days; or (iii) an appointment of the kind referred to in subparagraph (ii) being made (whether or not following a resolution or application); (b) an order being made, or the person passing a resolution, for its winding up; or (c) the person: <ul style="list-style-type: none"> (i) suspending payment of its debts, ceasing (or

	threatening to cease) to carry on all or a material part of its business, stating that it is unable to pay its debts or being or becoming otherwise insolvent; or
	(ii) being unable to pay its debts or otherwise insolvent;
	unless this takes place as part of a solvent reconstruction, amalgamation, merger or consolidation
"Interim Financial Information"	the Group's financial information for the half year ended 31 December 2014 as set out in Part 8 of this Prospectus;
"JORC Code"	the code for Reporting of Mineral Resources and Ore Reserves published by the Australasian Joint Ore Reserves Committee;
"Listing Rules"	the official listing rules of the London Stock Exchange as from time to time amended or waived in their application to a party;
"London Stock Exchange" or "LSE"	London Stock Exchange plc;
"Lublin Coal Project"	the Lublin coal project operated by the Group, as described more particularly in section 3.1 of Part 1;
"Marindi"	Marindi Metals Pty Ltd
"Main Market"	the main market of the London Stock Exchange;
"Member States"	a member state of the European Union;
"Milestone Shares"	unissued milestone shares in the Company as described more particularly in section 7 of Part 5;
"Mining Concession"	A mining concession granted in accordance with the laws of Poland;
"MoE"	the Polish Ministry of Environment;
"Mt"	million tonnes;
"Mtpa"	million tonnes per annum;
"Non-Executive Directors"	the Directors of the Company other than the Executive Directors;

"Official List"	the Official List of the UKLA;
"Ordinary Shares"	issued ordinary shares in the Company having the rights set out in the Constitution;
"Papillon"	Papillon Resources Limited;
"PD Co"	PD Co spółka z ograniczoną odpowiedzialnością;
"PDZ Holdings"	PDZ Holdings Pty Ltd;
"PDZ Holdings Option"	means an option to subscribe for a PDZ Holdings Share on the terms described in Section 14.5 of this Part 5;
"PDZ Holdings Share"	means an ordinary share in the capital of PDZ Holdings;
"Performance Rights"	performance rights granted pursuant to the Performance Rights Plan;
"Performance Rights Plan"	the performance rights plan under which Eligible Employees and Eligible Contractors may be granted Performance Rights, as described in more detail at section 6 of Part 5;
"PFS"	a pre-feasibility study in relation to the Lublin Coal Project;
"PLN, Polish zloty"	The lawful currency of Poland;
"Poland"	The Republic of Poland;
"Polish Act on Public Offering"	The Polish Act on public offerings, conditions governing the introduction of financial instruments to organised trading, and public companies dated 29 July 2005 (consolidated text: Journal of Laws 2013, item 1382, as amended);
"Polish Act on Trading in Financial Instruments"	The Polish Act on trading in financial instruments dated 29 July 2005 (consolidated text: Journal of Laws 2010, No. 211, item 1384, as amended);
"Polish Admission"	admission of the Ordinary Shares to trading on the Warsaw Stock Exchange;
"Poland"	the Republic of Poland;
"Polish FSA"	The Polish Financial Supervisory Authority (<i>Komisja Nadzoru Finansowego</i>);
"PNDS"	The Polish National Depository for Securities (<i>Krajowy</i>

"Priority Right"	A priority right of application for a Mining Concession under Polish law.
"Prospectus Directive"	Directive 2003/71/EC of the European Parliament and of the Council of the European Union dated 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (together with any applicable implementing measures in any EU member state and amendments thereto, including Directive 2010/73/EU of the European Parliament and of the Council dated 24 November 2010 together with any applicable implementing measures in any EU member state);
"Put and Call Option"	means the put option granted by the Company to CD Capital and the call option granted by CD Capital to the Company in relation to PDZ Holdings Shares and PDZ Holdings Options held by CD Capital on the terms contained in the Put and Call Option Agreement.
"Put and Call Option Agreement"	means the put and call option agreement between the Company and CD Capital.
"REACH Regulation"	Commission Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals;
"Regulation 809/2004"	Commission Regulation (EC) No. 809/2004 dated 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
"Royal HaskoningDHV"	Royal HaskoningDHV UK Ltd, the Company's mineral expert responsible for preparation of the Competent Person's Report;
"Sawin-Zachód"	an Exploration Concession for coal granted to the Company over land adjacent to the Lublin Coal Project;
"Scoping Study"	the Scoping Study in relation to the Lublin Coal Project completed in April 2014;
"Securities Trading Policy"	the Company's securities trading policy dated 13 March 2013;
"Shareholder"	a holder of Ordinary Shares;
"Standard Listing"	a listing by the FCA of equity securities of a company

	which is not a premium listing and is therefore not required to comply with the provisions of Chapters 8, 10, 11, 12 or 13 of the Listing Rules or certain provisions of Chapters 7 and 9 of the Listing Rules;
"State Treasury"	the State Treasury of Poland;
"TSX"	The Toronto Stock Exchange
"UK"	the United Kingdom of Great Britain and Northern Ireland;
"Unlisted Options"	unlisted options to subscribe for Ordinary Shares in the Company as described more particularly in section 7 of Part 5;
"USD" or "US\$"	the lawful currency of the United States of America;
"VALMIN Code"	the code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports (2005 edition);
"Valuation Report"	the valuation report prepared by Royal HaskoningDHV in accordance with the VALMIN Code and set out in Appendix 3 of the BDO Report;
"Warsaw Stock Exchange", "WSE"	The Warsaw Stock Exchange (<i>Giełda Papierów Wartościowych w Warszawie S.A.</i>);
"WSE Rules"	The "Rules of the Warsaw Stock Exchange" adopted by way of a resolution of the board of the Warsaw Stock Exchange No. 1/1110/2006 dated 4 January 2006, as amended;

Glossary of Technical Terms

"Ash sulphur concentrations"	a measure of the levels of ash sulphur concentrations of a coal or coal blend;
"Audidor-Arnu dilatometric test"	a test to evaluate the rheological, or plastic, properties of a coal or coal blend;
"CRIRSCO"	Committee for Mineral Reserves International Reporting Standards;
"Expansion pressure"	the measure of ;
"FixDHD"	fixing from the drill hole database;
"Free Swelling Index or FSI"	a measure of the increase in volume of a coal when heated in the absence of air;
"FXD"	a fixed drill hole database;
"Gieseler-Hohne plasticity test"	a test to evaluate the rheological, or plastic, properties of a coal or coal blend;
"Gray-King coke type"	a test of the caking power of coal or coal blends;
"Ground-truthing"	used in cartography, meteorology, analysis of aerial photographs, satellite imagery and arrange of other remote sensing techniques in which data are gathered at a distance;
"Hardgrove Grindability Index"	a measure of the grindability of coal;
"HARP Model"	a 3D geological Horizon Adaptive Rectangular Prism model
"Indicated Mineral Resources"	Indicated Mineral Resources as defined in the JORC Code;
"Inferred Mineral Resources"	Inferred Mineral Resources as defined in the JORC Code;
"Measured Mineral Resources"	Measured Mineral Resources as defined in the JORC Code;
"NAEN Code"	Russian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves, published by OERN;
"OERN"	Society of Russian Experts on Subsoil Use;

"Resource"	a mineral resource estimated in accordance with the JORC Code;
"ROGA"	the ROGA index of the caking properties of coal;
"ROM"	run of mine;
"SAMREC"	South African Mineral Resource Committee;
"Seam"	a stratum or bed of coal;
"Vitrinite"	a maceral or petrological unit of coal, analogous to a mineral in non-organic rock;
"Vulcan"	modelling software and techniques used in the preparation of the Competent Person's Report to model stratiform deposits;

Part 7

Historical Financial Information

This part provides the financial information of the Group for the three years ended 30 June 2014, 30 June 2013 and 30 June 2012 in accordance with Section 20.1 of Annex I of the Prospectus Rules ("**Historical Financial Information**").

The financial information for the three years ended 30 June 2014, 30 June 2013 and 30 June 2012 has been extracted from the published audited financial statements of the Company.

The auditor's reports on the published audited financial statements for each of the three years ended 30 June 2014, 30 June 2013 and 30 June 2012 have been extracted and included in Sections A, B and C below.

The Directors are responsible for preparing the Historical Financial Information on the basis of preparation set out in note's 1 of Sections A, B and C of this Part 7.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PRAIRIE DOWNS METALS LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Prairie Downs Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards,

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Prairie Downs Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Prairie Downs Metals Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Prairie Downs Metals Limited for the year ended 30 June 2012 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

Brad McVeigh
Director
Perth, Western Australia

Dated this 24th day of September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Notes	2012 \$	2011 \$
REVENUE	2(a)	146,802	136,279
Other income	2(b)	1,469,457	2,731,872
EXPENDITURE			
Administration and corporate expenses		(821,602)	(951,687)
Exploration and evaluation expenditure		(844,927)	(779,225)
Business development expenditure		(83,445)	(14,610)
Profit/(loss) before income tax		(133,715)	1,122,629
Income tax benefit/(expense)	4	1,579,575	-
Net profit/(loss) for the period		1,445,860	1,122,629
Net profit/(loss) attributable to members of the parent		1,491,175	-
Net profit/(loss) attributable to non-controlling interests		(45,315)	-
Other comprehensive income			-
Changes in fair value of available-for-sale financial assets		1,460,000	2,050,000
Exchange differences on translation of foreign operations		(3,079)	-
Total other comprehensive income for the year, net of tax		1,456,921	2,050,000
Total comprehensive income for the year, net of tax		2,902,781	3,172,629
Total comprehensive profit/(loss) attributable to members of the parent		2,949,304	3,172,629
Total comprehensive profit/(loss) attributable to non-controlling interests		(46,523)	-
Basic earnings per share from continuing operations (cents per share):	18	1.64	1.50
Diluted earnings per share from continuing operations (cents per share):	18	1.64	1.50

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Notes	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	17b	2,734,069	2,001,446
Trade and other receivables	6	194,516	184,067
Prepayments		-	8,438
Other financial assets	7	22,000	112,624
Total Current Assets		2,950,585	2,306,575
Non-current Assets			
Other financial assets	8	9,400,000	4,773,500
Property, plant and equipment	9	263,327	576,445
Exploration and evaluation assets	10	11,724,644	11,703,487
Total Non-current Assets		21,387,971	17,053,432
TOTAL ASSETS		24,338,556	19,360,007
LIABILITIES			
Current Liabilities			
Trade and other payables	11	98,463	114,140
Provisions	12	-	10,158
Total Current Liabilities		98,463	124,298
Non-Current Liabilities			
Deferred tax liabilities	4	10,425	
Total Non-Current Liabilities		10,425	
TOTAL LIABILITIES		108,888	124,298
NET ASSETS		24,229,668	19,235,709
EQUITY			
Contributed equity	13	23,551,897	21,702,470
Reserves	14	5,644,061	3,944,181
Accumulated losses	15	(4,919,767)	(6,410,942)
Equity attributable to owners of the Company		24,276,191	19,235,709
Non-controlling interest	16	(46,523)	-
TOTAL EQUITY		24,229,668	19,235,709

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Ordinary Shares	Available- For-Sale Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011	21,702,470	2,250,000	1,694,181	-	(6,410,942)	-	19,235,709
Net profit/(loss) for the year	-	-	-	-	1,491,175	(45,315)	1,445,860
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	(1,871)	-	(1,208)	(3,079)
Change in the fair value of available-for sale financial assets	-	3,050,000	-	-	-	-	3,050,000
Deferred tax on available-for-sale financial assets	-	(1,590,000)	-	-	-	-	(1,590,000)
Total comprehensive income/(loss) for the period	-	1,460,000	-	(1,871)	1,491,175	(46,523)	2,902,781
Transactions with owners recorded directly in equity							
Share placements	2,250,000	-	-	-	-	-	2,250,000
Share issue costs (cash)	(160,973)	-	-	-	-	-	(160,973)
Share based payments	(239,600)	-	241,751	-	-	-	2,151
Balance at 30 June 2012	23,551,897	3,710,000	1,935,932	(1,871)	(4,919,767)	(46,523)	24,229,668
Balance at 1 July 2010	21,397,470	200,000	1,694,181	-	(7,533,571)	-	15,758,080
Profit for the year	-	-	-	-	1,122,629	-	1,122,629
Other comprehensive income:							
Changes in fair value of available-for-sale financial assets	-	2,050,000	-	-	-	-	2,050,000
Total comprehensive income for the period	-	2,050,000	-	-	1,122,629	-	3,172,629
Transactions with owners recorded directly in equity							
Share placements	305,000	-	-	-	-	-	305,000
Balance at 30 June 2011	21,702,470	2,250,000	1,694,181	-	(6,410,942)	-	19,235,709

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2012

	Notes	2012	2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,484,540)	(1,618,153)
Interest received from third parties		137,303	144,909
Geological services revenue received		494,462	550,493
Office services income received		183,428	149,335
Other income received		82,290	63,981
NET CASH FLOWS USED IN OPERATING ACTIVITIES	17(a)	(587,057)	(709,435)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for bonds		-	(12,000)
Payments for plant and equipment		-	(79,302)
Payments for capitalised exploration and evaluation		(21,157)	(106,064)
Receipts from disposal of plant and equipment		3,000	-
Payments for purchase of equity instruments		(750,000)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(768,157)	197,366
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,250,000	305,000
Payments for share issue costs		(160,973)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,089,027	305,000
Net increase (decrease) in cash and cash equivalents		733,813	(601,801)
Net foreign exchange differences		(1,190)	-
Cash and cash equivalents at beginning year		2,001,446	2,603,247
CASH AND CASH EQUIVALENTS AT END OF YEAR	17(b)	2,734,069	2,001,446

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Prairie Downs Metals Limited ("Prairie Downs" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2012 are stated to assist in a general understanding of the financial report.

Prairie Downs is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The financial report of the Group for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 24 September 2012.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. The financial report is presented in Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Presentation of the Consolidated Statement of Comprehensive Income has been changed for the year ended 30 June 2012 to disclose operating expenses classified by function in order to make the Consolidated Statement of Comprehensive Income more relevant to users of the financial report. The comparative information has also been reclassified by function.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes to follow.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 January 2012	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2012
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

		<p>held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <p>(i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</p> <p>(ii) The remaining change is presented in profit or loss</p> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>			
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

		<p>when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.</p>			
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

AASB 119	Employee Benefits	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
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AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
Annual Improvements 2009 -2011	Improvements to IFRSs 2009–2011 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 1 First-time Adoption of International Financial Reporting Standards</p> <ul style="list-style-type: none"> • Repeated application of IFRS 1 • Borrowing costs 	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

		<p>IAS 1 Presentation of Financial Statements</p> <ul style="list-style-type: none"> • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities 			
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards report.</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially</p>	1 July 2013	These amendments are not expected to have any significant impact on the Group's financial	1 July 2013

		<p>reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local Governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.</p>			
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(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(f) Investments and Other Financial Assets

(i) Classification

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

(ii) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the

financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the statement of comprehensive income as gains and losses on disposal of investment securities.

(iv) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is transferred from equity to the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as held for sale are not reversed through the statement of comprehensive income.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Property, Plant and Equipment

(i) Cost and valuation

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when

each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

(ii) Depreciation and Amortisation

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2012	2011
Major depreciation and amortisation periods are:		
Leasehold Land:	7% - 20%	7% - 20%
Buildings:	22%- 40%	7% - 20%
Plant and equipment:	22%- 40%	7% - 20%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Exploration and Development Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 Exploration for and Evaluation of Mineral Resources.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

(i) *Impairment*

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(j) **Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(k) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) **Revenue Recognition**

R&D tax concession income

The Research and Development tax concession is recognised in the period that the claim is accepted by the ATO.

Geological services income

Income for the provision of geological services is recognised in the accounting period in which the services are rendered.

Office services income

Income for the provision of personnel, office accommodation and equipment services is recognised in income on a straight line basis over the term of the agreement. Contingent income is recognised in the periods in which it is earned.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(m) **Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in

deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Prairie Downs Metals Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(n) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(s) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(t) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(u) Issued and Unissued Capital

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Foreign Currencies

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(w) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 22.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity

instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(x) **Use and Revision of Accounting Estimates, Judgements and Assumptions**

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets (Note 10).
- Share-Based Payments (Note 22).

2 REVENUE AND OTHER INCOME

	Note	2012 \$	2011 \$
(a) Revenue			
Interest income		146,802	136,279
		146,802	136,279
(b) Other Income			
Fair value gains on financial assets at fair value through profit or loss		826,500	1,791,500
R&D tax concession income		-	21,102
Geological services income		457,529	703,410
Office services income from unrelated parties		183,428	172,981
Other income		2,000	42,879
		1,469,457	2,731,872

3 EXPENSES

	Note	2012 \$	2011 \$
(a) Lease costs			
Minimum lease payments relating to operating leases		(124,390)	(167,971)
(b) Depreciation included in statement of comprehensive income			
Depreciation of plant and equipment		(263,682)	(143,394)

	Note	2012 \$	2011 \$
(c) Employee benefits expense (including KMP)			
Salaries and wages		(207,546)	(292,386)
Superannuation expense		(26,829)	(33,174)
Fees and salaries		(141,256)	(275,949)
		(375,631)	(601,509)

4 INCOME TAX

	Note	2012 \$	2011 \$
(a) Recognised in the statement of comprehensive income			
Current income tax			
Current income tax benefit in respect of the current year		-	-
Adjustments in respect of current income tax of previous years		-	-
Deferred income tax			
Relating to origination and reversal of temporary differences		(97,409)	-
Benefit arising from previously unrecognised temporary differences of a prior period		(807,166)	-
Deferred tax assets not brought to account		-	-
Adjustments in respect of deferred income tax of previous years		(675,000)	-
Income tax expense/(benefit) reported in the statement of comprehensive income		(1,579,575)	-
(b) Recognised in the statement of changes in equity			
Deferred income tax			
Unrealised gain/(loss) on available-for-sale investments		1,590,000	-
DTA not brought to account		-	-
Income tax expense/(benefit) reported in equity		1,590,000	-
(c) Reconciliation between tax expense and accounting profit/(loss) before income tax			
Accounting profit/(loss) before income tax		(133,715)	1,122,629
At the domestic income tax rate of 30% (2011: 30%)		(40,115)	336,789
Income not assessable for income tax purposes		-	-
Expenditure not allowable for income tax purposes		62,879	413
R & D refund not assessable		-	(6,331)
Capital allowances		(120,173)	-
Deferred tax assets previously not brought to account		(807,166)	-
Deferred tax assets previously recognised against equity items		(675,000)	-
Deferred tax assets not brought to account		-	(330,871)
Income tax expense/(benefit) reported in the statement of comprehensive income		(1,579,575)	-
(d) Deferred Tax Assets and Liabilities			
Deferred income tax at 30 June relates to the following:			
Deferred Tax Liabilities			
Capitalised exploration and evaluation costs		3,017,039	3,010,692
Financial assets at fair value through profit or loss		-	567,300
Available-for-sale financial assets		2,405,250	675,000
Receivables		5,101	2,251
Prepayments		-	2,531
Deferred tax assets used to offset deferred tax liabilities		(5,416,965)	(4,257,774)
		10,425	-

Deferred Tax Assets

Accruals	9,300	11,414
Capital allowances	105,037	29,729
Property, plant and equipment	-	34,190
Provisions	-	3,047
Tax losses available offset against future taxable income	5,302,628	5,020,751
Deferred tax assets used to offset deferred tax liabilities	(5,416,965)	(4,257,774)
Deferred tax assets not brought to account	-	(841,357)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(e) **Tax Consolidation**

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Prairie Downs Metals Limited.

5 **DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends have been paid or proposed for the year ended 30 June 2012 (2011: Nil).

5.1 **Franking Credit Balance**

	Note	2012 \$	2011 \$
(a) Franking Credit Balance			
Franking credits available to shareholders of Prairie Downs Metals Limited for subsequent financial years		-	-

6 **TRADE AND OTHER RECEIVABLES**

	Note	2012 \$	2011 \$
Trade receivables		158,629	152,917
Accrued interest		17,003	7,504
GST and other receivables		18,884	23,646
Trade and Other Receivables		194,516	184,067

7 **CURRENT ASSETS - OTHER FINANCIAL ASSETS**

	Note	2012 \$	2011 \$
Bond – Financial guarantee ¹		-	90,624
Bond – Performance guarantee ²		22,000	22,000

	22,000	112,624
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Notes:

¹ Financial guarantees of nil (2011: \$90,624) relate to an office rental bond.

² Performance guarantees of \$22,000 (2011: \$22,000) relate to environmental performance bonds on tenements.

8 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Note	2012 \$	2011 \$
<i>Financial Assets at fair value through profit and loss:</i>			
Unlisted options in an Australian listed entity ¹		-	2,023,500
<i>Available-for-sale financial assets</i>			
Australian listed equity securities ¹		9,400,000	2,750,000
		9,400,000	4,773,500

Notes:

¹ During the year the Company exercised 5,000,000 options held in Papiilon Resources Limited (ASX Code: PIR) increasing the Company's holding to 10,000,000 fully paid ordinary shares in Papiilon Resources Limited.

9 PROPERTY, PLANT AND EQUIPMENT

	Note	2012 \$	2011 \$
Plant and Equipment			
At cost		899,113	1,127,707
Accumulated depreciation and impairment		(635,786)	(551,262)
Net carrying amount		263,327	576,445
Reconciliation			
Carrying amount at beginning of year, net of accumulated depreciation and impairment		576,445	669,483
Additions		-	66,895
Disposals		(49,436)	(16,539)
Depreciation charge		(263,682)	(143,394)
Carrying amount at end of year, net of accumulated depreciation and impairment		263,327	576,445

10 EXPLORATION AND EVALUATION ASSETS

	Note	2012 \$	2011 \$
(a) Areas of Interest			
Prairie Downs Metals Project		11,718,279	11,701,089
Perenjori		6,365	2,398
Carrying amount at end of year ¹		11,724,644	11,703,487
(b) Reconciliation			
Opening net book amount		11,703,487	11,630,405
Expenditure incurred		21,157	73,082
Carrying amount at end of year ¹		11,724,644	11,703,487

Notes:

¹ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

11 TRADE AND OTHER PAYABLES

	Note	2012 \$	2011 \$
Trade creditors		67,463	76,093
Accrued expenses		31,000	38,047
		98,463	114,140

12 PROVISIONS

	Note	2012 \$	2011 \$
Annual leave		-	10,158
		-	10,158

13 CONTRIBUTED EQUITY

(a) Issued and Unissued Capital

	Note	2012 \$	2011 \$
98,440,598 (2011: 75,940,598) fully paid Ordinary Shares		23,551,897	21,702,470
		23,551,897	21,702,470

(b) Movements in Ordinary Shares During the Past Two Years Were as Follows:

Date	Details	Note	Number of Ordinary Shares	Issue Price	\$
01-Jul-11	Opening balance		75,940,598		21,702,470
24-Aug-11	Share placement		5,000,000	0.10	500,000
24-Nov-11	Share placement		17,500,000	0.10	1,750,000
24-Nov-11	Share issue costs		-	-	(400,573) ¹
30-Jun-12	Closing balance		98,440,598	-	23,551,897
01-Jul-10	Opening balance		72,890,598	-	21,397,470
	Exercise of options		3,050,000	-	305,000
30-Jun-11	Closing balance		75,940,598	-	21,702,470

Notes:

¹ Includes share based payments of \$239,600

(c) Rights Attaching to Ordinary Shares:

The rights attaching to fully paid Ordinary Shares ("**Ordinary Shares**") arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Options in accordance with Note 14(c) will rank equally in all respects with the Company's existing Ordinary Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) *Shares*

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) *Meetings of Members*

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) *Voting*

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) *Changes to the Constitution*

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) *Listing Rules*

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

14

RESERVES

	Note	2012 \$	2011 \$
Share based payments reserve	14(b)	1,935,932	1,694,181
Available-for-sale reserve	14(d)	3,710,000	2,250,000
Foreign currency translation reserve		(1,871)	-
		5,644,061	3,944,181

(a) **Nature and Purpose of Reserves**

(i) *Share based payments reserve*

The share based payments reserve is used to record the fair value of options issued by the Group.

(ii) *Available-For-Sale Reserve*

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the available-for-sale-reserve as described in Note 1(f). Amounts are recognised in the statement of comprehensive income when the associated assets are sold or impaired.

(iii) *Foreign Currency Translation Reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(v). The reserve is recognised in the statement of comprehensive income when the net investment is disposed of.

(b) **Movements in share based payments reserve during the past two years were as follows:**

Date	Details	Number of Options	\$
01-Jul-11	Opening balance	4,000,000	1,694,181
22-Nov-11	Issue of \$0.15 options, 30 June 2015 in payment for capital raising costs (refer note 13b)	2,000,000	239,600
05-Dec-11	Lapse of \$0.45 incentive options, 31 December 2011	(4,000,000)	-
28-May-12	Issue of \$0.25 incentive options, 30 June 2016	1,250,000	-
30-Jun-12	Share-based payment expense for the year	-	2,151
30-Jun-12	Closing balance	3,250,000	1,935,932
01-Jul-10	Opening balance	8,525,000	1,546,607
02-Aug-10	Expiry of \$0.10 options, 29 July 2012	(375,000)	-
13-Aug-10	Expiry of \$0.10 options, 29 July 2012	(1,000,000)	-
25-Jan-11	Exercise of \$0.10 options, 29 July 2012	(3,000,000)	-
24-Feb-11	Exercise of \$0.10 options, 29 July 2012	(50,000)	-
04-Mar-11	Expiry of \$1.00 options, 31 December 2011	(100,000)	-
	Share based payment expense for the year	-	147,574
30-Jun-11	Closing balance	4,000,000	1,694,181

(c) **Terms and Conditions of Options**

The Options entitle the holder to subscribe for Ordinary Shares in the Company on the following terms and conditions:

- Each Option entitles the holder the right to subscribe for one Ordinary Share. To obtain the right given by each Incentive Option, the Option

holder must exercise the Incentive Options in accordance with the terms and conditions of the Options;

- The Options have the following exercise prices and expiry dates:
 - 2,000,000 options exercisable on or before 30 June 2015 at an exercise price of \$0.15 each; and
 - 1,250,000 options exercisable on or before 30 June 2016 at an exercise price of \$0.25 each;
- The Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- Ordinary Shares issued on exercise of the Incentive Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Incentive Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Incentive Options will be made by the Company.

(d) **Movements in the Available-for-Sale Reserve During the Past Two Years Were as Follows:**

	Note	2012 \$	2011 \$
Available-for-Sale Reserve			
Balance at 1 July		2,250,000	200,000
Change in fair value		3,050,000	2,050,000
Deferred tax liability	4	(1,590,000)	-
Balance at 30 June		3,710,000	2,250,000

15 **ACCUMULATED LOSSES**

	Note	2012 \$	2011 \$
Balance at 1 July		(6,410,942)	(7,533,571)
Net profit for the year attributable to members of the parent		1,491,175	1,122,629
Balance at 30 June		(4,919,767)	(6,410,942)

16 **NON-CONTROLLING INTERESTS**

	Note	2012 \$	2011 \$
Balance at 1 July		-	-
Share of loss for the year		(45,315)	-

Share of foreign currency translation reserve for the year	(1,208)	-
Balance at 30 June	(46,523)	-

17 STATEMENT OF CASH FLOWS

(a) Reconciliation of the Profit after Tax to the Net Cash Flows from Operations

	Note	2012 \$	2011 \$
Net profit for the year		1,445,860	1,122,629
Adjustment for non-cash income and expense items			
Depreciation of plant and equipment		263,682	143,394
Loss on disposal of plant and equipment		39,937	16,539
Fair value gains on financial assets at fair value through profit or loss		(826,500)	(1,791,500)
Share based payment expense		2,151	-
Exploration expenditure written off		-	15,522
Income tax benefit		(1,579,575)	-
Change in operating assets and liabilities			
(Increase) in trade and other receivables		(5,839)	(165,433)
Decrease in prepayments		8,438	1,852
Decrease in other financial assets		90,624	-
(Decrease) in trade and other payables		(15,677)	(48,237)
(Decrease) in provisions		(10,158)	(4,201)
Net cash outflow from operating activities		(587,057)	(709,435)

(b) Reconciliation of Cash

	Note	2012 \$	2011 \$
Cash at bank and on hand		351,349	870,191
Deposits at call		2,382,720	1,131,255
		2,734,069	2,001,446

(c) Non-cash Financing and Investing Activities

30 June 2012

A share based payment of \$239,600 in respect to capital raising costs has been recognised directly in equity as a share based payment (refer to note 14(b) and note 22).

30 June 2011

During the year ended 30 June 2011, there were no non-cash financing or investing activities.

18 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of:

- Basic earnings per share;
- Earnings per share from continued operations; and
- Earnings per share from discontinued operations

	Note	2012 \$	2011 \$
The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:			
Net profit/(loss) attributable to members of the Parent		1,491,175	1,122,629
Earnings used in calculating basic and diluted earnings/(loss) per share		1,491,175	1,122,629

	Note	Number of Ordinary Shares 2012 \$	Number of Ordinary Shares 2011 \$
Weighted average number of Ordinary Shares		90,722,019	74,190,324
Adjustment for calculation of diluted earnings per share for options		1,207	743,961
Weighted average number of Ordinary Shares in calculating diluted earnings/(loss) per share		90,723,226	74,934,285

(a) **Non-Dilutive Securities**

As at balance date, 1,250,000 Unlisted Options (which represent 1,250,000 potential Ordinary Shares) were considered non-dilutive as the exercise price of the options was greater than the average market price of the Company's shares during the year and were excluded from the weighted average number of shares for the purposes of diluted earnings per share.

(b) **Conversions, Calls, Subscriptions or Issues after 30 June 2012**

Since 30 June 2012, no shares have been issued as a result of the exercise of options however the Company has issued the following securities:

- On 12 September 2012, the Company undertook a Placement of three million fully paid ordinary shares at \$0.30 each to raise \$900,000 before costs to a nominee of Mr Anastasios Arima. Furthermore, a one for two attaching option exercisable at \$0.40 and expiring 30 June 2016 was included in the placement; and
- On 12 September 2012, the Company issued three million fully paid ordinary shares to key consultants and their nominees, on the successful grant of licences in Poland.

Other than as outlined above, there have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

19

RELATED PARTIES

(a) **Subsidiaries**

% Equity Interest

Name	Country Incorporation	of	2012 %	2011 %
Subsidiaries of Prairie Downs Metals Limited:				
Mineral Investments Pty Ltd	Australia		100	100
PDZ Holdings Pty Ltd ¹	Australia		60	-
Subsidiary of PDZ Holdings Pty Ltd ¹				
PD Co spółka z ograniczoną odpowiedzialność	Poland		100	-

Notes:

¹ During the year, Prairie funded all costs incurred in PDZ Holdings Pty Ltd ("PDZ-H") and PD Co spółka z ograniczoną odpowiedzialność ("PD Co") by way of an intercompany loan. Prairie also appointed all Directors of PDZ-H. At 30 June 2012, Prairie held a call option over the remaining 40% of share capital in PDZ-H. In August 2012 Prairie exercised this option taking its ownership to 100% of the share capital in PDZ-H.

(b) Ultimate Parent

Prairie Downs Metals Limited is the ultimate parent of the Group.

(c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included at Note 20.

(d) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions with Key Management Personnel, including remuneration and equity holdings, are included at Note 20.

20 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Directors

Mr Ian Middlemas	Chairman (appointed 25 August 2011)
Mr John Welborn	Non-Executive Director
Mr Alec Pismiris	Non-Executive Director (resigned 22 June 2012)
Mr Mark Pearce	Non-Executive Director (appointed 25 August 2011)
Mr Jeremy Shervington	Non-Executive Director (resigned 25 August 2011)
Mr Stuart Hall	Non-Executive Director (resigned 25 August 2011)

Executives

Mr Dennis Wilkins	Company Secretary (resigned 25 August 2011)
Mr Anastasios Arima	Executive Director (appointed 13 September 2012)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

(b) **Key Management Personnel Compensation**

	Note	2012 \$	2011 \$
Short-term employee benefits		175,243	421,353
Post-employment benefits		8,150	6,482
Share-based payments		-	-
Total compensation		183,393	427,835

(c) **Option holdings of Key Management Personnel**

2012	Held at 1 July 2011	Granted as Remuneration	Options Exercised	Net Change	Other Placement	Held at 30 June 2011	Vested and exercisable at 30 June 2012
Directors							
Mr Ian Middlemas	5,000,000 ¹	-	-	-	-	5,000,000	5,000,000
Mr John Welborn	-	-	-	-	-	-	-
Mr Alec Pismiris	1,000,000	-	-	(1,000,000) ³	-	- ²	- ²
Mr Mark Pearce	- ¹	-	-	-	1,500,000	1,500,000	1,500,000
Mr Jeremy Shervington	1,500,000	-	-	(1,500,000) ³	-	- ²	- ²
Mr Stuart Hall	-	-	-	-	-	- ²	- ²
Executives							
Mr Dennis Wilkins	-	-	-	-	-	- ²	- ²

Notes:

¹ As at date of appointment

² As at date of resignation

³ \$0.45 Options lapsed on 5 December 2011

2011	Held at 1 July 2010	Granted as Remuneration	Options Exercised	Net Change	Other	Held at 30 June 2012	Vested and exercisable at 30 June 2011
Directors							
Mr John Welborn	4,000,000	-	(3,000,000)	(1,000,000)	-	-	-
Mr Alec Pismiris	1,000,000	-	-	-	-	1,000,000	1,000,000
Mr Jeremy Shervington	1,500,000	-	-	-	-	1,500,000	1,500,000
Mr Stuart Hall	-	-	-	-	-	-	-
Executives							
Mr Dennis Wilkins	-	-	-	-	-	-	-

Notes:

¹ When Mr Welborn's role changed from Managing Director to Non-Executive Director on 6 August 2010, 1,000,000 of his options lapsed.

(d) **Shareholdings of Key Management Personnel**

2012	Held at 1 July 2011	Granted as Remuneration	Share Placement	Other Changes	Held at 30 June 2012
Directors					
Mr Ian Middlemas	5,000,000 ¹	-	-	-	5,000,000
Mr John Welborn	3,750,000	-	-	-	3,750,000
Mr Alec Pismiris	603,305	-	-	-	603,305 ²
Mr Mark Pearce	- ¹	-	3,000,000	-	3,000,000
Mr Jeremy Shervington	920,582	-	-	-	920,582 ²
Mr Stuart Hall	-	-	-	-	- ²
Executives					
Mr Dennis Wilkins	-	-	-	-	- ²

Notes:

¹ As at date of appointment

² As at date of resignation

2011	Held at 1 July 2010	Granted as Remuneration	Share Placement	Other Changes	Held at 30 June 2011
Directors					
Mr John Welborn	750,000	-	-	3,000,000 ¹	3,750,000
Mr Alec Pismiris	603,305	-	-	-	603,305
Mr Jeremy Shervington	920,582	-	-	-	920,582
Mr Stuart Hall	-	-	-	-	-
Executives					
Mr Denis Wilkins	-	-	-	-	-

Notes:

¹ Exercise of Options.

(e) **Loans from Key Management Personnel**

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2012 (2011: Nil).

(f) **Other Transactions**

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$157,500 (2011: nil) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in arrears, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the statement of comprehensive income.

During the financial year, fees of \$10,000 (2011: \$85,103) were charged under normal terms and conditions to Papillon Resources Limited, of which Messrs Shervington, Pismiris and Hall were Directors, for the provision of personnel, office accommodation and equipment services at normal commercial rates. Nil (2011: Nil) was outstanding at balance date.

During the financial year, fees of \$110,227 were charged under normal terms and conditions to , of which Mr Middlemas is a Director, for the provision of personnel, office accommodation and equipment services at normal commercial rates. Nil was outstanding at balance date.

21 PARENT ENTITY DISCLOSURES

	Note	2012 \$	2011 \$
(a) Financial Position Assets			
Assets			
Current assets		2,917,342	2,263,473
Non-current assets		21,484,746	16,996,845
Total assets		24,402,088	19,206,318
Liabilities			
Current liabilities		95,584	124,298
Non-current liabilities		10,425	-
Total liabilities		106,009	124,298
Equity			
Contributed equity		23,551,896	21,702,470
Accumulated losses		(4,901,749)	(6,510,631)
Reserves		5,645,932	3,944,181
Total equity		24,296,079	19,136,020
(b) Financial Performance			
Profit for the year		1,608,882	1,114,924
Other comprehensive income		1,460,000	2,050,000
Total comprehensive income		3,068,882	3,164,924

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 26 for details of contingent assets and liabilities.

22 SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

From time to time, the Group provides Incentive Options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	Note	2012 \$	2011 \$
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(b) Summary of Options Granted as Share-based Payments**2012**

The following Options were granted as share-based payments during the year ended 30 June 2012:

2012	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price	Grant Date Fair Value
Option Series					\$	\$
Series 1	Prairie Downs Metals Limited	2,000,000	22-Nov-12	30-Jun-15	0.15	0.1198
Series 2	Prairie Downs Metals Limited	1,250,000	28-May-12	30-Jun-16	0.25	0.0779

2011

There were no incentive options granted during the 2011 financial year.

The following table illustrates the number and weighted average exercise prices (WAEP) of Options granted as share-based payments at the beginning and end of the financial year:

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at beginning of year	4,000,000	\$0.4500	8,525,000	\$0.3300
Granted by the Company during the year	3,250,000	\$0.1885	-	-
Forfeited/cancelled/lapsed	(4,000,000)	\$0.4500	(1,475,000)	\$0.1600
Exercised during the year	-	-	(3,050,000)	\$0.1000
Outstanding at end of year	3,250,000	\$0.1885	4,000,000	\$0.4500

The outstanding balance of options as at 30 June 2012 is represented by:

- 2,000,000 Options exercisable at \$0.15 each on or before 30 June 2015; and
- 1,250,000 incentive Options exercisable at \$0.25 each on or before 30 June 2016.

(c) Weighted Average Remaining Contractual Life

At 30 June 2012, the weighted average remaining contractual life of Options on issue that had been granted as share-based payments was 3.39 years (2011: 0.42 years).

(d) Range of Exercise Prices

At 30 June 2012, the range of exercise prices of Options on issue that had been granted as share-based payments was \$0.15 to \$0.25 (2011: \$0.10 to \$1.00).

(e) **Weighted Average Fair Value**

The weighted average fair value of Options granted as share-based payments by the Group during the year ended 30 June 2012 was \$0.1037 (2011: nil).

(f) **Option Pricing Model**

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The table below lists the inputs to the valuation model used for share options granted by the Group during the last two years:

2012 Inputs	Series 1	Series 2
Exercise price	\$0.15	\$0.25
Grant date share price	\$0.16	\$0.13
Dividend yield ¹	-	-
Volatility ²	115%	100%
Risk-free interest rate	3.23%	2.65%
Grant date	22-Nov-11	28-May-12
Expiry date	30-Jun-15	30-Jun-16
Expected life of option ³	3.6 years	4.1 years
Fair value at grant date	\$0.1198	\$0.0779

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

2011

There were no incentive options granted during the 2011 financial year.

23 **AUDITORS' REMUNERATION**

The auditor of Prairie Downs Metals Limited is BDO Audit (WA) Pty Ltd.

	2012 \$	2011 \$
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:	29,378	28,522
• an audit or review of the financial report of the entity and any other entity in the consolidated group		
Amounts received or due and receivable by Ernst & Young for:	-	18,534
• an audit or review of the financial report of the entity and any other entity in the consolidated group		
Amounts received or due and receivable by BDO for:	-	8,655
• Transaction and other advisory services		
• R & D tax concession services	12,900	6,500
• Preparation of income tax return	4,845	5,555
	47,123	67,766

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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**(a) Overview**

The Group's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2012	2011
	\$	\$
Cash and cash equivalents	2,734,069	2,001,446
Trade and other receivables	194,516	184,067
	2,928,585	2,185,513

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Group's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2012, none (2011: none) of the Group's receivables are past due.

(c) **Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2012 and 2011, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months \$	6-12 Months \$	1-5 Years \$	≥5 Years \$	Total \$
2012					
Group					
Financial Liabilities					
Trade and other payables	98,463	-	-	-	98,463
	98,463	-	-	-	98,463

(d) **Interest Rate Risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2012 \$	2011 \$
Interest-bearing financial instruments		
Cash at bank and on hand	351,349	870,191
Deposits at Call	2,382,720	1,131,255
	2,734,069	2,001,446

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 4.94% (2011: 6.54%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss		Other Comprehensive Income	
	+100 points	basis -100 points	basis +100 points	basis -100 basis points
2012				
Group				
Cash and cash equivalents	27,341	(27,341)	27,341	(27,341)
2011				
Group				
Cash and cash equivalents	10,415	(10,415)	10,415	(10,415)

(e) Equity Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as available-for-sale financial assets. At the reporting date the Group has investments in the listed equity securities of one ASX listed entity, refer note 8.

Equity price sensitivity

A sensitivity of 20% has been selected as this is considered reasonable given the current volatility of global equity markets. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	20% increase	20% decrease	20% increase	20% decrease
2012				
Group				
Available-for-sale financial assets			1,880,000	(1,880,000)
2011				
Group				
Available-for-sale financial assets	-	-	550,000	(550,000)
Financial assets at fair value through profit and loss	404,700	(404,700)	-	-

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) **Capital Management**

The Group defines its Capital as total equity of the Group, being \$24,229,668 for the year ended 30 June 2012 (2011: \$19,235,709). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(h) **Fair Value**

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data. The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in following table:

	Quoted Market Price (Level 1)	Valuation Technique (Level 2)	Valuation Technique (Level 3)	Total
2012				
Held-for-trading investments:				
Unlisted options in an Australian listed entity	-	-	-	-
Available-for-sale investments:				
Australian listed equity security	9,400,000	-	-	9,400,000
2011				
Held-for-trading investments:				
Unlisted options in an Australian listed entity	-	2,023,500	-	2,023,500
Available-for-sale investments:				
Australian listed equity security	2,750,000	-	-	2,750,000

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices. The fair value of unlisted options has been calculated using the Black-Scholes European Option Pricing Model.

(i) **Foreign Currency Risk**

As a result of activities overseas, the Group's statement of financial position can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is the Polish Zloty. Foreign currency risk arises on translation of the net assets of a controlled entity to Australian dollars.

The Group does not have any material exposure to financial instruments denominated in foreign currencies at year end.

26 **CONTINGENT ASSETS AND LIABILITIES**

(i) Contingent Assets

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2012 financial year.

(ii) Contingent Liability

The Company's subsidiary, Mineral Investments Pty Ltd, has been selected for statutory assessment of its eligibility to claim tax concessions for research and development activities undertaken on the Prairie Downs Metals Project. Should Mineral Investments Pty Ltd fail to continue to meet the eligibility criteria it may be requested to refund the tax concessions received to date which amount to \$842,031. Due to the uncertainty in relation to this claim, the financial effect of this has not been brought to account in these financial statements.

27 **COMMITMENTS**

Management have identified the following material commitments for the consolidated group as at 30 June 2012 and 30 June 2011:

2012	Note	Payable within 1 year	Payable within 1 year less than 5 years	Total
		\$	\$	\$
Lease commitments				
Operating lease	27(a)	164,768	233,835	398,603
Total Commitments		164,768	233,835	398,603

2011	Note	Payable within 1 year	Payable within 1 year less than 5 years	Total
		\$	\$	\$
Lease commitments				
Operating lease	27(a)	120,490	353,896	474,386
Total Commitments		120,490	353,896	474,386

(a) **Lease commitments**

During the 2010 financial year the Group entered into a commercial lease on its office premises. The lease has a term of 5 years and expires on 30 November 2014.

28

EVENTS SUBSEQUENT TO BALANCE DATE

- (i) On 9 August 2012, the Company announced that it had secured a highly prospective and potentially large scale thermal Coal Project in Poland. The Project is comprised of four (4) coal licenses covering 182km² (18,200Ha) located in South East Poland in the Lublin Coal Basin. These licences were granted to a locally registered subsidiary of Prairie in Poland;
- (ii) On 12 September 2012, the Company undertook a Placement of three million fully paid ordinary shares at \$0.30 each to raise \$900,000 before costs to a nominee of Mr Anastasios Arima. Furthermore, a one for two attaching option exercisable at \$0.40 and expiring 30 June 2016 was included in the placement;
- (iii) On 12 September 2012, the Company issued three million fully paid ordinary shares to key consultants and their nominees, on the successful grant of licences in Poland; and
- (iv) On 13 September 2012, Mr Anastasios Arima commenced as an Executive Director.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2012, of the Consolidated Entity.

SECTION B : GROUP FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PRAIRIE DOWNS METALS LIMITED**

Report on the financial report

We have audited the accompanying financial report of Prairie Downs Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Prairie Downs Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report

Opinion

In our opinion:

- (c) the financial report of Prairie Downs Metals Limited is in accordance with the *Corporations Act 2001*, including:
- giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (d) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Prairie Downs Metals Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd
Brad McVeigh Director
Perth, Western Australia

Dated this 20th day of September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Notes	2013 \$	Restated 2012 \$
Continuing operations			
Revenue	2(a)	141,428	146,802
Other income	2(b)	166,525	1,469,457
Exploration and evaluation expenses		(2,335,377)	(892,894)
Employment expenses	3(c)	(396,716)	(210,163)
Administration and corporate expenses		(289,422)	(247,540)
Occupancy expenses		(436,324)	(337,089)
Business development expenses		(294,466)	(83,445)
Other expenses	3(a)	(1,685,000)	-
Loss before income tax		(5,129,352)	(154,872)
Income tax benefit/(expense)	4	(825,000)	1,730,250
Net profit/(loss) for the period		(5,954,352)	1,575,378
Net profit/(loss) attributable to members of the Prairie Downs Metals Limited		(5,953,730)	1,620,693
Net loss attributable to non-controlling interests		(622)	(45,315)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale financial assets		(2,750,000)	3,050,000
Deferred tax on available-for-sale financial assets	4	825,000	(1,730,250)
Exchange differences on translation of foreign operations		(58,448)	(3,079)
Total other comprehensive income/(loss) for the year, net of tax		(1,983,448)	1,316,671
Total comprehensive income/(loss) for the year, net of tax		(7,937,800)	2,892,049
Total comprehensive profit/(loss) attributable to members of Prairie Downs Metals Limited		(7,937,722)	2,938,572
Total comprehensive profit/(loss) attributable to non-controlling interests		(78)	(46,523)
Basic and diluted earnings/loss per share from continuing operations (cents per share)	17	(5.62)	1.79

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 30 June 2013

	Notes	30 June 2013 \$	Restated 30 June 2012 \$	Restated ⁵ 1 July 2011 \$
ASSETS				
Current Assets				
Cash and cash equivalents	16(b)	6,170,841	2,734,069	2,001,446
Trade and other receivables	6	393,440	194,516	184,067
Prepayments		-	-	8,438
Other financial assets	7	22,000	22,000	112,624
Total Current Assets		6,586,281	2,950,585	2,306,575
Non-current Assets				
Other financial assets	8	6,650,000	9,400,000	4,773,500
Property, plant and equipment	9	47,606	263,327	576,445
Exploration and evaluation assets	10	530,000	1,685,000	1,685,000
Total Non-current Assets		7,227,606	11,348,327	7,034,945
TOTAL ASSETS		13,813,887	14,298,912	9,341,520
LIABILITIES				
Current Liabilities				
Trade and other payables	11	801,135	98,463	114,140
Provisions		-	-	10,158
Total Current Liabilities		801,135	98,463	124,298
TOTAL LIABILITIES		801,135	98,463	124,298
NET ASSETS		13,012,752	14,200,449	9,217,222
EQUITY				
Contributed equity	12	30,820,466	23,551,897	21,702,470
Reserves	13	1,892,172	5,503,811	3,944,181
Accumulated losses	14	(19,699,886)	(14,808,736)	(16,429,430)
Equity attributable to members of the Prairie Downs Metals Limited		13,012,752	14,246,972	9,217,221
Non-controlling interest	15	-	(46,523)	-
TOTAL EQUITY		13,012,752	14,200,449	9,217,221

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

⁵ With effect 1 July 2012, the policy for accounting for exploration expenditure has changed from the policy applied in previous reporting periods (refer Note 1(y)). As such in accordance with AASB 101 Presentation of Financial Statements a third consolidated Statement of Financial Position and Notes to the restated amounts have been presented.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Ordinary Shares \$	Available- For-Sale Reserve \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- Controlling Interests \$	Total Equity \$
Balance at 1 July 2012 originally stated	23,551,897	3,710,000	1,935,932	(1,871)	(4,919,767)	(46,523)	24,229,668
Change in accounting policy opening balance adjustment	-	(140,250)	-	-	(9,888,969)	-	(10,029,219)
At 1 July 2012 restated	23,551,897	3,569,750	1,935,932	(1,871)	(14,808,736)	(46,523)	14,200,449
Net Loss for the year	-	-	-	-	(5,953,730)	(622)	(5,954,352)
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	(58,992)	-	544	(58,448)
Changes in fair value of available-for-sale financial assets	-	(2,750,000)	-	-	-	-	(2,750,000)
Deferred tax on available-for-sale financial assets	-	825,000	-	-	-	-	825,000
Total comprehensive income/(loss) for the year	-	(1,925,000)	-	(58,992)	(5,953,730)	(78)	(7,937,800)
Transactions with owners recorded directly in equity							
Issue of ordinary shares	7,085,180	-	-	-	-	-	7,085,180
Share issue costs	(445,681)	-	-	-	-	-	(445,681)
Exercise of Unlisted Options	44,070	-	(44,070)	-	-	-	-
Acquisition of non-controlling interests (Note 15)	585,000	-	-	-	(631,601)	46,601	-
Recognition of share-based payments	-	-	110,604	-	-	-	110,604
Adjustment for previously expired options	-	-	(1,694,181)	-	1,694,181	-	-
Balance at 30 June 2013	30,820,466	1,644,750	308,285	(60,863)	(19,699,886)	-	13,012,752
Balance at 1 July 2011	21,702,470	2,250,000	1,694,181	-	(6,410,942)	-	19,235,709
Change in accounting policy opening balance adjustment	-	-	-	-	(10,018,488)	-	(10,018,488)
At 1 July 2011 restated	21,702,470	2,250,000	1,694,181	-	(16,429,430)	-	9,217,221
Net profit/(loss) for the year	-	-	-	-	1,620,694	(45,315)	1,575,379
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	(1,871)	-	(1,208)	(3,079)
Change in the fair value of available-for sale financial assets	-	3,050,000	-	-	-	-	3,050,000
Deferred tax on available-for-sale financial assets	-	(1,730,250)	-	-	-	-	(1,730,250)
Total comprehensive income/(loss) for the period	-	1,319,750	-	(1,871)	1,620,694	(46,523)	2,892,050
Transactions with owners recorded directly in equity							
Share placements	2,250,000	-	-	-	-	-	2,250,000
Share issue costs	(160,973)	-	-	-	-	-	(160,973)
Recognition of share-based payments	(239,600)	-	241,751	-	-	-	2,151
Balance at 30 June 2012 restated	23,551,897	3,569,750	1,935,932	(1,871)	(14,808,736)	(46,523)	14,200,449

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2013

		2013	Restated 2012
	Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,292,374)	(1,505,697)
Interest received from third parties		119,313	137,303
Geological services revenue received		125,158	494,462
Office services income received		194,606	183,428
Other income received		-	82,290
NET CASH FLOWS USED IN OPERATING ACTIVITIES	16(a)	(2,853,297)	(608,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(24,175)	-
Payments for exploration and evaluation assets		(200,000)	-
Receipts from disposal of plant and equipment		4,610	3,000
Payments for purchase of equity instruments		-	(750,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(219,565)	(747,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,955,180	2,250,000
Payments for share issue costs		(445,679)	(160,973)
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,509,501	2,089,027
Net increase in cash and cash equivalents		3,436,639	733,813
Net foreign exchange differences		133	(1,190)
Cash and cash equivalents at beginning of year		2,734,069	2,001,446
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16(b)	6,170,841	2,734,069

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Prairie Downs Metals Limited ("**Prairie Downs**" or "**Company**") and its consolidated entities ("**Consolidated Entity**" or "**Group**") for the year ended 30 June 2013 are stated to assist in a general understanding of the financial report.

Prairie Downs is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("**ASX**").

The financial report of the Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 18 September 2013.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. The financial report is presented in Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As a consequence of the adoption of AASB 2011-9 Amendments to Australian Accounting Standards and its associated amending standards, the Consolidated Entity now presents a Statement of Profit or Loss and other Comprehensive Income.

In addition to the changes in presentation, the Group has updated the classification of expenses to make the Statement of Profit or Loss and other Comprehensive Income more relevant to users of the financial report. This has resulted in the reclassification of some items in the prior period, however, has not impacted the reported loss for the period or earnings per share.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes to follow.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2013. These are outlined in the table overleaf:

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
		(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.			
		(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.			
		(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.			
		(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:			
		(i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI).			
		(ii) The remaining change is presented in profit or loss			
		If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.			

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
		8.			
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	<p>This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".</p> <p>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.</p> <p>Consequential amendments were also made to other standards via AASB 2011-12</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when offsetting the criteria of AASB 132 are not all met.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual	<p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> Repeat application of AASB 1 is 	1 January 2013	These amendments are not expected to have any significant	1 July 2013

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
	Improvements 2009-2011 Cycle	permitted (AASB 1) <ul style="list-style-type: none"> Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). 		impact on the Group's financial report.	
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to <i>Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2013-3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 makes amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The intention of this amendment is to harmonise the disclosure requirements for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014

(c) **Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2013 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(d) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) **Trade and Other Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(f) **Investments and Other Financial Assets**

(i) *Classification*

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

(ii) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the Statement of Profit or Loss and other Comprehensive Income as gains and losses on disposal of investment securities.

(iv) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Profit or loss – is transferred from equity to the Statement of Profit or Loss and other Comprehensive Income. Impairment losses recognised in the Statement of Profit or Loss and other Comprehensive Income on equity instruments classified as held for sale are not reversed through the Statement of Profit or Loss and other Comprehensive Income.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Property, Plant and Equipment

(i) Cost and valuation

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

(ii) Depreciation and Amortisation

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2013	2012
Major depreciation and amortisation periods are:		
Leasehold Land:	7% - 20%	7% - 20%
Buildings:	22%- 40%	22%- 40%
Plant and equipment:	22%- 40%	22%- 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Exploration and Development Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 Exploration for and Evaluation of Mineral Resources.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

(i) Impairment

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) **Revenue Recognition**

R&D tax concession income

The Research and Development tax concession is recognised in the period that the claim is accepted by the ATO.

Geological services income

Income for the provision of geological services is recognised in the accounting period in which the services are rendered.

Office services income

Income for the provision of personnel, office accommodation and equipment services is recognised in income on a straight line basis over the term of the agreement. Contingent income is recognised in the periods in which it is earned.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(m) **Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Prairie Downs Metals Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(n) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are

regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(s) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's

revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(t) **Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(u) **Issued and Unissued Capital**

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) **Foreign Currencies**

(i) *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement Profit or Loss and other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the other Comprehensive Income.

(iii) *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

(w) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 21.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(x) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets (Note 10);
- Share-Based Payments (Note 21).

(y) Change in Accounting Policy

The policy for accounting for exploration and evaluation expenditure has changed from the policy applied in previous reporting periods.

In previous reporting periods, the costs incurred in connection with the exploration and evaluation of areas with current rights of tenure were capitalised to the Statement of Financial Position. The criteria for carrying forward the costs were:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest that was abandoned were written off in the year in which the decision to abandon was made.

The policy has changed, and the new policy has been applied retrospectively (with comparative information restated accordingly). Under the new policy, except as noted below, exploration and evaluation expenditure is expensed to the Statement of Profit or Loss and other Comprehensive Income as and when it is incurred. Exploration and evaluation costs are only capitalised to the Statement of Financial Position if they result from an acquisition of a project. Exploration and evaluation costs, subsequent to the acquisition of the rights to explore, will now be expensed as incurred, up and until the preparation of a technical feasibility study.

The Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable information as the policy is more transparent and less subjective. The policy is common of smaller exploration companies as exploration and evaluation expenditure is viewed as an ongoing expense of discovery, until a technical feasibility study has been completed.

The impact of this change in accounting policy is reflected below:

For comparative purposes the accounts within the Consolidated Statement of Financial Position have changed by:

	30 June 2012	1 July 2011
	\$	\$
Decrease in exploration and evaluation assets	(10,039,644)	(10,018,488)
Decrease in deferred tax liability	10,425	-
Increase in deferred tax on available-for-sale assets	140,250	-
Increase in accumulated losses	(140,250)	-
Net decrease in equity	(10,029,219)	(10,018,488)

For comparative purposes the profit after tax has changed by:

	30 June 2012
	\$
Recognised exploration and evaluation expenditure	(21,157)
Income tax benefit decreased	140,250
Decrease in deferred tax liability	10,425
Decrease in Profit or Loss	129,518

Basic and diluted earnings per share have also been restated. The amount of the impact on basic and diluted earnings per share for the new result for the year ended 30 June 2012 due to the change in accounting policy is an increase in earnings per share of 0.15 cents.

The impact of the change in accounting policy has not been quantified for the current year as these accounting records have not been maintained.

2 REVENUE AND OTHER INCOME

	Note	2013 \$	2012 \$
(a) Revenue			
Interest income		141,428	146,802
		141,428	146,802
(b) Other Income			
Fair value gains on financial assets at fair value through profit or loss		-	826,500
Geological services income		5,120	457,529
Office services income from unrelated parties		161,405	183,428
Other income		-	2,000
		166,525	1,469,457

3 EXPENSES

	Note	2013 \$	2012 \$
(a) Other expenses			
Impairment of exploration and evaluation assets	10(b)	(1,685,000)	-
(b) Depreciation included in statement of comprehensive income			
Depreciation of plant and equipment	9	(241,266)	(263,682)
(c) Employee benefits expense (including KMP)			
Salaries and wages		(241,512)	(141,251)
Superannuation expense		(20,434)	(8,149)
Share-based payment expense		(110,604)	(2,151)
Other employee expenses		(24,166)	(58,612)
Employment expenses included in profit or loss		(396,716)	(210,163)
Employment expenses capitalised as exploration and evaluation expenses		(164,623)	-
Total Employment expenses included in profit or loss		(561,339)	(210,163)

	Note	2013 \$	Restated 2012 \$
(a) Recognised in the statement of comprehensive income			
Current income tax			
Current income tax benefit in respect of the current year		-	-
Adjustments in respect of current income tax of previous years		-	-
Deferred income tax			
Relating to origination and reversal of temporary differences		(862,560)	(919,006)
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period		115,786	-
Deferred tax assets not brought to account		1,571,774	-
Adjustments in respect of deferred income tax of previous years		-	(811,244)
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income		825,000	(1,730,250)
(b) Recognised in the statement of changes in equity			
Deferred income tax			
Unrealised gain/(loss) on available-for-sale investments		(825,000)	1,730,250
Income tax expense/(benefit) reported in equity		(825,000)	1,730,250
(c) Reconciliation between tax expense and accounting profit/(loss) before income tax			
Accounting profit/(loss) before income tax		(5,129,352)	(154,872)
At the domestic income tax rate of 30% (2012: 30%)		(1,538,806)	(46,462)
Expenditure not allowable for income tax purposes		757,041	62,879
Capital allowances		(133,704)	(120,173)
Deferred tax assets previously not brought to account		-	(815,250)
Deferred tax assets not brought to account		1,571,774	(811,244)
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period		115,786	-
Effect of different tax rates of subsidiaries operating in other jurisdictions		52,909	-
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income		825,000	(1,730,250)

	Note	30 June 2013 \$	Restated 30 June 2012 \$	Restated 1 July 2011 \$
(d) Deferred Tax Assets and Liabilities				
Deferred income tax at 30 June relates to the following:				
Deferred Tax Liabilities				
Financial assets at fair value through profit or loss		-	-	567,300
Available-for-sale financial assets		1,580,250	2,405,250	675,000
Receivables		11,735	5,101	2,251
Prepayments		-	-	2,531
Deferred tax assets used to offset deferred tax liabilities		(1,591,985)	(2,410,351)	(1,247,082)
		-	-	-
Deferred Tax Assets				
Accrued expenditure		11,850	9,300	11,414
Capital allowances		140,424	47,581	29,729
Property, plant and equipment		22,251	25,887	34,190
Provisions		-	-	3,047
Tax losses available offset against future taxable income		5,995,848	5,218,411	5,020,751
Deferred tax assets used to offset deferred tax liabilities		(1,591,985)	(2,410,351)	(1,247,082)
Deferred tax assets not brought to account		(4,578,388)	(2,890,828)	(3,852,049)
		-	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(e) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Prairie Downs Metals Limited.

5 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or proposed for the year ended 30 June 2013 (2012: Nil).

	Note	2013 \$	2012 \$
(a) Franking Credit Balance			
Franking credits available to shareholders of Prairie Downs Metals Limited for subsequent financial years		-	-
<hr/>			
6 TRADE AND OTHER RECEIVABLES			
	Note	2013 \$	2012 \$
Trade receivables		8,477	158,629
Accrued interest		39,117	17,003
GST and other receivables		345,846	18,884
Trade and Other Receivables		393,440	194,516
<hr/>			
7 CURRENT ASSETS – OTHER FINANCIAL ASSETS			
	Note	2013 \$	2012 \$
Bond – Performance guarantee ⁶		22,000	22,000
		22,000	22,000
<hr/>			
8 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS			
	Note	2013 \$	2012 \$
<i>Available-for-sale financial assets</i>			
Australian listed equity securities ⁷		6,650,000	9,400,000
		6,650,000	9,400,000
<hr/>			
9 PROPERTY, PLANT AND EQUIPMENT			
	Note	2013 \$	2012 \$
Plant and Equipment			
At cost		924,658	899,113
Accumulated depreciation and impairment		(877,052)	(635,786)
Carrying amount at end of year, net of accumulated depreciation and impairment		47,606	263,327
<hr/>			
Reconciliation			
Carrying amount at beginning of year, net of accumulated depreciation and impairment		263,327	576,445
Additions		24,175	-

⁶ Performance guarantees of \$22,000 (2012: \$22,000) relate to environmental performance bonds on tenements.

⁷ The Company holds 10,000,000 fully paid ordinary shares in Papillon Resources Limited (ASX:PIR).

	Note	2013 \$	2012 \$
Disposals		-	(49,436)
Depreciation charge		(241,266)	(263,682)
Exchange differences on translation of foreign operations		1,370	-
Carrying amount at end of year, net of accumulated depreciation and impairment		47,606	263,327

10 EXPLORATION AND EVALUATION ASSETS

	Note	30 June 2012 \$	Restated 30 June 2012 \$	Restated 1 July 2011 \$
(a) Areas of Interest				
Prairie Downs Base Metals Project		-	1,685,000	1,685,000
Lublin Coal Project		530,000	-	-
Carrying amount at end of year, net of impairment⁸		530,000	1,685,000	1,685,000
(b) Reconciliation				
Opening net book amount		1,685,000	1,685,000	1,685,000
Acquisition costs incurred		530,000	-	-
Impairment losses ⁹	3(a)	(1,685,000)	-	-
Carrying amount at end of year net of impairment¹⁰		530,000	1,685,000	1,685,000

11 TRADE AND OTHER PAYABLES

	Note	2013 \$	2012 \$
Trade creditors		744,881	67,463
Accrued expenses		56,254	31,000
		801,135	98,463

12 CONTRIBUTED EQUITY

	Note	2013 \$	2012 \$
(a) Issued and Unissued Capital			
116,808,465 (2012: 98,440,598) fully paid Ordinary Shares	12(b)	30,495,466	23,551,897

⁸ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

⁹ Based on current market conditions and best available information, a decision was made during the year to fully impair the carrying value of the Prairie Downs Base Metals Project.

¹⁰ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

	Note	2013 \$	2012 \$
5,500,000 (30 June 2012: nil) unissued milestone shares	15	325,000	-
		30,820,466	23,551,897

(b) Movements in Ordinary Shares during the past two years were as follows:

Date	Details	Note	Number of Ordinary Shares	Issue Price \$	\$
01-Jul-12	Opening balance		98,440,598	-	23,551,897
12-Sep-12	Share placement		3,000,000	0.30	900,000
12-Sep-12	Acquisition of non-controlling interest (Note 15)		2,000,000	-	260,000
12-Sep-12	Shares issued upon the grant of coal leases in Poland		1,000,000	-	130,000
10-Apr-13	Share Placement		12,000,000	0.50	6,000,000
Jul-12 to Jun-13	Exercise of Unlisted Options		367,867	0.15	55,180
Jul-12 to Jun-13	Share issue costs		-	-	(445,681)
30-Jun-13	Transfer from share-based payments reserve		-	-	44,070
30-Jun-13	Closing balance	12(a)	116,808,465	-	30,495,466
01-Jul-11	Opening balance		75,940,598		21,702,470
24-Aug-11	Share placement		5,000,000	0.10	500,000
24-Nov-11	Share placement		17,500,000	0.10	1,750,000
24-Nov-11	Share issue costs		-	-	(400,573) ¹¹
30-Jun-12	Closing balance	12(a)	98,440,598	-	23,551,897

(c) Rights Attaching to Ordinary Shares:

The rights attaching to fully paid Ordinary Shares ("Ordinary Shares") arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Unlisted Options in accordance with Note 13(c) will rank equally in all respects with the Company's existing Ordinary Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

¹¹ Includes share-based payment of \$239,600.

(ii) *Meetings of Members*

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) *Voting*

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) *Changes to the Constitution*

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days'

written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) *Listing Rules*

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

13 **RESERVES**

	Note	2013 \$	2012 \$
Share-based-payments reserve	13(b)	308,285	1,935,932
Available-for-sale reserve	13(d)	1,644,750	3,569,750
Foreign currency translation reserve		(60,863)	(1,871)
		1,892,172	5,503,811

(a) **Nature and Purpose of Reserves**

(i) *Share-based payments reserve*

The share-based payments reserve is used to record the fair value of Unlisted Options issued by the Group.

(ii) *Available-For-Sale Reserve*

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the available-for-sale-reserve as described in Note 1(f). Amounts are recognised in the Statement of Profit or Loss and other Comprehensive Income when the associated assets are sold or impaired.

(iii) *Foreign Currency Translation Reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(v). The reserve is recognised in the Statement of Profit or Loss and other Comprehensive Income when the net investment is disposed of.

(b) **Movements in share-based payments reserve during the past two years were as follows:**

Date	Details	Number of Unlisted Options	\$
01-Jul-12	Opening balance	3,250,000	1,935,932
Jul-12 to Jun-13	Exercise of \$0.15 Unlisted Options	(367,867)	(44,070)
17-Jun-13	Issue of \$0.35 Unlisted Options ¹²	1,500,000	-
17-Jun-13	Issue of \$0.45 Unlisted Options ¹³	1,500,000	-
17-Jun-13	Issue of \$0.60 Unlisted Options ¹⁴	1,500,000	-
30-Jun-13	Adjustment for previously expired options	-	(1,694,181)
30-Jun-13	Share-based payment expense for the year	-	110,604
30-Jun-13	Closing balance	7,382,133	308,285
01-Jul-11	Opening balance	4,000,000	1,694,181
24-Nov-11	Issue of \$0.15 Unlisted Options in lieu of capital raising costs (refer note 12(b))	2,000,000	239,600
05-Dec-11	Expiration of \$0.45 Unlisted Options, 31 December 2011	(4,000,000)	-
28-May-12	Issue of \$0.25 Unlisted Options, 30 June 2016	1,250,000	-
30-Jun-12	Share-based payment expense for the year	-	2,151
30-Jun-12	Closing balance	3,250,000	1,935,932

(c) **Terms and Conditions of Share-based payment Unlisted Options**

¹² The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

¹³ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

¹⁴ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

The Unlisted Options are granted based upon the following terms and conditions:

- each Unlisted Option entitles the holder the right to subscribe for one Ordinary Share upon the exercise of each Unlisted Option;
- the Unlisted Options have the following exercise prices and expiry dates:
 - 1,632,133 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
 - 1,250,000 Unlisted Options exercisable at \$0.25 each on or before 30 June 2016;
 - 1,500,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
 - 1,500,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
 - 1,500,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017;
- the Unlisted Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Unlisted Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- no application for quotation of the Unlisted Options will be made by the Company.

(d) Movements in the Available-for-Sale Reserve during the past two years were as follows:

	Note	2013 \$	Restated 2012 \$
Available-for-Sale Reserve			
Balance at 1 July originally stated		3,710,000	2,250,000
Change in accounting policy opening balance adjustment		(140,250)	-
At 1 July restated		3,569,750	2,250,000
Change in fair value		(2,750,000)	3,050,000
Deferred tax	4	825,000	(1,730,250)

	Note	2013 \$	Restated 2012 \$
Balance at 30 June		1,644,750	3,569,750

14 **ACCUMULATED LOSSES**

	Note	2013 \$	Restated 2012 \$
Balance at 1 July originally stated		(4,919,767)	(6,410,942)
Change in accounting policy opening balance adjustment		(9,888,969)	(10,018,488)
At 1 July restated		(14,808,736)	(16,429,430)
Acquisition of non-controlling interests (Note 15)		(631,601)	-
Adjustment for previously expired options		1,694,181	-
Net profit/(loss) for the year attributable to members of Prairie Downs Metals Limited		(5,953,730)	1,620,694
Balance at 30 June		(19,699,886)	(14,808,736)

15 **NON-CONTROLLING INTERESTS**

	Note	2013 \$	2012 \$
Balance at 1 July		(46,523)	-
Share of loss for the year		(622)	(45,315)
Share of foreign currency translation reserve for the year		544	(1,208)
Acquisition of non-controlling interest		46,601	
Balance at 30 June		-	(46,523)

Acquisition of additional interest in PDZ Holdings Pty Ltd

During the year, the Company exercised its call option to acquire an additional 40% of the share capital of PDZ-Holdings Pty Ltd ("PDZ-H") increasing its interest to 100%. PDZ-H is the sole shareholder of PD Co Sp. z o.o. which is incorporated in Poland and holds the coal concessions at the Company's Lublin Coal Project. The total cost to exercise this option was \$585,000 which comprised of an issue of equity instruments as follows:

- (i) 2,000,000 Ordinary Shares with a fair value of \$260,000; and
- (ii) 5,500,000 milestone shares (with a fair value of \$325,000¹⁵) to be issued to key consultants upon the achievement of performance milestones.

¹⁵ The acquisition date fair value of the milestone shares has been determined to be \$325,000, based on Management's assessment of the probability that the milestone shares will be met and the performance shares will be converted into fully paid ordinary shares.

The carrying value of the net asset deficiency of PDZ-H at the date of acquisition (being 14 August 2012), was \$116,503, and the carrying value of the additional 40% interest acquired was \$46,601. The difference of \$631,601 between the consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

16

STATEMENT OF CASH FLOWS

(e) Reconciliation of the Profit after Tax to the Net Cash Flows from Operations

	Note	2013 \$	Restated 2012 \$
Net profit/(loss) for the year		(5,954,352)	1,575,378
Adjustment for non-cash income and expense items			
Depreciation of plant and equipment		241,266	263,682
Loss on disposal of plant and equipment		-	39,937
Fair value gains on financial assets at fair value through profit or loss		-	(826,500)
Share based payment expense		110,604	2,151
Unrealised foreign exchange gain		(64,563)	
Impairment losses		1,685,000	-
Income tax (benefit)/expense		825,000	(1,730,250)
Change in operating assets and liabilities			
(Increase) in trade and other receivables		(198,924)	(5,839)
Decrease in prepayments		-	8,438
Decrease in other financial assets		-	90,624
Increase/(decrease) in trade and other payables		502,672	(15,677)
(Decrease) in provisions		-	(10,158)
Net cash outflow from operating activities		(2,853,297)	(608,214)

(f) Reconciliation of Cash

Cash at bank and on hand	1,206,837	351,349
Deposits at call	4,964,004	2,382,720
	6,170,841	2,734,069

(g) Non-cash Financing and Investing Activities

30 June 2013

Refer to note 15 for non-cash financing and investing activities that have occurred during the year ended 30 June 2013.

30 June 2012

A share-based payment of \$239,600 in respect to capital raising costs has been recognised directly in equity as a share-based payment (refer to note 12(b) and note 21).

17 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2013 \$	Restated 2012 \$
The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Net loss attributable to members of the Parent used in calculating basic and diluted earnings per share	(5,953,730)	(1,620,693)
	Number of Ordinary Shares 2013	Number of Ordinary Shares 2012
Weighted average number of Ordinary Shares	106,016,224	90,722,019
Adjustment for calculation of diluted earnings per share for options	-	1,207
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	106,016,224	90,723,226

(h) Non-Dilutive Securities

As at balance date, 18,132,133 Unlisted Options (which represent 18,132,133 potential Ordinary Shares) were considered non-dilutive as they would increase the loss per share.

(i) Conversions, Calls, Subscriptions or Issues after 30 June 2013

Since 30 June 2013, the Company has issued the following securities:

- 1,375,000 Ordinary Shares following the exercise of 1,375,000 \$0.15 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
- 652,414 Ordinary Shares to key consultants of the Company in lieu of cash;
- 1,500,000 Unlisted Options exercisable at \$0.35 on or before 30 June 2017;
- 1,500,000 Unlisted Options exercisable at \$0.45 on or before 30 June 2017; and
- 1,500,000 Unlisted Options exercisable at \$0.60 on or before 30 June 2017.

Other than as outlined above, there have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

18 RELATED PARTIES

(j) Subsidiaries

Name	Country of Incorporation	% Equity Interest	
		2013 %	2012 %
Mineral Investments Pty Ltd	Australia	100	100
PDZ Holdings Pty Ltd	Australia	100	60
PDZ (UK) Limited	UK	100	-
PD CO Holdings (UK) Limited	UK	100	-
PD Co spółka z ograniczoną odpowiedzialność	Poland	100	100

(k) Ultimate Parent

Prairie Downs Metals Limited is the ultimate parent of the Group.

(l) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included at Note 19.

(m) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Key Management Personnel, including remuneration and equity holdings, are included at Note 19.

19 **KEY MANAGEMENT PERSONNEL**

(n) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO (appointed 17 June 2013)
Mr Anastasios (Taso) Arima	Executive Director (appointed 13 September 2012)
Mr John Welborn	Non-Executive Director
Mr Mark Pearce	Non-Executive Director

Other KMP

Mr Janusz Jakimowicz	President PD Co sp z o.o. (appointed 4 February 2013)
Mr Dylan Browne	Company Secretary (appointed 25 October 2012)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

Note	Restated	
	2013 \$	2012 \$
Short-term employee benefits	406,135	175,243
Post-employment benefits	20,434	8,150

Share-based payments	15,380	-
Total compensation	441,949	183,393

(o) Option holdings of Key Management Personnel

2013	Held at 1 July 2012	Granted as Remuneration	Options Exercised	Net Other Change	Placement	Held at 30 June 2013	Vested and exercisable at 30 June 2013
Directors							
Mr Ian Middlemas	5,000,000	-	-	-	-	5,000,000	5,000,000
Mr Benjamin Stoikovich	- ¹	4,500,000 ²	-	-	-	4,500,000 ²	-
Mr Anastasios Arima	1,600,000 ¹	-	-	-	-	1,600,000	1,600,000
Mr John Welborn	-	-	-	-	-	-	-
Mr Mark Pearce	1,500,000	-	-	-	-	1,500,000	1,500,000
Other KMP							
Mr Janusz Jakimowicz	- ¹	-	-	-	-	-	-
Mr Dylan Browne	250,000 ¹	-	-	-	-	250,000	250,000
	8,350,000	4,500,000	-	-	-	12,850,000	8,350,000

Notes:

¹ As at date of appointment.

² The Unlisted Options were issued as part of Mr Stoikovich's consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

2012	Held at 1 July 2011	Granted as Remuneration	Options Exercised	Net Other Change	Placement	Held at 30 June 2012	Vested and exercisable at 30 June 2012
Directors							
Mr Ian Middlemas	5,000,000 ¹	-	-	-	-	5,000,000	5,000,000
Mr John Welborn	-	-	-	-	-	-	-
Mr Alec Pismiris	1,000,000	-	-	(1,000,000) ³	-	- ²	- ²
Mr Mark Pearce	- ¹	-	-	-	1,500,000	1,500,000	1,500,000
Mr Jeremy Shervington	1,500,000	-	-	(1,500,000) ³	-	- ²	- ²

Mr Stuart Hall	-	-	-	-	-	- ²	- ²
Other KMP							
Mr Dennis Wilkins	-	-	-	-	-	- ²	- ²
	7,500,000	-	-	(2,500,000)	1,500,000-	6,500,000	6,500,000

Notes:

¹ As at date of appointment.

² As at date of resignation.

³ \$0.45 Unlisted Options expired 5 December 2011.

(p) Shareholdings of Key Management Personnel

2013	Held at 1 July 2012	Granted as Remuneration	Share Placement	On Market Purchases	Held at 30 June 2013
Directors					
Mr Ian Middlemas	5,000,000	-	-	-	5,000,000
Mr Benjamin Stoikovich	- ¹	-	-	-	-
Mr Anastasios Arima	4,921,400 ¹	-	-	458,600	5,380,000
Mr John Welborn	3,750,000	-	-	-	3,750,000
Mr Mark Pearce	3,000,000	-	-	-	3,000,000
Other KMP					
Mr Janusz Jakimowicz	1,600,000 ¹	-	-	-	1,600,000
Mr Dylan Browne	- ¹	-	-	-	-
	18,271,400	-	-	458,600	18,730,000

Notes:

¹ As at date of appointment

2012	Held at 1 July 2011	Granted as Remuneration	Share Placement	Other Changes	Held at 30 June 2012
Directors					
Mr Ian Middlemas	5,000,000 ¹	-	-	-	5,000,000
Mr John Welborn	3,750,000	-	-	-	3,750,000

Mr Alec Pismiris	603,305	-	-	-	603,305 ²
Mr Mark Pearce	- ¹	-	3,000,000	-	3,000,000
Mr Jeremy Shervington	920,582	-	-	-	920,582 ²
Mr Stuart Hall	-	-	-	-	- ²
Executives					
Mr Dennis Wilkins		-	-	-	- ²
	10,273,887	-	3,000,000	-	13,273,887

Notes:

¹ As at date of appointment

² As at date of resignation

(q) Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2013 (2012: Nil).

(r) Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$277,000 (2012: \$157,500) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in arrears, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and Comprehensive Income.

20 PARENT ENTITY DISCLOSURES

	Notes	2013 \$	Restated 2012 \$
(a) Financial Position			
Assets			
Current assets		6,195,490	2,917,342
Non-current assets		7,190,540	21,484,746
Total assets		13,386,030	24,402,088
Liabilities			
Current liabilities		373,278	95,584
Total liabilities		373,278	95,584
Equity			
Contributed equity		30,820,466	23,551,896

Accumulated losses	(19,760,748)	(4,751,074)
Reserves	1,953,034	5,505,682
Total equity	13,012,752	24,306,504

(b) **Financial Performance**

Profit/(loss) for the year	(17,093,855)	1,759,558
Other comprehensive income/(loss)	(1,925,000)	1,319,750
Total comprehensive income/(loss)	(19,018,855)	3,079,308

(c) **Other information**

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 25 for details of contingent assets and liabilities.

21 **SHARE-BASED PAYMENTS**

(a) **Recognised Share-based Payment Expense**

From time to time, the Group provides incentive Unlisted Options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	2013 \$	2012 \$
Expense arising from equity-settled share-based payment transactions	110,604	241,751

(b) **Summary of Unlisted Options Granted as Share-based Payments**

The following Unlisted Options were granted as share-based payments during the past two years:

Option Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	Prairie Downs Metals Limited	2,000,000	22-Nov-12	30-Jun-15	0.15	0.1198
Series 2	Prairie Downs Metals Limited	1,250,000	28-May-12	30-Jun-16	0.25	0.0779
Series 3 ⁵	Prairie Downs Metals Limited	1,500,000	12-Jul-13	30-Jun-17	0.35	0.1276
Series 4 ⁵	Prairie Downs Metals Limited	1,500,000	12-Jul-13	30-Jun-17	0.45	0.1395
Series 5 ⁵	Prairie Downs Metals Limited	1,500,000	12-Jul-13	30-Jun-17	0.60	0.1512

The following table illustrates the number and weighted average exercise prices (WAEP) of Unlisted Options granted as share-based payments at the beginning and end of the financial year:

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding at beginning of year	3,250,000	\$0.1885	4,000,000	\$0.4500
Granted by the Company during the year	4,500,000 ⁵	\$0.4667	3,250,000	\$0.1885
Forfeited/cancelled/lapsed/expired	-	-	(4,000,000)	\$0.4500
Exercised during the year	(367,867)	\$0.1500	-	-
Outstanding at end of year	7,382,133	\$0.3600	3,250,000	\$0.1885

The outstanding balance of options as at 30 June 2013 is represented by:

- 1,632,133 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
- 1,250,000 Unlisted Options exercisable at \$0.25 each on or before 30 June 2016;
- 1,500,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
- 1,500,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
- 1,500,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017.

(c) **Weighted Average Remaining Contractual Life**

At 30 June 2013, the weighted average remaining contractual life of Unlisted Options on issue that had been granted as share-based payments was 3.39 years (2012: 3.39 years).

(d) **Range of Exercise Prices**

At 30 June 2013, the range of exercise prices of Unlisted Options on issue that had been granted as share-based payments was \$0.15 to \$0.60 (2012: \$0.15 to \$0.25).

(e) **Weighted Average Fair Value**

The weighted average fair value of Unlisted Options granted as share-based payments by the Group during the year ended 30 June 2013 was \$0.1247 (2012: \$0.1037).

(f) **Option Pricing Model**

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The table below lists the inputs to the valuation model used for share options granted by the Group during the last two years:

Inputs	Series 1	Series 2	Series 3⁵	Series 4⁵	Series 5⁵
Exercise price	\$0.15	\$0.25	\$0.35	\$0.45	\$0.60
Grant date share price	\$0.16	\$0.13	\$0.31	\$0.31	\$0.31
Dividend yield ¹	-	-	-	-	-

Volatility ²	115%	100%	90%	90%	90%
Risk-free interest rate	3.23%	2.65%	3.76%	3.76%	3.76%
Grant date	22-Nov-11	28-May-12	17-Jun-13	17-Jun-13	17-Jun-13
Issue date	22-Nov-11	28-May-12	12-Jul-13	12-Jul-13	12-Jul-13
Expiry date	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-17	30-Jun-17
Expected life of option ³	3.6 years	4.1 years	3.97 years	3.97 years	3.97 years
Exercise Multiple ⁴	-	-	2.0	2.0	2.0
Fair value at grant date	\$0.1198	\$0.0779	\$0.1276	\$0.1395	\$0.1512

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

⁴ The exercise multiple determines the conditions the conditions under which option holders are expected to exercise their options. It is defined as a multiple of the exercise price, with the lower the multiple reflecting an assumption that holders are more likely to exercise their options as early as possible. Research undertaken by academics Huddart & Lang, and Carpenter suggest that senior executives and institutional investors are more likely to wait longer to exercise their options compared to lower level employees and that a multiple in the region of 2.0 is appropriate when valuing options granted to board members, senior executives and institutional investors.

⁵ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

22 AUDITORS' REMUNERATION

The auditor of Prairie Downs Metals Limited is BDO Audit (WA) Pty Ltd.

	2013 \$	2012 \$
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	32,990	29,378
• R&D tax concession services	-	12,900
• Preparation of income tax return	10,523	4,845
	43,513	47,123

23 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.

(a) Overview

The Group's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2013	2012
	\$	\$
Cash and cash equivalents	6,170,841	2,734,069
Trade and other receivables	393,440	194,516
	6,564,281	2,928,585

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Group's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2013, none (2012: none) of the Group's receivables are past due.

(c) **Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2013 and 2012, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months \$	6-12 Months \$	1-5 Years \$	≥5 Years \$	Total \$
2013 Group					
Financial Assets					
Cash and cash equivalents	6,170,841	-	-	-	6,170,841
Trade and other receivables	393,440	-	-	-	393,440
Other financial assets	22,000	-	-	-	22,000
Available-for-sale financial assets	-	-	-	6,650,000	6,650,000
	6,586,281	-	-	6,650,000	13,236,281
Financial Liabilities					
Trade and other payables	801,135	-	-	-	801,135
	801,135	-	-	-	801,135

(d) **Interest Rate Risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2013 \$	2012 \$
Interest-bearing financial instruments		
Cash at bank and on hand	1,206,837	351,349
Deposits at Call	4,964,004	2,382,720
	6,170,841	2,734,069

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 3.95% (2012: 4.94%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) Profit or Loss and Other Comprehensive Income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss		Other Comprehensive Income	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
2013				
Group				
Cash and cash equivalents	61,708	(61,708)	61,708	(61,708)
2012				
Group				
Cash and cash equivalents	27,341	(27,341)	27,341	(27,341)

(e) Equity Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the Statement of Financial Position as available-for-sale financial assets. At the reporting date the Group has investments in the listed equity securities of one ASX listed entity, refer note 8.

Equity price sensitivity

A sensitivity of 20% has been selected as this is considered reasonable given the current volatility of global equity markets. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	20% increase	20% decrease	20% increase	20% decrease
2013				
Group				
Available-for-sale financial assets	-	-	1,330,000	(1,330,000)
2012				
Group				
Available-for-sale financial assets	-	-	1,880,000	(1,880,000)

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) Capital Management

The Group defines its Capital as total equity of the Group, being \$13,012,752 for the year ended 30 June 2013 (2012 restated: \$14,200,449). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(h) Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in following table:

	Quoted Market Price (Level 1)	Valuation Technique (Level 2)	Valuation Technique (Level 3)	Total
2013				
Available-for-sale investments:				
Australian listed equity security	6,650,000	-	-	6,650,000
2012				
Available-for-sale investments:				
Australian listed equity security	9,400,000	-	-	9,400,000

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

(i) Foreign Currency Risk

As a result of activities overseas, the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income can be affected by movements in exchange rates. The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is the Polish Zloty ("**PLN**"). Foreign currency risk arises on translation of the net assets of a controlled entity to Australian dollars. In the Group accounts, the foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

It is the Group's policy not to enter into any hedging or derivative transactions to manage foreign currency risk. However the Group does hold some PLN cash and cash equivalents to fund its planned Polish operations over the next 12 months, given the majority of the Group's expenditure over this period is expected to be in PLN.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies was:

	2013		
	PLN	AUD	Total Equivalent AUD
Financial assets			
Cash and cash equivalents	47,896	6,155,093	6,170,841
Trade and other receivables	876,444	105,278	393,440
Other financial assets	-	22,000	22,000
Available-for-sale financial assets	-	6,650,000	6,650,000
	924,340	12,932,371	13,236,281
Financial liabilities			
Trade and other payables	(1,301,327)	(373,278)	(801,135)
	(1,301,327)	(373,278)	(801,135)
Net exposure	(376,987)	12,559,093	12,435,146

Foreign exchange rate sensitivity

At the reporting date, had the Australian Dollar appreciated or depreciated against the PLN, as illustrated in the table below, Profit or Loss and other Comprehensive Income would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2013 Group				
AUD to PLN	12,395	(12,395)	12,395	(12,395)

25 **CONTINGENT ASSETS AND LIABILITIES**

(a) **Contingent Assets**

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2013 financial year.

(b) **Contingent Liability**

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2013 financial year.

26 **COMMITMENTS**

Management have identified the following material commitments for the consolidated group as at 30 June 2013 and 30 June 2012:

2013	Note	Payable within 1 year \$	Payable within 1 year less than 5 years \$	Total \$
Operating commitments				
Drilling contract	26(a)	1,848,790	-	-
Lease commitments				
Operating lease	26(b)	-	-	-
Total Commitments		1,848,790	-	-

2012	Note	Payable within 1 year \$	Payable within 1 year less than 5 years \$	Total \$
Lease commitments				
Operating lease	26(b)	164,768	233,835	398,603
Total Commitments		164,768	233,835	398,603

(a) **Drilling commitments**

The commitment disclosed represents the Group's estimate of its contracted commitment with its drilling contractor for the Lublin Coal Project drilling program.

(b) **Lease commitments**

During the 2010 financial year the Group entered into a commercial lease on its office premises. The lease had an initial term of 5 years and expired on 30 November 2014. During the current year, the lease agreement was terminated.

EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2013, of the Consolidated Entity.

SECTION C : GROUP FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRAIRIE MINING LIMITED

Report on the financial report

We have audited the accompanying financial report of Prairie Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with international Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

- (a) the financial report of Prairie Mining Limited is in accordance with the Corporations Act 2001, including:
- giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report Included In the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Prairie Mining Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

Peter McIver (Partner)
for and on behalf of Ernst & Young
Perth
24 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Continuing operations			
Revenue	2(a)	131,938	141,428
Other income	2(b)	-	166,525
Exploration and evaluation expenses		(6,603,649)	(2,335,377)
Employment expenses	3(c)	(273,188)	(286,112)
Administration and corporate expenses		(323,654)	(289,422)
Occupancy expenses		(398,065)	(436,324)
Share-based payment expenses	3(c)	(636,708)	(110,604)
Business development expenses		(560,638)	(294,466)
Other expenses	3(a)	-	(1,685,000)
Loss before income tax		(8,663,964)	(5,129,352)
Income tax benefit/(expense)	4	3,645,000	(825,000)
Net loss for the year		(5,018,964)	(5,954,352)
Net loss attributable to members of the Prairie Mining Limited		(5,018,964)	(5,953,730)
Net loss attributable to non-controlling interests		-	(622)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale financial assets		12,150,000	(2,750,000)
Deferred tax on available-for-sale financial assets	4	(3,645,000)	825,000
Exchange differences on translation of foreign operations		45,705	(58,448)
Total other comprehensive income/(loss) for the year, net of tax		8,550,705	(1,983,448)
Total comprehensive income/(loss) for the year, net of tax		3,531,741	(7,937,800)
Total comprehensive profit/(loss) attributable to members of Prairie Mining Limited		3,531,741	(7,937,722)
Total comprehensive profit/(loss) attributable to non-controlling interests		-	(78)
Basic and diluted loss per share from continuing operations (cents per share)	17	(4.00)	(5.62)

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 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	14(b)	2,574,300	6,170,841
Trade and other receivables	6	354,651	393,440
Other financial assets	7	22,111	22,000
Total current assets		<u>2,951,062</u>	<u>6,586,281</u>
Non-current Assets			
Other financial assets	8	18,800,000	6,650,000
Property, plant and equipment	9	87,635	47,606
Exploration and evaluation assets	10	530,000	530,000
Total non-current assets		<u>19,417,635</u>	<u>7,227,606</u>
TOTAL ASSETS		<u>22,368,697</u>	<u>13,813,887</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	1,036,409	801,135
Total current liabilities		<u>1,036,409</u>	<u>801,135</u>
TOTAL LIABILITIES		<u>1,036,409</u>	<u>801,135</u>
NET ASSETS		<u>21,332,288</u>	<u>13,012,752</u>
EQUITY			
Contributed equity	12	34,864,888	30,820,466
Reserves	13	11,186,250	1,892,172
Accumulated losses		(24,718,850)	(19,699,886)
Total equity		<u>21,332,288</u>	<u>13,012,752</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **for the year ended 30 June 2014**

	Ordinary Shares \$	Available For-Sale Reserve \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- Controlling Interests \$	Total Equity \$
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 year	-	-	-	-	(5,018,964)	-	(5,018,964)
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	45,705	-	-	45,705
Change in the fair value of available-for-sale financial assets	-	12,150,000	-	-	-	-	12,150,000
Deferred tax on available-for-sale financial assets	-	(3,645,000)	-	-	-	-	(3,645,000)
Total comprehensive income/(loss) for the period	-	8,505,000	-	45,705	(5,018,964)	-	(3,531,741)
Transactions with owners recorded directly in equity							
Issue of ordinary shares	4,358,750	-	-	-	-	-	4,358,750
Share issue costs	(561,863)	-	-	-	-	-	(561,863)
Exercise of Unlisted Options	164,725	-	(164,725)	-	-	-	-
Conversion of Performance Rights	82,810	-	(82,810)	-	-	-	-
Recognition of share-based payments	-	-	990,908	-	-	-	990,908
Balance at 30 June 2014	<u>34,864,888</u>	<u>10,149,750</u>	<u>1,051,658</u>	<u>(15,158)</u>	<u>(24,718,850)</u>	<u>-</u>	<u>21,332,288</u>
Balance at 1 July 2012 originally stated	23,551,897	3,710,000	1,935,932	(1,871)	(4,919,767)	(46,523)	24,229,668
Change in accounting policy opening balance adjustment	-	(140,250)	-	-	(9,888,969)	-	(10,029,219)
At 1 July 2012 restated	<u>23,551,897</u>	<u>3,569,750</u>	<u>1,935,932</u>	<u>(1,871)</u>	<u>(14,808,736)</u>	<u>(46,523)</u>	<u>14,200,449</u>
Net loss for the year	-	-	-	-	(5,953,730)	(622)	(5,954,352)
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	(58,992)	-	544	(58,448)
Changes in fair value of available-for-sale financial assets	-	(2,750,000)	-	-	-	-	(2,750,000)
Deferred tax on available-for-sale financial assets	-	825,000	-	-	-	-	825,000
Total comprehensive income/(loss) for the year	-	(1,925,000)	-	(58,992)	(5,953,730)	(78)	(7,937,800)
Transactions with owners recorded directly in equity							
Issue of ordinary shares	7,085,180	-	-	-	-	-	7,085,180
Share issue costs	(445,681)	-	-	-	-	-	(445,681)
Exercise of Unlisted Options	44,070	-	(44,070)	-	-	-	-
Acquisition of non-controlling interests (Note 15)	585,000	-	-	-	(631,601)	46,601	-
Recognition of share-based payments	-	-	110,604	-	-	-	110,604
Adjustment for previously expired options	-	-	(1,694,181)	-	1,694,181	-	-
Balance at 30 June 2013	<u>30,820,466</u>	<u>1,644,750</u>	<u>308,285</u>	<u>(60,863)</u>	<u>(19,699,886)</u>	<u>-</u>	<u>13,012,752</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(7,593,798)	(3,292,374)
Interest received from third parties		146,223	119,313
Geological services revenue received		-	125,158
Office services income received		-	194,606
NET CASH FLOWS USED IN OPERATING ACTIVITIES	14(a)	(7,447,575)	(2,853,297)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(101,487)	(24,175)
Payments for exploration and evaluation assets		-	(200,000)
Receipts from disposal of plant and equipment		-	4,610
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(101,487)	(219,565)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,158,750	6,955,180
Payments for share issue costs		(207,663)	(445,679)
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,951,087	6,509,501
Net (decrease)/increase in cash and cash equivalents		(3,597,975)	3,436,639
Net foreign exchange differences		1,434	133
Cash and cash equivalents at beginning of year		6,170,841	2,734,069
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14(b)	2,574,300	6,170,841

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2014

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Prairie Mining Limited ("Prairie" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2014 are stated to assist in a general understanding of the financial report.

Prairie Mining is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report of the Group for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 23 September 2014.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. The financial report is presented in Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes to follow.

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

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 12 'Disclosure of Interests in other Entities';

- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'; and
- AASB 119 (Revised 2011) 'Amendments to Australian Accounting Standards – Employee Benefits'.

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.

As a consequence of the adoption of AASB 2011-4 amendments to AASB 124 'Related Party Disclosures', the individual Key Management Personnel disclosure previously required in notes has been removed and included in the Remuneration Report.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2014. These are outlined in the table overleaf:

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 9/IFRS 9	Financial Instruments	<p>On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses.</p> <p>Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of</p>	1 January 2018	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2018

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
		<p>hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p>			
		<p>The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p>			
		<p>(i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</p> <p>(ii) The remaining change is presented in profit or loss</p>			
		<p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains</p>			

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
		<p>caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p>			
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2013-3	Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132,	<p>These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.</p> <p>These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p> <p>These amendments also introduce new disclosure requirements for</p>	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
	AASB 134 & AASB 139]	investment entities to AASB 12 and AASB 127.			
AASB 1031	Materiality	<p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p>	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards– Conceptual Framework, Materiality and Financial Instruments	<p>The Standard contains three main parts and makes amendments to a number Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.</p>	<p>20 December 2013</p> <p>1 January 2014</p> <p>1 January 2015</p>	These amendments are not expected to have any significant impact on the Group's financial report.	<p>30 June 2014</p> <p>1 July 2014</p> <p>1 July 2015</p>
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2014-1 Part A - Annual Improvements 2010–2012 Cycle	<p>Amendments to Australian Accounting Standards Part A</p> <p>Annual Improvements to IFRSs 2010– 2012 Cycle</p>	<p>AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010– 2012 Cycle and Annual Improvements to IFRSs 2011– 2013 Cycle.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p>	1 July 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
		<p>a) AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</p> <p>b) AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</p> <p>c) AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</p> <p>d) AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</p> <p>e) AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</p>			
AASB 2014-1 Part A - Annual Improvements 2011–2013 Cycle	<p>Amendments to Australian Accounting Standards – Part A</p> <p>Annual Improvements to IFRSs 2011– 2013 Cycle</p>	<p>This standard sets out amendments to Annual Improvements to IFRSs 2011– 2013 Cycle addresses the following items:</p> <p>a) AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.</p> <p>b) AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or</p>	1 July 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
		a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.			
AASB 2013-7	Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders [AASB 1038]	AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report	1 July 2014

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(f) **Investments and Other Financial Assets**

(i) *Classification*

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

(ii) *Recognition and derecognition*

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the Statement of Profit or Loss and other Comprehensive Income as gains and losses on disposal of investment securities.

(iv) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Profit or loss – is transferred from equity to the Statement of Profit or Loss and other Comprehensive Income. Impairment losses recognised in the Statement of Profit or Loss and other Comprehensive Income on equity instruments classified as held for sale are not reversed through the Statement of Profit or Loss and other Comprehensive Income.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Property, Plant and Equipment

(i) Cost and valuation

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

(ii) Depreciation and Amortisation

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2014	2013
Major depreciation and amortisation periods are:		
Leasehold Land:	7% - 20%	7% - 20%
Buildings:	22%- 40%	22%- 40%
Plant and equipment:	22%- 40%	22%- 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Exploration and Development Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 Exploration for and Evaluation of Mineral Resources.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

(i) Impairment

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(b) **Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(c) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(d) **Revenue Recognition**

Geological services income

Income for the provision of geological services is recognised in the accounting period in which the services are rendered.

Office services income

Income for the provision of personnel, office accommodation and equipment services is recognised in income on a straight line basis over the term of the agreement. Contingent income is recognised in the periods in which it is earned.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(e) **Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of

deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Prairie Mining Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(f) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(g) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of

servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(j) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(k) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Issued and Unissued Capital

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) **Foreign Currencies**

(i) *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement Profit or Loss and other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the other Comprehensive Income.

(iii) *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

(o) **Share-Based Payments**

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 21.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments

that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(p) **Use and Revision of Accounting Estimates, Judgements and Assumptions**

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets (Note 10)
- Share-Based Payments (Note 19)

2 **REVENUE AND OTHER INCOME**

	Note	2014 \$	2013 \$
(a) Revenue			
Interest income		131,938	141,428
		131,938	141,428
(b) Other Income			
Geological services income			5,120
Office services income from unrelated parties			161,405
			166,525

3 **EXPENSES**

	Note	2014 \$	2013 \$
(a) Other expenses			
Impairment of exploration and evaluation assets	10(b)	-	(1,685,000)

	Note	2014 \$	2013 \$
<hr/>			
(b) Depreciation included in statement of comprehensive income			
Depreciation of plant and equipment	9	(55,858)	(241,266)
<hr/>			
(c) Employee benefits expense (including KMP)			
Salaries and wages		(246,517)	(241,512)
Superannuation expense		(15,358)	(20,434)
Share-based payment expense	19(a)	(636,708)	(110,604)
Other employee expenses		(11,313)	(24,166)
<hr/>			
Employment expenses included in profit or loss		(909,896)	(396,716)
Employment expenses recorded in exploration and evaluation expenses		(744,021)	(164,623)
Employment expenses recorded in business development expenses		(250,590)	-
<hr/>			
Total employment expenses included in profit or loss		(1,904,507)	(561,339)
<hr/>			
4 INCOME TAX			
<hr/>			
(a) Recognised in the statement of comprehensive income			
Current income tax			
Current income tax benefit in respect of the current year		-	-
Adjustments in respect of current income tax of previous years		-	-
Deferred income tax			
Relating to origination and reversal of temporary differences		(1,392,587)	(862,560)
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period		329,671	115,786
Deferred tax assets previously not brought to account		(2,582,084)	-
Deferred tax assets not brought to account		-	1,571,774
Adjustments in respect of deferred income tax of previous years		-	-
<hr/>			
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income		(3,645,000)	825,000
<hr/>			
(b) Recognised in the statement of changes in equity			
Deferred income tax			
Unrealised gain/(loss) on available-for-sale investments		3,645,000	(825,000)
<hr/>			
Income tax expense/(benefit) reported in equity		3,645,000	(825,000)
<hr/>			

	2014 \$	2013 \$
(c) Reconciliation between tax expense and accounting loss before income tax		
Accounting loss before income tax	(8,663,964)	(5,129,352)
At the domestic income tax rate of 30% (2013: 30%)	(2,599,189)	(1,538,806)
Expenditure not allowable for income tax purposes	618,747	757,041
Capital allowances	(108,051)	(133,704)
Deferred tax assets previously not brought to account	(2,582,084)	-
Deferred tax assets not brought to account	-	1,571,774
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period	329,671	115,786
Effect of different tax rates of subsidiaries operating in other jurisdictions	695,906	52,909
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	(3,645,000)	825,000

(d) Deferred Tax Assets and Liabilities

Deferred income tax at 30 June relates to the following:

Deferred Tax Liabilities		
Available-for-sale financial assets	5,225,250	1,580,250
Receivables	7,416	11,735
Deferred tax assets used to offset deferred tax liabilities	(5,232,666)	(1,591,985)
	-	-
Deferred Tax Assets		
Accrued expenditure	13,500	11,850
Capital allowances	1,174,590	140,424
Property, plant and equipment	26,165	22,251
Tax losses available offset against future taxable income	6,013,580	5,995,848
Deferred tax assets used to offset deferred tax liabilities	(5,232,666)	(1,591,985)
Deferred tax assets not brought to account	(1,995,169)	(4,578,388)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(a) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Prairie Mining Limited.

(b) **Polish tax Losses**

Losses from one source of profits may offset income from other sources in the same tax year. Losses may be carried forward to the following five tax years to offset profits from all sources that are derived in those years. Up to 50% of the original loss may offset profits in any of the five tax years. Losses may not be carried back.

5 **DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends have been paid or proposed for the year ended 30 June 2014 (2013: Nil).

	2014 \$	2013 \$
(a) Franking Credit Balance		
Franking credits available to shareholders of Prairie Mining Limited for subsequent financial years	-	-

6 **TRADE AND OTHER RECEIVABLES**

	2014 \$	2013 \$
Trade receivables	41,905	8,477
Accrued interest	24,721	39,117
GST and other receivables	288,025	345,846
	354,651	393,440

7 **CURRENT ASSETS – OTHER FINANCIAL ASSETS**

	2014 \$	2013 \$
Bond – Performance guarantee ¹⁶	22,111	22,000
	22,111	22,000

¹⁶ Performance guarantees of \$22,111 (2013: \$22,000) relate to environmental performance bonds on tenements.

8 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	2014 \$	2013 \$
<i>Available-for-sale financial assets</i>		
Australian listed equity securities ¹⁷	18,800,000	6,650,000
	18,800,000	6,650,000

9 PROPERTY, PLANT AND EQUIPMENT

	2014 \$	2013 \$
(a) Plant and Equipment		
At cost	1,020,368	924,658
Accumulated depreciation and impairment	(932,733)	(877,052)
Carrying amount at end of year, net of accumulated depreciation and impairment	87,635	47,606
(b) Reconciliation		
Carrying amount at beginning of year, net of accumulated depreciation and impairment	47,606	263,327
Additions	101,487	24,175
Depreciation charge	(55,858)	(241,266)
Exchange differences on translation of foreign operations	(5,600)	1,370
Carrying amount at end of year, net of accumulated depreciation and impairment	87,635	47,606

10 EXPLORATION AND EVALUATION ASSETS

	Note	2014 \$	2013 \$
(a) Areas of Interest			
Prairie Downs Base Metals Project ¹⁸			
Lublin Coal Project		530,000	530,000
Carrying amount at end of year, net of impairment¹⁹		530,000	530,000
(b) Reconciliation			
Opening net book amount		530,000	1,685,000

¹⁷ At 30 June 2014 the Company held 10,000,000 fully paid ordinary shares in Papillon Resources Limited (ASX:PIR). Subsequent to the end of the year the Company completed the sale of 1.0 million fully paid ordinary shares in Papillon to raise gross proceeds of \$1.75 million. As a result of the sale, and subsequent to the end of the year, the Papillon shares have been reclassified as held-for-trading financial assets which has substantially increased the Company's working capital position.

¹⁸ Based on market conditions and best available information at the time, a decision was made during the year ended 30 June 2013 to fully impair the carrying value of the Prairie Downs Base Metals Project.

¹⁹ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

	Note	2014 \$	2013 \$
Acquisition costs incurred		-	530,000
Impairment losses ²⁰	3(a)	-	(1,685,000)
Carrying amount at end of year net of impairment²¹		530,000	530,000

11 TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
Trade creditors	975,587	744,881
Accrued expenses	60,822	56,254
	1,036,409	801,135

12 CONTRIBUTED EQUITY

	Note	2014 \$	2013 \$
(a) Issued and Unissued Capital			
134,679,879 (2013: 116,808,465) fully paid Ordinary Shares	12(b)	34,539,888	30,495,466
5,500,000 (2013: 5,500,000) unissued milestone shares	15	325,000	325,000
		34,864,888	30,820,466

(b) Movements in Ordinary Shares during the past two years were as follows:

Date	Details	Number of Ordinary Shares	\$
01-Jul-13	Opening balance	116,808,465	30,495,466
21-Aug-13	Shares issued to consultants in lieu of cash for the grant of coal leases (Note 16 (c))	652,414	200,000
8-Jan-14	Share placement	13,500,000	3,645,000
1-May-14	Issue of Shares on conversion of Performance Rights	294,000	-
Jul-13 to Jun-14	Exercise of \$0.15 Unlisted Options	3,425,000	513,750
Jul-13 to Jun-14	Transfer from share-based payment reserve	-	247,535
8-Jan-14	Share issue costs settled by grant of Unlisted Options (Note 14 (c))	-	(354,200)
Jul-13 to Jun-14	Share issue costs	-	(561,863) ²²

²⁰ Based on market conditions and best available information at the time, a decision was made during the year ended 30 June 2013 to fully impair the carrying value of the Prairie Downs Base Metals Project.

²¹ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Date	Details	Number of Ordinary Shares	\$
14			
30-Jun-14	Closing balance	134,679,879	34,539,888
01-Jul-12	Opening balance	98,440,598	23,551,897
12-Sep-12	Share placement	3,000,000	900,000
12-Sep-12	Acquisition of non-controlling interest (Note 15)	2,000,000	260,000
12-Sep-12	Shares issued upon the grant of coal leases in Poland	1,000,000	130,000
10-Apr-13	Share placement	12,000,000	6,000,000
Jul-12 to Jun-13	Exercise of Unlisted Options	367,867	55,180
Jul-12 to Jun-13	Share issue costs	-	(445,681)
30-Jun-13	Transfer from share-based payments reserve	-	44,070
30-Jun-13	Closing balance	116,808,465	30,495,466

(c) **Rights Attaching to Ordinary Shares:**

The rights attaching to fully paid Ordinary Shares ("Ordinary Shares") arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Unlisted Options in accordance with Note 13(c) or the conversion of Performance Rights in accordance with Note 13(d) will rank equally in all respects with the Company's existing Ordinary Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) *Shares*

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) *Meetings of Members*

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

²² Includes share-based payment of \$354,200. Refer to Notes 14(c) and 19(a).

(iii) *Voting*

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) *Changes to the Constitution*

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) *Listing Rules*

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

13 **RESERVES**

	Note	2014 \$	2013 \$
Share-based-payments reserve	13(b)	1,051,658	308,285
Available-for-sale reserve		10,149,750	1,644,750
Foreign currency translation reserve		(15,158)	(60,863)
		11,186,250	1,892,172

(a) **Nature and Purpose of Reserves**

(i) *Share-based payments reserve*

The share-based payments reserve is used to record the fair value of Unlisted Options and Performance Rights issued by the Group.

(ii) *Available-for-Sale Reserve*

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the available-for-sale-reserve as described in Note 1(f). Amounts are recognised in the Statement of Profit or Loss and other Comprehensive Income when the associated assets are sold or impaired.

(iii) *Foreign Currency Translation Reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(v). The reserve is recognised in the Statement of Profit or Loss and other Comprehensive Income when the net investment is disposed of.

(b) **Movements in share-based payments reserve during the past two years were as follows:**

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
01-Jul-13	Opening balance	7,382,133	-	308,285
21-Aug-13	Exercise of \$0.15 Unlisted Options	(1,375,000)	-	(164,725)
27-Dec-13	Grant of Performance Rights	-	1,440,000	-
08-Jan-14	Grant of \$0.45 Unlisted Options	2,200,000	-	-
07-Feb-14	Grant of Performance Rights	-	150,000	-
12-Feb-14	Grant of Performance Rights	-	250,000	-
13-Feb-14	Grant of \$0.35 Unlisted Options	100,000	-	-
13-Feb-14	Grant of \$0.45 Unlisted Options	510,000	-	-
13-Feb-14	Grant of \$0.60 Unlisted Options	765,000	-	-
14-Feb-14	Cancellation of Performance Rights	-	(200,000)	-
12-Apr-14	Grant of Performance Rights	-	190,000	-
02-May-14	Conversion of Performance Rights	-	(294,000)	(82,810)
30-Jun-14	Share-based payments recognised this year	-	-	990,908
30-Jun-14	Closing balance	9,582,133	1,536,000	1,051,658

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
01-Jul-13	Opening balance	3,250,000	-	1,935,932
Jul-12 to Jun-13	Exercise of \$0.15 Unlisted Options	(367,867)	-	(44,070)
17-Jun-13	Grant of \$0.35 Unlisted Options ²³	1,500,000	-	-
17-Jun-13	Grant of \$0.45 Unlisted Options ²⁴	1,500,000	-	-
17-Jun-13	Grant of \$0.60 Unlisted Options ²⁵	1,500,000	-	-
30-Jun-13	Adjustment for previously expired options	-	-	(1,694,181)

²³ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

²⁴ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

²⁵ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
30-Jun-13	Share-based payment expense for the year	-	-	110,604
30-Jun-13	Closing balance	7,382,133	-	308,285

(c) Terms and Conditions of Unlisted Options

The Unlisted Options are granted based upon the following terms and conditions:

- Each Unlisted Option entitles the holder the right to subscribe for one Ordinary Share upon the exercise of each Unlisted Option;
- The Unlisted Options outstanding at the end of the financial year have the following exercise prices and expiry dates:
 - 11,957,133 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
 - 1,250,000 Unlisted Options exercisable at \$0.25 each on or before 30 June 2016;
 - 1,600,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
 - 4,210,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
 - 2,265,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017.
- The Unlisted Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Unlisted Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Unlisted Options will be made by the Company.

(d) Terms and Conditions of Performance Rights

The unlisted performance share rights ("Performance Rights") are granted based upon the following terms and conditions:

- each Performance Right automatically converts into one Ordinary Share upon vesting of the Performance Right;
- each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- the Performance Rights outstanding at the end of the financial year have the following expiry dates:
 - 346,000 Performance Rights expiring on 30 June 2015;
 - 395,000 Performance Rights expiring on 30 Sep 2015; and
 - 795,000 Performance Rights expiring on 31 Dec 2016.
- The Performance Rights vest upon the following performance conditions:
 - Achievement of 150Mt Coal Resource and Scoping Study Milestone on or before 30 June 2014 (achieved 2 May 2014 and Performance Rights converted at this date);
 - Achievement of 300Mt Coal Resource and Preliminary Feasibility Study Milestone on or before 30 June 2015;
 - Achievement of Geological Documentation Milestone on or before 30 September 2015; and
 - Achievement of Mine Permit and Definitive Feasibility Study on or before 31 December 2016.
- Ordinary Shares issued on conversion of the Performance Rights rank equally with the then Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon conversion of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- No application for quotation of the Performance Rights will be made by the Company; and
- Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

(a) **Reconciliation of the Profit after Tax to the Net Cash Flows from Operations**

	2014 \$	2013 \$
Net loss for the year	(5,018,964)	(5,954,352)
Adjustment for non-cash income and expense items		
Depreciation of plant and equipment	55,858	241,266
Share based payment expense	636,708	110,604
Unrealised foreign exchange gain	49,871	(64,563)
Impairment losses	-	1,685,000
Income tax (benefit)/expense	(3,645,000)	825,000
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	38,789	(198,924)
Increase in other financial assets	(111)	-
Increase in trade and other payables	435,274	502,672
Net cash outflow from operating activities	(7,447,575)	(2,853,297)

(b) Reconciliation of Cash

Cash at bank and on hand	674,300	1,206,837
Deposits at call	1,900,000	4,964,004
	2,574,300	6,170,841

(c) **Non-cash Financing and Investing Activities**

	2014 \$	2013 \$
Acquisition of non-controlling interests (with shares and options)	-	585,000
Exploration and evaluation assets (with shares) ²⁶	200,000	-
Share issue costs (with options) ²⁷	354,200	-
	554,200	585,000

15 **EARNINGS PER SHARE**

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

²⁶ Refer to Note 19(a).

²⁷ A share-based payment of \$354,200 in respect to capital raising costs has been recognised directly in equity as a share-based payment. Refer to Notes 12(a) and 19(a).

	2014 \$	2013 \$
The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Net loss attributable to members of the Parent used in calculating basic and diluted earnings per share	(5,018,964)	(5,953,730)

	Number of Ordinary Shares 2014	Number of Ordinary Shares 2013
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	125,372,066	106,016,224

(a) **Non-Dilutive Securities**

As at balance date, 22,782,133 Unlisted Options (which represent 22,782,133 potential Ordinary Shares) and 1,536,000 Performance Rights (which represent 1,536,000 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

(b) **Conversions, Calls, Subscriptions or Issues after 30 June 2014**

Since 30 June 2014, the Company has issued the following securities:

- 10,315 Ordinary Shares following the exercise of 10,315 Unlisted Options at \$0.15 each on or before 30 June 2015;
- 250,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
- 1,4000,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2018.

Other than as outlined above, there have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

16 **RELATED PARTIES**

(a) **Subsidiaries**

Name	Country of Incorporation	% Equity Interest	
		2014 %	2013%
Mineral Investments Pty Ltd	Australia	100	100
PDZ Holdings Pty Ltd	Australia	100	100
PDZ (UK) Limited	UK	100	100
PD CO Holdings (UK) Limited	UK	100	100
PD Co spółka z ograniczoną odpowiedzialność	Poland	100	100

(b) **Ultimate Parent**

Prairie Mining Limited is the ultimate parent of the Group.

(c) **Transactions with Related Parties**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Key Management Personnel, including remuneration, are included at Note 17.

17 **KEY MANAGEMENT PERSONNEL**

(a) **Details of Key Management Personnel**

The KMP of the Group during or since the end of the financial year were as follows:

Directors

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

Other KMP

Mr Janusz Jakimowicz	President PD Co sp z o.o.
Mr Hugo Schumann	Executive – Corporate Development (appointed 1 January 2014)
Mr Dylan Browne	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

	2014 \$	2013 \$
Short-term employee benefits	1,241,128	406,135
Post-employment benefits	15,360	20,434
Share-based payments	483,974	15,380
Total compensation	1,740,462	441,949

(b) **Loans from Key Management Personnel**

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2014 (2013: Nil).

(c) **Other Transactions**

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$288,000 (2013: \$277,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in arrears, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income.

18 **PARENT ENTITY DISCLOSURES**

	2014 \$	2013 \$
(a) Financial Position		
Assets		
Current assets	2,485,025	6,195,490
Non-current assets	19,353,760	7,190,540
Total assets	21,838,785	13,386,030
Liabilities		
Current liabilities	506,497	373,278
Total liabilities	506,497	373,278
Equity		
Contributed equity	34,864,888	30,820,466
Accumulated losses	(24,734,007)	(19,760,748)
Reserves	11,201,407	1,953,034
Total equity	21,332,288	13,012,752
(b) Financial Performance		
Profit/(loss) for the year	(4,973,259)	(17,093,855)
Other comprehensive income/(loss)	8,505,000	(1,925,000)
Total comprehensive income/(loss)	3,531,741	(19,018,855)

(c) **Other information**

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 23 for details of contingent assets and liabilities.

19 **SHARE-BASED PAYMENTS**

(a) **Recognised Share-based Payment Expense**

From time to time, the Group provides incentive Unlisted Options and Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	2014 \$	2013 \$
Expenses arising from equity-settled share-based payment transactions	636,708	110,604
Share issue costs settled by equity-settled share-based payment transactions	354,200	-
Total share-based payments recognised during the year	990,908	110,604

Additionally, during the year, 652,414 Shares were issued to consultants to settle the cost of acquisition of coal leases for the value of \$200,000 and have been recorded as exploration and evaluation assets during the year ended 30 June 2013.

(b) Summary of Unlisted Options and Performance Rights Granted as Share-based Payments

The following Unlisted Options were granted as share-based payments during the past two years:

Option Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value
Series 1 ⁴	Prairie Mining Limited	1,500,000	17-Jun-13	30-Jun-17	0.35	0.1276
Series 2 ⁴	Prairie Mining Limited	1,500,000	17-Jun-13	30-Jun-17	0.45	0.1395
Series 3 ⁴	Prairie Mining Limited	1,500,000	17-Jun-13	30-Jun-17	0.60	0.1512
Series 4	Prairie Mining Limited	2,200,000	8-Jan-14	30-Jun-17	0.45	0.1610
Series 5	Prairie Mining Limited	100,000	13-Feb-14	30-Jun-17	0.35	0.1550
Series 6	Prairie Mining Limited	510,000	13-Feb-14	30-Jun-17	0.45	0.1400
Series 7	Prairie Mining Limited	765,000	13-Feb-14	30-Jun-17	0.60	0.1230

The following table illustrates the number and weighted average exercise prices (WAEP) of Unlisted Options granted as share-based payments at the beginning and end of the financial year:

Unlisted Options	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding at beginning of year	7,382,133	£0.3600	3,250,000	\$0.1885
Granted by the Company during the year	3,575,000	\$0.4793	4,500,000	\$0.4667

Forfeited/cancelled/lapsed/expired	-	-	-	-
Exercised during the year	(1,375,000)	\$0.1500	(367,867)	\$0.1500
Outstanding at end of year	9,582,133	\$0.4346	7,382,133	\$0.3600
Exercisable at end of year	5,307,133	\$0.3583	2,882,133	\$0.1934

The outstanding balance of options as at 30 June 2014 is represented by:

- 257,133 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
- 1,250,000 Unlisted Options exercisable at \$0.25 each on or before 30 June 2016;
- 1,600,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
- 4,210,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
- 2,265,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017.

19.2 **Summary of Unlisted Options and Performance Rights Granted as Share-based Payments (Cont'd)**

The following Performance Rights were granted as share-based payments during the past two years:

Rights Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	Prairie Mining Limited	154,000	27-Dec-13	30-Jun-14	-	\$0.290
Series 2	Prairie Mining Limited	221,000	27-Dec-13	30-Jun-15	-	\$0.290
Series 3	Prairie Mining Limited	345,000	27-Dec-13	30-Sep-15	-	\$0.290
Series 4	Prairie Mining Limited	720,000	27-Dec-13	31-Dec-16	-	\$0.290
Series 5	Prairie Mining Limited	100,000	7-Feb-14	30-Jun-14	-	\$0.265
Series 6	Prairie Mining Limited	50,000	7-Feb-14	30-Jun-15	-	\$0.265
Series 7	Prairie Mining Limited	50,000	12-Feb-14	30-Jun-14	-	\$0.265
Series 8	Prairie Mining Limited	75,000	12-Feb-14	30-Jun-15	-	\$0.265

Rights Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
Series 9	Prairie Mining Limited	50,000	12-Feb-14	30-Sep-15	-	\$0.265
Series 10	Prairie Mining Limited	75,000	12-Feb-14	31-Dec-16	-	\$0.265
Series 11	Prairie Mining Limited	10,000	12-Apr-14	30-Jun-14	-	\$0.420
Series 12	Prairie Mining Limited	30,000	12-Apr-14	30-Jun-15	-	\$0.420
Series 13	Prairie Mining Limited	50,000	12-Apr-14	30-Sep-15	-	\$0.420
Series 14	Prairie Mining Limited	100,000	12-Apr-14	31-Dec-16	-	\$0.420

The following table illustrates the number and weighted average exercise prices (WAEP) of Performance Rights granted as share-based payments at the beginning and end of the financial year:

Performance Rights	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding at beginning of year	-	-	-	-
Granted by the Company during the year	2,030,000	-	-	-
Forfeited/cancelled/lapsed/expired	(200,000)	-	-	-
Converted during the year	(294,000)	-	-	-
Outstanding at end of year	1,536,000	-	-	-

The outstanding balance of Performance Rights as at 30 June 2014 is represented by:

- 346,000 Performance Rights expiring on 30 June 2015;
- 395,000 Performance Rights expiring on 30 Sep 2015; and
- 795,000 Performance Rights expiring on 31 Dec 2016.

(c) **Weighted Average Remaining Contractual Life**

At 30 June 2014, the weighted average remaining contractual life of Unlisted Options on issue that had been granted as share-based payments was 2.82 years (2013: 3.39 years) and of Performance Rights granted as share-based payments was 1.84 years.

(d) **Range of Exercise Prices**

At 30 June 2014, the range of exercise prices of Unlisted Options on issue that had been granted as share-based payments was \$0.15 to \$0.60 (2013: \$0.15 to \$0.60). Performance Rights have a nil exercise price.

(e) **Weighted Average Fair Value**

The weighted average fair value of Unlisted Options granted as share-based payments by the Group during the year ended 30 June 2014 was \$0.1497 (2013: \$0.1247). The weighted average fair value of Performance Rights granted as share-based payments by the Group during the year ended 30 June 2014 was \$0.2972 (2013: \$nil).

(f) **Option and Rights Pricing Models**

The fair value of the equity-settled share options and performance rights granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The table below lists the inputs to the valuation model used for share options granted by the Group during the last two years:

Inputs	Series 1 ⁴	Series 2 ⁴	Series 3 ⁴	Series 4	Series 5	Series 6	Series 7
Exercise price	\$0.35	\$0.45	\$0.60	\$0.45	\$0.35	\$0.45	\$0.60
Grant date share price	\$0.31	\$0.31	\$0.31	\$0.30	\$0.275	\$0.275	\$0.275
Dividend yield ¹	-	-	-	-	-	-	-
Volatility ²	90%	90%	90%	90%	90%	90%	90%
Risk-free interest rate	3.76%	3.76%	3.76%	2.96%	2.98%	2.98%	2.98%
Grant date	17 June 13	17 June 13	17 June 13	8 Jan 14	13 Feb 14	13 Feb 14	13 Feb 14
Issue date	12 Jul 13	12 Jul 13	12 Jul 13	8 Jan 14	13 Feb 14	13 Feb 14	13 Feb 14
Expiry date	30 Jun 17	30 Jun 17	30 Jun 17	30 Jun 17	30 Jun 17	30 Jun 17	30 Jun 17
Expected life of right ³	3.97 years	3.97 years	3.97 years	3.5 years	3.38 Years	3.38 years	3.38 years
Fair value at grant date	\$0.1276	\$0.1395	\$0.1512	\$0.1610	\$0.155	\$0.1400	\$0.1230

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

⁴ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

The table below lists the inputs to the valuation model used for Performance Rights granted by the Group during the last two years:

Inputs	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7
Exercise price	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Grant date share price	\$0.29	\$0.29	\$0.29	\$0.29	\$0.265	\$0.265	\$0.265
Dividend yield ¹	-	-	-	-	-	-	-
Volatility ²	90%	90%	90%	90%	90%	90%	90%
Risk-free interest rate	2.66%	2.66%	2.66%	2.66%	2.74%	2.74%	2.78%
Grant date	27 Dec 13	27 Dec 13	27 Dec 13	27 Dec 13	7 Feb 14	7 Feb 14	12 Feb 14
Issue date	27 Dec 13	27 Dec 13	27 Dec 13	27 Dec 13	7 Feb 14	7 Feb 14	12 Feb 14
Expiry date	30 Jun 14	30 Jun 15	30 Sep 15	31 Dec 16	30 Jun 14	30 Jun 15	30 Jun 14
Expected life of right ³	0.5 years	1.5 years	1.8 years	3.0 years	0.39 years	1.39 years	0.38 years
Fair value at grant date	\$0.29	\$0.29	\$0.29	\$0.29	\$0.265	\$0.265	\$0.265

Inputs	Series 8	Series 9	Series 10	Series 11	Series 12	Series 13	Series 14
Exercise price	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Grant date share price	\$0.265	\$0.265	\$0.265	\$0.42	\$0.42	\$0.42	\$0.42
Dividend yield ¹	-	-	-	-	-	-	-
Volatility ²	90%	90%	90%	90%	90%	90%	90%
Risk-free interest rate	2.78%	2.78%	2.78%	2.77%	2.77%	2.77%	2.77%
Grant date	12 Feb 14	12 Feb 14	12 Feb 14	12 Apr 14	12 Apr 14	12 Apr 14	12 Apr 14
Issue date	12 Feb 14	12 Feb 14	12 Feb 14	12 Apr 14	12 Apr 14	12 Apr 14	12 Apr 14
Expiry date	30 Jun 15	30 Sep 15	31 Dec 16	30 Jun 14	30 Jun 15	30 Sep 15	31 Dec 16
Expected life of right ³	1.38 years	1.63 years	2.88 years	0.22 years	1.22 years	1.47 years	2.72 years
Fair value at grant date	\$0.265	\$0.265	\$0.265	\$0.42	\$0.42	\$0.42	\$0.42

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the rights is based on the expiry date of the rights as there is limited track record of the early exercise of rights.

20

AUDITORS REMUNERATION

The auditor of Prairie Mining Limited is Ernst & Young (2013: BDO Audit (WA) Pty Ltd).

	2014	2013
	\$	\$
Amounts received or due and receivable by Ernst & Young for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	28,755	
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	-	32,990
• preparation of income tax return	-	10,523
	-	43,513

21 **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.

22 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

(a) **Overview**

The Group's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk (Continued)

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2014	2013
	\$	\$
Cash and cash equivalents	2,574,300	6,170,841
Trade and other receivables	354,651	393,440
Other financial assets	22,111	22,000
	2,951,062	6,586,281

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Group's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2014, none (2013: none) of the Group's receivables are past due.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2014 and 2013, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months \$	6-12 Months \$	1-5 years \$	≥5 Years \$	Total \$
2014 Group Financial Liabilities					
Trade and other payables	1,036,409	-	-	-	1,036,409
	1,036,409	-	-	-	1,036,409

(d) **Interest Rate Risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2014 \$	2013 \$
Interest-bearing financial instruments		
Cash at bank and on hand	674,300	1,206,837
Deposits at Call	1,900,000	4,964,004
	2,574,300	6,170,841

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 3.2% (2013: 3.95%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) Profit or Loss and Other Comprehensive Income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss		Other Comprehensive Income	
2014				
Group				
Cash and cash equivalents	26,014	(26,014)	26,014	(26,014)
2013				
Group				
Cash and cash equivalents	61,708	(61,708)	61,708	(61,708)

(e) **Equity Price Risk**

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the Statement of Financial Position as available-for-sale financial assets. At the reporting date the Group has investments in the listed equity securities of one ASX listed entity, refer note 8.

Equity price sensitivity

A sensitivity of 20% has been selected as this is considered reasonable given the current volatility of global equity markets. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	20% increase	20% decrease	20% increase	20% decrease
2014				
Group				
Available for sale financial assets	-	-	3,760,000	(3,760,000)
2013				
Group				
Available for sale financial assets	-	-	1,300,000	(1,300,000)

(f) **Commodity Price Risk**

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) **Capital Management**

The Group defines its Capital as total equity of the Group, being \$21,332,288 for the year ended 30 June 2014 (2013: \$13,012,752). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(h) **Fair Value**

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

At 30 June 2014 and 30 June 2013, the carrying value of the Group's financial assets and liabilities approximate their fair value. Please below for further disclosure.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in following table:

	Quoted Market Price (Level 1)	Valuation Technique (Level 2)	Valuation Technique (Level 3)	Total
2014				
Available for sale investments:				
Australian listed equity security	18,800,000	-	-	18,800,000
2013				
Available for sale investments:				
Australian listed equity security	6,650,000	-	-	6,650,000

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

(i) **Foreign Currency Risk**

As a result of activities overseas, the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income can be affected by movements in exchange rates. The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is the Polish Zloty ("PLN"). Foreign currency risk arises on translation of the net assets of a controlled entity to Australian dollars. In the Group accounts, the foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

It is the Group's policy not to enter into any hedging or derivative transactions to manage foreign currency risk. However the Group does hold some PLN cash and cash equivalents to fund its planned Polish operations over the next 12 months, given the majority of the Group's expenditure over this period is expected to be in PLN.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies was:

	PLN	2014 AUD	Total Equivalent AUD
Financial assets			
Cash and cash equivalents	151,135	2,521,807	2,574,300
Trade and other receivables	823,936	68,473	354,651
	975,071	2,590,280	2,928,951
Financial liabilities			

Trade and other payables	(1,525,672)	(506,497)	(1,036,409)
	(1,525,672)	(506,497)	(1,036,409)
Net exposure	(550,601)	2,083,783	1,892,542

Foreign exchange rate sensitivity

At the reporting date, had the Australian Dollar appreciated or depreciated against the PLN, as illustrated in the table below, Profit or Loss and other Comprehensive Income would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2014 Group				
AUD to PLN	19,124	(19,124)	19,124	(19,124)

23 CONTINGENT ASSETS AND LIABILITIES

(i) Contingent Assets

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2014 financial year.

(ii) Contingent Liability

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2014 financial year except for the following:

Historical Exploration Data

In February 2014, the Company announced that it had entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical exploration data for the K-6-7 Concession at the Project. Under the terms of the agreement, the Company was required to make a payment to the MoE of PLN1,911,709 (-A\$690,500) 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 for 30 months and upon the grant of a mining license at the Project by the MoE, the balance is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a mining license.

24 COMMITMENTS

Management have identified the following material commitments for the consolidated group as at 30 June 2014 and 30 June 2013:

	Note	Payable within 1 Year \$	Payable within 1 year less than 5 years \$	Total \$
2014 Operating commitments	24(a)	873,494	-	873,494

	Note	Payable within 1 Year \$	Payable within 1 year less than 5 years \$	Total \$
Drilling contract				
Total Commitments		873,404	-	873,494
2013				
Operating commitments	24(a)	1,848,790	-	1,848,790
Drilling contract				
Total Commitments		1,848,790	-	1,848,790

(a) **Drilling commitments**

The commitment disclosed represents the Group's estimate of its contracted commitment with its drilling contractor for the Lublin Coal Project drilling program.

25 **EVENTS SUBSEQUENT TO BALANCE DATE**

- (i) On 28 August 2014, the Company announced that it had completed the final hole of its seven-hole core drilling campaign as part of the agreed work program with the Polish government under the terms of its Exploration Concessions;
- (ii) On 1 September 2014, the Company completed the sale of 1.0 million fully paid ordinary shares in Papillon Resources Limited (ASX:PIR) to raise gross proceeds of \$1.75 million. As a result of this sale, the Papillon shares have been reclassified from available-for-sale to held-for-trading financial assets which has substantially increased the Company's working capital position;
- (iii) On 16 September 2014, the Company appointed Mr Thomas Todd as a Non-Executive Director and Mr Todd Hannigan as his alternate Director; and
- (iv) On 23 September 2014, the Company entered into a deed of renunciation to cancel 4.4 million unissued milestone shares which were to be issued upon the achievement of relevant performance milestones as announced by the Company on 9 August 2012.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2014 of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2014, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2014, of the Consolidated Entity.

Part 8
Reviewed Interim Financial Report for the half-year ended 31 December 2014

This part contains the financial information of the Group for the half-year ended on 31 December 2014 in accordance with paragraph 20.6 of the Prospectus Rules ("**Interim Financial Information**").

The financial information for the half-year ended on 31 December 2014 has been extracted from the published reviewed financial statements of the Company for this period. This financial information is unaudited but has been reviewed by the Company's auditors.

The auditor's review report of the financial statements of the Company for the half-year ended 31 December 2014 has been extracted and included below.

The Directors are responsible for preparing the Interim Financial Information on the basis of preparation set out in this Part 8.

INTERIM FINANCIAL REPORT

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:

- (c) 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
- (d) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Peter McIver

Partner

10 March 2015

CONSOLIDATED STATEMENT OF PROFIT AND 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			
Items that may be reclassified subsequently to profit or loss:			
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
		<u>\$</u>	<u>\$</u>
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		<u>12,363,018</u>	<u>2,951,062</u>
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		<u>604,145</u>	<u>19,417,635</u>
Total assets		<u>12,967,163</u>	<u>22,368,697</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		1,873,222	1,036,409
Total current liabilities		<u>1,873,222</u>	<u>1,036,409</u>
Total liabilities		<u>1,873,222</u>	<u>1,036,409</u>
Net assets		<u>11,093,941</u>	<u>21,332,288</u>
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		<u>11,093,941</u>	<u>21,332,288</u>

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	1,051,6585	(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	<u>34,936,844</u>	<u>4,763,663</u>	<u>1,941,383</u>	<u>2,898</u>	<u>(30,550,847)</u>	<u>11,093,941</u>
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	<u>31,888,307</u>	<u>3,814,750</u>	<u>355,285</u>	<u>37,567</u>	<u>(22,979,422)</u>	<u>13,116,487</u>

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	<u>(4,268,582)</u>	<u>(3,580,780)</u>
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	<u>3,665,293</u>	<u>(7,352)</u>
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	<u>73,731</u>	<u>701,627</u>
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	<u>2,047,340</u>	<u>3,335,613</u>

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.

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		
4.1	Revenue		
	Interest revenue	23,260	73,389
4.2	Other Income		
	Net gain on sale of available-for-sale financial assets	2,664,130	-
		31 December 2014 \$	30 June 2014 \$
	Note		
5	CURRENT ASSETS – OTHER FINANCIAL ASSETS		
	<i>Loans and receivables</i>		
	Bonds ²⁸	-	22,111
	Carrying amount at end of the period	-	22,111
	<i>Available –for-sale financial assets:</i>		
	Canadian listed equity securities ²⁹	5(a) 9,911,563	-
	Carrying amount at end of the period	9,911,563	-

²⁸ Performance guarantees, which related to environmental performance bonds, were retired during the period as the Group entered into the Mines Rehabilitation Fund ("MRF").

²⁹ 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.

	Note	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 end of the period		<u>9,911,563</u>	-
		31 December 2014	30 June 2014
		<u>\$</u>	<u>\$</u>
 6 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS			
<i>Available-for-sale financial assets:</i>			
Australian listed equity securities		-	18,800,000
Carrying amount at end of the period ³⁰		<u>-</u>	<u>18,800,000</u>
		31 December 2014	30 June 2014
	Note	<u>\$</u>	<u>\$</u>
 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 period³¹		<u>530,000</u>	<u>530,000</u>

³⁰ 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.

³¹ 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.

		31 December 2014	30 June 2014
	Note	\$	\$
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 ³²	-	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

		31 December 2014	30 June 2014
	Note	\$	\$
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	-	-
05-Dec014	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

³² During the period, 4.4 million unissued milestone shares were cancelled. A further 0.5 million unissued milestone shares expired on 31 December 2014.

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 Lublin Coal Project. 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 Lublin Coal Project 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.

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.

Part 9
Competent Person's Report on the Lublin Coal Project

ESMA CESR
Para 133



**Competent Person's
Report on the Lublin
Coal Project, Poland**

Prepared for Prairie Mining Ltd
by Royal HaskoningDHV

Document title: Competent Person's Report on the Lublin Coal Project, Poland
Status: FINAL
Date: 21 July 2015
Project name: Lublin Coal Project
Project number: PB2535
Client: Prairie Mining Ltd
Client contact: Nick Edmunds

RHDHV Project Manager: Marco Maestri, Director of Mining UK
Competent Person: Sam Moorhouse, Senior Geologist
Peer Review: Paul Norman, Consulting Geologist

Disclaimer

For the purposes of Prospectus Rule 5.5 3R(2)(f), Royal HaskoningDHV is responsible for this CPR as part of the Prospectus and declares that it has taken all reasonable care to ensure that the information contained within this CPR is, to the best of its knowledge, in accordance with the facts and contains no information likely to affect its import. This declaration is included in the Prospectus in accordance with item 1.2 of Annex 2 of the Prospectus Regulation.

Save as set out above, Royal HaskoningDHV does not accept any liability other than the statutory liability to any individual, organization, or company and takes no responsibility for any loss or damage arising from the use of this report or information, data, or assumptions contained therein. Unless and except to the extent that Royal HaskoningDHV expressly indicates otherwise in the report, the comments, conclusions and recommendations of HaskoningDHV are provided strictly on the basis that the facts, findings and assumptions contained in the limited information provided or made available to Royal HaskoningDHV (whether in writing, electronically, on-line, verbally or otherwise) are reliable, accurate, complete and adequate.

Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and
Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Competent Person's Report on the Lublin Coal Project, Poland
Prepared by Royal HaskoningDHV for Prairie Mining Ltd
21st July 2015

I, Samuel Bryn Moorhouse, confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition) and the Australian Guidelines for the Estimation and Classification of Coal resources 2014.
- I am a Competent Person as defined by the JORC Code, 2012 Edition, having five years' experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Chartered Geologist and Member of the Geological Society of London, a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.
- I am a full time employee of Royal HaskoningDHV (HaskoningDHV UK Ltd with a Registered Office at Rightwell House, Bretton, Peterborough PE3 8DW and Registered in England as 1336844).
- I have been engaged by Prairie Mining Ltd to prepare the documentation for the Lublin Coal Project on which the Report is based, for the period ended 21st July 2015.
- I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.
- I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Mineral Resources.
- I consent to the release of the Report and this Consent Statement by the directors of Prairie Mining Ltd.

I consent to the inclusion of this CPR in the Prospectus and to references to any part of this CPR in the Prospectus.

Signature of Competent Person:



Samuel Bryn Moorhouse, Senior Geologist, Royal HaskoningDHV
Chartered Geologist, Geological Society of London, Membership Number 1007842
21st July 2015

Signature of Witness:



Marco Alexander Maestri, Director of Mining (United Kingdom), Royal HaskoningDHV
21st July 2015

CONTENTS

1 Introduction	6
1.1 Terms of Reference.....	6
1.2 Project Background	6
1.3 The JORC Code and Competence	6
1.4 RHDHV and Technical Expertise	7
1.4.1 Impartiality	7
1.5 Data Provenance	8
1.5.1 Reliance on Information	8
1.5.2 Data accuracy	8
1.5.3 Assumptions and Liability	8
2 Project Overview	9
2.1 Location.....	9
2.2 Polish Legislature and Licensing	9
2.3 Lublin Coal Project Tenements	9
2.4 Project Feasibility and Status	10
2.5 Valuation	10
2.6 Environmental, social and facilities.....	11
2.7 Historic Production/Expenditure	11
2.8 Infrastructure	11
3 Lublin Coal Basin.....	11
3.1 Geological Setting	11
3.1.1 Regional Geology	11
3.1.2 Study Area Geology	12
3.2 Bogdanka Mine	13
3.3 Historical Exploration.....	13
3.4 PDZ Exploration	14
3.4.1 Aerial Investigations and Surveying	14
3.4.2 Drilling and Logging.....	15
3.4.3 Sampling, Sample Preparation and Testwork	16
3.5 Previous Studies	16
3.6 Coal classification systems	16
3.6.1 Poland	16
3.6.2 Alignment with CRIRSCO International Guidelines	17
4 Geological Investigation.....	17
4.1 Data acquisition.....	17
4.1.1 Description of data	17
4.1.2 Data format and selection	17
4.2 Data audit and verification	19

4.2.1	Spatial and structural data audit.....	19
4.2.2	Stratigraphic and lithological data audit.....	19
4.2.3	Core recovery.....	19
4.2.4	Coal quality data audit.....	20
4.3	Geological interpretation.....	20
4.3.1	Geological evaluation.....	20
4.3.2	Stratigraphy.....	21
4.3.3	Structure.....	21
5	Resource Estimation.....	22
5.1	Qualification of Consultant.....	22
5.2	Approach.....	23
5.2.1	Principle of Estimation.....	23
5.2.2	Site Visit.....	23
5.3	Geological Modelling.....	23
5.3.1	Preliminary Seam Assessment and Screening.....	23
5.3.2	Integrated Stratigraphic Modelling using Vulcan™.....	24
5.4	Calculation Parameters.....	25
5.4.1	Seam thickness cut-off.....	25
5.4.2	Proximity to base of Jurassic.....	25
5.4.3	Geological domains.....	26
5.4.4	Parameters not considered.....	27
5.5	Classification Parameters.....	27
5.5.1	JORC definitions.....	27
5.5.2	Holistic review of deposit.....	28
5.5.3	Detailed seam assessment.....	29
5.5.4	Delineation of classification zones.....	30
5.6	Tonnage Estimate.....	30
5.7	Coal Quality.....	32
5.8	Coking coal evaluation.....	32
5.8.1	Overview.....	32
5.9	Observations and alterations to the Resource estimate.....	33
5.10	Reconciliation.....	33
5.10.1	Comparison with Wardell Armstrong International estimate.....	33
5.10.2	Comparison with historical Polish estimate.....	33
6	Recommendations.....	34
6.1	Desktop interpretative work.....	34
6.2	Geological Information.....	35
7	References.....	35

List of Figures

Figure 1. Poland Map showing Lublin Coal Basin and Project location	9
Figure 2. View across the central LCP region showing the dominant agricultural use	9
Figure 3. Example of Polish concession documentation (Kulik / Lublin K 4-5 / No. 20/2012/p).....	10
Figure 4. Location of the Coal Basins of Poland.....	11
Figure 5. Variscan structure of the Lublin Basin (vertical scale is two-way-travel time in milliseconds).....	12
Figure 6. Chronostratigraphic correlation of the Devonian-Carboniferous sections representative of four major regions of the Polish Variscan foreland (Narkiewicz, 2007)	13
Figure 7. Bogdanka Production Profile, 2009-2014.....	13
Figure 8. Photograph of drilling rig at the LCP site, taken during RHDHV visit	15
Figure 9. Core storage facilities at the LCP site.....	15
Figure 10. Example of core photographs in marked and lined core boxes	15
Figure 11. Comparison of terms between Polish and JORC (CRIRSCO) systems	17
Figure 12. Comparison between Polish and JORC (CRIRSCO) classification systems	17
Figure 13. Stratigraphy for the Carboniferous in the LCP area (from Waksmundzka, 2010).....	21
Figure 14. Schematic stratigraphical column based on averages of borehole intersections input into the model.....	22
Figure 15. Cross section extracted from Vulcan™ modelling software.....	23
Figure 16. Vulcan™ screenshot of LCP	25
Figure 17. Extract from an isopach of basal Jurassic sandstone and conglomerate unit, as provided by PDZ.....	25
Figure 18. Schematic illustration of Jurassic base and applied stand-off.....	26
Figure 19. Geological domains within the LCP area. Major faults are highlighted in pale green	26
Figure 20. Example of drilling missing specific seams where geological units are dipping (Image from: Maptek Pty Ltd, 2011).....	71

List of Tables

Table 1. Summary of Bogdanka coal quality parameters, Seam 382 and 385/2	13
Table 2. Summary of historical data.....	18
Table 3. Summary of PDZ site investigation data	18
Table 4. Preliminary seam evaluation exercise and results	24
Table 5. Deposit-wide factors considered for Resource classification.....	28
Table 6. Summary of gross coal Resources (tonnages rounded to nearest Mt)	31
Table 7. Summary of gross coal Resources per seam, including splits (tonnages rounded to nearest Mt)	31
Table 8. Summary of gross coal Resources per seam after losses and excluding splits (tonnages rounded to nearest Mt).....	31
Table 9. Summary of coal quality data per seam	32
Table 10. Overview of key metallurgical coal specifications (from AME Consulting, 2010).....	32
Table 11. Summary of coal grades extracted from Polish standard PN-82/G-97002.....	33
Table 12. Tonnage comparison with 2013 WAI report	33
Table 13. Summary of the historical PolGeol estimate	34

Appendices

Appendix A. Table 1 (adapted from JORC 2012)
Appendix B. Full Resource Statement
Appendix C. Detailed Inventory of Data Validation
Appendix D. Vulcan™ modelling methodology
Appendix E. Seam Summary Table

1 Introduction

1.1 Terms of Reference

In July 2014 Royal HaskoningDHV ("RHDHV") were commissioned by Prairie Mining Ltd ("PDZ") to undertake a geological assessment of the coal prospects within their Lublin asset in south eastern Poland.

The study forms part of a wider Pre-Feasibility Study ("PFS") with the Lublin Coal Project ("LCP") currently being conducted by a technical team combining staff from RHDHV and Golder Associates.

This document represents a Competent Person's Report ("CPR") on the coal Resources within the LCP. The CPR is compliant with the principles as set out in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, by the Joint Ore Reserves Committee ("JORC"). The CPR also follows technical advice and recommendations included in the revised Australian Guidelines for the Estimation and Classification of Coal Resources (2014 Edition).

This CPR has been compiled as part of the documentation required for PDZ's application to the Financial Conduct Authority (the "FCA") for all of its issued Ordinary Shares to be admitted to the standard listing segment of the Official List of the FCA (the "Official List"), to the London Stock Exchange plc ("LSE") for trading of the shares on the main market of the LSE and to the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) (the "WSE") for trading of the shares on the WSE.

1.2 Project Background

PDZ considers itself an emerging Polish coal developer focused on the exploration, evaluation, appraisal and development of the LCP. The company is listed on the Australian Securities Exchange as PDZ.

The Lublin Coal Project is a large scale thermal and semi-soft coking coal project across four coal exploration concessions in south eastern Poland.

This CPR is based on the review and modelling of historic data over PDZ's concessions, including 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 represents the target, principal seam in the study. The report follows an initial Scoping Study, the results of which were

published in April 2014, and incorporates additional data acquired since the production of this report.

1.3 The JORC Code and Competence

Reporting codes are Internationally recognised documents that afford a standardised framework on which mineral Resources can be publicly reported. They formally define how mineral deposits can be described and quantified, helping to ensure any qualities and tonnages quoted for mineral deposits have been estimated to best practice.

This CPR is compliant with the principles set out in the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") and is structured in accordance with the model content requirements of the JORC Code. The JORC Code is a widely used example of such a reporting code and is based on three main principles:

Transparency: the provision of clear, unambiguous information.

Materiality: all relevant data is presented to allow reasoned and balanced conclusions to be made by the reader.

Competence: the report is based on work undertaken by a recognised Competent Person, being suitably qualified and with sufficient technical experience, to be able to quantify the Resource.

According to the JORC Code (2012 Edition) a Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. The Competent Person must also be a Member or Fellow of the Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a "Recognised Professional Organisation".

Reporting codes and the concept of Competent or Qualified Persons exist to afford comfort to any individual or company who may have an interest in the mining project being assessed. They demonstrate to any asset holders, potential investors, or otherwise, that the technical assessment has been carried out with all due care, attention and ability. They also ensure that the reputation of Individuals and companies undertaking the assessment are under scrutiny when the report is issued; the RPOs have enforced disciplinary processes including powers to suspend or expel a member.

The CPR also follows technical advice and recommendations included in the revised Australian Guidelines for the Estimation and Classification of Coal Resources (2014 Edition).

1.4 RHDHV and Technical Expertise

RHDHV are an established international consulting firm specialising in engineering and project management. The company has over 130 years' experience, providing expertise in the fields of aviation, buildings, energy, industry, infrastructure, maritime, mining, transport, urban and rural planning and water.

The Mining Services group forms part of the Industry, Energy and Mining Business Line within RHDHV, and has core offices in London, Johannesburg, and Jakarta. The group has its origins in a rebranding of the South Africa founded Turgis Consulting group and through this historical association has over 20 years of experience in the mining industry. The group covers all aspects of a mine project cycle from greenfield geological exploration through to mine closure and remediation, and beyond. The company remains independent, operating in most mining countries worldwide, and covering the major mining commodities.

The technical specialist and peer reviewer who composed this CPR have substantial expertise in resource geology, with specific experience in related stratiform deposits, particularly coal. Both specialists are members of internationally recognised professional organisations as follows:

- Mr Samuel Bryn Moorhouse MESci (Oxon) CGeol CSci MIMMM FGS
- Mr Paul Storr Norman BSc (Hons) CGeol FGS

Sam Moorhouse is a Chartered Geologist, Chartered Scientist, Fellow of the Geological Society of London and Professional Member of the Institute of Materials, Minerals and Mining. He graduated from the University of Oxford with Honours in 2007 as Master of Earth Sciences. He specialises in Resource geology and is a recognised Competent Person in Resource assessments of coal. As a Chartered Geologist, Sam holds affiliation with the Geological Society of London where he regularly works within the frameworks of international reporting codes, including NI 43-101, JORC and SAMREC. Sam is regularly involved in Resource estimation for Scoping Studies through to full Definitive Feasibility Studies, site supervision and exploration drill programme design.

Paul Norman is a Chartered Geologist with approximately 40 years of worldwide experience of managing major projects in the mining and mineral sectors. He is a specialist in mining geology, mineral exploration and mineral resource evaluation, especially in coal and industrial minerals. As project geologist or project director, he has been responsible for exploration reports, feasibility and due diligence studies for both project sponsors and lenders. He has prepared stock-exchange compliant Competent Persons Reports, and has led geological appraisals of coal privatisation programmes in the UK and overseas. He is experienced in mineral classifications and resource/reserve estimations, using all major international reserve classification systems, including JORC and SAMREC. His experience in coal exploration and mining development projects has ranged from artisanal and small-scale underground mining operations in remote areas to large-scale underground and open-pit coal and lignite projects.

Both Mr Moorhouse and Mr Norman have relevant and appropriate experience and independence to appraise the coal assets, the subject of this CPR. Both Mr Moorhouse and Mr Norman are considered "Competent Persons" and each has more than five years' relevant experience in the assessment and evaluation of the types of coal exploration properties discussed in this CPR.

RHDHV geologists have worked closely with the PDZ technical team when conducting this study. The main point of contact has been Mr Jonathan George O'Dell, Geosciences Manager at PDZ. Jonathan is a Fellow of the Geological Society of London and a member of the Australian Institute of Mining and Metallurgy, with over 35 years' experience in the drilling and coal mining industries. His specialisms are exploration and Resource and Reserve assessment in later years. He has worked in the UK for Foraky Ltd (British Drilling and Freezing), British Coal, as well as various junior mining companies and established consultants, before joining PDZ in 2013. Jonathan leads the geological team in Lublin and is responsible for the day-to-day management of geological activities.

1.4.1 Impartiality

RHDHV is an independent consultant employed as a third party subcontractor by PDZ to produce a CPR for the Lublin Coal Project.

Neither RHDHV, RHDHV permanent employees nor any RHDHV project staff:

- Have any financial or other interests in Prairie Mining Ltd, other than the subcontractor role relating to the undertaking of this CPR and the associated Pre-Feasibility Study on normal commercial terms;
- Have any financial or other interests in the Lublin Coal Project and associated tenements, or any other projects in the Lublin Coal Basin.

RHDHV's fees are not contingent on the outcome of this CPR. Neither RHDHV nor any of the authors of this CPR have any interest in the share capital of PDZ or any of its subsidiaries.

RHDHV formally declare no Conflict of Interest with Prairie Mining Ltd or the Lublin Coal Project, and have produced this CPR with complete impartiality.

1.5 Data Provenance

1.5.1 Reliance on Information

Acting as an independent reviewer RHDHV has not been directly involved in the initial acquisition of technical data. This applies to:

- Historical information (i.e. from the Polish Geological Institute Archives);
- Historical data compiled by PDZ local subcontractors (PolGeo);
- Independent work carried out by GeoEkoWien, and;
- PDZ supplied data from their recent drilling programme.

As such, RHDHV are largely dependent on the technical input of others. All information has been provided to RHDHV through PDZ.

Primary information / raw data have been used wherever possible in both interpretation and as the basis of the geological model. Furthermore, all information has undergone rigorous verification and audit by RHDHV and the traceability and reliability of the information has been assessed as comprehensively as possible. The CPR has been prepared with all due care and attention and carried out by a recognised Competent Person as defined by the JORC Code (2012 Edition).

The LCP is based primarily on historical borehole information. PDZ have tested the accuracy of this data through drilling of additional boreholes across the site in 2013/14. The coal depths, thicknesses and properties from this drilling programme have been compared to the historical information, and both datasets are observed to be in accordance.

1.5.2 Data accuracy

RHDHV can confirm that the data quantity, quality, and provenance are of ample reliability to form the basis of a Mineral Resource Statement compliant with the principles of the JORC Code (2012 Edition). The work undertaken by PDZ and subsequently RHDHV is sufficient to permit formal estimation of Resources. The reliability of the data, and the continuity of the geology, is represented in the Resource Classification (allocation of coal to Measured, Indicated and Inferred status), and also through the application of geological losses to these tonnages.

Estimations that appear in this study will include a minor element of rounding, although these numerical variations will not have a material effect on the final tonnages or qualities quoted.

1.5.3 Assumptions and Liability

JORC defines a Mineral Resource as "a concentration or occurrence of solid material of economic interest in the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction".

The Resources in this CPR are defined through this principle but do not consider detailed appraisal of Modifying Factors that are used to define Reserves. Such Modifying Factors (such as geotechnical, hydrogeological, mining, processing, marketing, environmental, legal and legislative or licensing impacts) have not been assessed in detail but have been evaluated from a Fatal Flaw perspective.

Subsequent to the positive results of the 2014 Scoping Study (completed by Wardell Armstrong International), and the ongoing Pre-Feasibility, the LCP has been shown to be economically viable. RHDHV have concluded that there are no severely limiting factors that would limit reasonable prospects for eventual economic extraction. The neighbouring Bogdanka coal mine further demonstrates the viability of local coals within the Lublin Basin.

RHDHV is mindful that this report has been prepared for inclusion in the Prospectus and may be reviewed by an independent third party.

This CPR has been prepared, to the extent required and in accordance with:

- the Prospectus Rules published by the FCA and governed by the UKLA ("Prospectus Rules");
- the Prospectus Directive (2003/71/EC); and

- sections 131 to 133 and Appendices I and II of the document titled "ESMA update of the CESR recommendations: the consistent implementation of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive" and dated 20 March 2013.

RHDHV consents to the inclusion of this CPR in the Prospectus and to references to any part of this CPR in the Prospectus.

2 Project Overview

2.1 Location

The Lublin Coal Project (LCP) is located approximately 180 km southeast of the Polish capital of Warsaw towards the border with Ukraine. Access to the study area can be obtained using the local road network, principally via Route 82 which connects to the nearby city of Lublin approximately 40 km to the southwest (Figure 1).

Figure 1. Poland Map showing Lublin Coal Basin and Project location



The study area primarily contains local villages surrounded by arable land or woodland (Figure 2). The town of Gmina Cycow approximately marks the centre of the LCP concession areas.

Figure 2. View across the central LCP region showing the dominant agricultural use



2.2 Polish Legislation and Licensing

Exploration and mining concessions in the Republic of Poland are granted under the authority of the Ministry of Environment, the Department of Geology and Geological Permits. Exploration permits are granted for a minimum of a 3-year period and no longer than 50 years.

As defined by the Polish legislation, following the submission and approval of Geological Documentation, a Deposit Development Plan and necessary Environmental documentation for a deposit the exploration concession holder may apply to the State Treasury for a mining concession.

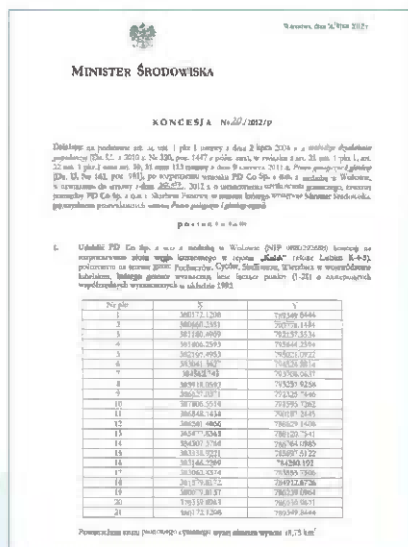
2.3 Lublin Coal Project Tenements

PDZ hold the exploration concessions to ~235 km² in southeast Poland. The LCP consists of four principal concession areas for which PDZ hold the exploration concessions, namely: Kulik (K4-5), Cycow (K6-7), Syczyn (K8) and Kopina (K9). These concessions were granted in 2012 which have been retained for a period of three years and RHDHV has been informed by PDZ that it applied to renew these concessions before their expiry in 2015. Under the terms of the exploration concession, exploration drilling commenced within 12 months of issue.

The Company has also recently acquired a further exploration concession contiguous to the area of the four principal concession areas of the LCP known as "Sawin-Zachod". No resources are estimated at Sawin-Zachod under this CPR as there is currently insufficient data to support such an estimate, however exploration remains ongoing in relation to the Sawin-Zachod concession area.

RHDHV has taken receipt of Polish documentation dated 2012 approved by the Minister of Environment pertaining to the exploration concession permits for each of the four areas, including the date of approval, concession name and concession number, and of the Polish documentation for the approval of Geological Documentation dated 2015.. RHDHV accepts this documentation as confirmation of PDZ's exploration concessions and priority right for the study area under investigation. A full legal due diligence has not however been undertaken.

Figure 3. Example of Polish concession documentation (Kulik / Lublin K 4-5 / No. 20/2012/p)



2.4 Project Feasibility and Status

The Scoping Study completed by Wardell Armstrong International (WAI) in 2014 concluded that with consideration for unforeseen problems and changing

market conditions, the Lublin Coal Project is considered to be a good prospect and economically viable. Recommendations were made to conduct additional exploration to increase the likelihood of an upgrade to the Resource classification and to provide additional coal quality information. Since the release of this report additional data including coal quality analysis from recent exploration by PDZ has been made available to RHDHV. This data has served to refine the geological model to support a further update to the Resource Estimate and classification.

The results of the study suggest that the deposit has the potential to support an underground longwall mining operation, accessed and supplied via two shafts to depths of approximately 1000m. WAI concluded that given the favourable geological conditions – largely unfaulted, flat-lying and continuous – the deposit could be exploited at two simultaneous faces resulting in an average 7.7Mtpa ROM equivalent to ~6Mtpa product assuming an average yield of 77% based on the capability of the processing plant.

Seams 389 and 391, considered the most economically viable due to thickness, continuity and quality, have served as the basis for preliminary mine plans with a 25 year Life of Project. The proposed operation assumes the use of a rail link which would be required to connect the Target Mining Area to the existing state railway network. Run-of-Mine or processed coal would be transported off-site by rail dependent on the location of a coal processing plant.

The study assumes that the LCP will produce two primary products. 3Mt/yr of semi-soft coking coal will be supplied to European and domestic markets by rail, and overseas via the port of Gdansk. A further 3Mt/yr of high quality thermal coal will be supplied to export markets across Europe, with a focus on Germany.

Detailed **Modifying Factors** to define Reserves have not been applied at this stage. Despite this, investigations of the deposit – and in context of the overall project – have not identified any fatal flaws to suggest the deposit does not hold the potential to be economically available.

2.5 Valuation

No valuation is included in this CPR because (as noted above) Detailed Modifying Factors to define Reserves have not been applied at this stage and the LCP consequently has no estimated Reserves to which a net present value could be ascribed.

2.6 Environmental, social and facilities

RHDHV understands that under Polish law, before Mining Concessions can be secured and development of the LCP can proceed, environmental approval must be obtained from the relevant environmental authority (the Regional Environmental Protection Director). Issuance of such environmental approval may require completion of a prior environmental impact assessment.

2.7 Historic Production/Expenditure

The LCP is still at an exploration stage, and accordingly no historic production statistics are included in this CPR.

2.8 Infrastructure

As noted above, the proposed operation assumes the use of a rail link which would be required to connect the Target Mining Area to the existing network.

Although no rail link has yet been constructed, the LCP is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland as identified by a transport infrastructure study completed in April 2014 which was conducted as part of the Company's Scoping Study for the Lublin Coal Project.

3 Lublin Coal Basin

3.1 Geological Setting

3.1.1 Regional Geology

Coal deposits of Poland can be found within three principal coalfields namely; Upper Silesian, Lower Silesian and Lublin. Poland has an established coal mining industry with extraction historically concentrated around the Upper and Lower Silesian coal basins, located in the south-west of Poland bordering the Czech Republic. The Lublin Coal basin is comparatively under-exploited, covering approximately 9,100 km² in the east of the country on the border with Ukraine (Figure 4). It has been identified as a significant future source and supplier of coal, with only a single mine currently in operation; the Bogdanka Coal Mine is discussed further in Section 3.2 of this document.

Figure 4. Location of the Coal Basins of Poland



The geology of the Silesian Coal Basins comprise Late Carboniferous Coal Measures of Namurian and Westphalian age (325-305Ma), deposited in sedimentary basins which themselves evolved during complex collision tectonics, subsidence and tectonic inversion of the Variscan Orogeny (380-280Ma). The basins have been described as syn- to post-orogenic; the contemporaneous sedimentation of Carboniferous strata with the development of the orogeny resulted in the formation of a series of structurally complex basins, with varying deposit thicknesses (McCann, 2008).

Both Silesian basins have been heavily influenced by complex faulting and folding, in addition to localised igneous intrusions throughout the Permian, Triassic and Miocene. Coal-bearing sequences are preceded by Early Carboniferous alluvial fan conglomerates followed by deltaic and shallow-marine sediments. Coal deposits of the Late Carboniferous are overlain by Permian and Jurassic strata, and subsequently by more recent Neogene and Quaternary sediments of interbedded clay and sand. The Upper Silesian basin is most productive and is known to contain in excess of 300 distinguishable coal seams, the thickest of which are up to 7m thick. Comparatively, the Lower Silesian basin, whilst previously acting as an important source of coking coal, contains fewer and thinner coal seams and in recent years mining operations have ceased as a result of unfavourable geological conditions. The shift in emphasis places ever increasing importance on the development of the Lublin Coal Basin as a future source of coal for European industry.

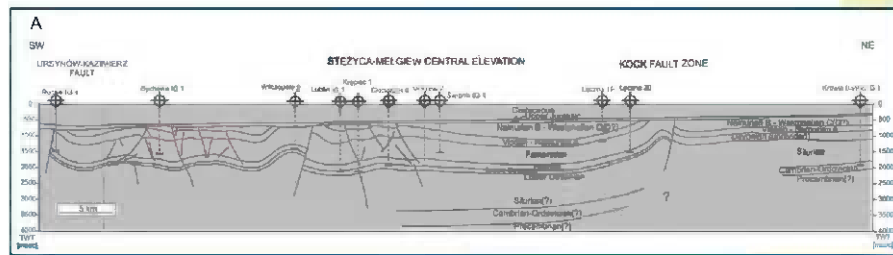
3.1.2 Study Area Geology

The Upper Carboniferous and Early Permian represent a period of extensive basin formation associated with the end of the Variscan Orogeny, during which time multiple phases of accretion and continent-continent collision occurred across Europe. The Lublin Coal Basin exists within the broader regional Lublin Trough that developed along the southern extent of Laurussia. The structure of the coal basin is shown in Figure 5 below, and is adapted from Narkiewicz (2007).

The Lublin Basin is known to have formed during the Late Visean due to enhanced subsidence, which was followed by numerous episodes of marine ingressions and repeated sequences of shallow marine and deltaic sediment deposition during the Namurian. The

remaining succession within the study area contains lithologies from four main divisions. The first, and oldest, are the Late Carboniferous (Westphalian age) sediments which represent the main coal-bearing strata of the basin, deposited in predominantly fluvial environments. Following tectonic inversion and erosion, these were subsequently overlain unconformably by a sequence comprising Jurassic carbonates, Cretaceous limestone, and finally Quaternary superficial deposits (clay, sand, gravel) of varying thickness. A schematic representation of the Variscan stratigraphy is included in Figure 6.

Figure 5. Variscan structure of the Lublin Basin (vertical scale is two-way-travel time in milliseconds).



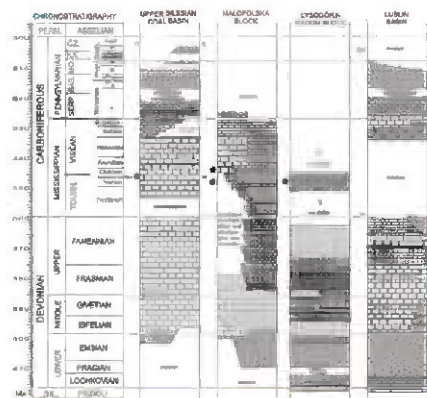
Between the Jurassic and Cretaceous strata is a relatively thin layer (~3.5m average thickness) of unconsolidated sandstone and conglomerate, known as the Albian Sands. This layer represents a potential aquifer within the overall stratigraphic sequence, and is historically associated with shaft sinking issues at Stefanów, within Bogdanka mining area. The Jurassic has also been identified as a potential aquifer and gaining a clear understanding of these units is important in Resource definition as its presence affects the mining potential of the coal nearby.

The structure of the Lublin Coal basin differs from that of the Silesian coal basins, where large scale faulting, folding and igneous intrusions have resulted in a comparatively complex geological structure and more difficult mining conditions. The Lublin structure is largely controlled by the Bogdanka Syncline and strata is found to be either horizontal or shallowly dipping (predominantly to the west), with the overlying Jurassic and Cretaceous

generally more shallowly dipping compared to the Carboniferous.

The unconformable surface of the Jurassic contains a number of channels which influence the stand-off and hence the lateral continuity of any potential Resources in the upper coal seams across the basin; the lowermost seams of the succession being least affected. The impact of the overlying Jurassic aquifer is examined in detail in this report and quantified through the inclusion of an appropriate stand-off of sterilised coal.

Figure 6. Chronostratigraphic correlation of the Devonian-Carboniferous sections representative of four major regions of the Polish Variscan foreland (Narkiewicz, 2007)



3.2 Bogdanka Mine

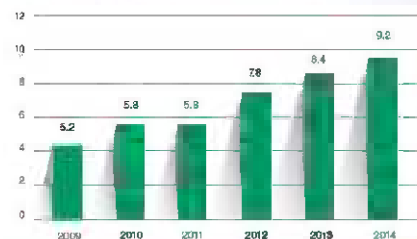
The Bogdanka Coal Mine and associated licences are located immediately adjacent to the west of the Lublin Coal Project and represents the only operating coal mine outside Poland's prolific Upper Silesian coalfield. The mining operation which began in 1982 targets the coal-bearing strata of the Lublin Basin and is said to be one of the most productive and cost-effective coal mines in Europe, supplying ~25% of coal to Polish power stations. The mining operation is expected to continue until at least 2034 pending further exploration in the areas adjacent to the existing Bogdanka licence area. The current operation is within a mining area of approximately 57km² and is operated by Lubelski Węgiel (LW) Bogdanka S.A. (the Bogdanka Group). Whilst the majority of Poland's coal producers remain state-owned, the Bogdanka Group was successfully privatised in 2009.

The Bogdanka deposit is characteristic of the Lublin Basin, with almost horizontal coal seams overlain by an approximately 700m thick Jurassic and Cretaceous sequence. With such close proximity, Bogdanka forms the most reliable analogue for the development of PDZ's Lublin Coal Project.

Whilst up to eight seams have been identified to hold potential for economic extraction, workings to-date have principally focussed on two seams; Seam 382 and 385/2 (the lower leaf of Seam 385). Production in 2013 was approximately 8.4Mt, increasing to ~9.2Mt in 2014

(Figure 7). With a recent upgrade to the coal processing plant at Bogdanka, the Group aims to produce 12Mtpa by 2018.

Figure 7. Bogdanka Production Profile, 2009-2014



Seams 382 and 385/2 were identified as exhibiting the most consistent lateral thicknesses with favourable coal quality parameters (below).

Table 1. Summary of Bogdanka coal quality parameters, Seam 382 and 385/2

Seam	Type (Poland)	CV (MJ/kg)	Thickness (m)	Ash (%)	Sulphur (%)
382	32, 33 & 34	17.1-28.4	0.90-2.25	5.7-38.5	0.72-2.16
		28.4 (avg)		13.1 (avg)	1.40 (avg)
385/2	32, 33 & 34	19.9-30.2	1.55 (avg)	3.6-35.2	0.52-2.72
		25.9 (avg)		8.4 (avg)	1.10 (avg)

The Group are aiming to develop the mine to extract lower seams, namely 389 and 391, in addition to the historically extracted 382 and 385/2. In December 2014 Bogdanka commenced commercial production from the 391 seam.

3.3 Historical Exploration

Exploratory drilling within the four concessions of the LCP first began in the late 1960's, with the majority of drilling being undertaken during the 70s and 80s. It is previously reported that between 1965 and 1983 a total of 117 boreholes were drilled within the four concession areas defined above. As such, a significant proportion of the data for the LCP is historical and has been collated by PDZ from a number of sources, including archives of the Polish Government and Polish Geological Institute/National Research Institute. Previous studies, including the WAI Scoping Study, carried out cross-checks against historical data at the Polish offices. PDZ have now formally acquired the historical data, with most being provided as scanned soft copies of the originals.

Information pertaining to drilling, logging and sampling procedures is limited given the historical provenance of the data, although some details have been obtained or implied from the information available including geological graphic logs and coal quality data. Recent exploration distributed across the study area and newly acquired data concerning the geological structure and quality of the deposit is sufficient to confirm the findings of the historical boreholes.

Drilling

Historical drilling was conducted using a combination of open hole and strata core drilling in every borehole, reportedly using OP-1200 and ZIF-1200 drilling rigs. All historical boreholes are assumed to have been drilled vertically. Open hole drilling was employed to aid progression through the overlying Cretaceous and Jurassic strata within which rock cutting samples were recovered at 2.0m intervals. Diamond core drilling was used through the base of the Jurassic and the underlying Carboniferous Coal Measures sequence to the end of the borehole. Previous reports note the use of segmental coring within the upper Cretaceous strata.

Logging & core recovery

Detailed geological logs were produced for every borehole and core recovery within coal seams was recorded. Geophysical logging techniques were used to confirm the depths and thicknesses of coal seams and dirt partings, and were presented adjacent to original drilling depths on the graphical borehole logs.

Core recovery data has been provided to RHDHV as extracted from the original graphic logs. Core recovery was calculated based on core runs or coal seam intervals and tabulated in the borehole reports. It has been previously reported that the weight of broken core recovered was converted to an equivalent solid core length using a standard formula, after which it was combined with solid cylinder lengths to provide a total core recovery for the interval. Using geophysical logging depths core recovery was displayed on graphic logs as a percentage compared to the thickness of the individual coal seams. In instances of poor or no core recovery side-wall sampling techniques were employed.

Sampling

The exact drilling and sampling procedures used during the historical exploration programmes are not known. It is understood that coal sampling was conducted in accordance with the standards used by the coal industry in Poland; for instance coal seams $\geq 40\text{cm}$ thick were analysed and dirt/non-coal bands $\geq 5\text{cm}$ thick were not analysed. Coal samples for laboratory analysis were

obtained from the solid core, cleaned and sealed in individually labelled plastic bags to prevent contamination or excessive moisture loss before being sent to a laboratory. Coal quality analysis was conducted by the Analytical Tests Department of Katowice Geological Enterprise although exact testing procedures are not available. Evaluation of the sampling and lithological data shows that two main rules were applied when defining intervals for analysis in the presence of any non-coal. Dirt partings less than 5cm in thickness were ignored and simply incorporated into the coal sample. Dirt partings between 5cm and 30cm were logged and not sampled, but classed as in-seam units. Dirt partings greater than 30cm were classified as interburden, with coal above and below the parting labelled as seam splits (suffix /1 and /2, or A and B).

3.4 PDZ Exploration

PDZ undertook a geological drilling programme in 2013/14 to corroborate past findings and provide additional high resolution data for geological, geotechnical, hydrogeological, and other purposes including washability test work. RHDHV have utilised the information obtained from these boreholes as a concrete means of testing the reliability of the historical dataset. The following sections describe the principal investigative works headed by PDZ.

3.4.1 Aerial Investigations and Surveying

Topographical survey

The land area occupied by the four concession areas of the LCP is largely flat to slightly undulating, with gently sloping topography towards the north. The topography of the LCP varies by only 52m. A detailed aerial topographical survey data (i.e. Lidar) was not available prior to modelling, although has subsequently been undertaken. RHDHV contoured a surface using the surveyed elevations of all boreholes.

Borehole collar survey

PDZ instructed "Master Geo" a professional surveyor based in Lublin, Poland, to resurvey all collar coordinates, and as such RHDHV were provided with coordinates for 121 historical boreholes. 114 of the 117 within the LCP site were able to be located and were surveyed using Differential-GPS. Coordinates for the new LCP boreholes were provided directly by PDZ in an email and were surveyed by Master Geo in 2013/14. Boreholes have been surveyed in accordance with Polish 2000/8 grid system.

Geophysical logging was used to confirm downhole inclination and azimuth, although for the purpose of

modelling it has been assumed that all boreholes were drilled vertically. Survey reports of down hole deviations for the 2013/14 boreholes were provided to PDZ by Bohrlochmessung Storkow GmbH (BLM), a German, independent, logging contractor.

3.4.2 Drilling and Logging

Drilling

Drilling was carried out by contractor Hydro-Nafta Sp. Z.o.o. using SpeedStar SS40 or P-80 drilling rigs (see below), and Daibis Sp. Z.o.o.

Figure 8. Photograph of drilling rig at the LCP site, taken during RHDHV visit



Logging Procedures

Geological logging of solid core and chip samples was performed by PoiGeol. Detailed lithological descriptions were used as the basis for graphic logs, and were input by PoiGeol using RockLab software. Graphic and geophysical logs were provided to RHDHV, with core photographs taken for every drill run. Drilling depths used for geological logging were subsequently checked with comparison to the results of geophysics to confirm coal seam and dirt parting thicknesses prior to core sampling.

Core and associated samples were stored in robust, marked, wooden boxes at site and housed in a permanent building, providing a secure, covered environment. Core was lined with plastic and stored at a controlled temperature to prevent damage and excessive moisture loss or core deterioration:

Figure 9. Core storage facilities at the LCP site



In order to ensure consistency core was photographed through by a camera attached to a rigid metal frame. The photography area was further lit by two lamps. An example of core photography is shown below:

Figure 10. Example of core photographs in marked and lined core boxes



Geophysical Logging

All boreholes were geophysically logged on completion by BLM, the German, independent, logging contractor. The following techniques were applied:

- 4-arm calliper;
- Dual Spaced Density;
- Temperature;
- Natural Gamma;
- Resistivity (Laterlog);
- Verticality;
- Acoustic Scanner (two boreholes).

All processed and raw geophysical data were provided to RHDHV for interpretation and QA/QC purposes

Core Recovery

Core recovery percentage (%) was calculated after drilling with comparison to coal seam depths and thicknesses as interpreted from the geophysical logs. A record of Total and Solid core recovery and Rock Quality Designation (RQD) were recorded in each of the seven boreholes and provided to RHDHV in the form of geotechnical logging sheets. Fracture / discontinuity logging was also undertaken as part of the geotechnical logging procedure, with roof and floor samples adjacent to coal seams analysed.

3.4.3 Sampling, Sample Preparation and Testwork

Sampling and laboratory analysis

Coal was sampled according to lithology, rather than a set or predetermined thickness.

Analysis was undertaken by accredited laboratories including the Polish Centralne Laboratorium Pomiarowe – Badawcze (CLP-B) and Główny Instytut Górnictwa (GIG). Select representative samples were also sent to Alfred H Knight (AHK) accredited laboratory in the UK. Inventory lists using unique sample references were supplied to each laboratory, and it is reported that sample weights were taken on delivery and receipt to the laboratory for QA/QC purposes.

Laboratory testing for quality included a standard suite of coal analyses including: proximate analysis (moisture, ash, volatile matter), gross/net CV, total sulphur, and ultimate analysis (carbon, hydrogen, oxygen & nitrogen contents). PDZ also commissioned a range of extensive additional tests, including:

- Ash sulphur concentrations;
- Vitrinite reactivity and maximum vitrinite reflectivity;
- Maceral composition;
- Roga Index;
- Free Swelling Index (FSI);
- Hardgrove Grindability Index (HGI);
- Gray King coke type;
- Plastometric indices;
- Audibert-Amu dilatometric test;
- Expansion pressure;
- Gieseler-Hoehne plasticity test;
- Ash fusion temperatures, and;
- Oxide analysis of the ash.

Further analysis was conducted on washed coal to simulate approximate results of downstream beneficiation. The effects of washing were not considered

in this study due to the lack of sufficient data available at the time of modelling.

Spot samples for gas testing were taken immediately after drilling and stored in air-tight containers. A list of samples was provided to RHDHV.

3.5 Previous Studies

As discussed, the majority of data available for the deposit are considered historical and were largely collected during the 1970s and 80s.

Wardell Armstrong International (WAI) produced a maiden JORC Resource Report in 2013 that was superseded in 2014 with an updated JORC Resource report in 2014. A follow-up report "Scoping Study for Development of the Lublin Coal Project" was later released by WAI in 2014 in which the updated Resource Report was used to support an initial Mine Plan. This report was intended to make an initial assessment of the viability of the project.

3.6 Coal classification systems

Resource estimations completed for the deposit have been prepared to the standard required under the reporting guidelines of the recognised JORC Code (2012 Edition). Recommendations included in an update to the Code released in 2014, which incorporate revised Guidelines for the Estimation and Classification of Coal Resources, have been applied in this report.

3.6.1 Poland

In recent years the original Russian code has been successfully aligned with the reporting standards of CRIRSCO in the form of the NAEN Code (2011, For the Public Reporting of Exploration Results, Mineral Resources, Mineral Reserves) which distinguishes the minimum requirements for public reporting of mineral exploration results for international markets. However, historical classification systems remain in countries of the former Soviet Union that form the basis of internal legislation and governmental procedures. In Poland, quality and tonnage estimations are submitted and approved by the State and the Ministry of Environment.

The Polish classification system is based on 3 categories of geological complexity (I, II and III) which are subsequently divided into 4 categories based on the borehole spacing, including (in order of decreasing classification) A, B, C1 and C2. A fifth category 'D' is also recognised in Poland.

The following terms are recognised in Poland (note that the Polish term "Balance Reserves" is equivalent to western style Resources):

Balanced Reserves – "Coal seams with average thickness above 0.6m, minimum CV of 15MJ/kg and maximum depth of 1,250m."

Industrial Reserves – "not linked to JORC terminology" and "Coal allocated for mining with the application of modifying factors"

Operational Reserves – "loosely based on JORC 'Reserves' terminology" and "Coal estimated to be recoverable and recorded on a net basis excluding in-seam dirt >0.05m thick, not ROM basis"

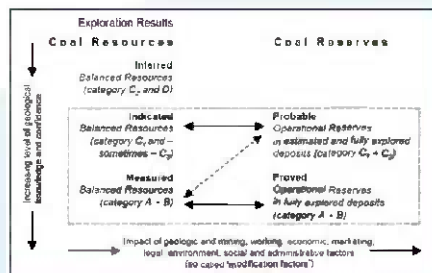
3.6.2 Alignment with CRIRSCO International Guidelines

For international recognition it is considered essential that CRIRSCO terminology for mineral deposit classification, including Resource, Reserve and Modifying Factors, are adopted. Comparison can be made (Figure 11 and Figure 12 below) between the Polish classification system and that of CRIRSCO adopted by international guidelines (JORC), assisted by the alignment of the Russian NAEN Code in 2011.

Figure 11. Comparison of terms between Polish and JORC (CRIRSCO) systems

Polish	JORC / CRIRSCO
Resources	
D	Inferred
C ₁	Indicated or Inferred
C ₂	Indicated
A & B	Measured
Reserves	
C ₂	Probable (Indicated Resources), or not Reserves (if Inferred)
C ₁	Probable
A & B	Proved

Figure 12. Comparison between Polish and JORC (CRIRSCO) classification systems



However there remains uncertainty in the direct translation between Polish and International classifications and it is considered by many that "the only reliable way of estimating to JORC standards is to revert to base data and for a CP to carry out a new, independent estimation, usually using modern 3D geological modelling and geostatistical software" (Sobczyk & Saluga, 2013).

4 Geological Investigation

4.1 Data acquisition

4.1.1 Description of data

Data for the LCP has been collected from exploration over a period of more than 50 years, and varies in reliability, accuracy and extent. The majority of data that exists for the deposit has been derived from historical exploration programmes conducted as far back as the 1960s, and data that has been collated by PDZ from a number of local sources, including the Ministry of Environment and Polish Geological Research Institutes. This data has previously formed the basis for initial assessments of the deposit.

PDZ has recently completed an exploration drilling programme at the project that was considered necessary in order to confirm the findings and reliability of historical drilling and provide infill data where possible. The programme, conducted in 2013-14, has been described in Section 3.4 previously.

Historical data primarily exists in the form of scanned or photographed records and is supplementary to copies made available in spreadsheet format provided by PDZ. This section is intended to provide a summary of the data types that were made available to RHDHV. The audit and validation of this data, geological interpretation, and modelling procedures are described in subsequent sections.

4.1.2 Data format and selection

Data was provided to RHDHV by PDZ geologists, in the following principal formats:

- Raw numerical data was provided primarily as spreadsheets (.xlsx or Microsoft Excel);
- Raw spatial data was provided as AutoCAD compatible files (.dxf and .dwg);

- Original data was provided in its primary format or as secondary captured data, e.g. certificate sheets as scanned original copies stored as jpegs, and borehole logs/cards as pdfs after photographing or scanning.

A summary of the key model component data, their origin, and format is included in the tables below. For the historical data the following information was provided:

Table 2. Summary of historical data

Purpose	Data Type	Description of data
Spatial	Concession boundaries	Documentation has been provided confirming the four exploration concessions held by PDZ for the Study Area under consideration, including concession boundary co-ordinates in .pdf format. Concession boundaries were also provided by PDZ in .dxt (drawing file) format.
	Topography	No topographical survey data, for instance Light Detecting and Ranging (LIDAR), was available for inclusion in this report, however has been undertaken subsequent to the study. Topography was produced by RHDHV during the modelling process.
	Borehole logs	Boreholes were resurveyed by MasterGeo in 2013/14 and signed survey sheets were provided to RHDHV in pdf format. Co-ordinates were also provided by PDZ geologists as spreadsheets.
	Inclination/Azimuth	Data pertaining to inclination/azimuth variation was available in paper copy for historical boreholes. RHDHV assumed boreholes were vertical for the purpose of this report.
Structural	Geological logs	Geological logs (Borehole Cards) were available in .jpeg format from records of the Polish National Archives and included detailed lithological descriptions with graphical logs alongside drilling depths and coal seam thicknesses. Data was acquired formally by PDZ in 2014.
	Geophysical logs	Coal seam depths and thicknesses interpreted from geophysical logs were provided on the Borehole Cards.
Sampling and Quality	Core recovery	Core recovery data on a whole seam or core run basis was provided on the geological logs in pdf format and provided to RHDHV as spreadsheets.
	Coal quality	Coal quality data was provided in spreadsheet format to RHDHV and obtained by PDZ as jpegs from the Polish National Archives.
	Core photographs	No historical core photographs were available.

For the PDZ 2013-14 data the following information was provided:

Table 3. Summary of PDZ site investigation data

Purpose	Data Type	Description of data
Spatial	Co-ordinates	New boreholes surveyed in 2013/14 by MasterGeo and resultant co-ordinates were provided in four separate formats, three Microsoft Excel spreadsheets ("Collar", "Collarcopy", and "COLLARS_30_06_2014"), and the original survey (as four files "Operat_geodety_X", in pdf format, but subsequently extracted by RHDHV into .xlsx). Following provision of this data RHDHV then received an updated version of the signed survey, the co-ordinates of which were again extracted.
	Inclination/Azimuth	The results of down hole deviation assessment by BLM were provided in .pdf format.
Structural	Geological logs	Geological logs were supplied as text within spreadsheets and included from/to depths and lithological description of each interval in the Coal Measures strata. Detailed descriptions of each stratigraphic unit (Quaternary, Cretaceous, Jurassic and Carboniferous) were also available in word document format. Stratigraphic macrofauna reports (in Polish) were also made available but were not reviewed by RHDHV.
	Geophysical logs	Geophysical logs exist in LAS, .pdf, and WCL format.
Sampling and Quality	Core recovery	Core recovery data from seven new exploration boreholes were available in within borehole-specific geotechnical spreadsheets (e.g. "Geotech_Borehole_PL_Syczyn_Z").
	Coal quality	Analytical data was provided in both certified .pdf format or spreadsheets, from the respective laboratories.
	Core photographs	Core photographs taken for each drill run were provided for all new boreholes.

In addition to the above key data, RHDHV were also provided with a range of relevant supplementary information including reports, resource tables, academic literature, maps and plans. All documentation related to the LCP site or the Lublin coal basin, with the purpose of aiding understanding of the deposit and the surrounding locale. Accompanying this information was a range of interpretive works carried out by the PDZ technical team,

including cross sections, fence diagrams and interpretive plans.

4.2 Data audit and verification

Following receipt of information RHDHV carried out a thorough data audit to ensure the data was sufficiently robust and reliable as to form the basis for a Resource estimation in accordance with the JORC Code (2012 Edition), and to safeguard compatibility with the Maptek Vulcan™ Resource modelling software.

The data verification procedure is summarised below. A more detailed account of the specific changes made to the coal quality data, and during the pre-modelling tests, is included in Appendix C.

4.2.1 Spatial and structural data audit

As outlined previously borehole collar coordinates were provided by PDZ in four separate formats; three Microsoft Excel spreadsheets and the original survey .pdf. Following provision of this data RHDHV then received an updated version of the signed survey, the coordinates of which were again extracted and the resultant .xlsx file labelled "Survey".

Each spreadsheet was assessed individually and also cross-checked against the other inventories. The following observations were made:

- The spreadsheet "Collarcopy" appeared to contain the highest total number of borehole coordinates although many of these were not located within the LCP site;
- The "Survey" file was compared with the "COLLARS_30_06_2014" file and shown to correspond well except for borehole Lublin_60, where eastings, northings and elevations differed. After correspondence with PDZ, the survey was reissued by the surveyor, and the revised survey then matched the "COLLARS_30_06_2014" file;
- Borehole collar information for an additional 28 boreholes was found on "COLLARS_30_06_2014" (a total of 149 boreholes). After evaluation RHDHV prioritised the raw survey data as the additional borehole collars related to boreholes outside of the LCP;
- The elevations in "COLLARS_30_06_2014" were found to match with the old survey, but not the reissued survey.

Total depths were extracted from the seam logs although they do not represent the full borehole depth.

The elevations of the ground levels were used to create a surface topography with Vulcan™ software being used to

contour the point data. The elevation difference across the entire LCP was observed to be only 52m and can be considered essentially flat. This observation was further corroborated by the site visit where only slight undulating terrain was observed. The accuracy of the topography is not considered significant in Resource modelling as the seams are at depth.

It was essential that collar coordinate and license boundary information were input on the same spatial framework. Information was provided to RHDHV either in the 1992 system, 2000/8 system, or both. At PDZ's request, and to maintain consistency with PDZ's official documentation, RHDHV used the Polish 1992 ("ETRS89/Poland CS92") gnd in all modelling. The parameters of the system are shown below:

Geographic Coordinate System: ETRS89
Projection: Transverse_Mercator
Angular Unit: Degree (0.0174532925199433)
Datum: D_ETRS_1989
Spheroid: GRS_1980
Semimajor Axis: 6378137.0
Semiminor Axis: 6356752.314140356
Inverse Flattening: 298.257222101

The .dxf file "GEW_2014_09_25_Mining_Area" was provided by PDZ, containing license boundaries and additional area limits, including boundary faults.

4.2.2 Stratigraphic and lithological data audit

Lithological information was provided for 106 historical boreholes and seven 2013-14 PDZ boreholes in the .xlsx files "NEW_BOTH_DB_07_08_2014_REC", and "DB_General_11_06_2014". Data was subsequently extracted from a single text column into multiple columns by RHDHV. Information for the historic boreholes was derived from the borehole cards and input manually by PDZ. Seam intersections and correlations were checked in detail by PDZ. These interpretations, under the header "JOD correlations column", formed the basis of the RHDHV work.

RHDHV undertook spot-checks of the depths on approximately 10% of all rows and no errors were identified. Some minor alterations were made, including removal of some remnant codes, e.g. -5555 from the JOD correlations column and deleting of miscellaneous text, e.g. Bnd in borehole L58.

4.2.3 Core recovery

Historical core recoveries derived from the borehole cards were estimated through the following principal

methods, distinguished by a code or description in the "Source_REC" column:

- **SPR or Number** – value derived directly from the boreholes and estimated historically. These values are considered by RHDHV to be most reliable although the method in which they were estimated cannot be determined;
- **(blank)** – estimated in a similar manner to "SPR" or "Number" although RHDHV noted that the core recovery was rounded incorrectly, resulting in an approximate ~1% error. For example, for borehole Lublin_79, for the depth interval 894.6-895.0m core recovery was recorded in the borehole card as 89.9%. The value in the spreadsheet provided was 89%, rather than 90%;
- **RUN** – no individual coal seam data were available here, so values are taken from the core recovery for the overall core run estimated during drilling. RHDHV consider these values to be of lower accuracy. Only ~7% of total intervals have core recoveries estimated by this method, and they are dominant in some specific boreholes (the SIG boreholes, ZIG boreholes, L72, and BIG1). RHDHV noted that 169 of the 260 recoveries were 100%, the bias likely resulting from the fact that individual coal recoveries are always smaller than the overall run;
- **BAR** – estimated through actual physical measurement of the graphical representation of core recovery on the borehole card. The length of the recovery line was measured by PDZ and converted to a percentage of the overall interval thickness. The provenance of this data is difficult to trace and whilst RHDHV accept that the values are a good representation they are not accurate and limit the reliability of the resultant quality analysis. This method represents only a small proportion of the overall dataset (86/3649 intervals, equating to ~2%) so the impact on the general data reliability is negligible. RHDHV notes that 81 of the 86 core recoveries estimated in this method are 100%.

During validation RHDHV identified that some core recoveries were incorrectly recorded as 0%, instead of null values (i.e. they represent instances where no core recovery was provided on the borehole card). Each "0" core recovery was examined individually through comparison with the borehole card. Making this correction increases the numerical average core recovery from 78.5 to 80.7%.

RHDHV used the column headed "Recovery". As an additional test all values were compared with the

"Recovery>80" column. RHDHV identified some minor errors in eight of the rows (one in borehole BIG1, one in L103, four in L55 and two in L88). Core recoveries were lower in the "Recovery" tab and can be considered conservative values, except for borehole BIG1 where recoveries increased from 88% to 89%, and in L88 where recoveries increased from 88% to 100%.

4.2.4 Coal quality data audit

Coal quality data for the historical boreholes were supplied to RHDHV by PDZ in spreadsheet format, in the Microsoft Excel files "Analyze Lublin 20.05.2014" and "26-08-2014 Analyze Lublin sprawdzone". RHDHV used this dataset as the principal component of coal quality.

RHDHV carried out a range of spot checks on the data, comparing spreadsheet information with the raw, primary data. All corrections were logged and recorded, and are described in detail in Appendix C according to the six stages listed below.

- Stage 1. Preliminary full dataset health check
- Stage 2. Specific miscellaneous corrections
- Stage 3. Removing the incorrect averaged dummy samples
- Stage 4. Input of data from PDZ boreholes
- Stage 5. Second full spreadsheet health check
- Stage 6. Incorporation of absent dirt partings

4.3 Geological interpretation

4.3.1 Geological evaluation

Following data validation RHDHV continued geological interpretation using the revised and reformatted data. This evaluation phase serves to allow the Competent Person to improve their understanding of the site geology and to assuredly formulate conclusions on how to define and estimate the Resources. Where geology can be confidently assumed and data is shown to be reliable after interrogation, estimation factors can be defined.

During geological evaluation RHDHV employed standard interpretive techniques to elucidate seam continuity and delimit seam properties. The interpretive techniques included preparation of:

- Basic fence diagrams and cross sections;
- Schematic stratigraphies;
- Seam contour plots;
- Isopachs;
- Structural features, such as faults and key interburden units, such as massive sandstones.

Work was carried out through hard copy and digitally using software. Regular meetings were held with the PDZ

4.3.2 Stratigraphy

The site is overlain by poorly consolidated Quaternary superficials of varying thickness between 0 and 85m (borehole L111). The upper stratigraphical sequence comprises Cretaceous and Jurassic units. Both units vary in thickness. The Cretaceous sequence is made up of a range of marine sediments; principally limestones, marls and chalks, and can reach thicknesses of 600m within the vicinity. The base of the Cretaceous sequence is characterised by the water-bearing and less consolidated Albian Sands. The thinner Jurassic units (65m to 155m from borehole intersections) comprise dolomites and dolomitic sandstones. The Cretaceous and Jurassic formations unconformably over the Carboniferous sequence, of which the upper section is considered the productive series containing the coal seams investigated in this study. Carboniferous interburden is made up of various sedimentary lithologies ranging from claystones to mudstones to sandstones and some minor calcareous units. The uppermost coal seams occasionally subcrop against the base of the Jurassic in some areas. The Carboniferous stratigraphy is summarised in Figure 13, with a more detailed illustration of the coal sequence included in Figure 14, developed from raw seam information.

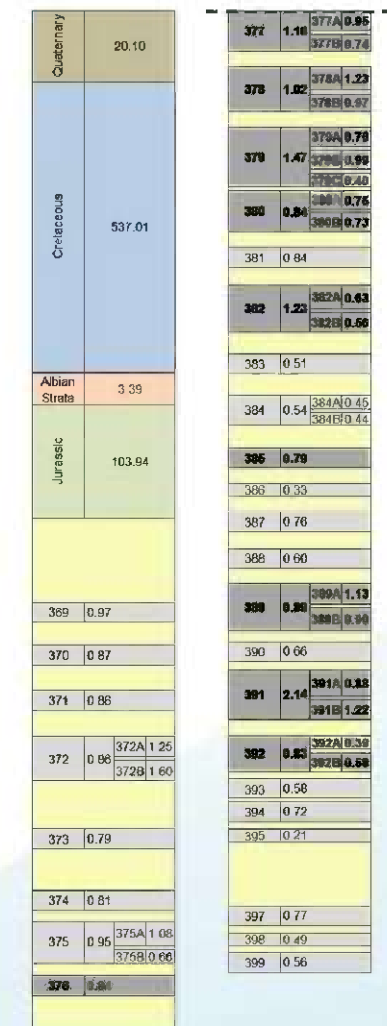
4.3.3 Structure

Previous fault interpretations have been adapted and included in the geological model and are described in Appendix D and Section 5.4.3. Most are included as boundary faults, or occur outside of the modelled area. A bifurcating Y-shaped fault was interpreted in the southwest area of the LCP. After interpretation and comparison with contour plans the fault was found to

The LCP geology is summarised in the cross-section overleaf. Additional seam information is included in Appendix E.

[illegible]

Figure 14. Schematic stratigraphical column based on averages of borehole intersections input into the model



5 Resource Estimation

5.1 Qualification of Consultant

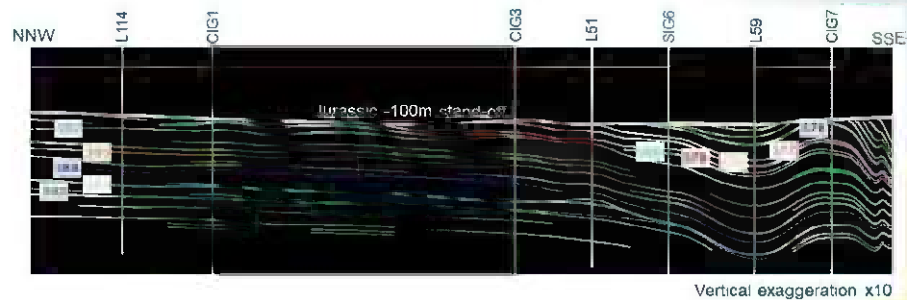
The technical specialist and peer reviewer who composed this CPR have substantial expertise in resource geology, with specific experience in related stratiform deposits, particularly coal. Both specialists are members of internationally recognised professional organisations as follows:

- Mr Samuel Bryn Moorhouse MEng (Oxon) CGeol CSci MIMMM FGS
- Mr Paul Storr Norman BSc (Hons) CGeol FGS

Sam Moorhouse is a Chartered Geologist, Chartered Scientist, Fellow of the Geological Society of London and Professional Member of the Institute of Materials, Minerals and Mining. He graduated from the University of Oxford with Honours in 2007 as Master of Earth Sciences. He specialises in Resource geology and is a recognised Competent Person in Resource assessments of coal. As a Chartered Geologist, Sam holds affiliation with the Geological Society of London where he regularly works within the frameworks of international reporting codes, including NI 43-101, JORC and SAMREC. Sam is regularly involved in Resource estimation for Scoping Studies through to full Definitive Feasibility Studies, site supervision and exploration drill programme design.

Paul Norman is a Chartered Geologist with approximately 40 years of worldwide experience of managing major projects in the mining and mineral sectors. He is a specialist in mining geology, mineral exploration and mineral resource evaluation, especially in coal and industrial minerals. As project geologist or project director, he has been responsible for exploration reports, feasibility and due diligence studies for both project sponsors and lenders. He has prepared stock-exchange compliant Competent Persons Reports, and has led geological appraisals of coal privatisation programmes in the UK and overseas. He is experienced in mineral classifications and resource/reserve estimations, using all major international reserve classification systems, including JORC and SAMREC. His experience in coal exploration and mining development projects has ranged from artisanal and small-scale underground mining operations in remote areas to large-scale underground and open-pit coal and lignite projects.

Figure 15. Cross section extracted from Vulcan™ modelling software



5.2 Approach

5.2.1 Principle of Estimation

RHDHV employed extensive data audit and validation procedures to evaluate data provided by PDZ. The specific processes carried out as part of this phase are outlined in Section 4.2 of this document.

The Resource estimate contained in this CPR is reported in accordance with the standards required under JORC Code (2012 Edition). The elements summarised in the revised Australian Guidelines for the Estimation and Classification of coal Resources (2014 Edition) have also been considered in preparing this CPR. These guidelines concisely outline the fundamental principles behind Resource estimating and are considered an appropriate foundation for any coal Resource estimate in any country.

The Resource estimate component of this CPR has been derived using careful data selection and advanced geological interpretation. RHDHV's approach has been to employ the most accurate methods possible whilst maintaining an element of conservatism when evaluating numerical error or technical uncertainty. Sections 5.4 and 5.5 describe the methodology employed in Resource estimation.

5.2.2 Site Visit

RHDHV geologist Sam Moorhouse visited the exploration site as part of a ground-truthing exercise in August 2014. Mr Moorhouse witnessed the PDZ drilling rigs in operation and was able to observe the overall site set up and facilities. The core storage and office facilities were also visited, and Mr Moorhouse was able to meet with various ground and office staff. Site investigation procedures were discussed with PDZ staff, including drilling, logging, sampling and testing procedures, as well

as data transfer, recording and manipulation. Throughout the PFS RHDHV geologists have attended progress meetings in Poland and the UK, and held various technical meetings with the PDZ team.

Prior to this study the RHDHV consultant geologist has visited the exploration work being carried out by PDZ, the coal laboratory being used for their recent testwork, and Bogdanka mine, together with several mines and projects in the extension of the Lublin coal basin in adjacent Ukraine.

5.3 Geological Modelling

5.3.1 Preliminary Seam Assessment and Screening

The coal sequence within the LCP comprises 30 distinct seams, from Seam 369 at the top to Seam 399 at the base. Eleven of the 30 principal parent seams exhibit evidence of splitting and are subdivided into "child" seams A and B (two leaves) or A, B and C (three leaves).

The thickness, quality and lateral extent of the coal varies substantially between seams, but is generally consistent within most seams. Those seams that occurred intermittently between boreholes, existed as isolated intersections or areas, or were too thin and inconsistent, were not considered to exhibit reasonable prospects for eventual economic extraction and excluded from any ongoing interpretation, modelling and Resource estimation. It should also be noted that seams below Seam 394 were not fully correlated by PDZ and were considered too complex and not fully characterised to be included in the Resource estimate at this time.

The outcome of this preliminary assessment is summarised below, with ten seams showing sufficient potential for further investigation.

Table 4. Preliminary seam evaluation exercise and results

Seam	Observations and Reasoning	Verdict
369	Limited seam extent (only six intersections observed)	✗
370	Limited seam extent (only nine intersections observed)	✗
371	Numerical seam thickness average 0.86m and limited area >1m	✗
372	Seam too thin (consistently less than 0.8m) and significant dirt partings / interburden	✗
373	Seam too thin (consistently less than 0.8m)	✗
374	Seam too thin (consistently less than 0.8m) and significant dirt partings / interburden	✗
375	Poor lateral consistency and significant seam splitting / interburden thickness	✗
376	Region of thick coal identified	✓
377	Region of thick coal identified	✓
378	Region of thick coal identified	✓
379	Region of thick coal identified	✓
380	Region of thick coal identified	✓
381	Limited seam extent (only five intersections observed)	✗
382	Consistent and thick seam	✓
383	Seam too thin (consistently less than 0.5m)	✗
384	Seam too thin (consistently less than 0.5m)	✗
385	Region of thick coal identified	✓
386	Seam too thin (consistently less than 0.4m)	✗
387	Seam too thin (consistently less than 0.8m) and inconsistent correlations	✗
388	Limited seam extent (only two intersections observed)	✗
389	Consistent and thick seam	✓
390	Limited seam extent (only six intersections observed)	✗
391	Consistent and thick seam (target seam)	✓
392	Region of thick coal identified	✓
393	Limited seam extent (only five intersections observed)	✗
394	Seam too thin (consistently less than 0.7m)	✗
395	Seam too thin (consistently less than 0.2m)	✗
397	Seam too thin (consistently less than 0.8m) and inconsistent correlations	✗
398	Limited seam extent (only seven intersections observed)	✗
399	Limited seam extent (only eleven intersections observed)	✗

5.3.2 Integrated Stratigraphic Modelling using Vulcan™

RHDHV are a proponent of Maptek Vulcan™ modelling software which is particularly adept at modelling stratiform deposits such as coal. The technical team are Vulcan™ users, and work closely with the support and consulting staff at Maptek. The Integrated Stratigraphic

Modelling (ISM) process is considered the optimised approach for modelling coal deposits within Vulcan™.

ISM comprises five principal phases that convert basic raw data (spatial and numerical) into a 3D geological Horizon Adaptive Rectangular Prism ("HARP") model – equivalent to a conventional block model but with additional flexibility on block shape. The HARP model

provides information relating to coal extent, quality and quantity and allows a Resource to be accurately and reliably estimated.

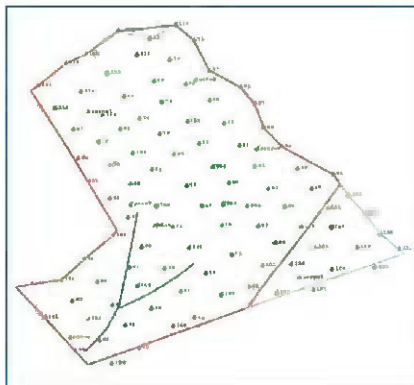
The methodologies of the six key phases are outlined below:

1. Data Validation
2. Interpolation of drillhole data (FixDHD)
3. Model Stratigraphy
4. Composite and model qualities
5. Create HARP model
6. Advanced reserves

The sixth phase, Resource Estimation, is included here for completeness and describes the process of using the Advanced Reserves tool, which was then used to estimate Resources from the HARP model.

The modelling methodology is described in detail in Appendix D. The screenshot below illustrates the borehole positions, modelled area and faulting for the site:

Figure 16. Vulcan™ screenshot of LCP



5.4 Calculation Parameters

The coal Resource estimate is initially limited to the license boundaries owned by PDZ. Following construction of the full seam model additional parameters were applied prior to Resource definition, and were implemented to exclude coal not considered to have reasonable prospects for eventual economic extraction, and include the following three items (Sections 5.4.1 to 5.4.3).

5.4.1 Seam thickness cut-off

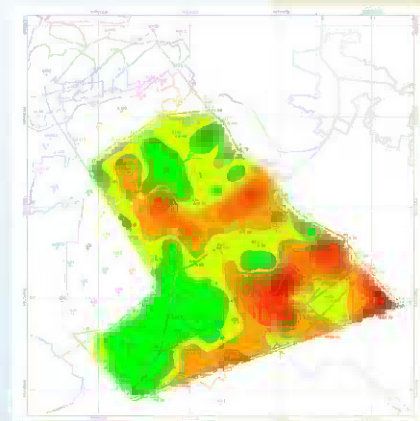
Coal of thickness less than 1m was excluded from the Resource estimate. These areas were delineated manually in Vulcan™ using the 1m thickness contour (string). Isopachs were evaluated for each seam and any isolated and small regions of anomalous coal were removed, namely:

- Small areas within thick coal that thin to slightly less than 1m – it was assumed this coal would still be mined;
- Small areas within thin coal where the seam thickens to greater than 1m – it was assumed this coal would not be extracted.

5.4.2 Proximity to base of Jurassic

The overlying Jurassic carbonate unit has been identified as a potential aquifer although the water-bearing properties of the formation have not yet been fully evaluated. The historical drilling has revealed abrupt variations in the elevation of the base of this unit, which have been interpreted as channels eroding the underlying top of Carboniferous. This palaeosurface has been contoured and plotted and the channel fill has been noted as being characterised by a coarser sandstone unit. This information has been plotted by PDZ, as shown below.

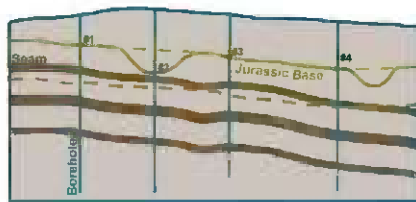
Figure 17. Extract from an isopach of basal Jurassic sandstone and conglomerate unit, as provided by PDZ



Boreholes DIG5, L52, L57, L63, L64, L73, L74, L85, L86, L97, L110, L111, L114, SIG1 and ZIG3 were identified as having been drilled within channels. Two main channel features trending approximately southwest-northeast were observed, however correlation across the site was not deemed to be strong. RHDHV is of the opinion that additional channels are likely to be present. After plotting contours of the base of Jurassic elevation channels were observed to exist approximately 50m deeper than the majority of the rest of the contact, for example in borehole L110.

The Jurassic strata have been identified as a mining risk and an appropriate stand-off will need to be applied during extraction. The equivalent stand-off has been considered for Resource definition and accommodates the possibility of deep (50m) hidden channels not already identified by the boreholes drilled, and an additional stand-off to protect against possible water ingress from the aquifer into the mine (also 50m). As such a 100m stand-off from the basal Jurassic without channels has been applied. The methodology to create this stand-off and sterilise the required coal is described below:

Figure 18. Schematic illustration of Jurassic base and applied stand-off



In order to accommodate hidden channels that exist between boreholes RHDHV first created a contoured surface for the Jurassic base omitting the anomalous channel elevations (light green dotted line in Figure 18 above). The resultant surface represented the original surface before channel erosion. The surface was contoured using Vulcan™ modelling software and was offset 50m vertically downwards to account for possible channels, and then an additional 50m to protect against possible water ingress from the base of these channels. The resultant stand-off applied is represented by the orange dashed line in Figure 18. The upper seam can therefore be seen to be mostly sterilised. Providing only a 50m stand-off to the actual observed base (dark green line) would have overlooked the channel to the

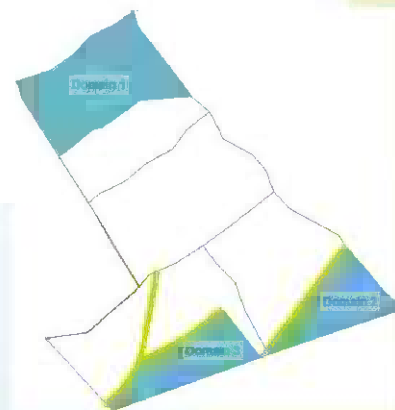
right of Borehole #4 (a theoretical channel not observed by drilling) and result in coal being included in the Resource estimate that would be hazardous close the Jurassic aquifer.

5.4.3 Geological domains

Continued geological interpretation pre- and post-modelling was carried out to assess any regions of specific geological characteristics or uncertainty. The Australian Guidelines for the Estimation and Classification of Coal Resources that accompany the JORC Code refer to domaining; demarcation of regions within a deposit that exhibit similar features.

Three principal domains have been identified that require independent consideration during Resource definition:

Figure 19. Geological domains within the LCP area. Major faults are highlighted in pale green



Domain 1: Seam inconsistency to the north

Domain 1 represents a region to the north of the site excluded from the Geological Documentation due to the presence of local nature reserve areas and is outside the new Lublin Concession. The area is bounded by the former K-9 license boundary in the west, north and east, and a line connecting boreholes L119, L120, L121, OslG1, and L118. The domain is characterised by a thin 391 seam. Domain 1 was excluded entirely from the Resource estimation.

Domain 2: Faulted region to the southeast

Domain 2 is bounded by the K-8 license boundary in the east and south, and a proposed fault in the northwest. The fault was originally interpreted by GeoEkoWiert technical staff and its location was provided to RHDHV as a graphical interpretation on an AutoCAD drawing (.dxf). RHDHV used seam contour plans to assess faulting in this region and observed significant elevation changes in seam roofs and floors.

Consequently Domain 2 was excluded entirely from the Resource estimation.

Domain 3: Faulted region to the southwest

Domain 3 is bounded by the K-4-5 license boundary in the south and west, and a proposed fault in the north. As with Domain 3, the fault was originally interpreted by GeoEkoWiert technical staff and its location was provided to RHDHV as a graphical interpretation on an AutoCAD drawing (.dxf). The Y-shaped fault was modelled as provided, with varying throws input into the model (see earlier section).

RHDHV again used seam contour plans to assess faulting in this region and observed significant elevation changes in seam roofs and floors. The exact position of the faults, as well as their hade and throw could not be accurately confirmed using the information currently available. RHDHV noted a number of depth anomalies within K-4-5 license area which could only be partly explained by the bifurcating Y-shaped fault interpreted by GeoEkoWiert. The southern limb of the fault can be more confidently determined than the north trending trace which is less obvious in the seam contour plans.

Coal within Domain 3 was still modelled and included in the Resource estimation, however RHDHV invoked a condition of classification downgrading in this region whereby coal could be classified only as Inferred status, not Indicated or Measured. Subsequent Resource upgrade will be dependent on further exploration (additional boreholes and/or seismic studies).

Additional domains within the Resource estimation area regarding seam splitting have also been identified within the Resource area, although these did not affect tonnage and quality estimations or the classification thereof.

5.4.4 Parameters not considered

The following variables were not considered in this Resource Statement:

- Mining restrictions from seam dip – the coal is generally gently dipping so regions of steep coal, particularly over 40 degrees, would be limited. The extractability of steep coal is dependent on the mining method.
- Sterilisation of coal where seams are in close proximity to each other – where seam interburden or intraburden (between plies) is minimal the extraction of both seams whilst avoiding collapse may not be possible. Seam interburden is generally large enough across most of the deposit however there are some small areas where Seams 392 and 394 are close to each other. In these areas it may only be possible to extract one seam. The limits of seam proximity are examined in the Pre-Feasibility Study, Reserve definition, and mine design, separate to this CPR.
- A quality cut-off – with previous studies having shown coal quality within the seams to be high and of good lateral consistency no quality restrictions or cut-offs were considered. It has been assumed that the impact of any variations in coal quality will be mitigated during mine design, scheduling and processing.
- Maximum depth cut-off – it has been assumed that there would be no depth limitations on coal extractability;
- Weathered zone – no coal seams were present near surface and any potentially weathered coal below the unconformity is excluded by the Jurassic stand-off;
- Any legislative limitations – RHDHV understands that Polish mining law requires any seam within 7 times the thickness of a target seam to be mined first. For the LCP, investigation by PDZ's technical team has indicated that, within the area considered for mining, the separation of Seam 389 to 391 is not less than 9 times the thickness of Seam 391. These preliminary findings suggest that Seam 389 would not have to be mined before extraction of the main target seam (391) were to commence. RHDHV have not considered Polish mining law when determining Resources.

5.5 Classification Parameters

5.5.1 JORC definitions

The recently revised JORC Code (2012 Edition) and accompanying Australian guidelines (2014 Edition) emphasise the importance placing more reliance on the knowledge and experience of the Competent Person, as opposed to relying on the previous borehole spacings (Inferred of 4000m, Indicated of 1000m, and

Measured of 500m), which was a common misconception. The JORC definitions and explanations are stated below:

Inferred Mineral Resources are "that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity."

"The Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and grade continuity to be confidently interpreted."

Indicated Mineral Resources are "that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit."

"Geological evidence (...) is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered."

"Mineralisation [here referring to coal deposition] may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are

such as to allow confident interpretation of the geological framework and to assume continuity of mineralisation."

Measured Mineral Resources are "that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit."

"Mineralisation [here referring to coal deposition] may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt (...) that the tonnage and grade of the mineralisation can be estimated to within close limits, and that any variation from the estimate would be unlikely to significantly affect potential economic viability."

5.5.2 Holistic review of deposit

The LCP coal deposit has been classified according to the statuses defined in the JORC Code; considering Inferred, Indicated, and Measured classifications.

Prior to detailed seam assessment an initial holistic approach was taken evaluate the overall deposit, considering data reliability and level of accuracy, range and quantity of available information, and geological complexity and continuity. The following elements were studied, and their impact on overall confidence in the deposit gauged:

Table 5. Deposit-wide factors considered for Resource classification

Factor	RHHDV Observation
Adjacent Bogdanka Mine, and the associated technical information available on the coal seam properties and extractability	The presence of a working underground mine directly neighbouring the Lublin concession is a clear indicator of the coal's extractability and value. Technical papers on the deposit show that the coal is part of the same sub-basin and has similar properties as those in the LCP.
The results of similar previous Resource estimations	Resource estimates are compared in Section 5.10 but were shown to exhibit similar composition and results (tonnages, qualities and confidence levels) to the interim and final Resource models produced as part of this CPR. The similarities corroborate the interpretations and outcomes of this document.
Additional Interpretive work undertaken by other technical groups	Geological interpretation undertaken in the April 2014 Scoping Study by consultants Wardell Armstrong International, concluded that the LCP warranted progression to a PFS. The PFS is currently underway, due for completion this year (2015). PDZ's in-house technical team, made up of experienced geologists, have undertaken significant interpretive works reviewing both historical documentation and the new data obtained during drilling. PDZ employed local technical firm POLGEOL S.A. Geological Enterprise to assist with drilling supervision and data manipulation. PDZ instructed GeoEkoWiert to independently assess the project and produce Polish Geological Documentation for submission to the Ministry as part of

	<p>the mine licensing procedure. An upcoming Deposit Development Plan will also be submitted, setting out the basic mine plan.</p> <p>RHDHV have met with various technical staff from the teams described above and reviewed their employed methodologies and geological interpretations. The competence of the teams involved in the day-to-day running provides further confidence that the analytical work carried out is sound and reliable, and this is further substantiated by the similarity in interpretations and conclusions.</p>
General accuracy and reliability	<p>The overall data quality was evaluated, considering the principal technical attributes and main conclusions. Most of the historical information was derived from borehole cards held at the national archives.</p> <ul style="list-style-type: none"> • Spatial data – borehole collars were resurveyed so positions are considered highly accurate; • Depths – based on geophysical logging but depth and thickness data was recorded only to the nearest 10cm limiting data accuracy although PDZ drilling corroborates data; • Core recovery – initially estimated per core run (not lithology) and subsequently extracted from borehole card through various methodologies, including a manual measurement of the graphical representation on the card. Recoveries are therefore considered reliable in the whole but with limitations; • Quality data – reliably documented through signed certificate sheets issued by the Laboratorium Chemiczne in Katowice, although methods were not able to checked; • Structural features – a degree of minor faulting typical of such a tectonic setting is expected although no clear evidence was identified in the boreholes currently drilled. <p>This work was then supplemented by the continued audit and verification process discussed previously in Section 4.2.</p> <p>Data uncertainty was also reflected in the geological losses applied after Resource classification. In an effort to partly quantify these ambiguities lower confidence levels were accompanied by increased geological losses.</p>

5.5.3 Detailed seam assessment

Following the preliminary holistic appraisal individual boreholes and seam intersections were scrutinised. Resources were delineated by identifying appropriate Points of Observation. Each coal seam intersection for each borehole was evaluated separately and the verdict to accept or reject a borehole as a Point of Observation was carried out on the expertise of the Competent Persons, drawing on both past experience of similar studies, and knowledge of the Lublin coal basin seams.

The following principal criteria were applied:

- **Coal Quality** – borehole plots illustrating presence of laboratory analysis were produced for each intersection, simply coded green for available and red for absent;
- **Core Recovery** – borehole plots were labelled with recovery percentages for each intersection. Due to the relative homogenous nature of the seams 90% was considered an appropriate initial benchmark proportion of recovered coal mass in order to produce legitimate analytical results, and therefore boreholes with greater

than 90%¹ were automatically passed. Lower core recoveries were examined on a case-by-case basis through the scrutinising of other variables and boreholes that displayed one or all of the following properties were rejected as Points of Observation:

- Poor internal seam homogeneity ascertained from handwritten lithological logs, where missing material had an equal chance of being either dirt or pure coal;
- Coal quality noticeably different from adjacent intersections, with percentage ash used as a main tool for comparison, also meaning missing material had an equal chance of being either dirt or pure coal;
- Seam elevation and thickness differing from adjacent intersections;
- Geophysical signature noticeably different from adjacent intersections;
- Substantial distance from nearest borehole.
- **Seam Predictability** – seam properties (equivalent to those listed above) were compared with neighbouring

¹ The previous Australian guidelines that accompanied JORC (2004 Edition) recommended that an acceptable level of linear core recovery was normally greater than 95%. The revised guidelines (2014) do not specify a value but states that "unacceptable losses must be identified and where appropriate the sample rejected as a Point of Observation."

intersections, taking into account site-wide geological trends, such as seam thinning, dip changes, and splitting.

5.5.4 Delineation of classification zones

Following objective (technical and statistical) assessment of the lateral geological continuity of the coal seams and after the holistic and borehole specific assessments the coal was classified according to the Measured, Indicated and Inferred statuses defined by the JORC Code.

The historical boreholes were sited on an approximate 1000-1500m grid by the Geological Survey Company (on behalf of the governmental State Geological Institute) in the 1960s to 1980s.

During the assessment RHDHV concluded that the quality of information and geological confidence were not able to leave no reasonable doubt that the tonnage and quality can be estimated "within close limits". A borehole spacing of 1000-1500m was therefore considered too significant to permit classification of Measured Resources.

In regions where Points of Observation were assuredly defined lateral continuity was also able to be unambiguously determined. The lateral continuity observed between the majority of intersections also supported the borehole spacing used, and was deemed appropriate for Indicated Resources.

Some regions, where borehole spacings were greater, and data quality lower (absence of coal quality analysis, poor core recovery, geological complexity etc), did not allow "confident interpretation of the geological framework and to assume continuity of mineralisation", and the coal was deemed equivalent to only Inferred status.

Following definition of Points of Observation, and in order to physically define regions of Indicated coal, a two phase approach was then employed:

- 1) Creation of a "base case scenario" by plotting 600m radius circles around boreholes confirmed as Points of Observation. Preliminary Indicated regions were then identified where a sufficient density of Points of Observations existed and were "connected" appropriately. A 1200m spacing (or 600m radius) was selected as this represents an approximate average distance between most historic boreholes, the majority of which displayed good lateral consistency (as identified in the previous exercises – Sections 5.5.2 and 5.5.3);
- 2) Manual delineation of the final external Resource boundary based on sensible correction. To eliminate spotted dogs² isolated groups of boreholes (3 or

less) were ignored, and small regions within larger Indicated areas were upgraded. Boreholes spaced slightly greater than 1200m apart were joined if good lateral continuity could be demonstrated.

Extrapolation of Indicated Resources beyond the peripheral boreholes was deemed appropriate considering good lateral continuity within the seams. All remaining coal was considered to be of Inferred status.

5.6 Tonnage Estimate

The Resource has been estimated on a gross tonnage basis, and therefore includes dirt partings within the seam. This tonnage is approximately equivalent to the Run-of-Mine coal that would theoretically be extracted directly from the operation, but does not consider out-of-seam dilution i.e. contamination from roof and floor and mining or processing losses. A net coal tonnage is not considered appropriate for this study because:

- Selective mining cannot be implemented underground and so differentiation between clean coal and dirt partings is not relevant;
- Lack of sufficient wash data at the time of modelling prevents a theoretical wash being estimated and applied.

Mining and processing effects (dilution and washing) would be considered as part of a subsequent Reserve estimation. It is anticipated that some washing will be implemented to eliminate any high density material from dirt partings or dilution from the seam roof and floor.

The geological model has been used to estimate Resource tonnes, referred to as pre-loss tonnes. RHDHV have applied deduction to these model values to account for geological uncertainty. Geological uncertainty refers to an error margin around the model estimate values. The actual in situ tonnage may be larger or smaller than that quoted in this CPR and whilst the classification status indicates the confidence in the Resource estimate, the application of these losses seeks to quantify this uncertainty and provide a more conservative outlook. Geological losses account for abrupt and unidentified seam thinning, washouts, increase in proportions of non-coal material within the seam, poorer coal quality, coal lost through structural features such as faulting, and seam splitting. The post-loss tonnage values should be used when considering downstream work such as mine design, scheduling and processing.

RHDHV have summarised the Resource tonnages (Table 6), tonnages on a seam by seam basis (Table 7) and average qualities (Section 5.7) for the raw coal seams

² A spotted dog is defined by the Australian Guidelines for the Estimation and Classification of Coal Resources as a "Resource estimate classification which displays the poor practice of estimation Measured,

Indicated and Inferred Resources over disconnected circles of influence around individual Points of Observation or along a line of Points of Observation.

that constitute the LCP. A full detailed estimate is included Appendix B.

Table 6. Summary of gross coal Resources (tonnages rounded to nearest Mt)

	PRE-LOSSES (Mt)	POST-LOSSES (Mt)	PROPORTION
INFERRED	487	390	
INDICATED	392	333	
GLOBAL	879	722	

RHDHV have estimated 722 Million tonnes (Mt) of coal, comprising 390 Mt of Inferred coal (~54% of the deposit) and 333 Mt of Indicated coal (~46% of the deposit). This estimate is subject to the calculation and classification parameters discussed in the previous sections, principally:

- Excluding thin seams and those with limited lateral extent, i.e. the key ten seams identified after the initial screening;
- Including coal within the license area but outside of faulted and complex domains;
- Excluding coal within 100m of the base of the Jurassic (with channels removed);
- Omitting coal less than 1m thick;
- Without application of any wash estimates, i.e. all coal is raw;
- After geological losses.

A breakdown of coal Resources per seam and per classification status (Inferred and Indicated) is included in Table 7.

Table 7 shows that seam splits generally represent a small proportion of coal relative to the parent seam. The most significant seam split tonnage is for 391, where approximately one third (79 Mt) of the total tonnes (246 Mt) forms 391B.

The table also emphasises the distribution of Indicated Resources. The upper seams contain very little Indicated coal, primarily resulting from deduction of coal falling within the Jurassic stand-off. Minor lower seam splits, such as 380B, 382B and 389B also have no Indicated representation, a result of the minimal sampling and analysis taken from these plies.

Table 7. Summary of gross coal Resources per seam, including splits (tonnages rounded to nearest Mt)

SEAM	THICKNESS ACROSS FULL DEPOSIT (m)	INFERRED		INDICATED		GLOBAL	
		PRE-LOSSES (Mt)	POST-LOSSES (Mt)	PRE-LOSSES (Mt)	POST-LOSSES (Mt)	PRE-LOSSES (Mt)	POST-LOSSES (Mt)
376	1.01	7	5	0	0	7	5
377	1.05	16	13	0	0	16	13
377A	1.02	8	5	0	0	8	5
378	0.78	46	37	5	4	51	41
379	1.03	118	94	0	0	118	94
379A	0.95	9	7	0	0	9	7
379B	1.24	22	18	0	0	22	18
380	0.80	22	18	12	10	34	28
380A	0.72	0	0	0	0	0	0
380B	0.77	1	1	0	0	1	1
382	0.78	48	38	70	60	118	98
382B	0.69	0	0	0	0	0	0
385	0.93	26	21	46	39	72	60
389	0.55	49	39	21	18	70	57
389A	1.08	1	1	2	1	3	2
389B	0.90	1	1	0	0	1	1
391	1.59	58	46	125	107	184	153
391A	0.99	1	1	11	12	12	13
391B	1.35	44	35	52	44	96	79
392	0.59	12	10	44	37	56	47
TOTAL	-	487	390	392	333	879	722

Table 8 below illustrates the post-loss tonnages after combining seam plies. 391 is the dominant seam, making up over one third of the total coal (246 Mt out of 722 Mt). Seams 379, 382, 385 and 389 (119 Mt, 98 Mt, 60 Mt, and 60 Mt respectively) also represent significant Resources. The coal tonnes in the upper seams are smaller due to their proximity to the Jurassic.

Table 8. Summary of gross coal Resources per seam after losses and excluding splits (tonnages rounded to nearest Mt)

SEAM	INFERRED (Mt)	INDICATED (Mt)	GLOBAL (Mt)
376	7	5	12
377	16	13	29
378	46	37	83
379	118	94	212
380	22	18	40
382	48	38	86
385	26	21	47
389	49	39	88
391	58	46	104
392	12	10	22
TOTAL	487	390	877

5.7 Coal Quality

The coal quality averages per seam are described in the table below and in more detail in **Appendix C** and represent unwashed, raw coal. This report does not present washed coal quality results, however PDZ has conducted 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). Spatial variations in coal quality are also included in Appendix E which tabulates thumbnail images of quality plots directly output from the Vulcan™ modelling software.

Table 9. Summary of coal quality data per seam

SEAM	RAW RD	MOISTURE (ad) (%)	ASH (ad) (%)	VOLS (ad) (%)	TOTAL SULPHUR (ad) (%)	GROSS CV (ad) (MJ/kg)	ROGA*	SWELL*
377 ^a			14.24	28.88	1.38	45.85	45.85	45.85
378 ^a			20.50	29.24	1.26	33.87	33.87	33.87
379 ^a			13.84	33.69	1.59	43.88	43.88	43.88
380 ^a			18.61	32.06	1.38	35.71	35.71	35.71
381 ^a			16.31	31.06	1.29	37.71	37.71	37.71
382 ^a			14.48	32.10	1.59	42.80	42.80	42.80
383 ^a	2.80		24.77	32.78	1.74	47.42	47.42	47.42
384 ^a			13.84	32.06	1.74	58.15	58.15	58.15
385 ^a			11.01	32.06	1.74	61.86	61.86	61.86
392 ^a			21.85	32.06	2.45	60.91	60.91	60.91
AVG	4.1	3.05	15.11	31.88	1.44	50.15	50.15	50.15

* **ROGA and Swell (FSI) values are based on beneficiated analyses, where a basic wash has been applied. Swell values are averaged and therefore do not fall under the defined index scale of whole and half numbers**

The table highlights the higher quality of Seam 391, which has the lowest average ash (11.01%), the lowest overall density (RD 1.36), and the highest CV (28.84 MJ/kg). The coking properties are also the most promising, with average beneficiated Roga and Free Swelling Index values of 61.69 and 4.5 respectively. Whilst the average total sulphur is 1.28%, much of this is concentrated in the upper seam, and in particular the 391A split. Average total sulphurs are 1.46, 2.36, and 0.84% for 391 (where combined), 391A, and 391B respectively.

Preliminary washability analysis conducted by PDZ on cores from its completed drilling campaign indicates that sulphur levels reduce to 0.7 – 1.06% for floats at RD 1.35, with core yields of between 71 – 95%.

All coal seams exhibit good overall prospectivity, with raw ash values between 11.01 and 24.77%, and gross CVs between 24.48 and 28.84 MJ/kg (both air dried). Total sulphur contents generally fall below 1.5%, with Seam 392 exhibiting a much higher average at 2.45%. Raw moisture and volatile matter concentrations average 3.05% and 31.58% respectively (both air dried).

5.8 Coking coal evaluation

5.8.1 Overview

Due to global variations in blast furnace specification, it is not possible to define a universal set of quality parameters in order to categorically determine the potential for coking coal, since market requirements vary from region to region. However, six overall metallurgical coal categories have been defined that are generally accepted within metallurgical coal markets. These are summarised in

Table 10 below and are listed by decreasing value.

Table 10. Overview of key metallurgical coal specifications (from AME Consulting, 2010)

Coal Type	Ash	Volatile Matter	Crucible Swelling Number	Gieseler Maximum Fluidity	Coke Strength after Reaction	Mean Maximum Reflectance
	% air dried	% air dried		ddpm	%	%
Premium hard coking	<8.5	19 - 38	8 - 9	500 - 30,000	55 - 74	0.80 - 1.60
Standard hard coking	<9.7	19 - 38	6 - 9	200 - 25,000	>55	0.80 - 1.60
Semi-hard coking	8.0 - 10.5	17 - 26	4 - 6	200 - 5,000	50 - 60	0.80 - 1.70
Semi-soft coking	8.0 - 11.0	25 - 41	3 - 8	50 - 30,000	45 - 55	0.70 - 0.95
Low-volatile PCI	6.0 - 10.5	10 - 19	1 - 2	n/a	n/a	1.20 - 3.00
High-volatile PCI	4.0 - 10.0	26 - 42	1 - 5	n/a	n/a	0.70 - 0.95

In Poland, coals are classified into different grades in accordance with Polish standard PN-82/G-97002. Semi-soft coking coal is classified as Type 34 (sub classes 34.1 and 34.2), whilst hard coking coal is classified as Type 35 (sub classes 35.1 and 35.2). An extract of the Polish classification table including Classes 34 and 35 is shown in **Table 11** below. RHDHV did not input the Polish coal

categories as a modelled variable, since the model included the underlying key parameters that define coking coal classification such as FSI, Roga Index and Volatile Matter, however a significant proportion of historical samples for Seam 391 constituted "Type 34" coal. Assuming that the historical assessment of metallurgical

coal potential is reasonable, a significant proportion of Seam 391 can be regarded as semi-soft coking coal.

Table 11. Summary of coal grades extracted from Polish standard PN-82/G-97002

COAL TYPE		CLASSIFICATION PARAMETERS			
		VOLATILE MATTER (V _d %)	ROGA INDEX (R)	DEFLATION (%)	CRUCIBLE SWELLING INDEX (SI)
Gas-coking coal	34.1	> 28	> 55	No dilation or < 0	not applicable
	34.2			≥ 0	
	35.1	> 26 to 31		> 30	
Ortho-coking coal	35.2A*	> 20 to 26	> 45	≥ 0	> 7.5
	35.2B*				≤ 7.5
Meta-coking coal	36	> 14 to 20	> 45	> 0	
Semi-coking coal	37.1	> 20 to 28	≥ 5		
	37.2	> 14 to 20			
Thin coal	38	> 14 to 28	< 5	not applicable	not applicable
Anthracite coal	41	> 16 to 14			
Anthracite	42	≥ 3 to 10	not applicable		
Meta-anthracite	43	< 3			

RHDHV concludes that there is significant potential for a coking product from the LCP but additional analysis would need to be undertaken to corroborate the existing dataset and further investigate the effects of washing on the coal. PDZ is continuing to investigate coking coal quality as part of the LCP Pre-Feasibility Study.

5.9 Observations and alterations to the Resource estimate

The following modifications were made to the estimation output from the Maptek Vulcan™ geological model:

- The post-loss Inferred tonnages for seam splits 378A and 392B were estimated at 386,141 and 160,687 tonnes respectively. Due to missing analytical data in these regions no coal quality values were attributed to them. Consequently both tonnages were removed from the final statement. The total quantity of coal removed is considered negligible relative to the overall tonnage.
- Within the Inferred estimate three seam splits (377A, 382B, 389B) contained no volatiles, raw Roga Index or raw Free Swelling Index data attributed to them (due to insufficient testing of these parameters). The qualities for these three splits were therefore assumed to be the same as their parent seam. The values are highlighted in the main Resource statement (Appendix B).
- Within the Inferred estimate seam split 391A contained no Roga Index or Free Swelling Index data

(beneficiated equivalent). The qualities for this seam splits were therefore assumed to be the same as their parent seam. The values are again highlighted in the main Resource statement (Appendix B).

5.10 Reconciliation

As a validation check on the geological interpretation and modelling methodology RHDHV compared tonnage values from this study with existing estimates.

5.10.1 Comparison with Wardell Armstrong International estimate

The Resource estimate carried out by WAI in October 2013 contained tonnages more directly comparable with the RHDHV estimate as the same Jurassic stand-off (100m) was applied. After deduction of geological losses in line with RHDHV's methodology the resultant tonnages could be compared with the RHDHV estimate in this report. The results are illustrated in Table 12 below and show that a difference of only ~18Mt was observed in the global estimate.

Table 12. Tonnage comparison with 2013 WAI report

SEAM	2013 WAI ESTIMATE (Mt)	WAI ESTIMATE WITH EQUIVALENT RHDHV 20% LOSSES APPLIED (Mt)	RHDHV GLOBAL ESTIMATE (Mt)	DIFFERENCE (Mt)
388	17.51	17.51	17.51	0.00
391	49.73	49.73	49.73	0.00
392	118.62	118.62	118.62	0.00
TOTAL	175.86	175.86	157.86	18.00

Variations between individual seams were shown to be both increases and decreases, demonstrating that differences are caused by "random" factors (such as interpolation method during modelling or minor modifications to geometrical or quality data), rather than a particular difference in approach or methodology. Other variables, such as area investigated and Resource boundaries were also noted to be similar.

5.10.2 Comparison with historical Polish estimate

As referred to previously following recent acceptance of the NAEN Code under the CRIRSCO framework a

document entitled "Guidelines on Alignment of Russian minerals reporting standards and the CRIRSCO Template" has been issued.

Previous estimates have been undertaken by PolGeol in 1999-01 in accordance with the Polish system for each of the four main license areas. Tonnages were quoted as Balanced or Off Balance Reserves, and categorised according to the confidence classes C1 and C2. The C1 and C2 Reserves are approximately equivalent to Indicated and Inferred/Indicated respectively. Geological confidence in C1 Reserves is +/-30% or +/-40% respectively. The PolGeol workings were contained in four folders entitled "Supplement No. 1 to the Geological Documentation in Category C1+C2 of [License Name]", with one folder per license. Data associated with these estimates included seam plans, sections, and tonnage estimates, all as .pdf files, scanned from original hard copy documentation. A summary of the PolGeol estimate is included in Table 13 below.

A direct comparison between the Polish and RHDHV estimates cannot be carried out as the estimation parameters differed significantly between the two methods. The Balanced reserves are defined as coal seams with average thickness above 0.6m, minimum CV of 15MJ/kg and maximum depth of 1,250m. Further, the PolGeol estimate did not domain the license areas and modelled coal in the areas excluded by RHDHV (Domains 1, 2 and 3). The PolGeol estimate does not make any deductions for geological losses.

Table 13. Summary of the historical PolGeol estimate

License area	Balanced reserves (Mt)			Off balance reserves (Mt)			Global reserves (Mt)		
	C1	C2	Sum	C1	C2	Sum	C1	C2	Sum
K4.5	370	83	453	286	197	483	856	190	1046
K6.7	376	10	386	244	25	269	820	35	855
K8	423		423				85	82	167
K9	155		155				423	262	685
Total	1114	212	1326	945	367	1312	2059	579	2638

After consideration of the differences in estimation parameters the PolGeol estimate was predicted to be significantly higher, but within the same order of magnitude. This can be observed in the estimate produced which considers three times as many, albeit thinner and less laterally consistent, seams, and employs different criteria for defining what is a potentially workable seam. The global figure of 2638Mt compares very broadly with RHDHV's 878.59Mt pre-loss tonnage except for the differences outlined above.

6 Recommendations

RHDHV make the following geological recommendations to progress the LCP, reduce risk and possibly expand and upgrade the additional Resources.

6.1 Desktop interpretative work

Prior to any site investigation work RHDHV advocate further refinement of the existing data and subsequent model update. These suggestions include principally the following:

- **Continue assessment of seam names and correlations**

The current model is based on the initial seam structure dataset provided by PDZ. Seam correlations were studied and checked by RHDHV during the audit and interpretation stages. Correlations are accurate for full seams however some seam splits were found to be mislabelled. For example, in the south-central region of the deposit Seam 391 is interpreted as a thin full seam however examination of the geophysical logs show that this is the lower leaf (391B), with the upper leaf diverging and then thinning further to the north;

- **Input of missing data**

Some coal quality information was identified as being absent from the database provided. RHDHV recommend transfer of this information from the laboratory certificates into a format for inclusion into the model;

- **Improve model flexibility**

The current model has been carried out using the calculation parameters described in Section 5.4 (e.g. 100m stand-off from Jurassic, 1m thickness cut-off). RHDHV propose some modifications to the modelling methodology to allow these variables to be changed more quickly. Exploring the effects of these limitations on the overall tonnage will help PDZ to assess which areas should be investigated in the subsequent studies;

- **Full modelling of interburden**

RHDHV would recommend providing basic quality attributes to the Interburden (Interburden being different from a parting which is a logged carbonaceous interval between 5cm and 30cm). Interburden would be given quality data emphasising its high (i.e. 100%) ash and would allow any subsequent mine designs to be more appropriately determined. In particular the thickness cut-off where a seam splits could be defined based on coal quality, rather than simply coal seam to non-coal. This would help provide increased resolution and reliability, for example, there may be instances where the coal seam splits are very high quality and a thick interburden would be acceptable (as opposed to a seam intersection where the upper and lower leaves

were of low quality and the interburden would need to be much thinner for the full seam to warrant extraction).

6.2 Geological information

Further to the drilling of specific boreholes RHDHV recommends acquiring additional technical data to improve geological confidence.

Constraining the base of the Jurassic unit and increasing understanding of the channel systems could help to reduce the stand-off applied. RHDHV suggest obtaining and interpreting historical seismic data (for example from past shale gas exploration may be available. Historical data could be supplemented through new seismic profiles (e.g. Vibroseis or equivalent along local roads). Further hydrogeological analysis of the aquifer and quantification of risk could also help reduce the stand-off.

Additional coal quality and float and sink information will aid deeper understanding of the coking properties and washability potential.

7 References

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Appendix A. Table 1 (adapted from JORC 2012)

Section 1 Sampling Techniques and Data
(Criteria in this section apply to all succeeding sections)

CRITERIA	JORC CODE EXPLANATION	TRHDV COMMENTS
Sampling techniques	<p>Nature and quality of sampling (e.g. out channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</p> <p>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</p> <p>Aspects of the determination of mineralisation that are Material to the Public Report.</p> <p>In cases where 'industry standard' work has been done this would be relatively simple (e.g. reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities of mineralisation types (e.g. sub-micron nodules) may warrant disclosure of detailed information.</p>	<p>HISTORICAL DRILLING</p> <p>Across all four license areas the following works have been carried out:</p> <ul style="list-style-type: none"> 95 boreholes, totalling 71,000m were drilled, between 1965 and 1981 using a combination of open-hole and core drilling. Coal quality was evaluated through laboratory testing samples. Yielding of Coal seams >40cm were analysed and dirt partings less than 5cm, were analysed as part of a composite sample. The sample collection procedure involved initial cleaning of the coal of any mud and transfer to plastic bags. Bags were then labelled with the borehole ID and sample number and sealed with tape to minimise moisture loss. Individual sample bags were further transferred to a collection bag and then containers prior to delivery to the laboratory. Coal quality analysis was undertaken by Analytical Tests Department of Katowice Geological Enterprise. Average core recoveries for licenses K4-5, K6-7, K8, and K9 were 70%, 60%, 67.5%, and 70% respectively. <p>PRAIRIE MINING LTD DRILLING</p> <ul style="list-style-type: none"> Boreholes were openhole drilled from surface to the base of the Jurassic. Rock cutting samples were obtained at 2m intervals. From the top of coal measures to the base of hole continuous rotary rock coring was carried out. A sufficient proportion of coal was obtained to ensure a representative sample was available for analysis. Geologists carried out detailed lithological logging, core recovery measurements, to confirm an acceptable level of recovery and the use of and geophysical logging. Core recoveries were checked to ensure acceptable levels, and geophysical logs were used to confirm seam thickness. Core was temporarily placed in plastic sleeves prior to sampling. After sampling coal was placed into plastic bags to minimise excessive moisture loss. Core was stored at temperatures of 418°C within a secure air conditioned building at site. Samples were given a unique identifier (borehole name, seam code and sample number) to prevent loss, misplacement or confusion. All samples were weighed by PDZ and re-weighed at the laboratory. All details were cross-checked by the receiving laboratory to confirm receipt. Coal seams were sampled single units, or as sub-samples (plies) of coal and/or dirt partings. The core was not split longitudinally and the full core was always sampled. Only samples of >90% core recovery were taken as representative for whole seam or individual ply samples, with recoveries determined through comparison with geophysical logs, as below.

CRITERIA	JORC CODE EXPLANATION	TRHDV COMMENTS
Drilling techniques	<p>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</p>	<p>HISTORICAL DRILLING</p> <ul style="list-style-type: none"> 95 boreholes, totalling 71,000m were drilled, between 1965 and 1981 using a combination of open-hole and core drilling. Open-hole drilling was confined to the upper units (surface to base of Jurassic), with coring commencing at the top of the Carboniferous, through the coal measures, to the base of the borehole. Some boreholes were cored from surface, the details of which are described per license below. <p>License K4-5</p> <ul style="list-style-type: none"> Contained a total of 21 boreholes (21,615m) drilled between 1965-1975. In 15 boreholes overburden strata was drilled by open-hole methods only, with segmental coring of the base of Cretaceous and Jurassic layers. For boreholes Lublin 47, Lublin 48, Lublin 55 and Lublin 57 the overburden strata was fully cored. For boreholes Lublin 81 and Lublin 59 full coring of the Cretaceous to a depth of 150m and then segmental coring was undertaken (one 5m long section every 50m). Full coring commenced ~20m above the Jurassic roof. Rotary open-hole and core drilling (use of diamond drill bits) methods were used. <p>License K6-7</p> <ul style="list-style-type: none"> Contained a total of 23 boreholes (21,660m) drilled between 1965-1975. In 15 boreholes overburden was drilled by open-hole methods only, with segmental coring of the base of Cretaceous and Jurassic. For boreholes Lublin 71, Lublin 76, Lublin 84, Lublin 88 and Lublin 89 segmental coring of the overburden (one 6m long section every 30m) was carried out. For boreholes Lublin 68, Lublin 72 and Lublin 79, the overburden was cored to a depth of 150m and the segmental coring commenced (one 6m long section every 30m). In these boreholes continuous coring started approximately 20m above the roof of the Jurassic strata. Rotary drilling with continuous coring using diamond bits was performed in the Carboniferous strata. <p>License K8</p> <ul style="list-style-type: none"> Contained a total of 23 boreholes (20,903m) drilled between 1958-1978. In 18 boreholes overburden was openhole drilled with segmental coring of the Cretaceous and Jurassic. For boreholes Lublin 90, Lublin 94, Lublin 95, Lublin 102, Lublin 106, Lublin 108 and Lublin 112 continuous coring of the Cretaceous strata to a depth of 150m as well as Jurassic and Carboniferous strata was observed. Segmental coring (6m long drilling section every 30m) was performed for the Cretaceous interval between 150m and 20m above the roof of the Albian Strata. Diamond core drilling methods were used in the Carboniferous strata. <p>License K9</p> <ul style="list-style-type: none"> K9 contained a total of 28 boreholes (26,971m) drilled between 1965-1981.

CRITERIA	ORC CODE EXPLANATION	RHDHV COMMENTS
		<p>In 24 boreholes overburden was open-hole drilled with segmental coring of the Cretaceous and Jurassic strata. For boreholes Lublin 114 and Lublin 123, coring was applied to a depth of approximately 150m;</p> <ul style="list-style-type: none"> In borehole Lublin 134 to a depth of 153m and in BH 138 to a depth of 210.30m, with full coring of the Jurassic and Carboniferous strata Segmental coring of the Cretaceous strata was carried out from the depths of 150m, 153m and 210.30m to 20m above the roof of the Albian strata was conducted; Carboniferous strata were drilled using diamond core drilling methods <ul style="list-style-type: none"> Drilling was undertaken by Polish companies based in Katowice and Kielce, using OP-1200 and ZIF-1200 drilling rigs; Core diameters varied between 74mm, 93mm, 112mm and 132mm. <p>PRAIRIE MINING LTD DRILLING</p> <ul style="list-style-type: none"> A total of seven boreholes were drilled within the LCP (Ścibrowo, Cycow7, Cycow6, Kłopiwa 1, Kułk, Syczyn7, and Syczyn8); Drilling was carried out via rotary open hole and core drilling; During drilling sections of potentially unstable or unconsolidated ground were cased off to limit collapse; Coal-bearing units were continuously cored via wireline rotary drilling with single tube 9m length core barrels, producing 85mm diameter cores; Upon completion the boreholes were sealed with cement.
Drill sample recovery	<p>Method of recording and assessing core and chip sample recoveries and results assessed</p> <ul style="list-style-type: none"> Measures taken to maximise sample recovery and ensure representative nature of the samples Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material 	<p>HISTORICAL DRILLING</p> <ul style="list-style-type: none"> Core sample collection and assimilation was undertaken using standard procedures as set by the Polish coal industry at the time; Core recovery was determined by measuring the lengths of recovered core and converting to length through application of a formula. Broken and fragmented core was then weighed and the proportion relative to the total weight was estimated. An overall core recovery length and percentage was then estimated and the output value was expressed as a thickness of the coal seam, based on drilling depths. Recovered core was also compared to the coal interval thickness and geophysical log depth; It is unknown whether core recovery measurements were recorded based on individual core runs, with details of 'solid core' and 'RQD'; It is understood that poor core recovery was caused by inappropriate drilling tools and/or poor technical conditions of the boreholes; Coal seams that were interpreted by geophysical logging but lacked core recovery data were re-sampled using a W-1 hydro mechanical sidewall sampler. The reliability of this method is disputed but poor relative to full seam sampling and analysis and in some cases the results were not found to be reliable (insufficient proportion of seam not represented and analysed)

CRITERIA	ORC CODE EXPLANATION	RHDHV COMMENTS
		<p>PRAIRIE MINING LTD DRILLING</p> <ul style="list-style-type: none"> Boreholes were openhole drilled from surface to the base of the Jurassic. Rock cutting samples were obtained at 2m intervals and lithologically described; Boreholes were continuously cored through the coal-bearing strata; Core recovery was derived for each core run based on the length of the core run and the core measured from the core barrel. Coal seam recoveries were calculated using standard methodology, i.e. as the percentage of recovered core (determined by careful measurement) within the overall seam thickness (determined by examination of the geophysical logs, namely density); Core recovery was recorded per drill run, with records of 'solid core' and 'RQD'; Coal samples of <90% core recovery for a particular sample (of coal or inter-seam strata) are not typically considered representative. Coal quality analysis and seam representation were considered on a case-by-case basis during the encompassing lateral continuity investigation; In general, core recoveries exceeded 90% for the principal seams.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have/ been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged 	<p>HISTORICAL DRILLING</p> <ul style="list-style-type: none"> Core sample collection and assimilation was undertaken using standard procedures as set by the Polish coal industry at the time; Detailed graphical and written geological logs were produced for the boreholes, incorporating geological/lithological descriptions, geotechnical information, and core recovery data. All logs exhibited information pertaining to depths and thicknesses of the coal seams according to drilling depths, geophysical logs, and a combination of the two <p>PRAIRIE MINING LTD DRILLING</p> <ul style="list-style-type: none"> Detailed geological logs were produced based using recorded drilling depths. Coal seam thicknesses and depths were cross-checked against geophysical logs; A range of samples were taken for the purposes of both geotechnical and coal quality analysis; All chip samples were geologically logged; All cores were photographed using a dedicated stable and well-fit metal frame to maintain consistency.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether fitted, tubo sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique Quality control procedures adopted 	<p>HISTORICAL DRILLING</p> <ul style="list-style-type: none"> Sub-sampling methodology for the historic drilling is not fully understood. Dirt partings under 5cm were incorporated into coal samples The sample collection procedure involved initial cleaning of the coal of any mud and transfer to plastic bags. Bags were then labelled with the borehole ID and sample number and sealed with tape to minimise moisture loss. Individual sample bags were further transferred to a collection bag and then containers prior to delivery to the laboratory; Quality control procedures for minimising sample representivity cannot be confirmed.

CRITERIA	ORC CODE EXPLANATION	RHDHV COMMENTS
	<ul style="list-style-type: none"> for all sub-sampling stages to maximise representativity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	PRAIRIE MINING LTD DRILLING <ul style="list-style-type: none"> All samples were logged by experienced local geologists from PDZ sub-contractor PolGeol. Samples were checked and verified by PDZ geologists and Head of Geosciences Jonathan O'Dell. Coal seams were sampled single units, or as sub-samples (piles) of coal and/or dirt partings. The core was not split longitudinally and the full core was always sampled. Only samples of >50% core recovery were taken as representative for whole seam or individual ply samples, with recoveries determined through comparison with geophysical logs. Immediately following extraction from the core barrel a spot coal sample was secured in an air tight container and taken for gas testing.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quantity and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc. the parameters used in determining the analysis including instrument make and model, reading times, calibration factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	HISTORICAL DRILLING <ul style="list-style-type: none"> Limited detail is available regarding the quality analysis and RHDHV are unable to fully historical sampling methods and laboratory data, and reliably determine whether international standards (or equivalent) were followed. Historical geophysical logs for seam intersections were provided and included natural gamma, density (gamma gamma) and resistivity information. RHDHV have evaluated seam depths, thicknesses and correlations during audit and verification. PRAIRIE MINING LTD DRILLING <ul style="list-style-type: none"> Coal quality analysis has been carried out in accordance with Polish and International standards. A full suite of typical coal quality analysis has been undertaken, plus a range of additional detailed tests (such as ultimate analysis, ash compositions, basic washability) described in the report. All coal seams >0.60m thick were analysed for basic parameters. The additional detailed analysis was carried out on the key economic seams (typically >1.0m thick). Geophysical logs were used to carry out checks on sample thickness and depths. A basic suite of analysis has been undertaken by accredited Polish laboratories, including proximate analysis: total sulphur, CV and ultimate analysis. As a cross-check some samples were tested at an accredited international laboratory in the UK (with which RHDHV staff have worked successfully with in the past). Basic washability and some additional analysis (e.g. ash analysis, ultimate analysis, ash fusion, coking properties) were undertaken.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternate company personnel. The use of blinded holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic). 	HISTORICAL DRILLING <ul style="list-style-type: none"> Drilling works were supervised by the Lublin-based branch of the Geological Survey Company from Igloze. The Geological Survey Company also undertook detailed core logging and sampling as part of the investigation of macro seams and macro faults. It is not believed any twinning was implemented in the historic drilling programme, or any modifications made to laboratory quality analysis.

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40

CRITERIA	ORC CODE EXPLANATION	RHDHV COMMENTS
	<ul style="list-style-type: none"> protocols. Discuss any adjustment to assay data. 	PRAIRIE MINING LTD DRILLING <ul style="list-style-type: none"> All coal sample thicknesses recorded by the contract geologists were checked by PDZ technical staff (site geologists and Head of Geosciences Jonathan O'Dell). Certified sampling and coal quality analysis were provided in electronic format (.xls and .pdf) and are held in Poland and the UK. Again all information was checked by PDZ technical staff and subsequently RHDHV geologists.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mining Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	HISTORICAL DRILLING <ul style="list-style-type: none"> It is understood that original spatial data was presented in a range of coordinate systems including 1992 and 2000/8. Borehole positions/collars have been resurveyed by a local certified surveyor in 2013/14 to ensure consistency. Signed and certified surveys were provided. RHDHV converted all data to the 1992 system to ensure compatibility with all official documentation. PRAIRIE MINING LTD DRILLING <ul style="list-style-type: none"> Boreholes are set out by survey in accordance with the Polish local grid. Following drilling each borehole, a down-hole geophysical logging survey is undertaken to confirm the depth location of all coal seams and provide the inclination and azimuth of the boreholes throughout their length.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	HISTORICAL DRILLING <ul style="list-style-type: none"> The historical boreholes were sited on an approximate 1000-1500m grid by the Geological Survey Company (on behalf of the governmental State Geological Institute). Points of Observation were determined using a base set of criteria and then on a case-by-case basis, using a defined set of criteria, including core recovery, degree of sampling and analysis, homogeneity of the coal seam, variability in seam structure and quality, and consistency with adjacent boreholes. PRAIRIE MINING LTD DRILLING <ul style="list-style-type: none"> The new boreholes are widely spaced, and have been drilled to both verify the Historic boreholes data set and according to the works program agreed with Poland's Ministry of Environment under the exploration concessions. Sample compositing has been applied during modelling to produce a sample of a complete seam, or sub-sections of a seam, whereby individual ply samples of coal/dirt are combined based on the thickness and density of each sample. Samples were taken per lithological unit and were therefore typically smaller than the full seam thickness.
Orientation of data in relation to geological	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the 	HISTORICAL DRILLING <ul style="list-style-type: none"> It has been assumed that all historic boreholes were drilled vertically with no other predetermined orientation. Precise details regarding variability are unknown.

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41

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
Deposit type	deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported, if material	<ul style="list-style-type: none"> Whilst some deviation from the vertical is likely RHDHV have assumed all boreholes are vertical during interpretation and subsequent modelling. The sampling methods are well understood and defined and are implemented to minimise risk of bias. <p>PRAIRIE MINING LTD DRILLING</p> <ul style="list-style-type: none"> The geological structures are relatively simple, whereby sampling is not affected by geological structure. Whilst some deviation from the vertical is likely RHDHV have assumed all boreholes are vertical during interpretation and subsequent modelling. The sampling methods were designed to minimise risk of bias, are well understood, have been strictly adhered to.
Sample security	The measures taken to ensure sample security.	<p>HISTORICAL DRILLING</p> <ul style="list-style-type: none"> No information was available regarding sample security of the historic data, however RHDHV do not have any reason to believe that this will have affected analysis and the resultant information used in the report. <p>PRAIRIE MINING LTD DRILLING</p> <ul style="list-style-type: none"> Samples were given a unique identifier (borehole name, seam code and sample number) to prevent loss, misplacement or confusion. All samples were weighed by POZ and re-weighed at the laboratory. All details were cross-checked by the receiving laboratory to confirm receipt. Laboratories used are considered competent, responsible and unlikely to cause concern for sample security. Samples were able to be confidently tracked from site to laboratory.
Audits or reviews	The results of any audits or reviews of sampling techniques and data.	RHDHV has carried out a range of verification procedures to ensure sampling methods were consistent and reliable. Methods carried out at site by POZ and associated technical staff were also evaluated during a site visit and shown to be of a satisfactory level.

Section 2 Reporting of Exploration Results
(Criteria listed in the preceding section also apply to this section)

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
Mineral tenement and land tenure status	Type, reference name/number, location and ownership including agreements or mineral leases with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area	<ul style="list-style-type: none"> Prairie hold the exploration concessions to 4 no. concession areas that constitute the Lublin Coal Project: Cysow (K-6-7, No. 23/2012/p, updated 2013), Syczyn (K-6, No.21/2012/p), Kulik (K-4-5, No.20/2012/p) and Kopina (K-8, No.22/2012/p).
Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties	<ul style="list-style-type: none"> Between 1965 and 1983 a total of 205 historical boreholes have been drilled in the area of the LCP, 117 of which are located within the 4 no. concession areas. A study of data collected during historical exploration has previously been undertaken and provided to RHDHV by POZ as Geological Documentation and Supplementary Documentation for the deposit, which includes but is not limited to, resource maps & tables, seam coal quality tables, structural contour maps, cross sections, boreholes cards and geological reports.
Deposit type	Deposit type, geological setting and style of mineralisation	<ul style="list-style-type: none"> The Lublin Coalfield comprises a stratified Upper Carboniferous coal deposit comprising some 30 coal seams, which include a number of economic target seams, in particular the 389 and 391 seams. Carboniferous coal-bearing sequence is overlain by strata of the Quaternary, Cretaceous and Jurassic.
Drill hole information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> eastings and northings of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case 	<ul style="list-style-type: none"> A summary of the drill hole information for exploration undertaken by POZ has previously been provided on the Borehole Summary Sheets (refer to ASX announcement 13 March 2014). A summary table of historic and current boreholes used as the basis for this report is provided in Tables A1 and A2 at the end of this Table 1, illustrating basic borehole information and Points of Observation respectively. As the base of the geological model, RHDHV hold a managed database containing all information pertaining to the structure and geological nature of the deposit, including geological and geophysical logs and coal quality results.
Data aggregation methods	In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off	No data aggregation methods were used in the preparation of this announcement.

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
	<p>grades are usually Material and should be stated.</p> <p>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</p> <p>The assumptions used for any reporting of metal equivalent values should be clearly stated.</p>	<p>The coal quality for each seam has been determined using the methods outlined in this report.</p> <p>Calculation parameters used to constrain the geological model for the reporting of Coal Resources is discussed in detail in Section 5 of the Competent Persons Report.</p>
Relationship between mineralisation widths and intercept lengths	<p>These relationships are particularly important in the reporting of exploration Results.</p> <p>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</p> <p>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</p>	<p>All exploration boreholes for the LCP have been drilled vertically. Subsequent geophysical logging techniques have been employed in every borehole to confirm the inclination deviation and azimuth.</p> <p>Coal seam intercept depths and thicknesses have been confirmed using geophysical logging in each borehole as a means of confirming the structure of the deposit.</p>
Diagrams	<p>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</p>	<p>A cross section through the geological model of the LCP is provided in Figure 15. Cross section extracted from Vulcan™ modelling software.</p> <p>A borehole plan relative to the exploration concession boundaries is provided in Figure 16. Vulcan™ screenshot of LCP.</p> <p>A full database of every coal seam intercept used for the purpose of geological model is held by RHDHV and can be supplied on request.</p>
Balanced reporting	<p>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practised to avoid misleading reporting of Exploration Results.</p>	<p>All Exploration Results have been provided in Appendix B and summarised throughout the Report.</p>
Other substantive exploration data	<p>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density; groundwater, geochemical, and rock characteristics; potential deleterious or contaminating substances.</p>	<p>A summary of Material exploration data pertaining to the geological nature and characteristics of the Lublin deposit has been provided or described in this report.</p> <p>Where applicable and considered necessary to the understanding of the report, extracts from primary exploration data is provided.</p> <p>Additional exploration data including detailed geological and geophysical logs are considered surplus to this Report.</p>
Further work	<p>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</p> <p>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</p>	<p>Recommendations that should be considered for the future progression of the LCP have been presented and fully justified in Section 6 of this Report.</p>

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44

Section 3 Estimation and Reporting of Mineral Resources (Criteria listed in section 1, and where relevant in section 2, also apply to this section)

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
Software design	<p>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors between its initial collection and its use for Mineral Resource estimation purposes.</p> <p>Data validation procedures used.</p>	<p>A complete geological database in electronic spreadsheet format has been provided to RHDHV by PDZ for the purpose of geological modelling using Vulcan™ software. This database including coal quality and seam interception data was originally constructed by PDZ using historical data collected from a number of local sources, including Polish Geological and National Archives.</p> <p>Full details of the data audit and verification procedures employed by RHDHV is provided in Section 4.2 of the report. In summary these procedures included a thorough check of spatial and structural data, stratigraphic/geological interpretations and a numerical assessment of coal quality data. Spot checking and cross-comparison between multiple sets of data was undertaken to ensure the most relevant and accurately sourced data was used as the basis for the geological model.</p> <p>Data audit and validation procedures have been applied equally to both historical and 2013-14 exploration data.</p>
	<p>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</p> <p>If no site visits have been undertaken indicate why this is the case.</p>	<p>RHDHV geologist Sam Moorhouse visited the exploration site as part of a ground-testing exercise in August 2014. Mr Moorhouse witnessed the PDZ drilling rigs in operation and was able to observe the overall site set up and facilities. Refer to Section 5.2.2 of this Report for further details.</p> <p>Site investigation procedures were discussed with PDZ staff, including drilling, logging, sampling and testing procedures as well as data transfer, recording and manipulation.</p> <p>Prior to this study the RHDHV consultant geologist has visited the exploration work being carried out by PDZ, the coal laboratory being used for their recent testwork, and Bogdanka mine, together with several mines and projects in the extension of the Lublin coal basin in adjacent Ukraine.</p>
Geological Interpretation	<p>Confidence (or conversely, the uncertainty of) in the geological interpretation of the mineral deposit.</p> <p>Nature of the data used and of any assumptions made.</p> <p>The effect, if any, of alternative interpretations on Mineral Resource estimation.</p> <p>The use of geology in guiding and controlling Mineral Resource estimation.</p> <p>The factors affecting continuity both of grade and geology.</p>	<p>The coal resources have been classified as indicated and inferred resources in accordance with the JORC 2014 Guidelines for the Estimation and Classification of Coal Resources.</p> <p>Allowances have been made for geological uncertainty, 15% for Indicated and 20% for Inferred Resources.</p> <p>During geological evaluation RHDHV employed standard interpretive techniques to elucidate seam continuity and delimit seam properties. The interpretive techniques included interpretation of, basic reference diagrams and cross sections, schematic stratigraphies, seam contour plots, isopachs and structural features such as faults and key interburden units, such as massive sandstones.</p> <p>The geological continuity of the Lublin deposit has been considered in the Report with reference to adjacent established mines. Previous Resource estimations, general accuracy and reliability of the data and additional interpretive work undertaken by WAI, PDZ's in-house technical team, local Geological Enterprise "POLGEOLOGIA" and RHDHV. These considerations are discussed in further detail in Table 5 of this Report.</p>
Mineralisation	<p>The extent and variability of the Mineralisation.</p>	<p>The nature and variation in the geological characteristics of the deposit including but not limited to:</p>

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45

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
	Resource expressed as length (along strike or otherwise) plan width, and depth below surface to the upper and lower limits of the Mineral Resource	seam extent, thickness, core recovery and coal quality variation are fully presented and described in Appendix E of this Report.
Estimation and modelling techniques	<ul style="list-style-type: none"> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, downgrading, interpolation parameters, and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modeling of selective mining units. Any assumptions about correlation between variates. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade capping or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data (if available). 	<ul style="list-style-type: none"> Continued geological interpretation pre- and post-modelling was carried out to assess any regions of specific geological characteristics or uncertainty. Three principal domains have been identified that require independent consideration during Resource definition, including (i) Seam inconsistency to the north, (ii) faulted region to the southeast and (iii) faulted region to the southwest. Domain 1 was excluded entirely from the Resource estimation but represents an upside case for additional Resources following more detailed geological interpretation. Domain 2 was excluded entirely from the Resource estimation. Coal within Domain 3 was still modelled and included in the Resource estimation, however RHDHV invoked a condition of classification downgrading in this region whereby coal could be classified only as inferred status, not Indicated or Measured. Additional domains within the Resource estimation area regarding seam splitting have also been identified within the Resource area, although these did not affect tonnage and quality estimations or the classification thereof. A detailed methodology of the geological modeling procedure is provided in Appendix D of this Report. The Integrated Stratigraphic Modeling (ISM) process is considered the optimised approach for modelling coal deposits within Vulcan™. ISM comprises five principal phases that convert basic raw data (spatial and numerical) into a 3D geological Horizon Adaptive Rectangular Prism (HARP) model – equivalent to a conventional block model but with additional flexibility on block shape. The HARP model provides information relating to coal extent, quality and quantity and allows a Resource to be accurately and reliably estimated. Stratigraphic surfaces were produced by a triangulation modelling method with a 1st order, linear trend. The base and roof of each block in the model is defined by 5 points. For the purpose of this study each block had a lateral extent of 25m x 25m. Proportional cal evaluation was used in preference to contour evaluation. Proportional is considered the more accurate method and also produces slightly lower (~0.3%) tonnages. The radii function was used to digitise arcs around the remaining selected boreholes with radii of 600m and 2,000m for Indicated (or equivalent to all remaining coal) and inferred classifications respectively. Interpolation of the quality data was performed using the default inverse distance methodology, with a 0 trend order and 8 smoothing passes. A maximum of 10 samples were used to estimate each node on a grid. Default and null sample values such as -99 were excluded from the estimate. The coal thickness and elevation model was created separately to the coal quality grids with the two being superimposed together at HARP model stage (Vulcan block model), to allow the production of both tonnages and the relevant coal quality grades.

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46

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
		<ul style="list-style-type: none"> In built validation procedures in Vulcan were run to ensure no duplicates, overlaps or inconsistent values were included in the modelling. Advanced geostatistical methods, (i.e. variograms, were not considered appropriate for this study. The relevance of geostatistics to estimations in stratiform deposits such as coal is regularly debated. RHDHV's approach to estimation has been based on geological assessment of the lateral continuity of the seams across the deposit and attaining a good understanding of the stratigraphic and structural features at the site. Further, basing the model on advanced geostatistics was not considered appropriate due to the limitations of defining spacings (e.g. no down-hole variogram can be produced); RHDHV consider geostatistical models to be more suitable for non-stratiform deposits where geology cannot be as easily understood, correlated, predicted, or extrapolated. Resource estimates are compared in Section 5.10 but were shown to exhibit similar composition and results (tonnages, qualities and confidence levels) to the interim and final Resource models produced as part of this CRP. The evidence corroborates the interpretations and outcomes of this document.
Moisture	Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	The coal quality and tonnages were calculated on an air dried basis.
Quality cut-off (if the Resource)	The basis of the adopted cut-off grade(s) or quality parameters applied.	A quality cut-off – with previous studies having shown coal quality within the seams to be high and of good lateral consistency no quality restrictions or cut-offs were considered. It has been assumed that the impact of any variations in coal quality will be mitigated during mine design, scheduling and processing.
Mining factors or assumptions	Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case this should be reported with an explanation of the basis of the mining assumptions made.	<ul style="list-style-type: none"> At each stage of geological interpretation and modelling, RHDHV has consistently considered the potential of the deposit to be economically extractable. Previous studies suggest that the deposit has the potential to support an underground longwall mining operation, accessed and supplied via two shafts to depths of approximately 1000m. A previous Scoping Study concludes that the deposit could be exploited utilizing plows or shears depending on seam thickness. In general above seam thickness of 1.5m shears are used and below 1.5m plows are to be used. A seam thickness cut-off of 1.0m has been applied manually in Vulcan™ using a thickness contour (string), isopachs have been evaluated by RHDHV for each seam to identify isolated regions of anomalous coal to be removed, including, (i) small areas within thick coal that thin to slightly less than 1m – it was assumed this coal would still be mined and (ii) small areas within thin coal where the seam thickness is greater than 1m – it was assumed this coal would not be extracted. Variables which have not been considered in this Report in regard to mining limitations include: restrictions due to seam dip, coal sterilisation where seams are in close proximity to each other and the extraction of both seams is not possible. Previous investigations have considered both the use of steel arches and rock bolting, however further

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47

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
		<ul style="list-style-type: none"> work and consideration of detailed geotechnical laboratory analysis should be considered. A stand-off of from the Jurassic has been assumed to be 100m to account for uncertainties in the exact nature of the basal surface. It has been assumed that there would be no depth limitations on coal extractability.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<ul style="list-style-type: none"> Not applicable.
Environmental factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. Where at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. 	<ul style="list-style-type: none"> Modifying Factors, typically applied for the definition of Reserves (including geotechnical³⁰, hydrogeological, mining, processing, marketing, environmental and legal) have not been assessed in detail for this Report but have been evaluated from a Fatal Flaw perspective. e.g. areas of natural conservation have been identified within the sphere of influence of the LCP and the mine plan should be designed to minimise any impact of such areas. Previous assessments of the deposit suggest that all Run of Mine coal (ROM) will be processed in a CRPP and the waste, of approximately 1.5Mt tonnes per annum, will be deposited in a suitable emplacement area. This will require an environmental permit but since the site is a previous mine it is not expected to encounter opposition. Transport of coal will be protected from causing environmental issues such as dust. Surface infrastructure has also been considered in a Scoping Study to avoid potentially sensitive areas.
Bulk density	<ul style="list-style-type: none"> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. 	<ul style="list-style-type: none"> The estimation of coal resources has utilised air dried density figures provided by the laboratory test results.

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48

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
	<ul style="list-style-type: none"> The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. 	
Classification	<ul style="list-style-type: none"> The basis for the classification of the Mineral Resources into varying confidence categories. Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). Whether the result appropriately reflects the Competent Person's view of the deposit. 	<ul style="list-style-type: none"> The Mineral Resource Estimate has been classified and is reported as indicated and inferred coal resources based on the guidelines specified in the 2012 JORC code and the 2014 Edition of Guidelines for the Estimation and Classification of Coal Resources. RHDHV can confirm that the data quantity, quality, and provenance are of ample reliability to form the basis of a Mineral Resource Statement compliant with the principles of the JORC Code. The work undertaken by PDZ and subsequently RHDHV is sufficient to permit formal estimation of Resources. The reliability of the data, and the continuity of the geology, is represented in the Resource Classification (allocation of coal to Measured, Indicated and Inferred status), and also through the application of geological losses to these tonnages. As set out under the requirements of JORC and in order to satisfy the fundamental principles of the reporting code geological interpretation of the Lublin deposit, through the allocation of Points of Observation for the purpose of Resource Estimation, has been carried out on the expertise of the Competent Persons, drawing on both past experience of similar studies and knowledge of the Lublin coal basin seams.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of Mineral Resource estimates. 	<ul style="list-style-type: none"> RHDHV has undertaken a comprehensive audit and validation process on a proportion of historical and current exploration data and consider it to be sufficiently reliable for the purpose of developing a geological model of the Lublin deposit for resource estimation. Previous estimates have been undertaken by PolGeol in 1999-01 in accordance with the Polish system for each of the four main license areas. After consideration of the differences in estimation parameters the PolGeol estimate was predicted to be significantly higher, but within the same order of magnitude. This can be observed in the estimate produced which considers three times as many, albeit thinner and less laterally consistent, seams and employs different criteria for defining what is a potentially variable seam. The Resource estimate carried out by WAI in October 2013 contained tonnages more directly comparable with the RHDHV. After deduction of geological losses, in line with RHDHV's methodology, the resultant tonnages could be compared and show that a difference of only ~18Mt was observed in the global estimate. Variations between individual seams were shown to be both increases and decreases, demonstrating that differences are caused by "random" factors rather than a particular difference in approach or methodology.

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49

CRITERIA	JORC CODE EXPLANATION	RHDHV COMMENTS
Discussion of relative accuracy and confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p>As discussed above, previous estimates have been undertaken, both historical and current, for the Lublin deposit and have been compared to the resource estimations made by RHDHV in this report, which has been determined to fall within the same order of magnitude.</p> <p>Advanced geostatistical methods (i.e. variograms), were not considered appropriate for this study. RHDHV consider geostatistical models to be more suitable for non-stratiform deposits where geology cannot be as easily understood, correlated, predicted, or extrapolated.</p> <p>Allowances have been made for geological uncertainty, 15% for Indicated and 20% for Inferred Resources.</p>

Tables A1. Basic borehole information used in the geological model and subsequent Resource estimation

BOREHOLE ID	X CO-ORDINATE (1992 System)	Y CO-ORDINATE (1992 System)	COLLAR ELEVATION (mAMSLL)	TOTAL DEPTH (m)	MODELLED INCLINATION (degrees)
BLG1	700000.00	600000.00	100.00	100.00	0.00
BLG2	700000.00	600000.00	100.00	100.00	0.00
BLG3	700000.00	600000.00	100.00	100.00	0.00
BLG4	700000.00	600000.00	100.00	100.00	0.00
BLG5	700000.00	600000.00	100.00	100.00	0.00
BLG6	700000.00	600000.00	100.00	100.00	0.00
BLG7	700000.00	600000.00	100.00	100.00	0.00
BLG8	700000.00	600000.00	100.00	100.00	0.00
BLG9	700000.00	600000.00	100.00	100.00	0.00
BLG10	700000.00	600000.00	100.00	100.00	0.00
BLG11	700000.00	600000.00	100.00	100.00	0.00
BLG12	700000.00	600000.00	100.00	100.00	0.00
BLG13	700000.00	600000.00	100.00	100.00	0.00
BLG14	700000.00	600000.00	100.00	100.00	0.00
BLG15	700000.00	600000.00	100.00	100.00	0.00
BLG16	700000.00	600000.00	100.00	100.00	0.00
BLG17	700000.00	600000.00	100.00	100.00	0.00
BLG18	700000.00	600000.00	100.00	100.00	0.00
BLG19	700000.00	600000.00	100.00	100.00	0.00
BLG20	700000.00	600000.00	100.00	100.00	0.00
BLG21	700000.00	600000.00	100.00	100.00	0.00
BLG22	700000.00	600000.00	100.00	100.00	0.00
BLG23	700000.00	600000.00	100.00	100.00	0.00
BLG24	700000.00	600000.00	100.00	100.00	0.00
BLG25	700000.00	600000.00	100.00	100.00	0.00
BLG26	700000.00	600000.00	100.00	100.00	0.00
BLG27	700000.00	600000.00	100.00	100.00	0.00
BLG28	700000.00	600000.00	100.00	100.00	0.00
BLG29	700000.00	600000.00	100.00	100.00	0.00
BLG30	700000.00	600000.00	100.00	100.00	0.00
BLG31	700000.00	600000.00	100.00	100.00	0.00
BLG32	700000.00	600000.00	100.00	100.00	0.00
BLG33	700000.00	600000.00	100.00	100.00	0.00
BLG34	700000.00	600000.00	100.00	100.00	0.00
BLG35	700000.00	600000.00	100.00	100.00	0.00
BLG36	700000.00	600000.00	100.00	100.00	0.00
BLG37	700000.00	600000.00	100.00	100.00	0.00
BLG38	700000.00	600000.00	100.00	100.00	0.00
BLG39	700000.00	600000.00	100.00	100.00	0.00
BLG40	700000.00	600000.00	100.00	100.00	0.00
BLG41	700000.00	600000.00	100.00	100.00	0.00
BLG42	700000.00	600000.00	100.00	100.00	0.00
BLG43	700000.00	600000.00	100.00	100.00	0.00
BLG44	700000.00	600000.00	100.00	100.00	0.00
BLG45	700000.00	600000.00	100.00	100.00	0.00
BLG46	700000.00	600000.00	100.00	100.00	0.00
BLG47	700000.00	600000.00	100.00	100.00	0.00
BLG48	700000.00	600000.00	100.00	100.00	0.00
BLG49	700000.00	600000.00	100.00	100.00	0.00
BLG50	700000.00	600000.00	100.00	100.00	0.00
BLG51	700000.00	600000.00	100.00	100.00	0.00
BLG52	700000.00	600000.00	100.00	100.00	0.00
BLG53	700000.00	600000.00	100.00	100.00	0.00
BLG54	700000.00	600000.00	100.00	100.00	0.00
BLG55	700000.00	600000.00	100.00	100.00	0.00
BLG56	700000.00	600000.00	100.00	100.00	0.00
BLG57	700000.00	600000.00	100.00	100.00	0.00
BLG58	700000.00	600000.00	100.00	100.00	0.00
BLG59	700000.00	600000.00	100.00	100.00	0.00
BLG60	700000.00	600000.00	100.00	100.00	0.00
BLG61	700000.00	600000.00	100.00	100.00	0.00
BLG62	700000.00	600000.00	100.00	100.00	0.00
BLG63	700000.00	600000.00	100.00	100.00	0.00
BLG64	700000.00	600000.00	100.00	100.00	0.00
BLG65	700000.00	600000.00	100.00	100.00	0.00
BLG66	700000.00	600000.00	100.00	100.00	0.00
BLG67	700000.00	600000.00	100.00	100.00	0.00
BLG68	700000.00	600000.00	100.00	100.00	0.00
BLG69	700000.00	600000.00	100.00	100.00	0.00
BLG70	700000.00	600000.00	100.00	100.00	0.00
BLG71	700000.00	600000.00	100.00	100.00	0.00
BLG72	700000.00	600000.00	100.00	100.00	0.00
BLG73	700000.00	600000.00	100.00	100.00	0.00
BLG74	700000.00	600000.00	100.00	100.00	0.00
BLG75	700000.00	600000.00	100.00	100.00	0.00
BLG76	700000.00	600000.00	100.00	100.00	0.00
BLG77	700000.00	600000.00	100.00	100.00	0.00
BLG78	700000.00	600000.00	100.00	100.00	0.00
BLG79	700000.00	600000.00	100.00	100.00	0.00
BLG80	700000.00	600000.00	100.00	100.00	0.00
BLG81	700000.00	600000.00	100.00	100.00	0.00
BLG82	700000.00	600000.00	100.00	100.00	0.00
BLG83	700000.00	600000.00	100.00	100.00	0.00
BLG84	700000.00	600000.00	100.00	100.00	0.00
BLG85	700000.00	600000.00	100.00	100.00	0.00
BLG86	700000.00	600000.00	100.00	100.00	0.00
BLG87	700000.00	600000.00	100.00	100.00	0.00
BLG88	700000.00	600000.00	100.00	100.00	0.00
BLG89	700000.00	600000.00	100.00	100.00	0.00
BLG90	700000.00	600000.00	100.00	100.00	0.00
BLG91	700000.00	600000.00	100.00	100.00	0.00
BLG92	700000.00	600000.00	100.00	100.00	0.00
BLG93	700000.00	600000.00	100.00	100.00	0.00
BLG94	700000.00	600000.00	100.00	100.00	0.00
BLG95	700000.00	600000.00	100.00	100.00	0.00
BLG96	700000.00	600000.00	100.00	100.00	0.00
BLG97	700000.00	600000.00	100.00	100.00	0.00
BLG98	700000.00	600000.00	100.00	100.00	0.00
BLG99	700000.00	600000.00	100.00	100.00	0.00
BLG100	700000.00	600000.00	100.00	100.00	0.00

Seam	BH ID	L37	L42	L43	L44	L45	L46	L47	L48	L49	L50	L51	L52	L53	L54	L55	L56	L57	L58	L59	L60	L61	L62	L63	L64	L65	L66	L67	L68	L69	L70	L71	L72	L73	L74	L75	
		376	✓			✓	✓						✓																					✓	✓	✓	✓
	377																																				
	378																																				
	379																																				
	380	✓				✓																															
	382																																				
	385	✓	✓	✓		✓																															
	389	✓	✓			✓																															
	391	✓	✓			✓							✓														✓	✓									
	392		✓										✓																								

Seam	9H ID		L76	L77	L78	L79	L80	L81	L82	L83	L84	L85	L86	L87	L88	L89	L90	L91	L92	L93	L94	L95	L96	L97	L98	L99	L100	L101	L102	L103	L104	L105	L106	L107	L108	L109	L110	L111
	376																																					
	377																																					
	378																																					
	379																																					
	380																																					
	382	✓	✓																																			
	385																																					
	389																																					
	391	✓																																				
392																																						

Seam	BH ID		L112	L113	L114	L115	L116	L117	L118	L119	L120	L121	BI61	CI61	CI62	CI63	CI64	CI65	CI66	CI67	DI64	DI65	SI61	SI62	SI63	SI64	SI65	SI66	ZI61	ZI62	ZI63	Borawa	Kulik	Kapina 1	Syczyn7	Syczyn8	Cycow7	Cycow8
	376																																					
	377																																					
	378																																					
	379																																					
	380																																					
	382																																					
	385		✓		✓																																	
	389			✓																																		
	391		✓																																			
392																																						

Appendix B. Full Resource Statement

Table B1. Detailed breakdown of Inferred Resources for the LCP ('no modelled value so quality value derived from parent seam')

AN	VOLUME (m³)	RAW RD	GRIND TONNES (PRE LOSSES)	GRIND LOGICAL LOSSES	GRIND TONNES (POST LOSSES)	MOISTURE (wt %)	ASH (wt %)	VOLATILE (wt %)	SULPHUR (wt %)	GROSS CV (kJ/kg)	ROGA (raw)	ROGA (plant dried acidulated)	SWEET (raw)	SWEET (plant dried acidulated)
1	4,791.98	7	3,095.74	20%	1,696.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	3,025	65.28
2	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
3	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
4	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
5	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
6	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
7	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
8	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
9	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
10	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
11	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
12	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
13	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
14	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
15	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
16	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
17	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
18	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
19	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
20	1,000.00	7	630.00		566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20
21A	1,000.00	7	630.00	566.24	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20	
20B	27,000.00	7	16,800.00	8,200.00	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20	
20C	7,700.00	7	4,810.00	2,890.00	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20	
21Aa	40,000.00	7	24,800.00	15,200.00	10.50	12.50	1.00	0.00	28,000	0.00	0.00	660	14.20	

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58

Table B2. Detailed breakdown of Indicated Resources for the LCP.

[illegible]

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159

	VOLUME (kg)	RAW (kg)	GROSS TONNES (POST LOSSSES)	NEOLOGICAL LOSSES	GROSS TONNES (POST LOSSSES)	WOB TONS (kg/10)	ASH (ash %)	WOLA TONS (kg/10)	WOLA (kg/10)	GROSS CY (kg/10kg)	WOLA (kg/10kg)	WOLA (kg/10kg)	WOLA (kg/10kg)
378A	4,782,354	48	3,088,036		5,340,517	10,000	10,000	10,000	0.06	10.38	10.38	10.38	10.38
377	10,045,850	48	6,533,333		9,555,421	10,000	10,000	10,000	1.24	10.49	10.49	10.49	10.49
377A	8,339	48	5,333,333		4,555,067	10,000	10,000	10,000	1.32	10.67	10.67	10.67	10.67
	20,091,000	141	13,000,000		40,727,828	10,000	10,000	10,000	17.49	17.76	17.76	17.76	17.76
	31,492,062	141	20,000,000		34,215,508	10,000	10,000	10,000	10.73	10.45	10.45	10.45	10.45
	5,149,000	141	3,333,333		7,116,651	10,000	10,000	10,000	10.61	10.61	10.61	10.61	10.61
	155,000,000	141	100,000,000		17,532,074	10,000	10,000	10,000	106.66	106.66	106.66	106.66	106.66
	23,593,749	141	15,333,333		23,593,749	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
390A	239,170	141	153,333		239,170	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
330B		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
	47,411,262	141	31,333,333		47,411,262	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
	13,710,000	141	9,000,000		13,710,000	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
350A	1,000,000	141	666,667		1,000,000	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
	734,204	141	488,803		734,204	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
361		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
361A		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
361B		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362A		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362B		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362C		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362D		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362E		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362F		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362G		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362H		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362I		141	93,333		93,333	10,000	10,000	10,000	10.75	10.75	10.75	10.75	10.75
362J		141											

Appendix C. Detailed Inventory of Data Validation

Appendix C provides a detailed account of the audit and verification procedure implemented by RHDHV. It is divided into two principal sections corresponding to the major phases of work:

C1. Coal quality

C2. Validation during modelling

Both sections are included below:

C1. Coal Quality

Coal quality data was supplied to RHDHV by PDZ in spreadsheet format, in the Microsoft Excel file "Analyze Lublin 20.05.2014". RHDHV used this dataset as the primary component of coal quality. The principal aims were to ensure the data was sufficiently robust and reliable as to form the basis for a Resource estimation in accordance with the JORC Code, and to safeguard compatibility with the Maptek Vulcan™ Resource modelling software. A chronological account of the audit process for the coal quality is described in detail below. Corrections were recorded progressively as separate tabs in the dataset workbook using Microsoft Excel.

Stage 1. Preliminary full dataset health check

Stage 2. Specific miscellaneous corrections

Stage 3. Removing the incorrect averaged dummy samples

Stage 4. Input of data from PDZ boreholes

Stage 5. Second full spreadsheet health check

Stage 6. Incorporation of absent dirt partings

The following general changes were made by RHDHV to the coal quality dataset used:

- Roof elevation column created through subtraction of thickness from floor;
- Sample Type column created to describe coal, combined (weighted average) or dirt. The compositing/weighting procedure is described later in Stage 6;
- Polish coal classification data was replicated for all rows (a-e) so a representation exists for each analysis type (as received, air dried etc);
- All seam names labelled with the suffix "f1" and "f2" have been replaced with A and B respectively for consistency B;
- Borehole names were made consistent with those in the collar coordinate spreadsheet to permit Vulcan compatibility;
- "-111" values were removed;
- Hyphens were removed;
- Any commas have been removed to convert from text to number,
 - e.g. Kopina 387 @ 849.8 – 849.9: specific density of 2.24
 - e.g. Kopina 391/f1 @ 878.12 – 878.24: ash of 75%
- For the dilatometry analysis column the term "brak" was replaced with a blank cell (shaded pale purple for later reference).

Further to the above corrections, the following observations were made:

- RHDHV noted six samples where the analysed coal thickness did not equal the coal thickness. These have been ignored for the purpose of the study with the coal quality attributed to the coal thickness, not the analysed coal thickness. Some recordings are likely to be typographical errors; e.g. analysed coal thickness should be 0.50m, not 5.00m;

- RHDHV were not able to confirm where some of the historic sample intervals have been derived from. For example Syczyn IG-5 has sample intervals on the certificates but also the spreadsheets in the "Inne" folder. The seam/sample floor depths are relatively consistent but this is not always the case. The roof depths are less consistent, with none appearing to match with the values in the spreadsheet provided. RHDHV does not deem this to be a significant concern, since most depth data is traceable and of sensible/expected position.

Stage 2. Specific miscellaneous corrections

The following specific changes were made by RHDHV to the coal quality spreadsheet used:

- Moved two density and neighbouring column numbers up to row b (air dried) for consistency - samples 2249/78 (Lublin 95) and 2369/74 (Lublin 50);
- Analysed coal thickness for changed from alpha-numeric to numeric, as per:
 - Lublin99 664-664.6m: (0.60tw to 0.60);
 - Lublin99 691.6-692.6m: (1.00tw to 1.00);
 - Lublin103 691.6-692.6m: (0.60 to 0.60);
- As received data for Lublin 119, 850-850.6 moved a column to the right as out of synchronisation;
- Borehole Dorohucza IG-5 had 35.80 in the moisture column, for dry, so this was deleted (could find no evidence in certificate sheets and dry means moisture should be 0).
- Text 'lg' removed from seam name of '391 lg', for Lublin_44, Lublin_65, Lublin_75, Lublin_113 and SIG_1 (Seam 391);
- Text '+tw' removed from seam name of '389 +tw', for Lublin_91. Additionally seam names were corrected to 391A and 391B as they are two separate leaves (as can also be seen in the seam stratigraphy/pick file);
- Lublin_91 Seam 389 has #VALUE! Errors. Also, total parting thickness written as 0.2tw : text removed and comma replaced with decimal point. Further to this the #VALUES have now been calculated and completed assuming 0.2tw is 0.2;
- For Lublin_117 @ 860.4 – 861.6 seam was recorded as '931' but assumed this was to mean '391' and modified;
- In Kulik Seam 391, interval 920.1 - 820.4 is followed by 920.4 - 921.3m. RHDHV have assumed '820.4' should actually be '920.4', and has been updated;
- In Kulik Seam 392, interval 941.6 - 941.85 is followed by 941.75 – 942.3m. RHDHV identified that the laboratory results showed '941.85' to be an error and modified to '941.75'.

The following changes have been made to the "Weighted and for Mapek" tab in the dataset;

- Typographical errors were identified and corrected as follows:
 - Changed analysed coal thickness for SIG5, 378, 732.5—733 to 0.5, not 5;
 - Changed analysed coal thickness for L106, 391, 945.2-946.3 to 1.1, not 0.1;
 - Changed analysed coal thickness and coal thickness for CIG7, 397, to 0.7, not 0.3 or 0.8;
 - Changed analysed coal thickness for L75, 394, to 0.95, not 0.9;
 - Changed analysed coal thickness for L78, 377, to 1.89, not 2.3;
 - Changed analysed coal thickness for L114, 390, to 0.69, not 0.67;
 - Borowo 382 831.75-832.6 – modified density;
 - Kopina1 385 831.75-832.6 – modified density.
- The densities for the below samples have been deleted as they appeared to refer to the Polish coal classification. In addition 4.47 was identified as being anomalously high, and the final sample was recorded as a question mark:

32.1	32.1	32.1	32.1
32.1	32.1	32.1	32.1
32.1	32.1	32.1	32.1
32.1	32.1	32.1	32.1

- The density for the sample for L113/384/831.60-832.40m was changed from 32.1 l to 1.32 as believed to be a typographical error after comparison to certificate sheet.

Stage 3. Removing the incorrect averaged dummy samples

The dataset provided by PDZ was produced originally by GeoEkoWiert. The spreadsheet contained dummy data representing a weighted average of analysis for an interval known to comprise a certain proportion of non-coal or dirt. These weighted averages did not, however, consider any additional missing coal intervals, as they were based purely on the depths/thicknesses in the column headed "parting". This was not often immediately apparent within the spreadsheet and as a result the weighted average values were often incorrect. Furthermore, the Vulcan™ modelling software automatically composites individual sample intervals, weighting against mass. The list of sample combinations where changes is as below:

BIG-1: Samples 1149/76 and 1150/76	Dorohucza IG-5: Samples 1100/73 and 1101/73;
BIG-1: Samples 1156/76, 1157/76, and 1158/76;	Dorohucza IG-5: Samples 1102/73 and 1103/73;
Cyców IG-1: Samples 1037/67 and 1038/67;	Dorohucza IG-5: Samples 1108/73, 1109/73 and 1110/73;
Cyców IG-3: Samples 2558/72, 2559/72, and 2561/72;	Dorohucza IG-5: Samples 1122/73 and 1122a/73;
Cyców IG-3: Samples 2563/72 and 2574/72;	Lublin 111: Samples 701/78 and 702/78;
Cyców IG-3: Samples 2573/72, 2574/72, and 2575/72;	Lublin 84: Samples 1203/76 and 1140/76;
Cyców IG-4: Samples 2066/72 and 2067/72;	Syczyn IG-2: Samples 1011/73 and 1012/73;
Cyców IG-4: Samples 2458/72 and 2459/72;	Syczyn IG-2: Samples 2077/73 and 2078/73;
Cyców IG-4: Samples 2474/72 and 2475/72;	Syczyn IG-3: Samples 2604/72 and 2605/72;
Cyców IG-5: Samples 680/73 and 681/73;	Syczyn IG-3: Samples 184/73, 2606/72, 185/73, and 2607/72;
Cyców IG-5: Samples 690/73, 714/73, and 691/73 (also seam floor was modified to fit with seam interval spreadsheet as was incorrectly duplicated as base of sample above (765.90);	Syczyn IG-5: Samples 652/73 and 653/73;
Cyców IG-5: Samples 697/73 and 698/73;	Syczyn IG-5: Samples 660/73, 661/73, and 662/73;
Cyców IG-5: Samples 702/73 and 703/73;	Syczyn IG-5: Samples 669/73 and 670/73;
Cyców IG-6: Samples 2048/72 and 2049/72;	Syczyn IG-5: Samples 671/73 and 672/73;
Cyców IG-6: Samples 2063/72 and 2064/72;	Syczyn IG-6: Samples 207/73 and 2081/73;
Cyców IG-6: Samples 2435/72 and 2436/72;	Zawadów IG-2: Samples 1521/70 and 1523/70;
Cyców IG-6: Samples 2441/72 and 2442/72;	Zawadów IG-3: Samples 238/73 and 239/73;
Cyców IG-6: Samples 2443/72 and 2444/72;	Zawadów IG-3: Samples 247/73 and 248/73;
Cyców IG-6: Samples 2446/72 and 2445/72;	Zawadów IG-3: Samples 251/73 and 352/73;
Cyców IG-7: Samples 959/68 and 960/68 (>1m dirt between these);	Zawadów IG-3: Samples 753/73 and 754/73 (>1m dirt between these);
Cyców IG-7: Samples 963/68 and 962/68;	Zawadów IG-3: Samples 258/83 and 257/73; also intervals were overlapping so thickness of lower sample was corrected from 0.8 to 0.3 as per borehole card.
Cyców IG-7: Samples 975/68 and 976/68;	Zawadów IG-3: Samples 628/73 and 273/73
Dorohucza IG-5: Samples 1088/73 and 1088a/73;	

For some seams additional intervals were input by RHDHV between sampled units; namely where partings were greater than 5cm and not considered "in-seam". This process is described in detail in Stage 6.

Stage 4. Input of data from PDZ boreholes

Information for the 2013-14 PDZ boreholes was input manually by RHDHV after extraction from certified data provided by the laboratories. In the interests of time only as received, air-dried and beneficiated information was input from the laboratory spreadsheets. Dry and Dry Ash Free were calculated using the appropriate formulae. Values calculated using this method were compared with laboratory analysis and shown to be the same. Also in the interests of time, only key results were transferred, results such as ultimate analysis were excluded. The following principal changes to the extracted LCP borehole data were made:

- Some samples were combined by the laboratory and not analysed separately. This information was removed from the database as it was not possible to deconstruct the data into its relevant component parts compatible with historical data. This was uncommon;
- Since CVs were quoted as either kcal or KJ/kg (new boreholes, plus Lublin 115, Lublin 116, Lublin 118, Lublin 120 and Cycow8) they were subsequently converted from KJ/kg to kcal to match with historic data. All CV values were

then converted to MJ/kg as this was deemed a more universally accepted and recognised unit. In some cases the CV column contained simply "Ash>75%", corresponding to samples where the proportion of coal was insufficient to allow a CV to be tested. In such cases the text was deleted. Two examples existed where the Gross CV values were too pale to read on the certificate sheets and had been input as question marks ("?"). RHDHV deleted this text, but the Net CV was left in. For Lublin 116 Sample 1932/80, c, the Gross CV was typed incorrectly as 60,406 instead of 30,406. This was corrected manually prior to conversion;

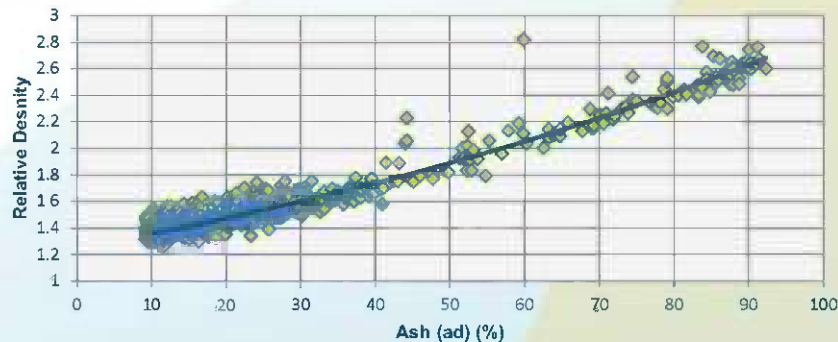
- Seam names for each interval were input from the LCP lithological seam logs to ensure that each sample was aligned with a seam;
- Any commas were again converted to decimal points;
- Relative densities were recorded under the air dried column, and it these values that were used in the model. No density information was present under the general or as received headers. Beneficiated densities were ignored as the model was constructed primarily from historical (raw) data, and as such would not be compatible. Any subsequent weighting of ROGA and swell data was undertaken using these raw (air dried) densities, not the beneficiated densities.
- Sample depths provided for the LCP boreholes were based on the original geologist's logs and were not depth corrected using the geophysical logs. In order to ensure compatibility between the stratigraphy (seam depths based on geophysics) and the samples, RHDHV adjusted the sample depths to match with the lithological boundaries. RHDHV notes that there are limitations with this method, as original data is being modified. However, the intra-seam properties are expected to remain consistent since PDZ sampled coal between the roof and floor, and the resultant analysis of this coal is being applied to the same general interval. RHDHV identified some instances where two samples existed per lithological unit. Here the proportion of the sample division in the original geologists depths and also the geophysical log were used to determine the ratio/split, an example of which is recorded below:

Syczyn8	790.77	791.41	S8-CQ-C-3B
Syczyn8	791.43	791.82	S8-CQ-C-3B
Syczyn8	791.82	792.12	S8-CQ-F
Syczyn8	792.12	792.42	S8-CQ-R-10

Stage 5. Second full spreadsheet health check

The following modifications were then made to neaten the dataset:

- Data was filtered to include just the air-dried data information;
- Statistical techniques were employed to check erroneous values, including sorting and checking of maximum and minimum values and plotting of comparison graphs such as RD versus ash. Any possible erroneous data was checked against certificate sheets and base data. All tests showed a good correlation in line with expectations:



- Any "unneeded" data was removed, such as coal quality parameters;
- SG for the new boreholes were transferred to the apparent density column (assumed to be equivalent for this study);
- The sample for Seam 382, borehole CIG5, was deleted due to lack of data;
- Null values (cells with no analytical data available) were replaced with "-99" to allow interpretation by the Vulcan™ software.

Stage 6. Incorporation of absent dirt partings

For the historic analysis where dirt partings were less than 5cm material was automatically incorporated into the sample and analysed raw (coal plus non-coal). In instances where dirt partings were greater than 5cm, but less than 30cm the interval was logged as non-coal but not sampled or subsequently analysed. If a Resource model was to be developed using only the analytical information inherited from the historical drilling the proportion of coal to dirt would be overestimated. To account for the dirt intervals not analysed RHDHV simulated analytical information for these partings. The simulated data was then weighted with the existing quality information to provide revised values reflecting the true higher proportion of dirt. Rather than assume the dirt partings were entirely non-carbonaceous (i.e. 100% dirt) RHDHV estimated the average properties of dirt horizons within that seam using the PDZ (2013/14) boreholes. The PDZ boreholes were sampled and analysed according to a high resolution basis differentiating between any coal or non-coal units. All parting analysis was compiled and categorised by seam. A weighted average for each coal quality parameter was calculated for each seam and these values were used to represent any dirt parting within that seam. RHDHV notes the limitations of this process (each dirt parting will have different properties and a weighted average may not be an accurate representation) however this methodology will produce more realistic results than assuming 100% ash, particularly since most partings are observed to be at least partly carbonaceous in nature. For some seams no seam specific parting information was available from the PDZ boreholes. Instead an overall average of all PDZ borehole partings was used.

In addition some samples were missing only CV data. Here the overall parting average was used instead otherwise the weighted average would just look at the coal. These have been marked up as orange in the Huw Existing Partings Tab.

The weighting was undertaken using the thicknesses of coal versus non-coal included in the original dataset. Each row was subsequently labelled coal, dirt or combined (the RHDHV estimated weighted average for that interval) in the Sample Type column (column J).

It should be noted that ROGA and swell data was not weighted against partings because such properties are a function only of the coal, and cannot easily be "downgraded" in response to the proportion of ash. It is assumed that some level of beneficiation will occur after extraction, and as such the beneficiated values for these coking properties should be used.

It should also be observed that intervals with high dirt proportions have a disproportionately high ash concentration. The ash value has been amplified because the original coal sample was contaminated by ash from the adjoining dirt band. The subsequent RHDHV weighting calculation will have double-counted some of this non-coal material as it assumes the original analysed sample represented only the coal interval. This skew towards higher ash in the weighted analysis was identified by RHDHV but was not identified to be significant.

C2. Validation during modelling

The following miscellaneous changes were made following, and as part of, the initial data checks conducted during the Vulcan™ modelling procedure:

- Overlapping interval SIG3 was identified for the Cretaceous-Jurassic boundary; 537m was corrected to 536m (identified in the borehole card), and was undertaken for both the lithological and seam interval spreadsheets;
- For borehole CIG1 the mudstone interval 935.1-935.1 in lithology spreadsheet has been deleted as it was of zero thickness;
- The following duplicate intervals were identified and corrected as per the following after checking the borehole card or certificate sheets:
 - OstIG1; Interval 1135.60-1135.60 changed to 1135.0-1135.6;
 - LB4; interval 851.2-857.4 changed to 852.9-857.4;

- o L108 contained a duplicated 391 sample at 745.9-747, also observed in the certificate sheets. RHDHV assumed this was a typographical error in the recordings and deleted the higher ash sample as it appeared anomalous with the rest of the seam;
- o L113 contained a duplicated 380 sample at 803.2-804, also observed in the certificate sheets. RHDHV deleted sample 1821/79 as the original geological log depths were shown to be inconsistent/disparate (at 806.3-806.5);
- o L113 contained a duplicated 392 sample at 918.4-919.2, also observed in the certificate sheets. RHDHV deleted sample 1831/79 as the original geological log depths were shown to be inconsistent/disparate (at 923.6-924);
- o L119 contained a duplicated 392 sample at 927-928, also observed in the certificate sheets. RHDHV deleted sample 1223/79 as the original geological log depths were shown to be inconsistent/disparate (at 929.4-929.6);
- o L96 contained a duplicated 387 sample at 790.8-791.5, also observed in the certificate sheets. RHDHV deleted sample 2108/77W as the original geology data did not have corrected depths for this sample, whereas the alternate sample **did** have corrected depths, and these matched with the values in the spreadsheet;

• CQ, changed the following (dummy value):

CIG3	391	183	820.06	2.37	69.2	14.94	11.43	99	99	99	99	0.36	99
CIG3	392	920.8	2574.72	2.29	17.24	99	25.17	99	99	99	99	99	99

- Borehole L116 contained four samples all across the same interval 765.95-767.65. After checking the laboratory certificate sheets these were corrected to their equivalent depth. The proportions of non-coal were modified as it was assumed that two of the units were the partings originally referred to (parting thickness 0.50m). The coal quality data is therefore no longer weighted with the dummy dirt parting; the analytical data from the laboratory sheets were used instead. The depth corrects are outlined as below:

Old					New				
L116	Z_379B	765.95	767.65	1338/80	L116	379B	765.95	766.55	0.60
L116	Z_379B	765.95	767.65	1949/80	L116	379B	766.55	767.05	0.50
L116	Z_379B	765.95	767.65	1939/80	L116	379B	767.05	767.40	0.35
L116	Z_379B	765.95	767.65	1950/80	L116	379B	767.40	767.65	0.25

- Borehole L118 contained two samples all across the same interval 700.9-701.8. After checking the lab sheets these were corrected to their equivalent depth. The proportions of non-coal were modified as it was assumed that the original parting thickness of 6cm was analysed due to its individual high ash. The coal quality data is therefore no longer weighted with the dummy dirt parting, the analytical data from the laboratory sheets were used instead;

Old					New				
L118	377B	700.90	701.80	0.84	0.90	0.00	0.84	0.06	
L118	377B	700.90	701.80	0.84	0.90	0.00	0.84	0.06	
New					New				
L118	377B	701.40	701.40	0.40	0.40	0.00	0.40	0.00	

- Borehole L90 contained two samples all across the same interval 860.4-863.5. After checking the lab sheets these were corrected to their equivalent depth. The proportions of non-coal were modified as it was assumed that the original parting thickness of 0.45cm was analysed due to its individual high ash (corresponding directly to middle sample). The coal quality data is therefore no longer weighted with the dummy dirt parting, the analytical data from the laboratory sheets were used instead;

Old									
		860.40				20.00	0.00		
L90				2.65	3.10			0.46	

New									
		861.10							
						95		0	

- For borehole Kulik depth 738.6 was assumed to be a typographical error and was corrected to 783.6;
- For borehole OP5 the seam file contained only one seam (Seam 392) and was therefore omitted from the modelling. The borehole has not been extensively examined by PDZ or sub-contractors, and the borehole is also missing core recovery information;
- For borehole CIG1, as identified in the lithology file the interval 741.65-741.75 was shown to be an overlapping interval and deleted (only 10cm of coal);
- For borehole CIG1 the depth was modified from 890.4 to 900.4 to prevent overlapping and a missing interval, and was assumed to be a typographical error;
- For borehole L117 the depths 969.10-969.90 were identified as typographical errors after examination of the certificate sheets, and modified to 696.10-696.90;
- Density values for the following boreholes were identified as typographical errors after examination of the laboratory sheets and updated from "0.35" to 1.35, and "32,1 /" to 1.32 respectively

L117	35	35.1	1823/78
------	----	------	---------

- For borehole SIG3 Seam 385B has been changed to 385 as only one instance of 385B existed and to simplify the geological model;
- For borehole L76 Seam 374B has been changed to 374 as only one instance of 374B existed and to simplify the geological model;
- For borehole SIG5 the second (lower) interval of 375A was renamed as 376. This was confirmed as the seam name was originally duplicated and the interburden distances appeared to correspond well with adjacent boreholes of L99 and L103;
- In boreholes L117 and L67 seams 378B & 378C were renamed as 378A & 378B respectively, in order to simplify the model. RHDHV identified only two examples of B/C ply combinations (A/B are more common and the proportions appeared to correspond well; e.g. upper leaf ~1.8m, lower leaf around 0.8m);
- Borehole L114 contains two occurrences of seam 378. RHDHV has modified these to 378A & 378B to correlate with adjacent boreholes;
- RHDHV identified three instances of seam 379C, which have been modified as below:
 - CIG5 contained only one 379 intersection and therefore the suffix C was simply been removed;
 - L85 contained intersections 379C and 379B, with B deeper than C. 379C has therefore been renamed 379A;
 - L73 contained intersections 379A, 379B and 379C. Unique seam intersections are difficult to model as the seam cannot be accurately extrapolated laterally. In order to allow Vulcan™ to model the seam splits RHDHV considered modifying the stratigraphy and seam structure to remove the reference to 379C. No action has taken but RHDHV would consider the following in their future remodels:
 - RHDHV merge seams 379B and 379C to form a single lower seam split. Because no coal quality data is present for this seam no further database modifications would be required;
 - RHDHV remove seam 379A as the coal is thinner here and 0.5m from 379B;
- In borehole CIG1 seam 380A appears twice. RHDHV renamed the deeper 380A as 380B;
- Seam 381 was kept in the model despite there being only four intersections confined to the south-west of the deposit;

- Seam 382C appears only once in borehole L72, and has therefore been modified to 382B,
- Seam 384A appears twice in borehole L68. The shallower split has been renamed as 383 as it is ~5m above and no 383 appears in this borehole despite being in some of the adjacent boreholes;
- Seam 391A appears twice in L75. The upper leaf is only 20cm thick, is 90cm above the other 391A, has not been analysed and has a core recovery of 43%. It has therefore been removed completely from the database. It has not been renamed to 390 because 390 does not typically occur in this area;
- Seam 392 was duplicated in many boreholes. RHDHV have renamed intersections as 392A and 392B where appropriate, as per the table below:

[illegible]

- Seam 382 was duplicated in boreholes BIG1 and L53. The lower leaf in each was modified to 383; seam 383 is present in nearby boreholes, whereas seam 381 is not, and the Interburden and seam thicknesses were observed to be appropriate and consistent;
- Seam 396 appears only once across the deposit, in borehole CIG. The intersection is also only 40cm thick and has no analytical data, and consequently was deleted in order to simplify the model;
- Seam 376 appears in borehole L54 twice. The lower intersection appears out of sequence, occurring between seams 377 and 379. RHDHV therefore renamed it to 378;
- Seam 389 appears in borehole L103 twice. The lower intersection appears out of sequence, occurring between seams 378 and 380. RHDHV therefore renamed it to 379;
- Seam 380 appears in borehole L79 twice. The lower seam split has been recorelated by PDZ and has been renamed as seam 382 by RHDHV;
- Seam 372 appears in borehole SIG6 twice. Following examination of the borehole cards and stratigraphy information, these have been interpreted as a seam split and renamed as 372A and 372B;
- A new seam intersection for 382 was identified in borehole L103 and inserted as below:

L103	806.8	807.9	1.1	0.9	0.2	86	86	SPR	W	Wégial	382	5555
------	-------	-------	-----	-----	-----	----	----	-----	---	--------	-----	------

- A new seam intersection for 382 was identified in borehole L56 and inserted as below:

868	868.5	1121	1123	80	100	Number	82	11540
-----	-------	------	------	----	-----	--------	----	-------

- In borehole L88, seam 384B was reclassified as seam 385;
- A new intersection for seam 385 was inserted in borehole L82 as per the properties below:

L82	385	850.1	851.4	1.3	81.1
-----	-----	-------	-------	-----	------

- A new intersection for seam 385 was inserted in borehole L52 as per the properties below:

L52	385	889.7	890.0	1.3	100
-----	-----	-------	-------	-----	-----

- A new intersection for seam 376 was inserted in borehole L78 as per the properties below:

L78	376	749.2	750.2	1.00	85.9
-----	-----	-------	-------	------	------

- A new intersection for seam 389 was inserted in borehole L82 as per the properties below:

L82	389	880.2	882.5	2.3	99.3
-----	-----	-------	-------	-----	------

- In borehole CIG1 a duplicated interval was identified, with the unit 935.10-935.10 being deleted (zero thickness);
- A number of instances of zero core recovery were identified and investigated individually. Examples generally corresponded to very thin seam intersections (typically around 20cm) which were not analysed. These intervals would therefore not form part of the Point of Observation definition and would not be relevant. In most cases core recoveries for specific intervals were not present on the borehole card, only recoveries for the overall drill run at that point. In such instances this total run core recovery was used instead, replacing the 0% with typically a 100% value. RHDHV noted that the 0% recorded and used could not be correct as coal was identified and described in the geologist's log. A summary of the changes made are included below:

BHID	Seam	From	To	Thickness	Recovery	Recovery type
L44	385	861.2	861.6	0.40	100	RTIN
L52	385	997.6	997.8	0.20	100	RTIN
L53	372	718.7	718.9	0.20	100	RTIN
L53	384B	872.2	872.4	0.20	100	RTIN
L57	391	997.9	998.1	0.20	100	RTIN
L65	395	925.6	925.8	0.20	100	RTIN
L66	373	705.7	705.9	0.20	100	RTIN
L79	370B	751.2	751.6	0.40	100	RTIN
L81	385	709.2	709.4	0.20	100	RTIN
L81	385	846.8	846.9	0.20	100	RTIN
L82	380	805.5	805.6	0.50	100	RTIN
L86	385	866.1	866.8	0.20	100	RTIN
OSIG1	385	917.2	917.4	0.40	100	RTIN
OSIG1	385	942.3	942.6	0.30	100	RTIN
SIG2	385	824.6	824.8	0.80	100	RTIN
SIG6	385	907.3	907.4	0.30	100	RTIN

- The core recovery for borehole L99, seam 395, Interval 899-899.2, was corrected from "SPR" to 100;
- RHDHV noted instances where density values were not present in the coal quality database, or any of the supporting documentation. Here it has been assumed that no densities were ever tested, or were available, and as such values have been estimated using the ash versus density graph best fit line. Densities for the following samples were estimated in this way:

Borehole	Sample interval	Borehole	Sample interval
----------	-----------------	----------	-----------------

Cypow8	C8-CQ-R-3	777	1111/78
Cycow8	C8-CQ-F	777	1111/78
Cypow8	C8-CQ-R-4	777	677/78
Cypow8	C8-CQ-F	777	1111/78
Cycow8	C8-CQ-R-9	777	1111/78
Cycow8	C8-CQ-F-9	777	1111/78
S7-CQ-R-8	S7-CQ-F-8	777	1111/78
DIG5	1114/73	777	1111/78
L100	284	777	1111/78
6%	1587/75	777	1498/78
6%	1225/75	777	2767/78
6%	1237/75	777	1111/78
6%	1017/75	777	1111/78
6%	1848	777	1111/78

- After production of an ash versus density plot an outlier for sample 2768/79 in borehole L117 was identified, and the value was modified from 1.01 to 1.41 after checking of the certificate sheet;
- RHDHV identified some final miscorrelations which were rectified as per the below:

Cypow8	Overlapping Intervals	QUAL	TO	777
Cypow8	Overlapping Intervals	QUAL	TO	777
Kopina1	Overlapping Intervals	QUAL	TO	1004/78
Kopina1	Overlapping Intervals	QUAL	TO	1004/78
Kopina1	increase/decrease	QUAL	TO	1004/78
Kopina1	increase/decrease	QUAL	TO	1004/78

Appendix D. Vulcan™ modelling methodology

1. Data Validation

Prior to the ISM validation process, basic visual checks were made to verify the spatial data imported to the DHD. The ISM process was subsequently run to determine the validity of the spatial structural and quality data contained within the DHD. Checks were made to determine the consistency of data and that it adheres to known stratigraphical relationships of the deposit. A full description of the data audit and validation process is described in Section 4.2.

2. Interpolation of drillhole data (FixDHD)

Lithological data were interpolated between all boreholes. This process, termed 'fixing from the drill hole database' (FixDHD), generates 2D surfaces ('mapfiles') for the roof and the floor of every sub-zone that is to be modelled at each borehole location. The FixDHD process is used to predict the location of missing seams using trends based on surrounding boreholes, to avoid gaps within the data.

Figure 20. Example of drilling missing specific seams where geological units are dipping

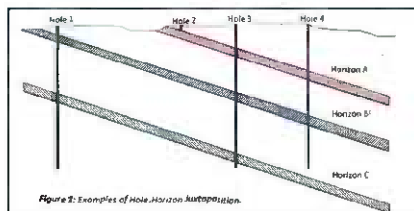


Figure 2: Examples of Hole Horizon Interpolation.

When interpolating between boreholes Vulcan™ will always represent seams that should be identifiable within the logged portion of a borehole, but are missing, as a zero thickness unit and assumes that the seams are not present within the sequence. Subsequently, a fixed drill hole database (FXD) was produced and formed the basis for stratigraphical modelling.

3. Model Stratigraphy

All structural surface information was used to produce an integrated stratigraphical model comprising a stack of 3D surfaces. In order to undertake stratigraphical modelling the FXD fault locations were required. These data were

combined to produce a series of structural grids (and associated triangulation surfaces) for the roof, floor, thickness and mid-burden of each stratigraphical unit. Units principally comprised the coal seams, but also included overlying units including the Cretaceous and Jurassic formations.

Faults

Major faults locations have been provided to RHDHV in electric format by PDZ to be digitised in Vulcan™. Faulting has been incorporated based on fault interpretations previously made by PDZ and GeoEkoWiert.

Two major faults have been incorporated into the geological model, located in the southwest of the Study Area within Concession K4-5. A single fault has been digitised using design strings (polylines) and has been used during HARP block modelling to constrain the extent of the resource to the southwest (discussed in detail in Section 5.4). Another fault terminating within the K4-5 concession area was constructed using 'w-tags' within the Vulcan™ software, which enable variable throws along strike to be taken into consideration. RHDHV used existing fault interpretations, in addition to a review of the un-faulted geological model - in particular a contour plan of seam 391 - to define the change in throw along the fault. The dip of the faults was assumed to be vertical (90°) in the absence of detailed character information and projected from surface as planes.

Modelling of Stratigraphy

Following modelling of the faults the FXD could be used to model the stratigraphy of the Study Area. It was decided to use the stacking approach to model the stratigraphy. This was because the floor of Seam 391 was considered a reliable reference point on which to base the position of the other seams as it occurred in most boreholes.

Surfaces were produced by a triangulation modelling method with a 1st order, linear trend. The structural surface's approach calculates seam thickness for each stratigraphical unit following generation of the associated roof and floor.

The thickness grids are absolute values, and therefore always positive, meaning that the seam's roof and floor surfaces can never cross. When the surface was created a crop line was input to account for the Jurassic standoff at -100m below the base. Anything above this line was excluded from the model.

Subsequent to construction of the model the stratigraphical surfaces were checked by creating and inspecting cross-sections through the basin. These surfaces provide the basis for later HARP block modelling.

4. Composite and model qualities

The quality data are an important aspect of the geological model as they enable the quality of coal being exploited at any point in 3D space to be determined. This is of particular importance during the mine planning and scheduling phases as they enable the quality of the extracted coal to be estimated on various temporal scales, as well as helping to determine the economic viability of specific seams.

The coal quality data were interpolated between boreholes to produce a series of quality grids for each wash value, stratigraphical unit and quality. This process is important in instances where not all stratigraphical units or boreholes were sampled, and therefore extrapolation of the data enables the quality of coal at any 3D point to be elucidated. Interpolation of the quality data was performed using the default inverse distance methodology, with a 0 trend order and 9 smoothing passes. A maximum of 10 samples were used to estimate each node on a grid. Default and null sample values such as -99 were excluded from the estimate.

Advanced geostatistical methods, i.e. variograms, were not considered appropriate for this study. The relevance of geostatistics to estimations in stratiform deposits such as coal is regularly debated. RHDHV's approach to estimation has been based on geological assessment of the lateral continuity of the seams across the deposit and attaining a good understanding of the stratigraphic and structural features at the site. Further, basing the model on advanced geostatistics was not considered appropriate due to the limitations of defining spacings (e.g. no downhole variogram can be produced). RHDHV consider geostatistical models to be more suitable for non-stratiform deposits where geology cannot be as easily understood, correlated, predicted, or extrapolated.

5. Create HARP model

The final stage is to generate a HARP block model, combining both the structural and quality grids into an integrated stratigraphical model, and enabling the deposit to be quantified via generation of a Resource Statement.

The base and roof of each block in the model is defined by 5 points. For the purpose of this study each block had a lateral extent of 25m x 25m. The height of each block within the model is variable and is based on the thickness of the coal sub-zone that the block is representing at that point in space.

Proportional cell evaluation was used in preference to centroid evaluation. Proportional is considered the more accurate method and also produces slightly lower (~0.3%) tonnages.

6. Advanced reserves

The Lublin coal deposit has been classified according to the Australian Guidelines for the Estimation and Classification of Coal Resources, 2014, which are the coal reporting guidelines of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, by the Australasian Joint Ore Reserves Committee (JORC code). The guidelines state that for the coal intersections within boreholes to be used as Point of Observations (PoO) they must contain appropriate amounts of both lithological and analytical data. The selection of analytical data as a parameter for the Resource estimation is discussed in detail elsewhere in Section 5.5.

The radii function was then used to digitise arcs around the remaining, selected boreholes with radii of 600m and 2,000m (or equivalent to all remaining coal) for Indicated and Inferred classifications respectively. This automated process digitised the outer most polygon boundary, producing a single outline for classification purposes.

The classification polygons were used to flag to the HARP block model. Subsequent Resource Statements would therefore report the resources and associated qualities of each sub-zone as being of Indicated or Inferred status. A hierarchical system meant that as the level of classification increased Resources falling within the new classification would be excluded from previous classifications.

Appendix E. Seam Summary Table

[illegible][illegible]

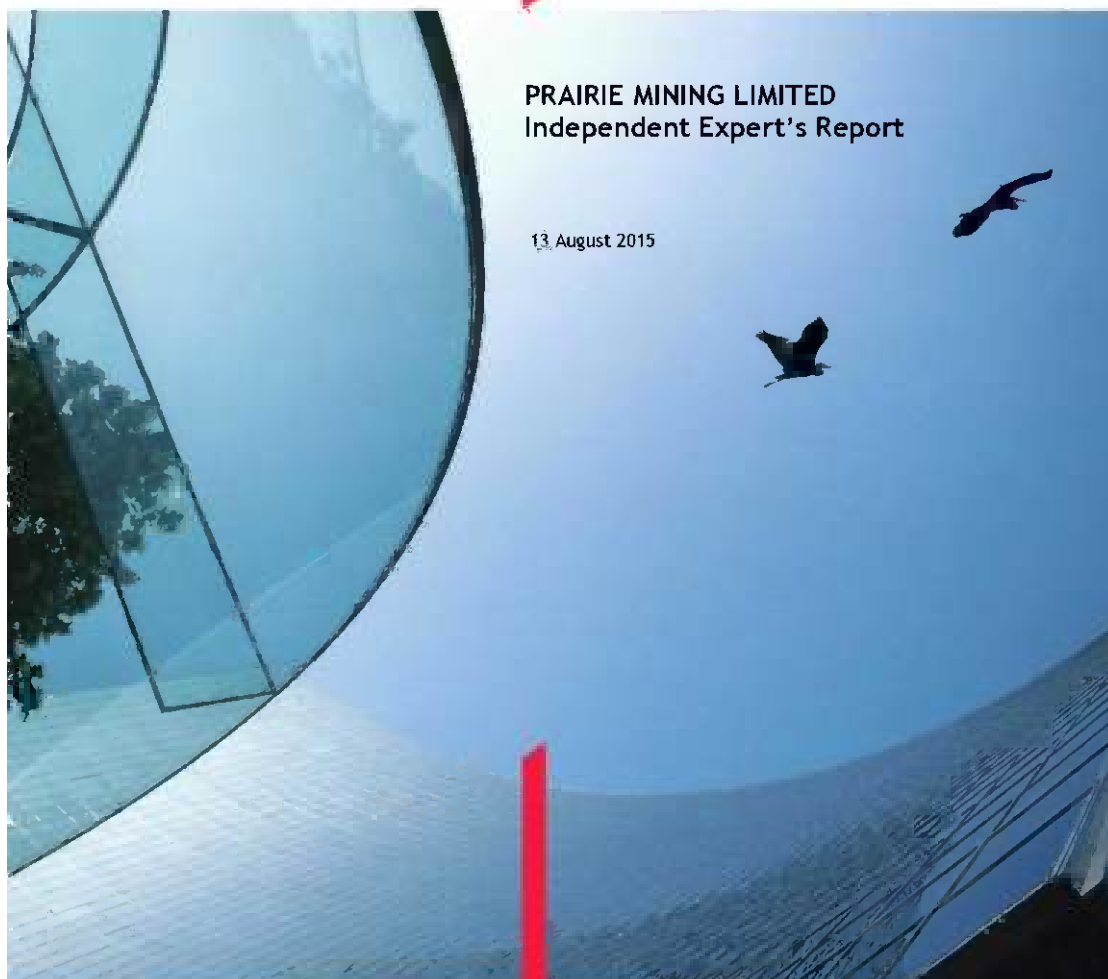
Annexure 1

Independent Expert's Report

The proposed issue of Ordinary Shares in Prairie pursuant to the CD Capital Agreement will result in CD Capital holding more than 20% of the issued capital in Prairie (23.18% after the issue of Ordinary Shares and CD Options to CD Capital and 31.16% after the issue of Ordinary Shares to CD Capital on conversion of the CD Options). Therefore and in accordance with the ASX Listing Rules and section 611 of the Corporations Act 2001, the notice of meeting calling the General Meeting was required to supply shareholders with all information that is material to enable them to form a decision on how to vote at the General Meeting. To satisfy this requirement, the Directors of Prairie have included an independent expert's report in the notice of meeting expressing an opinion as to whether the transaction with CD Capital is fair and reasonable to the shareholders of the Company who are not associated with CD Capital.

An independent expert's report has been prepared by BDO Corporate Finance (WA) Pty Ltd ("**BDO**"), which is contained at Annexure 1 to this Prospectus (the "**BDO Report**").

The BDO Report has been prepared in accordance with the Corporations Act 2001, taking into account Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 74 'Acquisitions Approved by Members', Regulatory Guide 111 'Content of Expert's Reports' and Regulatory Guide 112 'Independence of Experts'. It has been prepared solely for the purpose of the decision of shareholders on the resolutions to be considered at the General Meeting (as described at section 8.1(a) of Part 1 of this Prospectus) and should not be relied upon for any other purpose. Appendix 3 to the BDO Report contains an independent valuation report prepared by Royal HaskoningDHV in respect of the Lublin Coal Project and the Sawin-Zachod concession (the "**Valuation Report**").





Financial Services Guide

13 August 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Prairie Mining Limited ('Prairie') to provide an independent expert's report on the proposal to enter into a funding package with CD Capital Natural Resources Fund III LP. You will be provided with a copy of our report as a retail client because you are a shareholder of Prairie.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

BDO CORPORATE FINANCE (WA) PTY LTD



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$24,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments - In July 2014 and February 2015, BDO provided valuation services to Prairie Mining Limited for a total fee of \$3,060.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Prairie for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	2
3.	Scope of the Report	5
4.	Outline of the Funding Transaction	7
5.	Profile of Prairie	10
6.	Profile of CD Capital	17
7.	Economic analysis	18
8.	Industry analysis	20
9.	Valuation approach adopted	24
10.	Valuation of Prairie prior to the Funding Transaction	26
11.	Valuation of Prairie following the Funding Transaction	38
12.	Is the Funding Transaction fair?	39
13.	Is the Funding Transaction reasonable?	40
14.	Conclusion	45
15.	Sources of information	46
16.	Independence	46
17.	Qualifications	47
18.	Disclaimers and consents	47

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Royal HaskoningDHV

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13 August 2015

The Directors
Prairie Mining Limited
Level 9, The BGC Centre
28 The Esplanade
PERTH WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 19 July 2015, Prairie Mining Limited ('**Prairie**' or '**the Company**') entered into an investment agreement with PDZ Holdings Pty Ltd (a wholly-owned subsidiary of Prairie) ('**PDZ**') and CD Capital Natural Resources Fund III LP ('**CD Capital**') pursuant to which among other things:

- PDZ will issue to CD Capital, a non-interest bearing convertible loan note with an aggregate principal amount of \$15 million and convertible into PDZ shares at a conversion price of \$0.335 per share ('**Convertible Note**');
- PDZ will issue one PDZ option for every two shares issued on conversion of the Convertible Note which will be exercisable at \$0.60 per option on or before three years from their date of issue ('**CD Options**');
- Each PDZ share and option issued to CD Capital may be exchanged by either party into one Prairie share and option respectively; and
- Prairie will grant CD Capital a pre-emptive right to provide Prairie with funding up to an aggregate of \$55 million on such terms agreed between Prairie and CD Capital at a future point in time, if Prairie intends to raise capital, from a party that is not providing project financing in relation to engineering, procurement and contract services, off-take services and/or mining equipment supply services, which in aggregate exceeds \$10 million ('**Pre-Emptive Right**') (collectively the '**Funding Transaction**').

The proposed issue of Prairie shares as a result of the Funding Transaction will result in CD Capital holding more than 20% of the issued capital in Prairie. As such, the Funding Transaction is subject to shareholders' approval under Section 611 of the Corporations Act 2001 ('**Corporations Act**').

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2. Summary and Opinion

2.1 Purpose of the report

The directors of Prairie have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Funding Transaction is fair and reasonable to the non associated shareholders of Prairie ('Shareholders')

Our Report is prepared pursuant to Section 611 of the Corporations Act and is to be included in the notice of meeting for Prairie in order to assist the Shareholders in their decision whether to approve the Funding Transaction.

In addition, this report will be included in the prospectus for Prairie's proposed listing on the standard listing segment of the main market on the London Stock Exchange.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Funding Transaction as outlined in the body of this report. We have considered:

- how the value of a Prairie share prior to the Funding Transaction on a control basis compares to the value of a Prairie share following the Funding Transaction on a minority basis;
- the likelihood of a superior alternative offer being available to Prairie;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Funding Transaction; and
- the position of Shareholders should the Funding Transaction not proceed.

2.3 Opinion

We have considered the terms of the Funding Transaction as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Funding Transaction is not fair but reasonable to Shareholders.

In our opinion, the Funding Transaction is not fair because the value of a Prairie share prior to the Funding Transaction on a control basis is greater than the value of a Prairie share following the Transaction on a minority basis. However, we consider the Funding Transaction to be reasonable because the advantages of the Funding Transaction to Shareholders are greater than the disadvantages.

In particular, the Funding Transaction provides Prairie with an immediate and continuing cash injection for its exploration, pre-development and potential development of its coal assets.

2.4 Fairness

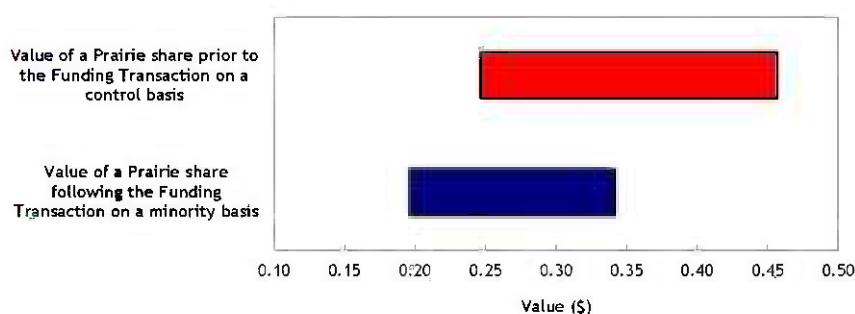
In section 12 of our Report, we determined that the Funding Transaction consideration compares to the value of Prairie, as detailed below.



	Ref	Low A\$	Preferred A\$	High A\$
Value of a Prairie share prior to the Funding Transaction on a control basis	10.3	\$ 0.246	\$ 0.352	\$ 0.457
Value of a Prairie share following the Funding Transaction on a minority basis Source: BDO analysis	11	\$ 0.197	\$ 0.267	\$ 0.342

The above valuation ranges are graphically presented below:

Valuation Summary



The above pricing indicates that, in the absence of any other relevant information, the Funding Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Funding Transaction; and
- other considerations, including the position of Shareholders if the Funding Transaction does not proceed and the consequences of not approving the transaction.

In our opinion, the position of Shareholders if the Funding Transaction is approved is more advantageous than the position if the Funding Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Funding Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:



ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.5	The Funding Transaction provides Prairie with an immediate cash injection to enable continued exploration, technical studies and mine permitting.	13.6	The Funding Transaction is not fair
13.5	The Funding Transaction also provides auxiliary funding for development purposes	13.6	Existing Shareholders will be diluted
13.5	CD Capital will become a strategic investor in Prairie and its interests are likely to be aligned with Shareholders	13.6	The Funding Transaction may limit the involvement of other sophisticated investors other than those interested in project financing
13.5	CD Capital's nominee directors are likely to provide additional knowledge, experience and independence to Prairie's board		
13.5	The Funding Transaction will not necessarily deter the potential for Shareholders to benefit from a future corporate event		
13.5	Conversion feature of the Convertible Note assists Prairie in managing its financial position		

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposals
13.2	Minority Interest Values
13.3	Practical Level of Control
13.4	Consequences of not approving the Funding Transaction



3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

If the Funding Transaction is approved, CD Capital will obtain a relevant interest in Prairie of up to 31.16%.

Section 611 of the Corporations Act ('Section 611') permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Prairie, by either:

- undertaking a detailed examination of the Funding Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Prairie have commissioned this Independent Expert's Report to satisfy this obligation.

In addition, this report has been prepared for inclusion in the prospectus required to facilitate Prairie's proposed listing on the standard listing segment of the main market of the London Stock Exchange.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Funding Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Funding Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Funding Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a



transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between value of a Prairie share prior to the Funding Transaction on a control basis and the value of a Prairie share following the Funding Transaction on a minority basis (fairness - see Section 12 'Is the Funding Transaction Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Funding Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



4. Outline of the Funding Transaction

On 19 July 2015, Prairie entered into an investment agreement with CD Capital and PDZ ('Investment Agreement'), pursuant to which:

- PDZ will issue to CD Capital a non-interest bearing convertible note of a principal amount of \$15 million, guaranteed by Prairie, and convertible into PDZ shares at a conversion price of \$0.335 (previously defined Convertible Note);
- for every two PDZ shares issued on conversion of all or part of the Convertible Note, PDZ will issue CD Capital one PDZ option exercisable on or before three years from the date of issue at an exercise price of \$0.60 (previously defined CDC Options); and
- Prairie and CD Capital will enter into a put and call option agreement ('PCO Agreement') (together with the Investment Agreement, defined 'Agreements') pursuant to which each PDZ share and option issued to CD Capital may be exchanged by either party into one Prairie share and option respectively.

On its terms the Convertible Note is only repayable upon the event of default, where among others, an event of default includes:

- an event of insolvency in relation to Prairie and/or PDZ;
- Prairie and/or PDZ cease to carry on business;
- Prairie becomes unlisted; or
- If the re-election of the two nominee directors of CD Capital is not approved by the requisite majority of shareholders at the first annual general meeting of shareholders following the issue of the Convertible Note.

While the Convertible Note remains outstanding:

- CD Capital has the right to convert all or part of the outstanding principal amount into PDZ shares at the conversion price provided conversion must occur for a minimum amount of \$250,000 and thereafter in increments of \$250,000.
- Prairie and PDZ have the right to convert all or part of the principal amount of the Convertible Note at the conversion price if:
 - At any time 12 months after the date of issue of the Convertible Note, the weighted average trading price of Prairie's shares exceeds the conversion price for the 30 trading day period prior to Prairie and/or PDZ electing to convert all or part of the Convertible Note; or
 - At any time after the issue of the Convertible Note if a person acquires a relevant interest in at least 50% of the shares in Prairie pursuant to a takeover bid or an Australian court approves a merger by way of a scheme of arrangement.

Pursuant to the Investment Agreement, on completion of CD Capital's subscription for the Convertible Note, CD Capital has the right to nominate either one or two nominee directors to the board of Prairie provided that it holds at least:

- 5% of the issued capital in Prairie on an 'as converted' basis ('5% Threshold'), to nominate one director; and



- 15% of the issued capital in Prairie on an 'as converted' basis, to nominate two directors.

Prairie will also undertake that without prior written consent of CD Capital, it will not:

- amend its constitution such that it impacts on any rights of CD Capital;
- expand the business of Prairie otherwise than through Prairie and its subsidiaries;
- change the nature of the business of Prairie;
- pass any resolution to wind up Prairie or any subsidiary either solvently or by entering into a scheme of arrangement with creditors; nor
- use the funds provided by the Convertible Note in a manner other than in accordance with the agreed budget with CD Capital.

Additionally CD Capital has a pre-emptive right to provide Prairie with additional debt and/or equity funding up to an aggregate of \$55 million on such terms agreed between Prairie and CD Capital at a future point in time, if Prairie intends to raise capital from a party that is not providing project financing in relation to engineering, procurement and contract services, off take services and/or mining equipment supply services, which in aggregate exceeds \$10 million and this proposed capital raising occurs within the later of:

- two years after the issue of the Convertible Note; and
- the date CD Capital ceases to satisfy the 5% Threshold (previously defined Pre-Emptive Right).

Subject to specific exclusions and the ASX providing Prairie with a waiver from the ASX Listing Rules, if Prairie issues shares to any person or entity prior to the release of the results of a bankable feasibility study for Prairie's Lublin Coal project, CD Capital has the right to subscribe and be issued additional Prairie shares to maintain its percentage relevant interest in Prairie on an as converted basis ('Top Up Right').

Herein the rights and obligations of all parties to the Agreements are collectively referred to as the **Funding Transaction**.

Proposed Capital Structure

We have presented the proposed capital structure of Prairie following the Funding Transaction on both a diluted and undiluted basis.

Undiluted Basis

We note that as at the date of our Report, CD Capital does not hold a relevant interest in Prairie. As detailed in the table below, the issue of Prairie shares on conversion of the Convertible Note will result in CD Capital's relevant interest in Prairie increasing to 23.18%. In this case, Shareholders will be diluted from 100% to 76.82%.



Capital structure of Prairie on an undiluted basis	Existing Shareholders	CD Capital	Total
Issued Shares as at the date of this Report	148,352,432	-	148,352,432
% holdings as at the date of this Report	100.00%	0.00%	100%
Shares Issued on conversion of Convertible Note	-	44,776,120	44,776,120
Issued Shares following the Funding Transaction	148,352,432	44,776,120	193,128,552
% holdings following the Funding Transaction	76.82%	23.18%	100%

Source: BDO analysis

Diluted Basis

The table below presents the potential maximum relevant interest that CD Capital will acquire in Prairie. This scenario assumes the issue of shares on conversion of the Convertible Note, the exercise of the CDC Options regardless of whether they are in-the-money or not, and that no other shares are issued including on account of the exercise of options irrespective of whether they are in-the-money or not.

In this case, CD Capital's relevant interest will increase to 31.16% and Shareholders will be diluted from 100% to 68.84%.

Capital structure of Prairie on a diluted basis	Existing Shareholders	CD Capital	Total
Issued Shares as at the date of this Report	148,352,432	-	148,352,432
% holdings as at the date of this Report	100.00%	0.00%	100%
Shares issued on conversion of Convertible Note	-	44,776,120	44,776,120
Shares issued on exercise of CDC Options	-	22,388,060	22,388,060
Issued Shares following the Funding Transaction	148,352,432	67,164,180	215,516,612
% holdings following the Funding Transaction	68.84%	31.16%	100%

Source: BDO analysis

Section 5.5 of our Report provides further details of the options and performance rights issued by Prairie some of which, as at the date of our Report, are in-the-money.

5. Profile of Prairie

5.1 History and Overview

Prairie was initially admitted to the official list of the ASX in September 1993 under the entity name Investment Company of the West Limited and operated as an investment company. In 2005, Prairie (formerly known as Prairie Downs Metals Limited) was formed as a mining exploration company following the reverse takeover of Minerals Investments Pty Ltd.

Since its reverse takeover listing, Prairie has remained an Australian mining exploration and development company and more recently has begun focusing on coal assets. Prairie's head office is located in Perth, Western Australia.

Prairie's key assets include its interests in the Lublin Coal project located in the south east of Poland and the Base Metals Project ('BMP') located southwest of Newman in the Pilbara region of Western Australia. During October 2013, the Company determined to focus solely on the Lublin Coal project and entered into a farm-in agreement with Marindi Metals Pty Ltd ('Marindi') pursuant to which Marindi could earn up to 100% interest in the BMP provided, among other things, certain expenditure conditions were met.

In April 2015, Prairie entered into a new agreement with Marindi (replacing the above farm-in agreement) pursuant to which Marindi can acquire a 100% interest in the BMP in exchange for:

- an initial cash payment of \$500,000;
- a subsequent payment of \$1 million in either cash or listed shares (at Marindi's election) on or by 30 September 2016; and
- a 2.5% net smelter royalty in favour of Prairie.

As of the date of our Report, Marindi has paid the initial cash payment to Prairie of \$500,000, and Prairie is unaware whether Marindi will make its subsequent payment of \$1 million.

On 3 July 2015, the Company announced that it intends to apply for admission to the official list of the London Stock Exchange and the Warsaw Stock Exchange ('Proposed Listings'). Prairie confirmed it did not intend to undertake a public offering in connection with the Proposed Listings but rather the intention of the Proposed Listings was to facilitate the next stage of Prairie's development by further raising its profile within the region and to facilitate the future participation of UK, Polish and other European investors in Prairie's future growth prospects. It is expected the Proposed Listings will occur during the third quarter of 2015.

The current board of directors and key management personnel of the Company includes:

- Mr Ian Middlemas - Chairman;
- Mr Benjamin Stoikovich - Director and Chief Executive Officer;
- Mr Anastasios Arima - Executive Director;
- Mr Thomas Todd - Non-Executive Director;
- Mr John Welborn - Non Executive Director;
- Mr Mark Pearce - Non-Executive Director;
- Mr Todd Hannigan - Alternate Director; and

Mr Dylan Browne - Company Secretary.

5.2 Lublin Coal Project

The concession areas on which the Lublin Coal project is situated was first subject to exploration drilling from the late 1960's with the majority of exploratory drilling undertaken by the Polish government during the 1970's and 1980's. The concessions presently cover an area of approximately 182 square kilometres and are located in the east of Poland, nearby to the city of Lublin, Poland.

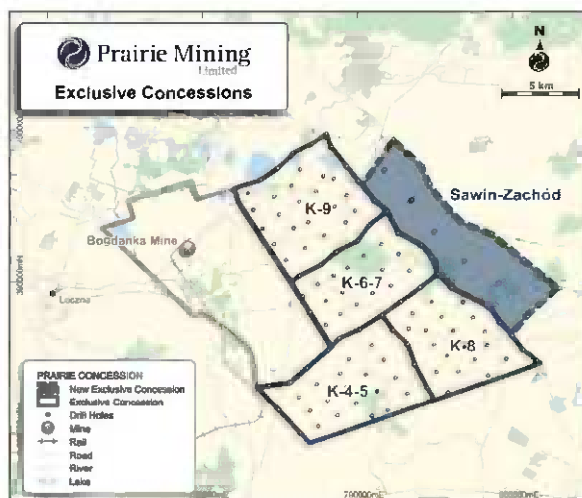
In August 2012, Prairie secured four concession blocks which make up the Lublin Coal project, the concessions are named:

- Kulik (Lublin K-4-5);
- Cycow (Lublin K-6-7);
- Syczyn (Lublin K-8); and
- Kopina (Lublin K-9).

During the first half of 2014, Prairie conducted and released the results of its scoping study on the Lublin Coal project. The results indicated that there was potential for the Lublin Coal project to be developed as a large scale long life mine with strong fundamentals and with a focus on producing semi-soft coking coal from the target 391 seam, and potential by-product thermal coal.

In February 2015, Prairie announced that it had secured a contiguous coal concession to add to its Lublin Coal project. The new concession known as Sawin-Zachód, increased the area covered under Prairie's concessions to approximately 235 square kilometres.

Below is a diagram illustrating the locations of the concessions which are part of the Lublin Coal project.



Source: Prairie Management



On 23 July 2015, the Company announced updated JORC 2012 coal resource estimates for its Lublin Coal Project. As per the announcement, the Lublin Coal project has indicated coal resources of 333 million tonnes, and inferred coal resources of 390 million tonnes, for a combined total coal resource of 722 million tonnes.

Further information on the Lublin Coal project is detailed in Royal HaskoningDHV's ('RHDHV') independent valuation report included in Appendix 3.

5.3 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-14 \$	Audited as at 30-Jun-14 \$	Audited as at 30-Jun-13 \$
CURRENT ASSETS			
Cash and cash equivalents	2,047,340	2,574,300	6,170,841
Trade and other receivables	404,115	354,651	393,440
Other financial assets	9,911,563	22,111	22,000
TOTAL CURRENT ASSETS	12,363,018	2,951,062	6,586,281
NON-CURRENT ASSETS			
Other financial assets	-	18,800,000	6,650,000
Plant and equipment	74,145	87,635	47,606
Exploration and evaluation assets	530,000	530,000	530,000
TOTAL NON-CURRENT ASSETS	604,145	19,417,635	7,227,606
TOTAL ASSETS	12,967,163	22,368,697	13,813,887
CURRENT LIABILITIES			
Trade and other payables	1,873,222	1,036,409	801,135
TOTAL CURRENT LIABILITIES	1,873,222	1,036,409	801,135
TOTAL LIABILITIES	1,873,222	1,036,409	801,135
NET ASSETS	11,093,941	21,332,288	13,012,752
EQUITY			
Contributed equity	34,936,844	34,864,888	30,820,466
Reserves	6,707,944	11,186,250	1,892,782
Accumulated losses	(30,550,847)	(24,718,850)	(19,699,886)
TOTAL EQUITY	11,093,941	21,332,288	13,013,362

Source: Prairie's audited financial statements for the years ended 30 June 2013 and 30 June 2014, and reviewed financial statements for the half year ended 31 December 2014.

We note that Prairie's auditor issued an unmodified audit report with no qualifications for the review period to 31 December 2014.

Commentary on financial position

- As at the half year ended 31 December 2014, Prairie's cash and cash equivalents balance was marginally lower at \$2,047,340 in comparison to as at 30 June 2014 of \$2,574,300. During the six month period from 1 July 2014 to 31 December 2014, key cash and cash equivalents movements were

comprised of payments to suppliers and employees of \$4,334,557 and proceeds from sale of available-for-sale financial assets of \$3,688,092. During the financial year ended 30 June 2014, key cash and cash equivalents movements were the payments to suppliers and employees of \$7,593,798 and proceeds from the issue of shares from a share placement of \$4,158,750.

- Other financial assets comprise of Prairie's investments in Canadian listed B2Gold Inc (TSX:BTO) ('B2Gold'). This investment was initially in Papillon Resources Limited ('Papillon'), but on 3 October 2014, B2Gold acquired 100% of Papillon by way of a scheme of arrangement, and as consideration Prairie was issued 0.661 B2Gold shares per Papillon share. Prairie reclassified its investments during the half year ended 31 December 2014 from non-current to current assets given its intention to dispose of the investment.
- The decreased balance of other financial assets of \$9,911,563 as at 31 December 2014 from \$18,800,000 as at 30 June 2014 is primary on account of a reduction in the carrying value of \$3,688,092 following the sale of 1 million Papillon shares on 1 September 2014 and 1 million B2Gold shares during the six months ended 31 December 2014, and \$5,541,895 due to changes in fair value recognised in the reserve account.
- Prairie's accounting policy with respect to exploration and evaluation assets is that they are measured at cost at recognition and are recorded as an asset if the rights to tenure of the area of interest are current and either:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

Prairie's exploration and evaluation asset balance of \$530,000 for each respective balance date is comprised of the cost of acquisition of the Lublin Coal project.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-14	Audited for the year ended 30-Jun-14	Audited for the year ended 30-Jun-13
	\$	\$	\$
REVENUE			
Revenue	23,260	131,938	141,428
Other income	2,664,130	-	166,525
EXPENSES			
Exploration and evaluation expenses	(4,292,036)	(6,603,649)	(2,335,377)
Employment expenses	(95,933)	(273,188)	(286,112)

Administration and corporate expenses	(111,657)	(323,654)	(289,422)
Occupancy expenses	(247,570)	(398,065)	(436,324)
Share-based payment expenses	(889,725)	(636,708)	(110,604)
Business development expenses	(422,552)	(560,638)	(294,466)
Other expenses	-	-	(1,685,000)
LOSS FROM CONTINUING OPERATIONS	(3,372,083)	(8,663,964)	(5,129,352)
Income tax expense	(2,459,914)	3,645,000	(825,000)
LOSS FOR THE PERIOD	(5,831,997)	(5,018,964)	(5,954,352)
Changes in the fair value of financial assets ⁸	(5,500,342)	12,150,000	(2,750,000)
Deferred tax on financial assets	1,660,675	(3,645,000)	825,000
Exchange differences on translation of financial assets	318,471	-	-
Net realised gain on financial assets transferred	(2,664,130)	-	-
Deferred tax on sale of financial assets	799,239	-	-
Exchange differences on translation of foreign operations	18,056	45,705	(58,448)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(11,200,028)	3,531,741	(7,937,800)

Source: Prairie's audited financial statements for the years ended 30 June 2013 and 30 June 2014, and reviewed financial statements for the half year ended 31 December 2014.

Commentary of financial performance

- Revenues for the years ended 30 June 2013 and 2014, and half year ended 31 December 2014 is solely comprised of interest income earned from cash deposits.
- Other income of \$2,664,130 during the half year ended 31 December 2014 is due to the net gain on the sale of Prairie's equity investment in B2Gold (formerly Papillon). As detailed in section 5.3, on 1 September 2014, Prairie sold a share parcel of 1 million Papillon shares and 1 million B2Gold shares for \$3,688,092. The net gain on sale represents the proceeds of the sale minus the initial acquisition cost.
- Other income of \$166,525 during the year ended 30 June 2013 is primarily comprised of geological services income of \$5,120 and offices services income from unrelated parties of \$151,405. These income streams are no longer applicable for Prairie given the rendering of these services ceased during the year ended 30 June 2013.
- Exploration expenditures have continually grown over the respective reporting periods, for example from approximately \$6.6 million during the year ended 30 June 2014 to approximately \$4.3 million (\$8.6 million on an annualised basis) during the half year ended 31 December 2014. Increased expenditures are primarily on account of the increased activity at the Lublin Coal project in Poland. In particular, throughout half year ended 31 December 2014, key exploration and evaluation expenditures include the commencement of a pre-feasibility study and coal marketing study for the Lublin Coal project.
- Other expenses for the year ended 30 June 2013 relate to an impairment charge of \$1,685,000 on Prairie's BMP asset. The impairment was made based on market conditions.



5.5 Capital Structure

The share structure of Prairie as at 31 July 2015 is outlined below:

	Number
Total ordinary shares on issue	148,352,432
Top 20 shareholders	72,754,515
Top 20 shareholders - % of shares on issue	49.04%

Source: Share registry information

The range of shares held in Prairie as at 31 July 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	634	148,926	0.10%
1,001 - 5,000	323	946,504	0.64%
5,001 - 10,000	222	1,856,963	1.25%
10,001 - 100,000	615	24,163,294	16.29%
100,001 - and over	162	121,236,745	81.72%
TOTAL	1,956	148,352,432	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 31 July 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
UBS Nominees Pty Ltd	12,755,666	8.60%
Arredo Pty Ltd	10,000,000	6.74%
J P Morgan Nominees Australia Limited	9,689,277	6.53%
RBC Trustees (CI) Ltd	4,240,000	2.86%
Subtotal	36,684,943	24.73%
Others	111,667,489	75.27%
Total ordinary shares on issue	148,352,432	100.00%

Source: Share registry information

The Company has the following options on issue as at 31 July 2015:

Options currently on issue	Number
Options exercisable at \$0.25 on or before 30-Jun-16	1,250,000
Options exercisable at \$0.35 on or before 30-Jun-17	1,600,000
Options exercisable at \$0.40 on or before 30-Jun-16	1,500,000
Options exercisable at \$0.45 on or before 30-Jun-17	4,460,000
Options exercisable at \$0.45 on or before 30-Jun-18	1,400,000



Options exercisable at \$0.60 on or before 30-Jun-17	2,265,000
TOTAL	12,475,000

Source: Option registry information

As at 31 July 2015, the ASX market closing price for Prairie's shares was \$0.335. As such, we note that there are 1,250,000 options exercisable on or before 30 June 2016 which are presently in-the-money ('ITM Options').

The Company has the following performance rights on issue as at 31 July 2015:

Performance Rights currently on issue	Number
Performance Rights expiring on 31 December 2016 (Tranche 4 of Prairie's Performance Rights Plan)	1,747,000
Performance Rights expiring on 31 December 2016	1,200,000
Performance Rights expiring on 31 December 2020	1,200,000
TOTAL	4,147,000

Source: Prairie's Management

The 1,747,000 performance rights expiring on 31 December 2016 (tranche 4 performance rights from Prairie's performance rights plan) will vest on the granting of a mining permit on the Lublin Coal project concessions and the announcement on the ASX by Prairie of a positive definitive feasibility study at the Lublin Coal project. As at the date of our report, neither of the vesting conditions have been met.

On 18 February 2015, Prairie issued 2,400,000 performance rights in two tranches:

- 1,200,000 performance rights expiring on 31 December 2016 will vest on the granting of a mining permit on the Lublin Coal project; and
- 1,200,000 performance rights expiring on 31 December 2020 will vest on the initial production from the Lublin Coal project.

As at the date of our Report, none of the aforementioned performance rights' vesting conditions have been met.



6. Profile of CD Capital

6.1 History and Overview

CD Capital (UK) Limited is an independent investment fund manager and adviser based in the United Kingdom, founded by Carmel Daniele in 2007. CD Capital (UK) Limited is registered and authorised by the UK Financial Conduct Authority and currently manages a total of three mining investment funds. CD Capital (UK) Limited has a track record of implementing investments in the mining sector. CD Capital (UK) Limited is a specialist private equity investor in the mining sector.

The investment in PDZ (and Prairie upon conversion and exercise of the PCO Agreement) will be completed by CD Capital (UK) Limited's third fund, CD Capital Natural Resources Fund III LP (previously defined CD Capital). CD Capital invests in projects in the bulk commodities, precious metals and base metals sectors.

CD Capital's core focus is to identify, invest in and develop world class mining projects. CD Capital (UK) Limited employs an active, hands-on approach working in partnership with all its portfolio companies to maximize value of the resource and ultimate market value of the company.

7. Economic analysis

7.1 Global

Growth of global economic activity remains moderate. In the euro area, economic conditions improve gradually, although activity is still low. In the United States, recent data suggest that the slowdown at the beginning of the year was temporary and the economic outlook is favourable. In turn, economic growth in China remains low as for this country.

Despite the ongoing recovery in developed economies, the sentiment in the financial markets has recently deteriorated in the wake of growing fears of a Greek insolvency. This was conducive to a fall in prices of some financial assets as well as a weakening of exchange rates of Central and Eastern European currencies.

Following a sharp and long-lasting fall, oil prices have risen slightly in recent months. This has weakened disinflationary forces in many countries, fuelling an increase in price growth in the euro area. However, price growth in the global economy remains very low, and in some European economies it is still negative. In these conditions, major central banks are keeping interest rates close to zero and the European Central Bank is continuing its asset purchase programme.

7.2 Poland

Economic Growth

Economic growth in Poland accelerated slightly in the first quarter of 2015, running at 3.6% year on year growth in comparison to 3.3% in the fourth quarter of 2014. The increase in economic growth was mainly driven by a sharp rise in the contribution of net exports, occurring on the back of considerably higher exports, amidst weakening import growth. Nevertheless, it was domestic demand that continued to be the primary driver of GDP growth. This was due to a sharper investment growth, with consumption expanding at stable rates.

GDP growth in the second quarter of 2015 most likely continued at a previous quarter level. Increase in consumption and investment, fuelled by an improving labour market situation, good financial condition of enterprises and a rise in lending, has remained the main driver of economic growth. At the same time, recent data do not indicate acceleration of economic growth in the coming quarters.

Inflation Rates

Due to the moderate pace of growth in demand and the continuing negative output gap, there is no inflationary pressure in the economy. Moreover, low commodity prices and moderate nominal wage growth are contributing to the continued lack of cost pressure. As a result, the annual growth of consumer prices remains negative, although the increase in the annual growth of fuel and food prices in the recent period has limited the scale of deflation. The annual growth of producer prices is also negative, while inflation expectations remain very low.

Interest Rates and Credit Growth

In March 2015, the monetary policy council of the Narodowy Bank Polski ('NBP') lowered interest rates by 50 basis points such that the reference rate was reduced to 1.5%. It was also signalled that this would conclude the monetary policy easing cycle. Given faded expectations for further decreases in the NBP



interest rates and a rise in government bond yields abroad, the euro area included, the Polish sovereign yield curve increased in its longer end.

In the first months of 2015, lending growth remained moderate while both corporate and household deposits continued to rise solidly, lending growth in the corporate sector was somewhat slower than in the previous quarter mainly due to a slightly weaker growth in investment lending, coupled with a relative stabilisation in the growth of short-term lending. Growth in lending to the household lost some momentum with weaker growth accounted by for a significant tightening of lending standards and some lending terms for this category of loans.

As expected, the monetary policy council determined to keep the NBP interest rates unchanged at the meeting held over 7 and 8 July 2015.

The Zloty

In recent times, the zloty exchange rate has depreciated against the euro and the Swiss franc, while remaining low against the US dollar. In March and April, the zloty was supported by faded expectations for further decreases in the NBP interest rates. However, like other currencies of the Central and Eastern European countries, the zloty started to weaken against the euro since May. This was due to the recovery in the euro area, some weaker data releases on Polish economy and the increase in risk aversion resulting from concerns about developments in Greece.

7.3 Australia

Economic Growth

In Australia, the available information suggests that the economy has continued to grow over the past year, but at a rate somewhat below its longer-term average. The rate of unemployment, though elevated, has been little changed recently. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet. With very slow growth in labour costs, inflation is forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate.

Interest Rates and Credit Growth

Global financial conditions remain very accommodative. Despite fluctuations in markets associated with the respective developments in China and Greece, long-term borrowing rates for most sovereigns and creditworthy private borrowers remain remarkably low.

Low interest rates in Australia are acting to support borrowing and spending. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the housing market broadly steady over recent months. Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities. The Reserve Bank of Australia ('RBA') is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates.

At its most recent meeting, the RBA decided to leave the cash rate unchanged at 2.0%. However, Governor Glenn Stevens signalled that the RBA expects to start increasing its policy rate later this year.

The Australian Dollar

The Australian dollar has declined noticeably against a rising US dollar over the past year, though less so against a basket of currencies. Further depreciation seems both likely and necessary, particularly given the significant declines in key commodity prices.

Source: www.nbp.pl Inflation Report by the Monetary Policy Council July 2015, www.nbp.pl Information from the meeting of the Monetary Policy Council held on 7-8 July 2015, and www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 July 2015

8. Industry analysis

Coal deposits are found below the earth's surface with the quality of a coal deposit determined by the length of time in formation, commonly known as its 'organic maturity', temperature and pressure. The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank coals such as lignite generally possess a much lower organic maturity, have a soft texture, a dull earthy appearance and are characterized by high moisture levels and low energy (carbon) content. Higher ranked coals such as Anthracite, which is the highest ranking coal, are harder, stronger, contain less moisture, and produce more energy.

To date coal has been mined by two broad methods, opencast mining and underground mining, the choice of extraction method determined by the geology of the coal deposit. Operators in the black coal sector produce two main products; coking coal and thermal coal.

Coking Coal

Coking coal, often referred to as metallurgical coal, is used to produce coke, which is in turn used to manufacture iron and steel. It is primarily used because of its high carbon content and coking characteristics, however it is also used for the smelting and casting of base metals. Of the different types of coking coal, hard coal is the most valuable as it produces the highest quality coke. Semi soft coking coal and Pulverised Coal Injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Coking coal accounts for a small share of output but a higher share of revenue due to its higher price. It accounted for a decreasing share of revenue over the past five years as its prices declined at a faster rate.

Thermal Coal

Thermal coal, also referred to as steaming coal generally contains less carbon than coking coal therefore it cannot be used in the production of steel. It is therefore primarily used as an energy source for coal fired power plants. The major producers of thermal coal are China, USA and India, with the largest importers being China, Japan and South Korea.

8.1. Demand

With both the international community and the world's dependency on energy growing, fuel products are the single most important input affecting global economic growth. The continued growth of emerging nations such as India and China are key drivers for demand. In particular, the demand for electricity in these emerging nations is considered to be a key determinant for the current performance of the industry,



Currently, over 73.8% of global coal production comprise of thermal coal, with the share expanding in the last five years as a result of growing global consumption.

Production growth has continued as expansions and new mines commissioned under more favourable price signals have entered operation. This is despite declining world prices.

Coking Coal

Companies that use coking coal as a primary input material are the largest market in the industry. There is a lack of substitutes for coal in steel and metal smelting and refining processes. Roughly 70% of total global steel production is dependent on coking coal. Demand is heavily dependent of global steel production with trends in pig iron and steel being the primary demand determinants. Strong population growth and urbanisation drive demand for steel.

Shifts in steel production methods also influence demand as changes in relative prices of electricity, coking coal and the availability of steel scrap see steel production shift between blast furnaces and electric arc furnaces. Electric furnaces are primarily scrap recycling operations and require minimal amounts of coke.

Demand for coking coal has fallen in line with lower steel production in the major export destinations. China and India's coal demand growth is forecast to be slower in this decade than it has been in the last decade driven by efficiency improvements and a movement towards less coal intensive economic activities.

Thermal Coal

Thermal coal is used to generate approximately 41% of the world's electricity, accounting for more than double that of natural gas, the second largest source for electrical generation. Globally, the majority of thermal coal is used in the country where it is produced with only a small proportion of traded thermal coal accounting for global consumption. The largest exporters are Australia and Indonesia, reflecting the small size of their domestic energy consumption. The largest importers of thermal coal are China and the European Union.

The market for traded thermal coal consists of two broad geographical markets as a result of the effect of transport costs. The Atlantic market consists of exports from the Americas, Russia and Europe, while the Pacific market largely comprise of coal trade from Australian and Indonesia to China, Korea and Japan. However, lower cost of freight, subdued demand from importers and an increase in the volume traded thermal coal from both traditional and non-traditional suppliers have seen an increase in links between the Atlantic and Pacific markets.

Demand for thermal coal has decreased in the US as natural gas is increasingly being used as a substitute. China is seeking to improve their domestic coal production capacities while reaching targets to reduce emissions. Exports to South-east Asia, in particular South-Korea and India, are expected to increase as new coal-fired power stations are constructed. The Fukushima nuclear disaster also resulted in greater demand from Japan.

8.2. Prices

Coal is a global commodity and as such, prices are determined by global supply and demand factors. World demand for coal generally moves more dynamically than supply, resulting in volatile world prices and periods of over and under capacity. World coal prices have fallen since its peak in 2011-12 due to global

supply exceeding demand as production capacity has increased in Australia and elsewhere. Globally production overtook demand in 2012-13, reflected in falling coal prices from 2012-13.

Coking Coal

Coking coal is traditionally a higher value product than thermal coal as it has a higher energy value and fewer impurities. Coking coal has suffered from oversupply as global miners responded to the view that Chinese demand would accelerate for years to come.

Construction activity has slowed in China and coking coal imports totalled 62.3 million tonnes in 2014, down 17% on 2013 according to Chinese customs data. Prices peaked in 2010-11 following China's rapid economic development and hit a 10 year low in July 2015 due to weak Chinese steel markets. However, prices are projected to remain fairly stable over the next five years.



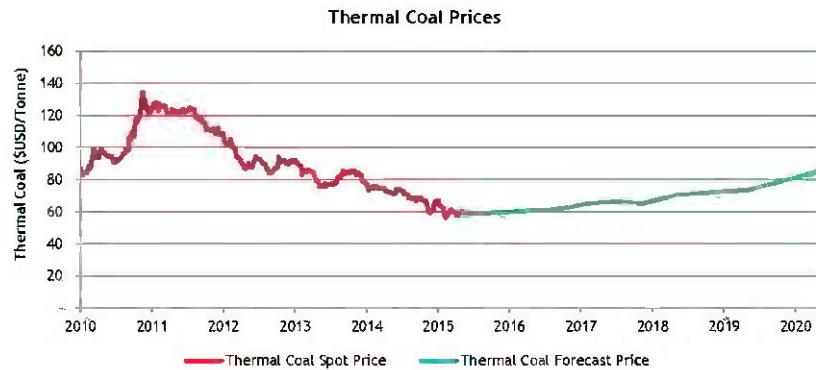
Source: Bloomberg & Consensus Economics

Thermal Coal

During early 2010, the price of thermal coal dropped off as a result of subdued demand for thermal coal from importing countries and an increase in the volume of traded coal. However, prices recovered rapidly in the second half of 2010 as China moved from being a net exporter to a net importer of thermal coal.

In 2011 and 2012, the price of thermal coal fell, with the key driver being an increase in the volume of exports from the Americas. Exports from the US increased by over 50 per cent in the first half of 2012. This was as a result of the domestic energy consumption shifting from coal to gas.

In 2013, prices for thermal coal remained weak as supply of thermal coal continued to increase at a faster rate than the demand for thermal coal. In April 2015, prices dropped to US\$56/ metric tonne, representing a five year low. The price drop was primarily attributable to an increase in production from Australia, one of the world's largest coal exporters, which was up 15% compared to the same period in the previous year.



Source: Bloomberg & Consensus Economics

8.3. Outlook

Improving global economic conditions and growing demand for black coal from emerging economies such as India are expected to lead the industry back to growth over the next five years. Industry performance is expected to improve as production volumes rise and prices are projected to remain fairly stable. The industry is expected to focus on increasing assets as participants look to increase efficiency and productivity in an environment of weak global prices. There is an expected trend towards achieving economies of scale and extracting synergies via a merger and acquisition strategy.

Demand for coal will be constrained to the extent that countries, both developed and emerging, shift towards alternative sources of energy. For example countries such as Japan and other European nations are focused on reducing greenhouse gas emissions. This view is also supported by forecast pressures on downstream demand for coal as there is a push towards energy sources like natural gas. The fastest growing alternative sources of fuels are forecast to be renewable, nuclear and hydro.

Coal producers with lower production and transport costs have an advantage in the industry as the relevant price is the delivered price. Growing imports are expected to drive further expansion and integration of global coal markets. The international trade of thermal coal is expected to be at the forefront of this movement and should continue to support the demand for electricity.

Source: IBIS World & BDO Analysis

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

9.1 Valuation of a Prairie share prior to the Funding Transaction

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Prairie shares prior to the Funding Transaction on a control basis we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- The FME approach is inappropriate given that Prairie is not presently generating any income from its coal assets and as such there are no historical earnings that could be used to represent future maintainable earnings.
- The DCF approach is likely to be inappropriate given that we do not consider there are reliable long term forecasts for Prairie's coal assets and as such insufficient reasonable grounds noting for example that Prairie's Lublin Coal Project does not have coal reserve estimates.
- The QMP method is a relevant methodology to consider as Prairie's shares are traded on the ASX. This means that there is a regulated and observable market where Prairie's shares can be traded. We do however note that in order for QMP to be considered an appropriate methodology, as per RG 111.69(d) we have considered whether there is a liquid and active market for Prairie's shares as well as accounted for the fact that the QMP only reflects a minority interest value.
- The NAV on a going concern basis is considered an appropriate valuation approach and to supplement this valuation, we have commissioned and relied on RHDHV to provide an independent market valuation of the Lublin Coal project as well as Prairie's other coal exploration assets. RHDHV has used comparable transactions and multiples of exploration expenditures methodologies for their valuation. RHDHV's report can be found in Appendix 3.

9.2 Valuation of a Prairie share following the Funding Transaction

In our assessment of the valuation of Prairie shares following the Funding Transaction on a minority basis we have chosen to employ the sum-of-parts NAV method.

The value of Prairie shares following the Funding Transaction includes the following items:

- the value of Prairie prior to the Funding Transaction;



- the effects of the Funding Transaction in the context of Prairie's assets and liabilities on a NAV basis; and
- the effect of the Funding Transaction on the number of shares on issue in Prairie.

Convertible Note Valuation

We note that under Australian Accounting Standards, the fair value of a convertible note is usually apportioned between debt and equity. The debt component of a convertible note that converts into a fixed number of shares is valued at the present value of its cash flows. The discount rate used in the present value calculation is the interest rate that the issuer could obtain from the market on a similar debt instrument without the conversion feature. The equity component of the convertible note is the residual between the face value of the note and the value of the debt.

Similarly, for a convertible note that is convertible to a variable number of shares, the fair value of the instrument is apportioned between debt and equity. However, the valuation methodology differs in that the equity component of the instrument is fair valued, with the residual between the face value and the value of the equity being classified as debt.

In the case of Prairie, although the Convertible Note converts into a fixed number of shares, we do not consider it is appropriate to apply the aforementioned method noting that having considered the terms and conditions of the Convertible Note, we consider that the Convertible Note does not have characteristics of a liability.

For reference, we note that the definition of a liability according to the Australian Accounting Standards Board is that liabilities are the future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events.

In our view, for the purposes of our Report, we consider that the Convertible Note does not represent a liability on the entity given that pursuant to the terms and conditions of the Convertible Note:

- Prairie's obligation to repay the principal amount of the Convertible Note in cash only falls due in the event of default (as detailed in section 4 of our Report);
- The specified events of default are all within Prairie's control, and but for an event of default, there is no present obligation for Prairie to make any repayments; and
- CD Capital cannot demand repayment in cash other than if an event of default occurs.

For these reasons, for the purposes of our Report and valuation, we do not consider that the Convertible Note reflects a liability for Prairie. As such we have valued the Convertible Note as if it were akin to an equity placement, and assumed that the Convertible Notes will convert.



10. Valuation of Prairie prior to the Funding Transaction

10.1 Net Asset Valuation of Prairie

The value of Prairie assets on a going concern basis is reflected in our valuation below:

NAV before the Funding Transaction	Notes	Reviewed as at 31-Dec-14 \$	Low Valuation A\$	Preferred Valuation A\$	High Valuation A\$
CURRENT ASSETS					
Cash and cash equivalents	a	2,047,340	2,389,180	2,389,180	2,389,180
Trade and other receivables		404,115	404,115	404,115	404,115
Other financial assets	b	9,911,563	5,553,750	6,431,250	7,286,250
TOTAL CURRENT ASSETS		12,363,018	8,347,045	9,224,545	10,079,545
NON-CURRENT ASSETS					
Plant and equipment		74,145	74,145	74,145	74,145
Exploration and evaluation assets	c	530,000	30,325,645	45,237,449	60,067,843
TOTAL NON-CURRENT ASSETS		604,145	30,399,790	45,311,594	60,141,988
TOTAL ASSETS		12,967,163	38,746,835	54,536,139	70,221,533
CURRENT LIABILITIES					
Trade and other payables		1,873,222	1,873,222	1,873,222	1,873,222
TOTAL CURRENT LIABILITIES		1,873,222	1,873,222	1,873,222	1,873,222
TOTAL LIABILITIES		1,873,222	1,873,222	1,873,222	1,873,222
NET ASSETS		11,093,941	36,873,613	52,662,917	68,348,311
Shares on issue (number)	d	135,195,089	149,602,432	149,602,432	149,602,432
Value per share (\$)		\$ 0.082	\$ 0.246	\$ 0.352	\$ 0.457

Source: BDO analysis

Other than the adjustments we have made below, we have been advised that there has not been a significant change in the net assets of Prairie since 31 December 2014. The table above indicates the net asset value of a Prairie share is between \$0.246 and \$0.457, with a preferred value of \$0.352.

In arriving at this valuation, we have made the following adjustments.

Note A - Cash and cash equivalents

Cash and cash equivalents have marginally increased since 31 December 2014 as a result of cash movements as detailed below:

Cash movements since 31-Dec-14	A\$
31-Dec-14 Balance	2,047,340
Payments for exploration and evaluation	(3,920,100)
Payments for administration and business development	(933,203)
Payments for fixed assets	(15,048)
Proceeds from sale of prospects and equity investments	3,249,519
Net proceeds from issue of securities	1,689,076



Interest received on cash deposits	14,761
Adjustment on account of FX differences	(55,665)
Cash received on exercise of ITM Options	312,500
Adjusted value of cash and cash equivalents	2,389,180

Source: BDO analysis

As detailed in the table, we have adjusted Prairie's cash balance to reflect payments for exploration and evaluation, administration, business development and the acquisition of fixed assets. Collectively the payments total to \$4,868,351.

We have also adjusted Prairie's cash balance to include cash receipts. In particular, in May 2015, Prairie received \$500,000 from Marindi in relation to its revised farm-in agreement for the BMP assets, and during January and April 2015, Prairie sold some of its shares in B2Gold on-market which resulted in the receipt of \$2,749,519. Additionally throughout the six months from 31 December 2014 to 30 June 2015, Prairie received approximately \$14,761 of interest on cash deposits.

We have included the cash received by Prairie on account of the shares issued on 30 June 2015 and 3 July 2015 following the exercise of unlisted options with an exercise price of \$0.15. The exercise of 11,272,343 options resulted in a net cash inflow of \$1,689,076.

We have adjusted the cash and cash equivalents balance to reflect necessary adjustments on account of foreign exchange differences.

Finally, as noted in section 5.5 of our Report, the ITM Options (1,250,000 options exercisable at \$0.25 on or before 30 June 2016) are presently in-the-money based on the closing price for Prairie's shares on the ASX of \$0.325 on 5 August 2015. Given these options are in-the-money, we have adjusted our valuation to reflect that the ITM Options will be exercised and on exercise, Prairie will receive an additional \$312,500 in cash.

Note B - Other financial assets

As detailed in section 5.3 of our Report, Prairie's other financial assets is comprised of its equity investments in Toronto Stock Exchange ('TSX') listed B2Gold.

As at the date of our Report, Prairie holds 3,750,000 B2Gold shares.

Detailed in the table below are the volume average weighted prices ('VWAP') for B2Gold's shares on the TSX for 10, 30 and 60 day periods up to 5 August 2015 as well as the average Australian Dollar to Canadian Dollar exchange rates for each of the respective trading periods.

B2Gold TSX Market Price	10 Days	30 Days	60 Days
Volume Weighted Average Price in CAD\$	\$1.415	\$1.636	\$1.857
Average Exchange Rate (AUD:CAD)	\$0.956	\$0.954	\$0.956
B2Gold VWAP in AUD\$	\$1.481	\$1.715	\$1.943

Source: BDO analysis

For the purposes of our valuation, we have determined to utilise the values obtained from each VWAP period for our low, preferred and high values respectively. As detailed in the table below, our assessed market value of Prairie's investment in B2Gold is between \$5,553,750 and \$7,286,250, with a preferred value of \$6,431,250.



Other financial assets	Low Value A\$	Preferred Value A\$	High Value A\$
Value of a B2Gold Share	\$1.481	\$1.715	\$1.943
Number of shares held	3,750,000	3,750,000	3,750,000
Adjusted value of other financial assets	5,553,750	6,431,250	7,286,250

Source: BDO analysis

We have also considered whether Prairie may have any difficulty if it elected to sell its holding in B2Gold. To determine whether there would be any difficulty, we have considered the number of shares held by Prairie, and the liquidity of the stock on the TSX. Based on historical trading volumes from 14 May 2015 to 5 August 2015, we note that the average weekly cumulative trading volume is approximately 5.7 million shares. This indicates that on average, Prairie will be able to sell all of its investment in B2Gold within one week, and as such, is unlikely to have difficulty in obtaining a market price if it elected to sell its holding in B2Gold. On this basis, we have not made any adjustments to reflect a marketability discount.

Note C - Exploration and evaluation assets

We instructed and relied on RHDHV to provide an independent market valuation of the exploration assets held by Prairie in accordance with The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('Valmin Code') and The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code'). RHDHV's report is included in Appendix 3 of our Report.

RHDHV considered a number of different valuation methods when valuing the exploration assets of Prairie, and determined that the comparable transactions and multiples of exploration expenditure methodologies were most appropriate for valuing Prairie's coal assets. We consider these methods to be appropriate given the pre feasibility stage of development for Prairie's exploration assets.

The range of values for each of Prairie's exploration assets as calculated by RHDHV is set out below. We have converted RHDHV's valuation from USD to AUD at the average AUD:USD exchange rate observed over the one month up to 5 August 2015 of \$0.737.

Coal Asset Valuation - RHDHV	Low \$	Preferred \$	High \$
Lublin Coal Project - \$USD	21,700,000	32,500,000	43,300,000
Sawin-Zachod - \$USD	650,000	840,000	970,000
Total Value of Coal Assets - USD\$	22,350,000	33,340,000	44,270,000
Exchange Rate (AUD:USD)	\$0.737	\$0.737	\$0.737
Adjusted value of exploration assets in \$AUD	30,325,645	45,237,449	60,067,843

Source: RHDHV

The table above indicates a range of values between approximately AUD\$30.33 million and AUD\$60.07 million, with a preferred value of approximately AUD\$45.24 million.

Note D - Shares on issue

We have adjusted the number of shares on issue to take into account the issue of shares on the exercise of options and vesting of performance rights which have occurred following 31 December 2014.

In particular:



- On 1 July 2015 and 3 July 2015, respectively 10,325,000 and 947,343 Prairie shares were issued on the exercise of existing unlisted options at an exercise price of \$0.15; and
- On 24 July 2015, 1,885,000 Prairie shares were issued following the vesting of existing performance rights.

Additionally for the purposes of our valuation, we have assumed that the 1,250,000 ITM Options exercisable at \$0.25 on or before 30 June 2016 are exercised given that as at the date of our Report, they are in-the-money.

We have summarised the adjusted shares on issue in the table below:

Shares on issue	
Shares on issue as at 31-Dec-14	135,195,089
Shares issued on exercise of options	11,272,343
Shares issued on vesting of performance rights	1,885,000
Shares issued on exercise of ITM Options	1,250,000
Adjusted shares on issue	149,602,432

Source: BDO analysis

10.2 Quoted Market Prices for Prairie Securities

To provide a comparison to the valuation of a Prairie share in Section 10.1, we have also assessed the quoted market price for a Prairie share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of Section 611 of the Corporations Act the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

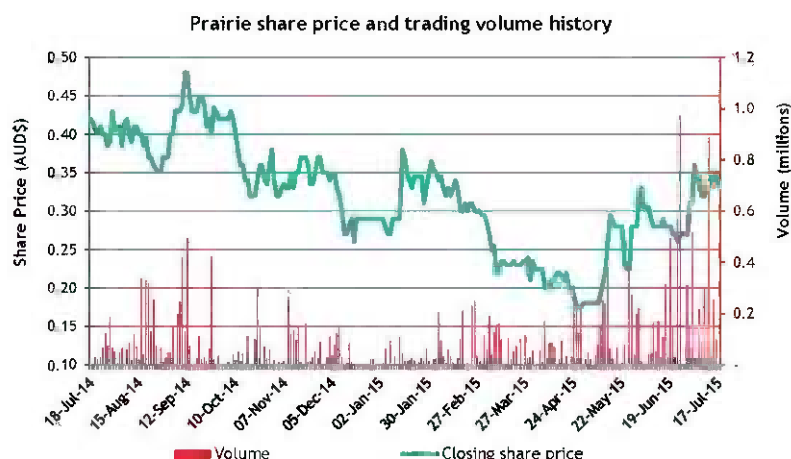
Whilst CD Capital will not be obtaining 100% of Prairie, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Prairie share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Prairie share is based on the pricing prior to the announcement of the Funding Transaction. This is because the value of a Prairie share after the announcement may include the affects of any change in value as a result of the Funding Transaction. However, we have considered the value of a Prairie share following the announcement when we have considered reasonableness in Section 13.

Information on the Funding Transaction was announced to the market on 20 July 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 17 July 2015 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Prairie shares on the ASX from 18 July 2014 to 17 July 2015 has ranged from a low of \$0.170 on 28 April 2015 to a high of \$0.485 on 15 September 2014.

The performance of Prairie's share price over the assessed time period has broadly followed the prices of both coking and thermal coal with slight deviations caused by the release of information specific to Prairie. As detailed in section 8 of our Report, we note that over the past year, coal prices have generally fallen as a result of increased supply and reduced demand. Likewise, over the second half of 2014, Prairie's share price has trended downwards from a share price of \$0.420 on 18 July 2014 to \$0.290 on 31 December 2014, representing a decrease of approximately 45%. From 1 January 2015 through to 28 April 2015 (the lowest closing share price over our assessed period), Prairie's shares declined an additional 65%. We note that over this period of time, Prairie released a variety of positive announcements which generally reflect the continuing progress of its Lublin Coal project. This suggests that broader market conditions have significant influence on investor sentiment for holders of Prairie shares.

Since 28 April 2015, Prairie's share price has rebounded and as at 17 July 2015 traded at a high of \$0.350. Overall this reflects a share price increase of approximately 50%, with the price increase likely to be

primarily influenced by the positive news that Prairie has an exclusive right to apply for a mining licence for the Lublin Coal project.

Over our assessed time period, we have noted trading days where there has been increased volume spikes, for example on 29 September 2014 approximately 420,000 shares were traded, over 25 and 26 June 2015 approximately 1.5 million shares were traded and on 14 July 2015 over 890,000 shares were traded. In each case, our analysis of the information provided to the market on or before these days, as well as broader market conditions, indicates that these volume spikes are largely unexplained.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement	Closing Share Price Three Days After Announcement
		A\$ (movement)	A\$ (movement)
03/07/2015	Intention to List on the London & Warsaw Stock Exchanges	0.360 ▲ 16.1%	0.320 ▼ 11.1%
01/07/2015	Prairie Secures Exclusive Right for the Lublin Coal Project	0.310 ▲ 14.8%	0.340 ▲ 9.7%
29/06/2015	Trading Halt	0.270 ► 0.0%	0.310 ▲ 14.8%
27/05/2015	BMV:Marindi makes A\$500,000 payment to Prairie Mining Ltd	0.225 ► 0.0%	0.280 ▲ 24.4%
30/04/2015	March 2015 Quarterly Report	0.180 ▲ 2.9%	0.180 ► 0.0%
08/04/2015	Prairie Signs New Agreement for Pilbara Base Metals Project	0.200 ▼ 11.1%	0.210 ▲ 5.0%
18/03/2015	Coal Exploration Target Estimated at Sawin-Zachod	0.230 ► 0.0%	0.230 ► 0.0%
03/02/2015	Prairie Secures New Contiguous Concession at Lublin Project	0.355 ▼ 2.7%	0.345 ▼ 2.8%
30/01/2015	December 2014 Quarterly Report	0.350 ▲ 6.1%	0.350 ► 0.0%
17/11/2014	Ministry of Environment Rejects Bogdanka Appeal	0.350 ► 0.0%	0.370 ▲ 5.7%
31/10/2014	September 2014 Quarterly Report	0.380 ▲ 5.6%	0.320 ▼ 15.8%
23/10/2014	Highly Respected Infrastructure Executive Joins Prairie	0.340 ▲ 6%	0.340 ► 0%
11/09/2014	Highly Respected Mining Executives Join the Prairie Board	0.480 ▲ 9%	0.430 ▼ 10%
10/09/2014	Lublin Coal Project Concession Update	0.440 ▲ 2%	0.450 ▲ 2%
04/09/2014	Commencement of Pre-Feasibility Study at Lublin Coal Project	0.400 ► 0%	0.430 ▲ 7%
28/08/2014	Completion of Work Program Under Concession Agreements	0.350 ► 0%	0.370 ▲ 6%
07/08/2014	Commencement of European Coal Marketing Studies	0.415 ▲ 8%	0.390 ▼ 6%
31/07/2014	June 2014 Quarterly Report	0.430 ▲ 10%	0.410 ▼ 5%

On 31 July 2014, Prairie released its quarterly reports for the quarter ended 30 June 2014. Among other things, the release highlighted recent achievements in relation to the recently completed scoping study



which highlighted the economic potential of Prairie's Lublin Coal project, the reports also announced that Prairie had commenced the tendering process and was reviewing proposals for the Company's proposed pre-feasibility study and coal marketing studies which were to start shortly. The market reacted positively to this news noting that Prairie's share price increased by 10% on the day of the release.

On 7 August 2014, the Company announced that it had appointed consultancy group Wood Mackenzie to conduct European coal marketing studies for Prairie's Lublin Coal project's premium thermal and semi-soft coking coal. As expected the market reacted favourably to this announcement and on the day of the announcement the Company's share price rose by 8%. Unexpectedly the Company's share price declined by 6% over the consecutive three trading days. Our analysis of the trading during this period as well as the information provided to the market on and around this date indicates that the subsequent share price fall is likely a result of prices readjusting to the prior share price spike.

On 28 August 2014, Prairie informed the market that it had completed its final hole of its seven hole drilling program at the Lublin Coal project. The drilling was required to enable Prairie to satisfy its obligations of its minimum works program specified for the concessions on which the Lublin Coal project lies. Among other things, the announcement also indicated that the results of the drill program will be incorporated into a potential resource upgrade as part of the upcoming pre-feasibility study. Although the positive news did not result in any price movements on the day of the announcement, over the next three trading days Prairie's share price increased by 6%.

On 4 September 2014, the Company announced that it had appointed Golder Associates (UK) Ltd and Royal HaskoningDHV to jointly complete a pre-feasibility study. The announcement indicated that the study will build on the project fundamentals of the scoping study which confirmed the potential for a high margin mine with the ability to produce both semi-soft coking and premium thermal coal. On the day of the announcement, the Company's share price did not move, but over the subsequent three trading days its share price increased by 7% to close at \$0.430.

On 11 September 2014, Prairie announced that it had appointed Mr Thomas Todd as a non-executive director of Prairie, with Mr Todd Hannigan as his alternate director. The announcement informed that Messrs Todd and Hannigan were respectively former chief financial officer and chief executive officer of Aston Resources Limited ('Aston'), and were instrumental in turning Aston from a small private company to one of Australia's largest publically listed coal companies. Additionally, the announcement informed that Messrs Todd and Hannigan, through a corporate entity, would acquire 2.8 million Prairie shares from existing Prairie executive director, Mr Anastasios Arima. On account of the positive news, the market reacted favourably and Prairie's share price increased by 9% on the day of the announcement. Unexpectedly, the share price declined by 10% over the consecutive three trading days. Our analysis of the trading during this period as well as the broader market conditions for coal companies on or around this day indicates that this price movement was predominantly unexplained.

On 23 October 2014, Prairie announced another key appointment. This time the appointment of Ms Patrycja Wolinska-Bartkiewicz to the supervisory board of Prairie's Polish subsidiary company. Ms Wolinska-Bartkiewicz was previously Poland's Deputy Minister (Undersecretary of State) at the Ministry of Transport, Construction and Maritime Economy and is specialised in coordinating European Union funding for multi-billion dollar infrastructure projects across Poland. The favourable news that Ms Wolinska-Bartkiewicz would be joining the Prairie team to consult on project permitting and infrastructure resulted in markets reacting with Prairie's share price increasing by 6% on the day of the announcement.

On 31 October 2014, the Company released its quarterly reports for the quarter ended 30 September 2014. Among other matters, the reports highlighted recent achievements in relation to board appointments, the commencement of pre-feasibility and market studies, and the continuation of environmental studies. Additionally the quarterly reports informed that during the quarter the Company had sold 1 million fully paid ordinary shares in Papillon to raise gross proceeds of \$1.75 million and that the Company had determined to reclassify its equity investments to current assets to benefit the Company's working capital position. On the day of the release of the reports, the Company's share price rose by 5.6%, but subsequently declined by 15.8% over the next three trading days. Our analysis of the trading over the period, and the broader market conditions for coal companies indicates that the significant decline in share price is predominantly unexplained.

On 8 April 2015, Prairie announced it had entered into an agreement with Marindi pursuant to which Marindi could acquire 100% of Prairie's wholly owned base metals project located in the Pilbara region of Western Australia. In consideration, Marindi will pay \$500,000 within 60 days of executing the agreement, and pay a further \$1 million in either cash or listed Marindi shares (presently private and unlisted) by 30 September 2016. Additionally, Prairie will retain a 2.5% net smelter royalty. The agreement replaces the existing farm-in agreement between Prairie and Marindi pursuant to which Marindi could earn increasing interests provided the relevant exploration licences remained in good standing and specific expenditure commitments were met. The market reacted unfavourably to the release of this information noting that on the day of the announcement Prairie's share price decreased by 11.1%.

On 27 May 2015, Brumby Resources Limited (an ASX listed mining company located in Western Australia) announced that it proposed to merge with Marindi. Importantly the announcement also confirmed that Marindi had made a payment of \$500,000 to Prairie as per the revised agreement between Prairie and Marindi. Although Prairie's share price did not change on the day of the announcement, as expected, over the subsequent three trading days the Company's share price increased by 24.4%.

On 1 July 2015, the Company announced that it had secured an exclusive right to be granted a mining concession for the Lublin Coal project following approval by Poland's Minister of Environment. As per the announcement, as a result of this approval Prairie is the only entity that can lodge a mining concession application over the Lublin Coal project within the next three years. On account of the positive news, the market reacted favourably with the Company's share price increasing by 14.8% on the day of the announcement.

On 3 July 2015, Prairie informed the market of its intention to apply for admission of its shares to the official list of the London Stock Exchange and the Warsaw Stock Exchange by way of depository interests. The announcement indicated that it did not intend to undertake a public offering, but that the proposed listings would position Prairie for its next stage of development as well as facilitate the future participation of UK, Polish and other European investors in Prairie's growth. Additionally, the announcement also indicated that Mr Miroslaw Taras (former Chairman of Lubelski Wegiel Bogdanka) was appointed to the supervisory board of Prairie's Polish subsidiary. As expected the positive news resulted in Prairie's share price briefly spiking upwards by 16.1% on the day of the announcements and then resumed to normal trading patterns, declining by 11.1% over the subsequent three trading days.

To provide further analysis of the market prices for an Prairie share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 17 July 2015.



Share Price per unit	17-Jul-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.335				
Volume weighted average price (VWAP)		\$0.338	\$0.300	\$0.280	\$0.272
Source: Bloomberg, BDO analysis					

The above weighted average prices are prior to the date of the announcement of the Funding Transaction, to avoid the influence of any increase in price of Prairie shares that has occurred since the Funding Transaction was announced.

An analysis of the volume of trading in Prairie shares for the twelve months to 17 July 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.320	\$0.350	100,905	0.07%
10 Days	\$0.290	\$0.355	1,920,963	1.31%
30 Days	\$0.260	\$0.360	5,998,303	4.27%
60 Days	\$0.170	\$0.360	9,475,911	6.88%
90 Days	\$0.170	\$0.360	10,857,970	7.93%
180 Days	\$0.170	\$0.385	15,510,087	11.40%
1 Year	\$0.170	\$0.485	22,041,549	16.25%
Source: Bloomberg, BDO analysis				

This table indicates that Prairie's shares display a low level of liquidity, with 16.25% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Prairie, we do not consider there is a deep market for the shares given that over a one year trading period only 16.25% of the issued shares traded on the ASX. Additionally, we note that there are numerous unexplained spikes in trading volume which provides further support to indicate that there is not a deep market for the shares of Prairie.

Our assessment is that a range of values for Prairie shares based on market pricing, after disregarding post announcement pricing, is between \$0.270 and \$0.330.



Control Premium

We have reviewed the control premiums paid by acquirers of coal companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	0	0.00	0.00
2013	6	35.13	39.34
2012	6	254.89	38.73
2011	7	1337.46	30.52
2010	5	1006.46	55.92
2009	4	734.57	30.17
2008	0	0.00	0.00
2007	1	858.89	35.25
Median		796.73	36.99
Mean		704.57	38.32

Source: Bloomberg, BDO analysis

The mean and median figures in the table above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and median of the entire data asset comprising control transactions from 2007 onwards, as set out below.

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
Median	168.19	34.90
Mean	753.52	38.27

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The tables above indicate the long term average control premium paid by acquirers of coal mining companies on the ASX is approximately 38%.

In determining a control premium range most appropriate for Prairie, we note there are two transactions included which we consider to be extreme outliers.



In December 2011, Yanzhou Coal Mining Co Ltd announced it would acquire a 100% stake in Gloucester Coal Limited. This transaction is considered to be an outlier as Yanzhou Coal Mining Co Ltd received a discount of 17.41% (i.e. negative premium) to obtain a controlling interest in Gloucester Coal Limited.

In April 2011, Jindal Steel & Power Ltd made an offer to acquire an additional 12.83% stake in Rocklands Richfield Limited, increasing its total interest following the transaction to 27.29%. The transaction had an announced control premium of over 100%.

In samples where there are extreme outliers, we note that the median often represents a superior measure of central tendency compared to the mean.

If the Funding Transaction is approved, CD Capital has the potential to increase its holding over the control threshold to a range between 23.18% and 31.16%, assuming no further shares are issued. As a result, CD Capital should be expected to pay a control premium. In determining the premium for control to be paid by CD Capital we have taken into account the above analysis including the nature of the Funding Transaction. We believe an appropriate control premium is between 25% and 35%.

Quoted market price including control premium

Applying a control premium to Prairie's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	A\$	A\$	A\$
Quoted market price value	0.270	0.300	0.330
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.338	0.390	0.446

Source: BDO analysis

Therefore, our valuation of a Prairie share based on the quoted market price method and including a premium for control is between \$0.338 and \$0.446, with a midpoint value of \$0.390.

10.3 Assessment of Prairie Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	A\$	A\$	A\$
Net assets value (Section 10.1)	0.246	0.352	0.457
ASX market prices (Section 10.2)	0.338	0.390	0.446

Source: BDO analysis

Our valuations of a Prairie share under both of the methodologies we have adopted are broadly consistent with and supportive of each other. We do however note that our valuation under the net assets value



methodology does provide a wider range of values, and on a low and preferred basis, produces values which are lower than those obtained from our QMP approach.

We consider the wider and lower values obtained from our net asset valuation can be explained by the fact that:

- our net asset valuation includes an independent valuation of Prairie's coal assets performed by RHDHV. RHDHV has relied on a combination of valuation methods to provide a range of values and the valuation reflects the fair market value of Prairie's coal assets; and
- generally, it is not uncommon for exploration companies to trade at a premium to their net asset values. This is because investors in mining exploration companies typically anticipate some potential upside of 'blue-sky' prospects for the company, which are factors into the share price in advance of any such value being warranted.

For the purposes of determining our preferred valuation approach, we note that under RG 111.96(d), the QMP methodology is considered appropriate where a liquid and active market exists for the securities. From our analysis of the QMP of a Prairie share in section 10.2, we note that there is not a deep market for the Company's shares with only 16.25% of Prairie's share capital being traded in the assessed 12 month period. On account of this, although we have utilised the QMP approach as a cross check, we do not consider it would be approach to rely on the QMP values as a primary method of valuation.

For the reasons described above, we conclude that the value of a Prairie share using our preferred methodology under the NAV approach is between \$0.246 and \$0.457, with a preferred value of \$0.352. We also note that the QMP valuation broadly supports our preferred valuation range.



11. Valuation of Prairie following the Funding Transaction

The value of Prairie's shares following the Funding Transaction is reflected in our valuation below:

NAV following the Funding Transaction	Notes	Low Value A\$	Preferred Value A\$	High Value A\$
NAV of Prairie prior to the Funding Transaction		36,873,613	52,662,917	68,348,311
Net cash Injection from Convertible Notes	(a)	14,800,000	14,800,000	14,800,000
Value of Prairie following the Funding Transaction		51,673,613	67,462,917	83,148,311
Discount for minority interest	(b)	26%	23%	20%
Value of Prairie following the Funding Transaction (minority interest basis)		38,238,473	51,946,446	66,518,648
Number of shares on issue following Funding Transaction	(c)	194,378,552	194,378,552	194,378,552
Value per share (\$)		\$ 0.197	\$ 0.267	\$ 0.342

Source: BDO analysis

Note A - Cash injection from the Convertible Note

We have adjusted the net asset value of Prairie prior to the Funding Transaction to incorporate the cash injection of \$15 million from the Convertible Note.

We have also adjusted the incoming cash injection to reflect that \$200,000 will, as per the Investment Agreement, be immediately deducted from the principal amount to cover CD Capital's tax and legal costs associated with the Funding Transaction.

Note B - Application of minority discount

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- (a) the acquirer is obtaining or increasing control of the target; and
- (b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

In this instance as explained in Section 3.3 of our Report, in assessing fairness we have compared the value of a Prairie share prior to the Funding Transaction on a control basis to the value of a Prairie share following the Funding Transaction on a minority interest basis.

The net asset value of a Prairie share following the Funding Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Funding Transaction is approved, Shareholders may become minority interest shareholders in Prairie as CD Capital may hold a controlling interest. As such, Shareholders interests will not be considered significant enough to have an individual influence in the operations and value of the Company.

We have therefore adjusted our valuation of a Prairie share following the Funding Transaction, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is



calculated using the formula $1 - (1 \div (1 + \text{control premium}))$. As discussed in section 10.2, we consider an appropriate control premium for Prairie to be in the range of 25% to 35%, giving a minority interest discount in the range of 20% to 26%.

Note C - Shares on issue following the Funding Transaction

As shown in the table below, we have adjusted the total shares on issue following the Funding Transaction to include the issue of 44,776,120 shares assuming conversion of the Convertible Note.

Shares on issue following the Funding Transaction	
Shares on issue before the Transaction	149,602,432
Shares issued on conversion of Convertible Note	44,776,120
Total shares on issue following the Funding Transaction	194,378,552

Source: BDO Analysis

Other than the ITM Options that are presently in-the-money and were included in our valuation of Prairie's shares prior to the Funding Transaction, we have determined that it would not be appropriate to value Prairie on a fully diluted basis and as such have assumed that no other shares will be issued on account of:

- the exercise of the CDC Options;
- the Pre-Emptive Right; and/or
- any other options or performance rights which are presently on issue.

We consider this is appropriate given that the CDC Options which may be issued to CD Capital as well as all other unlisted options are presently out-of-the-money and as such are unlikely to be exercised as part of the Funding Transaction. In addition there is presently insufficient information pertaining to the structure of any share issue on account of the Pre-Emptive Right, nor the performance rights presently on issue for Prairie, for there to be reasonable grounds to determine the number of Prairie shares which may be issued.

12. Is the Funding Transaction fair?

The value of Prairie shares prior to and following the Funding Transaction is compared below:

	Ref	Low A\$	Preferred A\$	High A\$
Value of a Prairie share prior to the Funding Transaction on a control basis	10.3	\$ 0.246	\$ 0.352	\$ 0.457
Value of a Prairie share following the Funding Transaction on a minority basis	11	\$ 0.197	\$ 0.267	\$ 0.342

Source: BDO analysis

We note from the table above that the value of a Prairie share prior to the Funding Transaction on a control basis is greater than the value of a Prairie share following the Funding Transaction on a minority basis. Therefore, we consider that the Funding Transaction is not fair.



13. Is the Funding Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Prairie a premium over the value ascribed to, resulting from the Funding Transaction.

13.2 Minority Interest Values

In assessing fairness of the Funding Transaction in section 12, RG 111.31 stipulates that in a control transaction a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction allow for a minority discount. It is relevant for Shareholders to appreciate that as shareholders, they hold a minority interest in Prairie prior to the Funding Transaction and will retain a minority interest following the Funding Transaction.

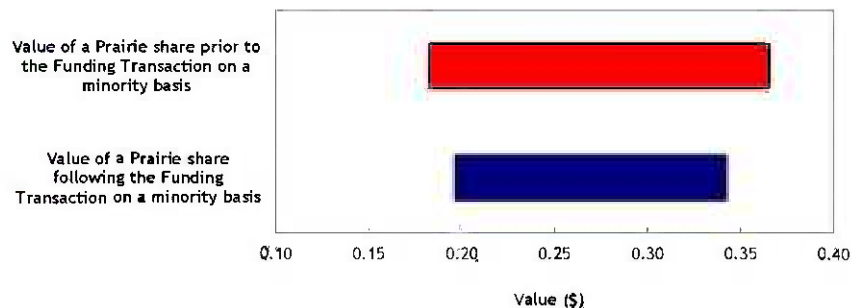
As such, we have also provided a comparison of the value of Prairie share prior to the Funding Transaction and following the Funding Transaction both on a minority interest basis. This comparison is outlined in the table below.

	Low A\$	Preferred A\$	High A\$
Value of a Prairie share prior to the Funding Transaction on a minority basis	\$ 0.183	\$ 0.271	\$ 0.365
Value of a Prairie share following the Funding Transaction on a minority basis	\$ 0.197	\$ 0.267	\$ 0.342

Source: BDO analysis

The above valuation ranges are graphically presented below:

Valuation Summary





The table above indicates that:

- based on our low values, the value of a share in Prairie following completion of the Funding Transaction on a minority interest basis is greater than the value of a share in Prairie on a minority interest basis prior to completion of the transaction; and
- based on our preferred and high values, the value of a share in Prairie following completion of the Funding Transaction on a minority interest basis is marginally less than the value of a share in Prairie on a minority interest basis prior to completion of the transaction.

Whilst our fairness assessment indicated that Shareholders will not be receiving the full control premium as a result of the Funding Transaction, our analysis as detailed in the tables above, indicates that the Funding Transaction does not result in a significant reduction in the minority interest values of Shareholders' holdings in Prairie.

13.3 Practical Level of Control

If the Funding Transaction is approved then CD Capital (assuming the Convertible Notes have converted into ordinary shares) will hold an initial interest of approximately 23.18% in Prairie. In addition to this, as detailed in section 4, provided CD Capital holds over 15% of the issued capital in Prairie on an 'as converted' basis, Prairie will have two Board members nominated by CD Capital.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Funding Transaction is approved then CD Capital will not have the ability to singlehandedly block or pass either general or special resolutions.

Prairie's Board currently comprises six directors. In conjunction with the Funding Transaction, two of the existing board members of Prairie will step down and CD Capital will nominate two additional directors as agreed in the Investment Agreement. This means that CD Capital nominated directors will make up 33% of the Board. As per the terms of the Funding Transaction, assuming the issue of shares on the exercise of the CDC Options regardless of whether these options are in-the-money or not, and assuming no other shares are issued including on account of the ITM Options, CD Capital will have a maximum interest of 31.16%. In this case, if the Funding Transaction is approved CD Capital will be able to block special resolutions.

CD Capital's control of Prairie following the Funding Transaction will be significant when compared to all other shareholders. However, with an initial 23.18% shareholding and 33% make up of the Board, CD Capital will not have control to pass resolutions at either the shareholder or Board level. Therefore, in our opinion, while CD Capital will be able to significantly influence the activities of Prairie, it will not be able to exercise a similar level of control as if it held 100% of Prairie.

13.4 Consequences of not Approving the Funding Transaction

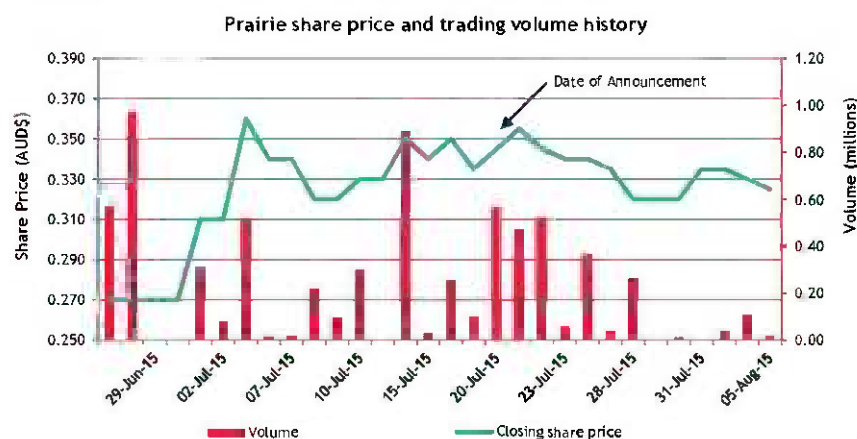
Consequences

If the Funding Transaction is not approved, Prairie will need to consider how it will fund its continuing exploration at the Lublin Coal project. In particular, Prairie may need to consider divesting the remainder of its equity investment in B2Gold, and re-continue seeking out an alternate strategic investor.

Additionally, if another strategic investor cannot be identified within a reasonable period of time, Prairie may need to consider raising capital from debt and/or equity markets to cover short to medium term funding requirements. It is uncertain at this time whether Prairie will be able to raise debt at commercially acceptable terms, nor the extent of the dilution that Shareholders may face from an equity capital raising.

Potential decline in share price

We have analysed movements in Prairie's share price since the Funding Transaction was announced. A graph of Prairie's share price since the announcement is set out below.



Source: Bloomberg

Since the announcement of the Funding Transaction on 20 July 2015, Prairie's shares on the ASX have traded between a band of \$0.355 as observed on 21 July 2015 and \$0.320 as observed on both 29 and 30 July 2015. The VWAP from 20 July 2015 through to 5 August 2015 is \$0.345.

Based on our analysis in section 10.2, our assessment of Prairie's ASX market price before the announcement and on a minority interest basis was between \$0.270 and \$0.330. More comparatively, the 10 day and 30 day VWAPs before the announcement of the Funding Transaction were respectively \$0.338 and \$0.300.

Given the above analysis we note that the price of Prairie's shares has marginally increased following the announcement of the Funding Transaction, and it is possible if the Funding Transaction is not approved then Prairie's shares may decline.

13.5 Advantages of Approving the Funding Transaction

We have considered the following advantages when assessing whether the Funding Transaction is reasonable.

Advantage	Description
The Funding Transaction provides Prairie with an immediate cash injection to enable continued exploration, technical studies and mine permitting.	<p>As determined in section 10.1 of our Report, based on our valuation of Prairie's net assets, Prairie has approximately \$2.2 million in cash and cash equivalents. Additionally we note that Prairie does not have any cash generating operations, and as such, its only source of cash will be via external fundraising or by selling its investments in B2Gold.</p> <p>The Issue of the Convertible Note provides an immediate cash injection of approximately \$15 million to enable Prairie to continue its exploration, technical studies and mine permitting for the Lublin Coal project and is anticipated to provide sufficient funding through to completion of a definitive feasibility study. Given that Prairie is presently conducting both a pre-feasibility study and a marketing study, we consider that Prairie has immediate cash requirements to fund the various associated expenses.</p> <p>We also note that Prairie was recently granted the Sawin-Zachod concession, and conditional to retaining this concession, Prairie will be required to complete an agreed exploratory work program. This work will also require cash to fund the associated expenses.</p>
The Funding Transaction also provides auxiliary funding for development purposes	<p>In addition to above, the Funding Transaction is structured such that additional funding can be received by Prairie if:</p> <ul style="list-style-type: none"> • following conversion of the Convertible Note, CD Capital elects to exercise some or all of the CDC Options; and/or • Prairie proposes to raise more than \$10 million, and CD Capital elects to utilise its Pre-Emptive Right. <p>We note that if CD Capital elects to exercise all of its CDC Options, as well as utilise the Pre-Emptive Right in full, there is potential for Prairie to receive an additional \$68 million.</p> <p>It is anticipated that this quantum of funds will potentially assist in funding the development costs associated with the Lublin Coal project if a decision to mine is made.</p>
CD Capital will become a strategic investor in Prairie and its interests are likely to be aligned with Shareholders	<p>CD Capital is a mining private equity fund with significant experience investing in minerals and mining based businesses. As a mining private equity fund, one of its key interests is ensuring that its investment in Prairie provides a return either by way of capital growth or by the payment of dividends.</p> <p>In contrast we note that in some cases, third parties will facilitate similar funding packages for companies on the condition that certain aspects of the business such as engineering, procurement and contract services, off-take services and/or mining</p>



Advantage	Description
	<p>equipment supply services are secured for that third party and/or its associates.</p> <p>In this case, we consider given CD Capital seeks to become a strategic investor in Prairie and there is no grant of such agreements, CD Capital's interests are aligned with those of Shareholders.</p>
CD Capital's nominee directors are likely to provide additional knowledge, experience and independence to Prairie's board	<p>As outlined in section 4 of our Report, provided CD Capital meets certain shareholding thresholds on an 'as converted' basis, CD Capital is able to nominate up to two directors to the Board of Prairie.</p> <p>In particular we note that following completion of the Investment Agreement, CD Capital will be able to nominate two directors to Prairie's board. As at the date of our Report, CD Capital has not determined who its two nominees to Prairie's board will be.</p> <p>In our view, the addition of CD Capital's nominee directors will provide Prairie's board with additional knowledge, experience and independence.</p>
The Funding Transaction will not necessarily deter the potential for Shareholders to benefit from a future corporate event	<p>In our view, it is common that potential acquirers may be deterred in acquiring companies with significant debt obligations. In Prairie's case, we note that the repayment obligations of the Convertible Note by way of a cash payment may be triggered if a potential bidder determines to delist Prairie.</p> <p>We consider the terms and conditions of the Convertible Note ensure that Shareholders retain the potential to benefit from a corporate event in the future, and that the existence of the Convertible Note does not necessarily reduce this possibility.</p>
Conversion feature of the Convertible Note assists Prairie in managing its financial position	<p>Given the terms and conditions of the Convertible Note, we note that not only is the Convertible Note interest free, and without recurring repayment obligations for Prairie, the entire principal amount can, subject to certain conditions, be converted into ordinary shares in Prairie.</p> <p>As such in our view, we consider the conversion feature of the Convertible Note assists Prairie in managing its financial position.</p> <p>Noting that Prairie does not presently have any cash generating assets, we consider Prairie may be placed in financial difficulty if it were required to repay interest and principal throughout the term of an alternative lending agreement.</p>



13.6 Disadvantages of Approving the Funding Transaction

If the Funding Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Funding Transaction is not fair	As set out in Section 12 of our Report, the Funding Transaction is not fair. This indicates that from a quantitative view, CD Capital is not paying a sufficient premium over minority interest prices to reflect that CD Capital will acquire a controlling interest in Prairie.
Existing Shareholders will be diluted	<p>We note that if the Funding Transaction proceeds, Shareholders will be diluted.</p> <p>If CD Capital converts the entire principal amount of the Convertible Note, then Shareholders will be diluted from 100% to 76.82% of the issued shares in Prairie.</p> <p>If in addition to above, CD Capital elects to exercise all of the CDC Options at \$0.60 per option, although this will provide Prairie with additional cash injection of approximately \$13 million, Shareholders will be further diluted from 76.82% to 68.84% of the issued shares in Prairie.</p> <p>Finally, if CD Capital acquires further shares on account of the Top Up Right and/or the Pre-Emptive Right, Shareholders may face additional dilution at that time.</p>
The Funding Transaction may limit the involvement of other sophisticated investors other than those interested in project financing	<p>If the Funding Transaction is approved, CD Capital will be able to nominate up to two directors to the board of Prairie, may obtain a significant relevant interest in Prairie and has the benefit of the Pre-Emptive Right.</p> <p>These factors may reduce the likelihood of the involvement of other sophisticated investors, other than those providing project financing including in relation to engineering, procurement and contract services, off-take services and/or mining equipment supply services, who may have otherwise wished to consider becoming a strategic cornerstone investor in Prairie.</p>

14. Conclusion

We have considered the terms of the Funding Transaction as outlined in the body of this report and have concluded that the Funding Transaction is not fair but reasonable to the Shareholders of Prairie.

The Funding Transaction is not fair because the value of a Prairie share following the Funding Transaction on a minority interest basis is lower than the value of a Prairie share prior to the Funding Transaction on a control basis. However, we consider the Funding Transaction to be reasonable because the advantages to Shareholders are greater than the disadvantages.

In particular, the Funding Transaction provides Prairie with an immediate and continuing cash injection for its exploration, pre-development and potential development of its coal assets.



15. Sources of information

This report has been based on the following information:

- Copies of the investment agreement and put and call option agreement entered into between Prairie and CD Capital;
- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Prairie for the years ended 30 June 2013 and 30 June 2014;
- Reviewed financial statements of Prairie for the half year ended 31 December 2014;
- Independent Valuation Report of Prairie's mineral assets dated on or about the date of this report performed by RHDHV;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Prairie.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Prairie Mining Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Prairie Mining Limited, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Prairie Mining Limited and CD Capital (UK) Ltd and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Prairie Mining Limited and CD Capital (UK) Ltd and their respective associates.

A draft of this report was provided to Prairie Mining Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Prairie Mining Limited for inclusion in the Notice of Meeting which will be sent to all Prairie Mining Limited shareholders. Prairie Mining Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the proposed funding transaction with CD Capital Natural Resources Fund III LP is fair and reasonable to non-associated shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Prairie



Mining Limited. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Funding Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Prairie Mining Limited, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Prairie Mining Limited.

The valuer engaged for the mineral asset valuation, Royal HaskoningDHV, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers
Director

Sherif Andrawes
Director

Appendix 1 – Glossary of Terms

Reference	Definition
5% Threshold	5% of the issued capital in Prairie on an 'as converted' basis
Agreements	The Investment Agreement and PCO Agreement together
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
Aston	Aston Resources Limited
ASX	Australian Securities Exchange
B2Gold	Canadian listed B2Gold (TSX:BTO)
BDO	BDO Corporate Finance (WA) Pty Ltd
BMP	Prairie's Base Metals Project located in southwest of Newman in the Pilbara region of Western Australia
CD Capital	CD Capital Natural Resources Fund III LP
CDC Options	Options issued for every two shares issued on conversion of the convertible note issued to CD Capital exercisable at \$0.60 per option or before three years from the date of issue
Convertible Note	A non-interest bearing convertible loan note with an aggregate principal amount of \$15 million and convertible into Prairie shares at a conversion price of \$0.335 per share
Corporations Act	The Corporations Act 2001 (Cth)
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Investment Agreement	The investment agreement entered into between Prairie, PDZ and CD Capital on 19 July 2015
ITM Options	1,250,000 options issued in Prairie which are exercisable at \$0.25 per option on or before 30 June 2016



JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Marindi	Marindi Metals Pty Ltd
NAV	Net Asset Value
NBP	Narodowy Bank Polski
Our Report	This Independent Expert's Report prepared by BDO
Papillon	Papillon Resources Limited
PCO Agreement	The put and call option agreement that Prairie, PDZ and CD Capital will enter on the issue of the Convertible Note
PDZ	PDZ Holdings Pty Ltd (a wholly owned subsidiary of Prairie)
Prairie	Prairie Mining Limited
Pre-Emptive Right	CD Capital's pre-emptive right to provide Prairie with additional funding up to an aggregate of \$55 million on such terms agreed by Prairie and CD Capital at a future point in time.
Proposed Listings	Prairie's proposed listings on the London Stock Exchange and Warsaw Stock Exchange
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Regulations 2001 (Cth)
RG 111	ASIC Regulatory Guide 111 <i>Content of expert reports</i> (March 2011)
RG 112	ASIC Regulatory Guide 112 <i>Independence of experts</i> (March 2011)
RG 74	ASIC Regulatory Guide 74 <i>Acquisitions approved by Members</i> (December 2011)
RHDHV	Royal HaskoningDHV
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Prairie not associated with CD Capital
The Company	Prairie Mining Limited
The Funding Transaction	Collectively the rights and obligations of all parties to the Agreements including the proposal to issue shares in Prairie on account of the Convertible Note, CDC Options and Pre-Emptive Right



Top Up Right CD Capital's right to subscribe and be issued additional Prairie shares to maintain its percentage relevant Interest in Prairie on an 'as converted' basis if, subject to specific exclusions, Prairie issued shares to any person or entity prior to the release of the results of a bankable feasibility study for Prairie's Lublin Coal project

TSX Toronto Stock Exchange

Valmin Code The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports

Valuation Engagement An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time:

VWAP Volume Weighted Average Price

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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

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Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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Appendix 3 - Independent Valuation Report prepared by Royal HaskoningDHV



REPORT

Technical Assessment Report: Prairie Mining Coal Assets

Client: BDO Corporate Finance Pty Ltd.

Reference: IEMPB2535R001D03

Revision: 01/Final

Date: 18 August 2015.

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Document title: Technical Assessment Report.
Prairie Mining Coal Assets
Document short title: Technical Assessment Report
Reference: IEMPB2535R001D03
Revision: 01/Final
Date: 18 August 2015
Project name: Lublin Coal Project
Project number: PB2535
Author(s): Marco Maestri, Steve Frankland, Sam Moorhouse

Approved by: Marco Maestri

Date / Initials: 18 August 2015

Classification

Confidential



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18 August 2015

TECHNICAL ASSESSMENT REPORT

IEMPB2535R001D03

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Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and
Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Technical Assessment Report on the Lublin Coal Project, Poland
Prepared by Royal HaskoningDHV for Prairie Mining Ltd
18 August 2015

I, Samuel Bryn Moorhouse, confirm that I am the Competent Person for the Report and a qualified "Independent Specialist" as defined by the VALMIN Code.

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition) and the Australian Guidelines for the Estimation and Classification of Coal resources 2014.
- I am a Competent Person as defined by the JORC Code, 2012 Edition, having five years' experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Chartered Geologist and Member of the Geological Society of London, a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.
- I am a full time employee of Royal HaskoningDHV (HaskoningDHV UK Ltd with a Registered Office at Rightwell House, Bretton, Peterborough PE3 8DW and Registered in England as 1336844).
- I have been engaged by Prairie Mining Ltd to prepare the documentation for the Lublin Coal Project on which the Report is based, for the period ended 6 August 2015.
- I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.
- I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Mineral Resources.
- I consent to the release of the Report and this Consent Statement by the directors of Prairie Mining Ltd.

Signature of Competent Person.



Samuel Bryn Moorhouse, Senior Geologist, Royal HaskoningDHV
Chartered Geologist, Geological Society of London, Membership Number 1007842
18 August 2015

Executive Summary

Overview

In July 2014 Royal HaskoningDHV ("RHDHV") were commissioned by BDO Corporate Finance (WA) Pty Ltd ("BDO") to provide an independent assessment and valuation of Prairie Mining Ltd's ("PDZ") coal assets. RHDHV have previously undertaken a geological assessment of the coal prospects within their Lublin asset in south eastern Poland, including preparation of a Competent Persons Report ("CPR") estimating mineral Resources for Prairie's four main licenses, and as such are familiar with the current project status.

This report has been prepared in accordance with the fundamental principles of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code") 2005 Edition.

The purpose of this TAR is to provide an impartial evaluation of PDZ's Lublin Coal Project mineral assets in Poland and estimate the current cash value of the concessions. The report has been prepared by RHDHV on a strictly impartial basis. RHDHV can confirm that all views and opinions expressed herein are unbiased and objective. The report is for the benefit of the shareholders.

The valuation contained in this TAR has been prepared by Mr. Marco Maestri and Mr. Steve Frank and who have sufficient expertise in mineral asset valuation to serve as "Independent Experts" as defined by the VALMIN Code (2005); with at least 10 years' relevant experience in the Mining Industry and at least 5 years' relevant and recent experience in the assessment and/or valuation of Mineral Assets.

Background

PDZ is a junior coal developer focused on the exploration, evaluation, appraisal and development of the Lublin Coal Project ("LCP"). The flagship project is a large scale coal deposit across four exploration concessions in south eastern Poland. PDZ operate in Poland through its wholly-owned Polish subsidiary PD Co Sp z o.o, established for the purpose of developing the LCP. Access to the study area can be obtained using the local road network, principally via Route 82 which connects to the nearby city of Lublin approximately 40 km to the southwest. The PDZ concessions are summarised in the table below:

NAME OF CONCESSION	EXPLORATION CONCESSION		
	DATE AWARDED	LENGTH OF VALIDITY	DATE OF EXPIRY
Lublin K4-5 – "Kulik"	30.07.12	3 years	29.07.15
Lublin K6-7 – "Cycow"	31.07.12	3 years	30.07.15
Lublin K8 – "Syczyn"	30.07.12	3 years	29.07.15
Lublin K9 – "Kopina"	16.11.12	3 years	16.11.15
Sawin-Zachod	30.12.14	3 years	30.12.17

Furthermore, the Company obtained the approval of its submitted Geological Documentation by the Polish Ministry of Environment (MoE) on 25 June 2015, which triggered a three year Priority Right from April 2015 to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód). To apply for a Mining Concession, the Company would need to satisfy the relevant regulatory requirements including

the completion of a Deposit Development Plan (DDP) and Environmental Impact Assessment (i.e. environmental approval) and rezoning of land for industrial use

RHDHV has reviewed the original Polish and translated English versions of the First and Second Instance Decisions relating to the approval of the Geological Documentation submitted by PDZ in 2015. Further to this, independent law firm Linklaters Warsaw, have been employed by PDZ to comprehensively review PDZ's title to the LCP.

Geology

The coal sequence within the LCP comprises 30 distinct seams, from Seam 369 at the top to Seam 399 at the base. Eleven of the 30 principal parent seams exhibit evidence of splitting and are subdivided into "child" seams A and B (two leaves) or A, B and C (three leaves). The site is overlain by poorly consolidated Quaternary superfcials of varying thickness between 0 and 85m. The upper stratigraphical sequence comprises Cretaceous and Jurassic units. Both units vary in thickness. The Cretaceous sequence is made up of a range of marine sediments; principally limestones, marls and chalks, and can reach thicknesses of 606m within the vicinity. The base of the Cretaceous sequence is characterised by the water-bearing and less consolidated Albian Strata. The thinner Jurassic units (65m to 155m from borehole intersections) comprise dolomites and dolomitic sandstones. The Cretaceous and Jurassic formations unconformably overly the Carboniferous sequence, of which the upper section is considered the productive series containing the coal seams investigated in this study. Carboniferous interburden is made up of various sedimentary lithologies ranging from claystones to mudstones to sandstones and some minor calcareous units. The uppermost coal seams occasionally sub-crop against the base of the Jurassic in some areas.

A Competent Person's Report (CPR) produce by RHDHV and issued in July 2015 forms the basis of the geological evaluation of the LCP. Within this CPR, RHDHV evaluated ten key coal seams and estimated 722 Million tonnes (Mt) of coal, comprising 390 Mt of Inferred coal (~54% of the deposit) and 333 Mt of Indicated coal (~46% of the deposit). The estimate accounts for geological losses of 15% and 20% for Indicated and Inferred respectively. Mr Samuel Moorhouse, the Competent Person who carried out the RHDHV CPR, is also the Independent Specialist undertaking the geological review for this deposit. The interpretations and conclusions presented in this report are extracted directly from the CPR and are therefore deemed to be appropriate in terms of accuracy and reliability. The Resource estimate is summarised in the table below.

	PRE-LOSSES (Mt)	POST-LOSSES (Mt)	PROPORTION
INFERRED	487	390	54%
INDICATED	392	333	46%
GLOBAL	879	722	100%

The coal quality averages per seam are described in the table below and represent unwashed, raw coal. This report does not present washed coal quality results, however PDZ has conducted 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).

Seam 391 has the lowest average ash (11.01%), the lowest overall density (RD 1.36), and the highest Calorific Value ("CV"; 28.84 MJ/kg). The average total sulphur in Seam 391 is 1.28%. Preliminary washability analysis conducted by PDZ (and therefore separate to the July 2012 CPR) on cores from its completed drilling campaign indicates that sulphur levels reduce to 0.7 – 1.06% for floats at RD 1.35, with

core yields of between 71 – 95%. All coal seams exhibit good overall prospectivity, with raw ash values between 11.01 and 24.77%, and gross CVs between 24.48 and 28.84 MJ/kg (both air dried). Total sulphur contents generally fall below 1.5%, with Seam 392 exhibiting a much higher average at 2.45%. Raw moisture and volatile matter concentrations average 3.05% and 31.58% respectively (both air dried).

Sawin-Zachód

Located immediately adjacent to the LCP, RHDHV expects that the geological succession within the Sawin concession will be the same or similar to that identified within the LCP, although no technical data pertaining to seam depths, dips, coal quality or faulting has been provided or reviewed by RHDHV for the purpose of this report. The Sawin concession represents a potential extension to the LCP, pending a detailed assessment of historical geological data and as such no Resources as defined by the JORC Code (2012) exist for the concession.

Valuation

RHDHV used several valuation techniques to derive a value for the Lublin and Sawin concessions, relying on Market and Cost based approaches due to the development status of the two assets. RHDHV is satisfied that the results reflect a true market valuation for both properties.

Lublin Coal Project - RHDHV has derived a valuation range of between US\$21.7m and US\$43.3m with a preferred value of **US\$32.5m** (effective valuation date: 29th July 2015).

Sawin - the results return a valuation range of US\$0.65m to US\$1.6m with a preferred value of **US\$0.84m** (effective valuation date: 29th July 2015).

A summary of RHDHV's valuation of the PDZ assets is provided below.

Valuation Summary: Lublin Coal Project

Valuation Approach	Method	Market Value (US\$M)		
		Low	High	Preferred
Primary	Comparable Sales	21.7	43.3	32.5
Validation	Multiple of Exploration Expenditure		39.5	35.1
Lublin Coal Project		21.7	43.3	32.5

Valuation Summary: Sawin-Zachód Concession

Valuation Approach	Method	Market Value (US\$M)		
		Low	High	Preferred
Primary	Multiple of Exploration Expenditure	0.65	0.97	0.84
Validation	Geoscientific Factor Method			1.70
Sawin-Zachód Concession		0.65	0.97	0.84

Table of Contents

Executive Summary	iii
1 Introduction	1
1.1 Scope of Report	1
1.2 The VALMIN Code	1
1.3 Context and Validity	1
1.4 Impartiality	2
1.5 Experts Statement	3
2 Company Profile	5
2.1 Exchange Listings	5
3 Lublin Coal Project	6
3.1 Overview	6
3.2 Ownership and Tenure Status	6
3.2.1 Lublin Coal Basin	9
3.2.2 Exploitation	9
3.2.3 Stratigraphy	10
3.2.4 Structure	10
3.3 Exploration	11
3.3.1 Historical	11
3.3.2 Prairie Mining	11
3.4 Description of Data	11
3.4.1 Data Quantity/Quality	12
3.5 Resource Estimates	12
3.5.1 Wardell Armstrong International	12
3.5.2 Royal HaskoningDHV	12
3.5.3 Comparison of Resource Estimates	13
3.6 Coal Quality	14
3.6.1 Summary	14
3.6.2 Coking Coal Assessment	14
3.7 Reserve Estimates	15
3.8 Site Visit	15
4 Additional Assets	16
4.1 Overview	16
4.2 Ownership	16
4.3 Local Geology	16
4.4 Exploration	16

4.5	Resource Estimates	17
5	Risk	18
5.1	Operational Risks	18
5.1.1	Licensing	18
5.1.2	Geological Uncertainty	19
5.1.3	Coal Quality	19
5.1.4	Environmental	19
5.1.5	Management	20
5.2	Sovereign Risk	20
6	Valuation	21
6.1	Approach	21
6.2	Lublin Coal Project	24
6.2.1	Comparable Transaction Method	24
6.2.2	Multiple of Exploration Expenditure	27
6.3	Sawin-Zachód concession	28
6.3.1	Cost Approach (MEE)	28
6.3.2	Alternative Valuation	30
6.4	Summary	30
7	References	32

Table of Tables

Table 1-1. Summary of Experts and Specialists	4
Table 3-1. Summary of gross coal Resources (tonnages rounded to nearest Mt)	13
Table 3-2. Tonnage comparison with 2013 WAI report.....	13
Table 3-3. Summary of coal quality per seam	14
Table 3-4. Summary of coal grades extracted from Polish standard PN-82/G-97002.....	15
Table 6-1. Valuation methods for PDZ coal assets	23
Table 6-2: Summary of preliminary transaction search	25
Table 6-3. Summary of preliminary transaction search	26
Table 6-4. Lublin Concession Comparable Transaction Valuation	27
Table 6-5. Common PEM Factors for exploration projects	27
Table 6-6. Lublin MEE Valuation Results	28
Table 6-7. Expected Expenditure on Sawin, next 12 months	29
Table 6-8. PEMs and Cost Based Valuation Approach, Sawin	29
Table 6-9: Geoscientific Factor Method Outcome	30
Table 6-10: Valuation Summary: Lublin Coal Project.....	31
Table 6-11: Valuation Summary: Sawin-Zachód Concession	31

Table of Figures

Figure 2-1. Prairie Mining Ltd 2 Year Stock Price (ASX)	5
Figure 3-1. Coal basins of Poland and the location of Lublin Coal Project.....	6
Figure 3-2. Lublin Coal Project and Sawin concessions near Lublin	7
Figure 3-3. Schematic stratigraphical column based on averages of borehole intersections input into the model	10
Figure 6-1: Valuation Approaches per Development Category	22
Figure 6-2: Comparable Transaction Analysis	26

1 Introduction

1.1 Scope of Report

In July 2014 Royal HaskoningDHV ("RHDHV") were commissioned by BDO Corporate Finance (WA) Pty Ltd ("BDO") to provide an independent assessment and valuation of Prairie Mining Ltd's ("PDZ") coal assets; the flagship Lublin Coal Project ("LCP") and the adjoining Sawin-Zachód ("Sawin") concession.

RHDHV have previously undertaken a geological assessment of the coal prospects within their Lublin asset in south eastern Poland, including preparation of a Competent Persons Report ("CPR") estimating mineral Resources for Prairie's four main licenses, and as such are familiar with the current project status. The study formed part of a wider Pre-Feasibility Study ("PFS") with the LCP currently being conducted by a technical team combining staff from RHDHV and others.

This document represents a Technical Assessment Report ("TAR") based on the knowledge gained during completion of the CPR.

1.2 The VALMIN Code

This report has been prepared in accordance with the fundamental principles of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code") 2005 Edition. RHDHV acknowledge that the VALMIN Code (2005) is currently under review and preliminary changes have been released in the form of an Exposure Draft (2015).

As defined by the VALMIN Code (2005), "Technical Assessment Reports involve the Technical Assessment of elements such as geology, mining or petroleum engineering, metallurgy, environmental impacts, capital and operating costs and actual and/or projected production, that may contribute to the actual and/or potential economic output from Mineral or Petroleum Assets as may be required to assess the economic benefit of those assets and then to determine their Technical Value."

As with widely used and recognised reporting codes for mineral resources, including JORC and SAMREC, the VALMIN Code is based on the three main reporting principles of **Materiality**, **Competence** and **Transparency**. In addition, the importance of **Independence** is also discussed in the VALMIN Code which states that the Expert or Specialist responsible for the Report must be able to satisfy any relevant legal tests of independence, and produce a Report that is free of bias.

1.3 Context and Validity

The purpose of this TAR is to provide an impartial evaluation of PDZ's Lublin Coal Project and associated mineral assets in Poland and estimate the **current cash value** of the concessions. The report has been prepared by RHDHV on a strictly impartial basis. RHDHV can confirm that all views and opinions expressed herein are unbiased and objective. The report is for the benefit of the shareholders.

Payment to RHDHV for the preparation of this report has been under typical commercial terms. No expenses have been charged. RHDHV can confirm that payment of fees is in no way contingent upon the content of this document or the conclusions made within.

The valuation is valid as of the 29th July 2015. It is expected that the valuation will change over time; being dependent on a range of external political, legislative, commercial and technical factors. The evaluation is based on information obtained from the following principal sources:

- Technical data provided by PDZ (see also Section 3.4), for which data validation checks have been conducted. RHDHV are of the understanding that the data available is whole and complete and that no other exploration data is available that would materially affect the valuation included in this report;
- Company and asset information accessed through the internet-based research database SNL Metals and Mining ("SNL"). SNL is widely regarded as a trusted source of mining data, providing comprehensive information on mining companies, projects and mines, and created via a dedicated team routinely accessing and compiling publicly available information. RHDHV have used SNL to output information used in this study;
- Other publicly available information, accessible from secondary sources such as academic papers and literature, written articles, and websites.

All interpretations and conclusions are based on the data acquired via the sources described above. Any forward-looking statements made within this document are subject to the normal risks associated with any assumptions regarding future events. The authors of this report have sufficient technical expertise to carry out the works required, and any assumptions made are based on the writer's technical expertise. RHDHV also emphasises that valuation methods applied are exposed to a substantial degree of subjectivity. The factors affecting the value of a mineral asset are extensive, but have been evaluated and quantified where possible during the valuation process.

1.4 Impartiality

RHDHV is an independent consultant that has been commissioned by BDO to produce a TAR for the PDZ coal assets.

Neither RHDHV, RHDHV permanent employees nor any RHDHV project staff:

- Have any financial or other interests in Prairie Mining Ltd, other than the subcontractor role relating to the undertaking of this TAR and the associated PFS on normal commercial terms;
- Have any financial or other interests in the LCP and associated tenements, or any other projects in the Lublin Coal Basin.

Neither RHDHV nor any of the authors of this TAR have any interest in the share capital of PDZ or any of its subsidiaries. As per Paragraph 26 of the VALMIN Code, RHDHV can confirm that the fees or provision of further work to the Experts or Specialists is not dependent on:

- The outcome of this TAR and/or Valuation;
- The success or failure of the transaction for which the Independent Expert Report was required.

RHDHV formally declare no Conflict of Interest with PDZ or the LCP, and have produced this TAR with complete impartiality.

1.5 Experts Statement

The valuation contained in this TAR has been prepared by Mr. Marco Maestri and Mr. Steve Frankland who have sufficient expertise in mineral asset valuation to serve as "Independent Experts" as defined by the VALMIN Code (2005); with at least 10 years' relevant experience in the Mining Industry and at least 5 years' relevant and recent experience in the assessment and/or valuation of Mineral Assets.

Mr. Marco Maestri is Director, Mining (UK) at Royal HaskoningDHV, a Principal Mining Engineer, Project Management Professional (PMP) and Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM). His primary expertise lies in project financial evaluation, market and economic studies, project management, feasibility studies and mine design & optimisation (primarily using Datamine and Whittle). Marco has successfully held sole project management responsibility for multi-disciplinary mining projects exceeding £6 million (~US\$9m) in consultancy fees with a total project capital value of over £3.5 billion (~US\$6bn, up to +/-10% Class 2 level).

Marco has been involved in numerous project financial assessments as lead evaluator in projects ranging from exploration properties to operating mine sites. He also has experience working as a mining analyst for an AIM specialist stockbroker where he assessed and valued mining companies and operations on a daily basis.

In addition to project and professional experience, Marco's formal post-graduate modelling and valuation training was provided by Imperial College London (Prof. Dennis Buchanan) on their Mineral Project Appraisal and Finance course. He is currently an Economics Post-Graduate Diploma (PGD) candidate at the London School of Economics (2016).

Marco has practical experience working on open pit mines in Australia and Africa and holds a degree in Mining Engineering (Hons) from Camborne School of Mines, University of Exeter (UK).

Mr. Steve Frankland has 25 years' experience in the coal industry. A coal preparation engineer by training, Steve manages coal quality and coal trading activities. Steve has worked extensively in the commercial coal industry and managed projects in all the major coal producing countries. After graduating with a degree in Minerals Engineering from University of Birmingham Steve became a Coal Processing Manager at BP Coal International Ltd where he became responsible for internal coal processing projects, coordinating and planning new operations and upgrades.

After a stint as Engineering Manager for Old Ben Coal in Ohio, USA, where he managed all engineering activities including mining, mechanical, electrical and processing operations, Steve helped form Dargo Associates Ltd, a UK-based independent coal mining and coal technology consultancy providing techno-commercial advice and practical services to coal mining companies across the world.

In addition, **Mr. Sam Moorhouse** will serve as "Independent Specialist" as defined by the VALMIN Code for preparation of this TAR. Mr. Moorhouse is a Chartered Geologist, Chartered Scientist, Fellow of the Geological Society of London and Professional Member of the Institute of Materials, Minerals and Mining. He graduated from the University of Oxford with Honours in 2007 as Master of Earth Sciences. He specialises in Resource geology and is a recognised Competent Person in Resource assessments of coal. As a Chartered Geologist, Sam holds affiliation with the Geological Society of London where he regularly works within the frameworks of international reporting codes, including NI 43-101, JORC and SAMREC. Sam is regularly involved in Resource estimation for Scoping Studies through to full Definitive Feasibility Studies, site supervision and exploration drill programme design.

Mr Moorhouse has recently acted as Competent Person responsible for geological appraisal of the Lublin coal deposit and preparation of the associated CPR. A Competent Person's Statement is also included in this report.

Table 1-1. Summary of Experts and Specialists

Name	Title	Primary Qualification	Professional Associations / Additional Qualifications	Years' Experience
Marco Maestri	Director, Mining Principal Mining Engineer	BEng Mining Engineering (Hons), Camborne School of Mines, University of Exeter	Mineral Project Appraisal and Finance, Imperial College London Project Management Professional (PMP) MAusIMM	21
Steve Frankland	Principal Consultant	Minerals Engineering (Hons), University of Birmingham	Fellow of the Minerals Engineering Society Member of the South African Coal Processing Society Member of EU Expert Committee on Coal Preparation	40
Sam Moorhouse	Senior Geologist	MESci (Hons) Earth Sciences, University of Oxford	Chartered Geologist Chartered Scientist Fellow of the Geological Society of London Professional Member of the Institute of Materials, Minerals and Mining	

2 Company Profile

PDZ is a junior coal developer focused on the exploration, evaluation, appraisal and development of the LCP. The flagship project is a large scale coal deposit across four exploration concessions in south eastern Poland. RHDHV understand that PDZ intends to market predominantly semi-soft coking coal to European customers. PDZ operate in Poland through its wholly-owned Polish subsidiary PD Co Sp z o.o, established for the purpose of developing the LCP. Elsewhere, PDZ is also involved in a Joint Venture agreement for the Base Metals Project located in the Pilbara region of Western Australia.

2.1 Exchange Listings

The company is listed on the Australian Securities Exchange (ASX) with a ticker of PDZ. In July 2015 PDZ announced the intention to list on the London (LSE) and Warsaw (WSE) Stock Exchanges (ASX Announcement 03 July 2015) due to be completed during Q3 2015.

Figure 2-1 below illustrates the change in stock price of PDZ on ASX. From a 2-year low share price of A\$0.18, recent significant changes are attributable to the awarding of exclusive rights to apply for a Mining Concession for the LCP (01/07/2015), the securing of up to A\$83m investment from CD Capital (20/07/2015) for development of the LCP, and an increase in Indicated Resources at the LCP (24/07/2015).

Figure 2-1. Prairie Mining Ltd 2 Year Stock Price (ASX)



Source: SNL Financial, PDZ Stock Chart (04/08/2015)

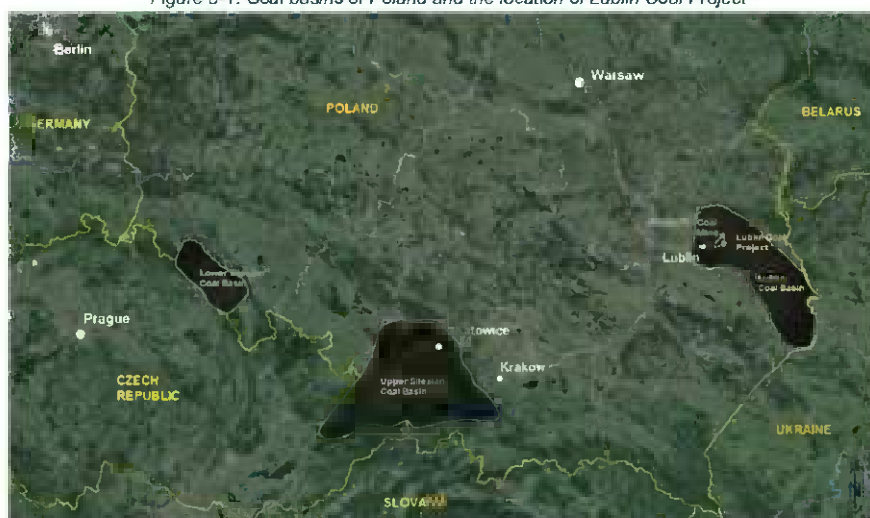
3 Lublin Coal Project

3.1 Overview

The LCP can be considered a large scale hard coal project located approximately 180 km southeast of the Polish capital of Warsaw towards the border with Ukraine (Figure 3-1). RHDHV understand that PDZ is targeting to market predominantly semi-soft coking coal to European customers. Access to the study area can be obtained using the local road network, principally via Route 82 which connects to the nearby city of Lublin approximately 40 km to the southwest.

Although no rail link has yet been constructed, the LCP is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seabome export market through underutilised ports in the north of Poland.

Figure 3-1. Coal basins of Poland and the location of Lublin Coal Project



3.2 Ownership and Tenure Status

Exploration and mining operations in Poland are governed by the Polish Geological and Mining Law Act dated 9 June 2011 (Journal of Laws 2011, No. 163, item 981 as amended) ("GML"), as well as Polish secondary legislation and are administered under the authority of the Ministry of Environment, the Department of Geology and Geological Permits. The GML sets out the terms and conditions for undertaking and completing geological works, extracting minerals from deposits and the requirements when applying for an exploration and Mining Concessions

Figure 3-2. Lublin Coal Project and Sawin concessions near Lublin



Source: Adapted from PDZ ASX Announcement 18 March 2015

The LCP originally consisted of four principal license areas for which PDZ held the Exploration Concessions, namely; Kulik (K4-5), Cycow (K6-7), Syczyn (K8) and Kopina (K9). RHDHV has taken receipt of Polish documentation dated 2012, approved by the Minister of Environment pertaining to the Exploration Concession permits for each of the four areas, including the date of approval, concession name and concession number, and of the Polish documentation for the approval of Geological Documentation dated 2015. The concessions were granted to PDZ in 2012 which have been retained for a period of three years. The Company has also recently acquired a further Exploration concession contiguous to the area of the four principal concession areas of the LCP known as Sawin-Zachód ("Sawin").

RHDHV has reviewed the certified Exploration Concession documentation and associated Usufruct Agreement for Sawin. The Sawin concessions are located adjacent to the East of the LCP and are discussed in Section 4 of this Report. The PDZ concessions are summarised in the table below:

NAME OF CONCESSION	EXPLORATION CONCESSION		
	DATE AWARDED	LENGTH OF VALIDITY	DATE OF EXPIRY
Lublin K4-5 – "Kulik"	30.07.12	3 years	29.07.15
Lublin K6-7 – "Cycow"	31.07.12	3 years	30.07.15
Lublin K8 – "Syczyn"	30.07.12	3 years	29.07.15
Lublin K9 – "Kopina"	16.11.12	3 years	16.11.15
Sawin-Zachód	30.12.14	3 years	30.12.17

Furthermore, the Company obtained the approval of its submitted Geological Documentation by the MoE on 25 June 2015, which triggered a three year Priority Right from April 2015 to apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód). To apply for a Mining Concession, the Company would need to satisfy the relevant regulatory requirements including the completion of a Deposit Development Plan (DDP) and Environmental Impact Assessment (i.e. environmental approval) and rezoning of land for industrial use.

Commencing in 2012, under the terms of its Exploration Concessions, PD Co was required to complete a seven-hole core drilling campaign at the Lublin Coal Project designed to enhance the historical drill database and facilitate the preparation of Geological Documentation (a Polish standard resource report).

PDZ announced the completion of the seven-hole drilling program in August 2014 and the submission of Geological Documentation in December 2014. On 1 July, the Company announced that the Polish government had approved the Geological Documentation for the Lublin Coal Project thereby triggering the Priority Right to establish a mining usufruct and apply for a Mining Concession for the Lublin Coal Project (excluding Sawin-Zachód).

PD Co has secured a 3 year Priority Right from April 2015 to apply for a Mining Concession at the Lublin Coal Project (excluding Sawin-Zachód). The grant of the 3 year Priority Right means that PD Co is not required to renew or extend the Exploration Concessions nor the Usufruct Agreements described below to continue with its application for a Mining Concession in respect of the Lublin Coal Project. This LCP Mining Concession area is equivalent to that evaluated as part of the Polish Geological Documentation and that examined in the RHDHV CPR (July 2015) used for PDZ's Resource upgrade, and is less than the total area of the combined four Lublin Exploration concessions (license K9 has been reduced) - see Figure 3-2 previously.

RHDHV understand that PDZ is currently now working towards completing a Mining Concession application which in Poland comprises of the submission of a Deposit Development Plan along with an Environmental and Social Impact Assessment that has been approved by local authorities. The Deposit Development Plan is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations.

Upon completion of the agreed work programme (for PDZ this required the drilling of seven cored boreholes), and subsequent approval of Geological Documentation, the company is granted the Exclusive Right to apply for a Mining Concession. This Exclusive Right, also referred to as a "priority", has now been secured by PDZ. The right is active for a three year period and also means that PDZ are not required to renew or extend the Exploration Concessions (for which three have now lapsed) or associated Usufruct Agreements - i.e. the Mining Concession supersedes previous license information. PDZ's Exclusive Right is for the region ("Lublin Concession") outlined in Figure 3-2 above (see also ASX Announcement: "Prairie secures exclusive right to be granted a mining concession for the Lublin Coal Project, July 2015"). This area is equivalent to that evaluated as part of the Polish Geological Documentation and that examined in the RHDHV CPR (July 2015) used for PDZ's Resource upgrade, and is less than the total area of the combined four Lublin Exploration concessions (license K9 has been reduced).

RHDHV has reviewed the original Polish and translated English versions of the First and Second Instance Decisions relating to the approval of the Geological Documentation submitted by PDZ in 2015. Further to this, independent law firm Linklaters Warsaw, confirmed (as of 15th July 2015) that the licenses are valid and entitle PDZ to carry out activities defined under the terms.

3.2.1 Lublin Coal Basin

Coal deposits of Poland can be found within three principal basins namely; Upper Silesian, Lower Silesian and Lublin. Poland has an established coal mining industry with extraction historically concentrated around the Upper and Lower Silesian coal basins, located in the south-west of Poland bordering the Czech Republic. The Lublin Coal basin is comparatively under-exploited, covering approximately 9,100 km² in the east of the country on the border with Ukraine (Figure 3-1). It has been identified as a significant future source and supplier of coal, with only a single mine currently in operation; the Bogdanka Coal Mine, operated by Lubelski Węgiel ("LW") Bogdanka S.A. (WSE: LWB) (the "Bogdanka Group").

The Upper Carboniferous and Early Permian represent a period of extensive basin formation associated with the end of the Variscan Orogeny, during which time multiple phases of accretion and continent-continent collision occurred across Europe. The Lublin Coal Basin exists within the broader regional Lublin Trough that developed along the southern extent of Laurussia.

The Lublin Basin is known to have formed during the Late Viséan due to enhanced subsidence, which was followed by numerous episodes of marine ingressions and repeated sequences of shallow marine and deltaic sediment deposition during the Namurian. The remaining succession within the study area contains lithologies from four main divisions. The first, and oldest, are the Late Carboniferous (Westphalian age) sediments which represent the main coal-bearing strata of the basin, deposited in predominantly fluvial environments. Following tectonic inversion and erosion, these were subsequently overlain unconformably by a sequence comprising Jurassic carbonates, Cretaceous limestone, and finally Quaternary superficial deposits (clay, sand, gravel) of varying thickness.

Between the Jurassic and Cretaceous strata is a relatively thin layer (~3.5m average thickness) of unconsolidated sandstone and conglomerate, known as the Albion Strata. This layer represents a potential aquifer within the overall stratigraphic sequence, and is historically associated with shaft sinking issues at Stefanów, within Bogdanka mining area. The Jurassic has also been identified as a potential aquifer and gaining a clear understanding of these units is important in Resource definition as its presence affects the mining potential of the coal nearby.

The Lublin structure is largely controlled by the Bogdanka Syncline and strata is found to be either horizontal or shallowly dipping (predominantly to the west), with the overlying Jurassic and Cretaceous generally more shallowly dipping compared to the Carboniferous.

3.2.2 Exploitation

The Bogdanka Coal Mine and associated licences are located immediately adjacent to the west of the Lublin Coal Project and represents the only operating coal mine outside Poland's Upper Silesian coalfield. The mining operation which began in 1982 targets the coal-bearing strata of the Lublin Basin and is said to be one of the most productive and cost-effective coal mines in Europe, supplying ~25% of coal to Polish power stations. The mining operation is expected to continue until at least 2034 pending further exploration in the areas adjacent to the existing Bogdanka licence area. The current operation is within a mining area of approximately 57km² and is operated by the Bogdanka Group. Whilst the majority of Poland's coal producers remain state-owned, the Bogdanka Group was successfully privatised in 2009.

The Bogdanka deposit is characteristic of the Lublin Basin, with almost horizontal coal seams overlain by an approximately 700m thick Jurassic and Cretaceous sequence. With such close proximity, Bogdanka forms the most reliable analogue for the development of PDZ's Lublin Coal Project.

Whilst up to eight seams have been identified to hold potential for economic extraction, workings to-date have principally focussed on two seams; Seam 382 and 385/2 (the lower leaf of Seam 385). Production in 2013 was approximately 8.4Mt, increasing to ~9.2Mt in 2014. With a recent upgrade to the coal processing plant at Bogdanka, the Group aims to produce 12Mtpa by 2018.

The coal sequence within the LCP comprises 30 distinct seams, from Seam 369 at the top to Seam 399 at the base. Eleven of the 30 principal parent seams exhibit evidence of splitting and are subdivided into "child" seams A and B (two leaves) or A, B and C (three leaves).

The site is overlain by poorly consolidated Quaternary superfcials of varying thickness between 0 and 85m. The upper stratigraphical sequence comprises Cretaceous and Jurassic units. Both units vary in thickness. The Cretaceous sequence is made up of a range of marine sediments, principally limestones, marls and chalks, and can reach thicknesses of 606m within the vicinity. The base of the Cretaceous sequence is characterised by the water-bearing and less consolidated Albian Strata. The thinner Jurassic units (65m to 155m from borehole intersections) comprise dolomites and dolomitic sandstones. The Cretaceous and Jurassic formations unconformably overly the Carboniferous sequence, of which the upper section is considered the productive series containing the coal seams investigated in this study. Carboniferous interburden is made up of various sedimentary lithologies ranging from claystones to mudstones to sandstones and some minor calcareous units. The uppermost coal seams occasionally sub-drop against the base of the Jurassic in some areas.

Figure 3-3. Schematic stratigraphical column based on averages of borehole intersections input into the model

The coal seams are found within the northwest-southeast oriented Bogdanka syncline, although dips remain relatively shallow (generally less than 6°) within the deposit area.

Fault interpretations from historical documentation have been adapted and included in the geological model used. Most are included as boundary faults, or occur outside of the study area. The fault was interpreted in the southwest area of the LCP. After the fault was found to have varying throw and terminates, it was interpreted as normal faults but were assumed to be vertical.

during the modelling carried out in the CPR. The throws were quantified along the fault strike and also modelled.

3.3 Exploration

3.3.1 Historical

Exploratory drilling within the four concessions of the LCP first began in the late 1960's, with the majority of drilling being undertaken during the 70s and 80s. It is previously reported that between 1965 and 1983 a total of 117 boreholes were drilled within the four concession areas defined above.

As such, a significant proportion of the data for the LCP is historical and has been collated by PDZ from a number of sources, including archives of the Polish Government and Polish Geological Institute/National Research Institute. Previous studies, including a Scoping Study by Wardell Armstrong International ("WAI"), carried out cross-checks against historical data at the Polish offices.

PDZ have now formally acquired the historical data, with most being provided as scanned soft copies of the originals.

3.3.2 Prairie Mining

PDZ undertook a geological drilling programme in 2013/14 to corroborate past findings and provide additional high resolution data for geological, geotechnical, hydrogeological, and other purposes including washability test work. RHDHV have utilised the information obtained from these boreholes as a concrete means of testing the reliability of the historical dataset.

Recent exploration distributed across the study area and newly acquired data concerning the geological structure and quality of the deposit is sufficient to confirm the findings of the historical boreholes.

3.4 Description of Data

Data for the LCP has been collected from exploration over a period of more than 50 years, and varies in reliability, accuracy and extent. The majority of data that exists for the deposit has been derived from historical exploration programmes, and data that has been collated by PDZ from a number of local sources, including the MoE and Polish Geological/ Research Institutes. This data has previously formed the basis for initial assessments of the deposit.

PDZ has recently completed an exploration drilling programme within the LCP concessions that was considered necessary in order to confirm the findings and reliability of historical drilling and provide infill data where possible.

Acting as an independent reviewer RHDHV has not been directly involved in the initial acquisition of technical data. This applies to:

- Historical information (i.e. from the Polish Geological Institute Archives);
- Historical data compiled by PDZ local subcontractors (PolGeo);
- Independent work carried out by GeoEkoWiert, and;
- PDZ supplied data from their recent drilling programme.

RHDHV have been largely dependent on the technical input of others. All information was provided to RHDHV through PDZ. Historical data primarily exists in the form of scanned or photographed records and is supplementary to copies made available in spreadsheet format. Historical and PDZ data has been used

by RHDHV to undertake geological modelling and Resource estimate of the LCP (excluding Sawin concessions) as the basis for a recent CPR (July 2015).

3.4.1 Data Quantity/Quality

As discussed above the majority of data for the LCP exists in the form of historical records obtain by PDZ from Polish national archives and provided to RHDHV in electronic (.pdf, .jpeg, .dxf) and spreadsheet (.xls) format. In general, historical records relating to spatial data, seam depth and structure, core recovery and coal quality are considered reliable but with limitations. Supplementary data and deposit documentation collated by PDZ, including the findings of boreholes drilled in 2013-14 are accurate and corroborate historical data.

The distribution of coal seam intersections and quality Points of Observation were considered ample to allow geological modelling and Resource estimation in accordance with the reporting guidelines of the JORC Code (2012) and complementary Coal Guidelines (2014). RHDHV have classified the LCP Resources into Indicated and Inferred categories based on data continuity and borehole spacings.

3.5 Resource Estimates

Resource estimations completed for the deposit have been prepared to the standard required under the reporting guidelines of the recognised JORC Code (2012 Edition).

3.5.1 Wardell Armstrong International

Wardell Armstrong International (WAI) produced a maiden JORC Resource Report in 2013 that was superseded with an updated JORC Resource report in 2014. The 2013 Resource estimate included 100% of Resources in the Inferred classification, estimated across the four lease areas of the LCP. The estimate also compared 20m and 100m Jurassic stand-offs whilst considering 21 coal seams. The updated JORC Resource report in 2014 provided a revised estimate for the principal target seams (Seam 389 and 391) within a target mining area, which included Indicated and Inferred Resources. No changes were made to the 2013 Resource estimate in all other seams.

A follow-up report 'Scoping Study for Development of the Lublin Coal Project' was later released by WAI in 2014 in which the updated Resource Report was used to support an initial Mine Plan. This report was intended to make an initial assessment of the viability of the LCP. The Scoping Study concluded that with consideration for unforeseen problems and changing market conditions, the LCP is considered to be a good prospect and economically viable. Recommendations were made to conduct additional exploration to increase the likelihood of an upgrade to the Resource classification and to provide additional coal quality information.

The results of the Scoping Study suggest that the deposit has the potential to support an underground longwall mining operation, accessed and supplied via two shafts to depths of approximately 1000m. WAI concluded that given the favourable geological conditions – largely un-faulted, flat-lying and continuous – the deposit could be exploited at two simultaneous faces resulting in an average 7.7Mtpa ROM equivalent to ~6Mtpa product assuming an average yield of 77% based on assumptions regarding mining dilution.

3.5.2 Royal HaskoningDHV

A technical team from RHDHV (and others) are currently undertaking the PFS for the LCP. Since the release of the initial reports by WAI, additional data including coal quality analysis from recent exploration by PDZ has been made available to RHDHV. This data has served to refine the geological model to

support a further update to the Resource Estimate and classification. This assessment later formed the basis for the July 2015 CPR.

Within this CPR, RHDHV evaluated ten key coal seams and estimated 722 Mt of coal, comprising 390 Mt of Inferred coal (~54% of the deposit) and 333 Mt of Indicated coal (~46% of the deposit). The estimate accounts for geological losses of 15% and 20% for Indicated and Inferred respectively. Mr Samuel Moorhouse, the Competent Person who carried out the RHDHV CPR, is also the Independent Specialist undertaking the geological review for this deposit. The interpretations and conclusions presented in this report are extracted directly from the CPR and are therefore deemed to be appropriate in terms of accuracy and reliability.

The Resource estimate is summarised in Table 3-1.

Table 3-1. Summary of gross coal Resources (tonnages rounded to nearest Mt)

	PRE-LOSSES (Mt)	POST-LOSSES (Mt)	PROPORTION
INFERRED	487	390	54%
INDICATED	392	333	46%
GLOBAL	879	722	100%

3.5.3 Comparison of Resource Estimates

The Resource estimate carried out by WAI in October 2013 contained tonnages more directly comparable with the RHDHV estimate as the same Jurassic stand-off (100m) was applied. After deduction of geological losses in line with RHDHV's methodology the resultant tonnages could be compared with the RHDHV estimate in this report. The results are illustrated in Table 3-2 and show that a difference of only ~18Mt was observed in the global estimate, further corroborating estimated Resources, and confirming reliability of the current estimate.

Table 3-2. Tonnage comparison with 2013 WAI report

SEAM	2013 WAI ESTIMATE (Mt)	WAI ESTIMATE WITH EQUIVALENT RHDHV 20% LOSSES APPLIED (Mt)	RHDHV GLOBAL ESTIMATE (Mt)	DIFFERENCE (Mt)
376	7	5.6	5.35	-0.25
377	29	23.2	17.51	-5.69
378	47	37.6	40.73	3.13
379	128	102.4	118.67	16.27
380	58	46.4	28.9	-17.5
382	115	92	98.42	6.42
385	69	55.2	60.22	5.02
389	105	84	60.07	-23.93
391	320	256	245.87	-10.13
392	47	37.6	46.72	9.12
TOTAL	925	740	722.45	-17.55

3.6 Coal Quality

3.6.1 Summary

The coal quality averages per seam are described in the table below and represent unwashed, raw coal. This report does not present washed coal quality results, however PDZ has conducted 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).

The table highlights the higher quality of Seam 391, which has the lowest average ash (11.01%), the lowest overall density (RD 1.36), and the highest Calorific Value ("CV"; 28.84 MJ/kg). The average total sulphur in Seam 391 is 1.28%. Preliminary washability analysis conducted by PDZ (and therefore separate to the July 2012 CPR) on cores from its completed drilling campaign indicates that sulphur levels reduce to 0.7 – 1.06% for floats at RD 1.35, with core yields of between 71 – 95%.

All coal seams exhibit good overall prospectivity, with raw ash values between 11.01 and 24.77%, and gross CVs between 24.48 and 28.84 MJ/kg (both air dried). Total sulphur contents generally fall below 1.5%, with Seam 392 exhibiting a much higher average at 2.45%. Raw moisture and volatile matter concentrations average 3.05% and 31.58% respectively (both air dried).

Table 3-3. Summary of coal quality per seam

SEAM	RAW RD	MOISTURE (ad) (%)	ASH (ad) (%)	VOLATILES (ad) (%)	TOTAL SULPHUR (ad) (%)	GROSS CV (ad) (MJ/kg)	ROGA*	SWELL*
376	1.39	2.91	14.24	26.88	0.89	28.39	46.05	3.39
377	1.40	3.12	20.50	26.88	1.26	27.80	33.87	3.34
378	1.41	3.06	13.86	33.69	1.30	27.49	43.88	3.16
379	1.44	3.08	16.61	32.06	1.38	26.70	35.71	2.48
380	1.43	3.20	16.31	31.08	1.29	26.66	33.01	3.10
382	1.41	3.62	14.18	32.10	1.35	27.12	42.10	3.73
385	1.51	2.89	24.77	27.20	0.90	24.48	47.42	3.11
389	1.41	2.92	13.64	32.36	1.20	27.77	58.19	4.40
391	1.36	2.89	11.01	32.60	1.28	28.84	61.69	4.54
392	1.49	2.82	21.92	28.30	2.45	24.54	60.91	4.66
AVG.	1.41	3.05	15.11	31.58	1.44	27.26	50.15	3.75

* ROGA and swell (FSI) values are based on beneficiated analyses, where a basic wash has been applied. Swell values are averaged and therefore do not fall under the defined index scale of whole and half numbers.

3.6.2 Coking Coal Assessment

Recent coal quality test work has demonstrated potential for semi-soft coking coal from the main 391 coal seam which represents the target, principal seam in the study. In Poland, coals are classified into different grades in accordance with Polish standard PN-82/G-97002 (Table 3-4). Semi-soft coking coal is classified as Type 34 (sub classes 34.1 and 34.2), whilst hard coking coal is classified as Type 35 (sub classes 35.1 and 35.2).

Table 3-4. Summary of coal grades extracted from Polish standard PN-82/G-97002

COAL TYPE		CLASSIFICATION PARAMETERS			
		VOLENTILE MATTER (V _{stg}) %	ROGA INDEX (RI)	DILATION (%)	CRUCIBLE SWELLING INDEX (SI)
Gas-coking coal*	34.2	≥ 28	> 55	≥ 0	not applicable
	35.1	> 28 to 31			
Semi-coking coal	35.2A*	> 20 to 26	≥ 45		≤ 7.5
	35.2B*				
Meta-coking coal	36	> 14 to 20			not applicable
Semi-coking coal	37.1	20 to 28	≥ 5		
	37.2	> 14 to 20			
Thin coal	38	14 to 28	< 5		
Anthracite coal	41	> 10 to 14			
Anthracite	42	≥ 3 to 10	not applicable		
Meta-anthracite	43	< 3			

*Gas-coking coal is equivalent to semi-soft coking coal

For the July 2015 CPR, RHDHV did not input the Polish coal categories as a modelled variable, since the model included the underlying key parameters that define coking coal classification such as FSI, Roga Index and Volatile Matter; however a significant proportion of historical samples for Seam 391 constituted "Type 34" coal. Assuming that the historical assessment of metallurgical coal potential is reasonable, a significant proportion of Seam 391 can be regarded as semi-soft coking coal.

3.7 Reserve Estimates

The PFS (ongoing) has not yet been completed for the LCP and therefore JORC Reserves are unable to be reported.

3.8 Site Visit

Mr Samuel Moorhouse (Competent Person) and the RHDHV team visited the exploration site as part of a ground-truthing exercise in August 2014. Mr Moorhouse witnessed the PDZ drilling rigs in operation and was able to observe the overall site set up and facilities. The core storage and office facilities were also visited, and Mr Moorhouse was able to meet with various ground and office staff. Site investigation procedures were discussed with PDZ staff, including drilling, logging, sampling and testing procedures, as well as data transfer, recording and manipulation. Throughout the PFS, RHDHV geologists have attended progress meetings in Poland and the UK, and held various technical meetings with the PDZ team.

4 Additional Assets

4.1 Overview

PDZ, through PD Co Sp. z o.o. holds a 100% interest in the Sawin-Zachód concession; a 54km² extension located immediately adjacent to the East of the existing LCP concession areas. The awarding of the Sawin concession brings the total land holdings in the Lublin Coal Basin of PDZ to 235km² (ASX Announcement, 3 February 2015).

4.2 Ownership

The concession application for Sawin was granted by the MoE in Poland and the 100% interest is held by PDZ's wholly-owned subsidiary, PD Co Sp z o.o. The concession is valid until 30 December 2017 which will provide the potential for additional exploration to be undertaken. Under the terms of the concession with the MoE, PDZ is required to complete drilling of one borehole at a pre-determined location within the area, activity for which must commence prior to 31 December 2015 (ASX Announcement, 3 February 2015).

RHDHV have evaluated the Concession documentation and are of the opinion that the Exploration Concession is of good standing. This has been confirmed by independent law firm Linklaters Warsaw.

4.3 Local Geology

Located immediately adjacent to the LCP, RHDHV expects that the geological succession within the Sawin concession will be the same or similar to that identified within the LCP, although no technical data pertaining to seam depths, dips, coal quality or faulting has been provided or reviewed by RHDHV for the purpose of this report.

It has been previously reported that the coal bearing succession within Sawin is located on the northeast edge of the Bogdanka Syncline, with seams of shallow dip. Similarly to the LCP, the upper coal seams are known to sub-crop against the base of the Jurassic sequence. A number of faults have been interpreted from historical data and included in Polish geological documentation, although their exact nature and position is unknown.

4.4 Exploration

Similarly to the four concessions of the LCP the Sawin concession area has been subject to historical drilling by the Polish Government during the 1970s and 1980s, including 22 cored boreholes on an approximately borehole grid spacing of 1,200m and 2,700m. Historical data is understood to include:

- Geological maps and documentation
- Borehole logs
- Select geophysical logs
- Lease and borehole location plans
- Historical Resource plans by seam
- Resource summary tables
- Coal quality summaries by seam

PDZ is required to begin the drilling of a single borehole within Sawin by 31 December 2015; however the concession agreement provides allowance for an additional 7 no. boreholes.

4.5 Resource Estimates

The Sawin concession represents a potential extension to the LCP, pending a detailed assessment of historical geological data and as such no Resources as defined by the JORC Code (2012) exist for the concession.

In March 2015 PDZ announced preliminary geological assessments of the Sawin concession resulted in a Coal Exploration Target of between 90Mt and 130Mt excluding coal seams <1.2m thickness and coal within 100m of the base of the Jurassic sequence, equivalent to 8 key seams. In-situ coal qualities ranged from 5,030 Kcal/kg to 7,330 Kcal/kg (net) on air-dried basis (ASX Announcement, 18 March 2015)

RHDHV have visited the LCP locality, although not specifically the Sawin concession (the Concession was not owned by PDZ at the time). The historical information that forms the basis of the Exploration Target estimate is of the same provenance as that used in the LCP CPR, and as such RHDHV are generally familiar with its accuracy and reliability.

5 Risk

Potential risks associated with LCP and the adjacent Sawin concessions are discussed in the following section. These can be defined as internal and external risks relating to those associated with the technical, aspects of the project that can be mitigated or managed by PDZ, and others beyond the control of PDZ associated with political stability, interest rates, currency fluctuations or industrial action.

5.1 Operational Risks

5.1.1 Licensing

PDZ have confirmed that the company has secured the Exclusive (or Priority) Right to apply for, and be a granted, corresponding Mining Concessions for the area equivalent to that included in the Polish Geological Documentation submission. The 3 year Exclusive Right means that PDZ does not need to renew or extend the Exploration Concessions or associated Usufruct Agreements to progress its application for a Mining Concession for the LCP. RHDHV has reviewed the original Polish and translated English versions of the First and Second Instance Decisions relating to the approval of the Geological Documentation submitted by PDZ in 2015.

Independent law firm Linklaters Warsaw have concluded that the concessions are in good standing and that PDZ hold the sole Exclusive Right to the LCP.

PDZ is progressing towards applying for the mining (production) concessions (licences) for the Lublin Coal Project. Based on the approved Geological Documentation, the Company has three-year priority as of 2nd April 2015 to obtain a Mining Concession (licence) and mining usufruct over any other third party.

Whilst PDZ hold the Exclusive Right to apply for a Mining Concession for this area the subsequent granting of a Mining Concession cannot be assumed. The acceptance of such a future application is also dependent on a number of factors stipulated in the Concession documentation.

During 2014, Bogdanka submitted to the MoE a Mining Concession application over the K6-7 mining area of the Lublin Coal Basin in Poland. Further to the above it is important to note that the Bogdanka Group have recently submitted to the MoE a Mining Concession application over the K6-7 mining area of the Lublin Coal Basin in Poland. On 5 September 2014, the MoE rejected Bogdanka's Mining Concession application covering concession area K-6-7. In the MoE official decision, it was confirmed that Bogdanka's application for a Mining Concession was inadmissible. However, on 22 September 2014, Bogdanka filed with the MoE an administrative motion for case reconsideration. On 5 November 2014, the MoE issued a final administrative decision ("MoE Final Decision") rejecting Bogdanka's application for a Mining Concession with respect to the K-6-7 concession area and Bogdanka's motion for case reconsideration.

The MoE Final Decision confirmed PD Co's security of tenure and priority to apply for the K-6-7 Mining Concession (subject to the Company securing all necessary approvals). It also confirmed that, given the previous approval of the Company's Geological Documentation in relation to the concession area, PD Co is entitled to a three year Priority Right to apply for a Mining Concession in relation to the K-6-7 concession area in priority to any other party.

Bogdanka has appealed the MoE Final Decision to an administrative court on 12 December 2014 and these proceedings are pending as of the date of this Prospectus. The administrative court has no authority to grant Bogdanka the concession which was refused by the MoE. The administrative court may however cancel the MoE Final Decision. If the administrative court cancels the MoE Final Decision, the MoE will be

required to re-assess Bogdanka's Mining Concession application. The court proceedings will only relate to Bogdanka's unsuccessful Mining Concession application covering concession area K-6-7 (which was twice rejected by the MoE). The proceedings will not relate to PD Co's valid K-6-7 Exploration Concession issued in July 2012, nor to PD Co's exclusive exploration rights and its valid and existing priority to apply for a Mining Concession.

Even if the administrative court cancels the MoE Final Decision and the MoE is forced to reassess Bogdanka's application, the MoE would need to take into account the fact that PD Co has since had Geological Documentation approved for the Lublin Coal Project and currently holds the Priority Right to apply for a Mining Concession and mining usufruct right. As such, the MoE would have to take into account that granting Bogdanka a Mining Concession over K-6-7 mining area would infringe on PD Co's valid Priority Right granted for the Lublin Coal Project.

5.1.2 Geological Uncertainty

Early to advanced stage mineral exploration projects by their nature hold a degree of risk associated with the amount and distribution of technical data available at each development stage. Successful development of the LCP and adjacent concessions are dependent to some respect on future exploration and site investigations to be undertaken by PDZ. Inherent in the current resource estimation is a degree of geological uncertainty to allow for unforeseen complexities in the geology of the deposit, including; faulting, seam thinning and sandstone washouts that hold the potential to affect future economic extraction of the deposit. Despite this a significant amount of historical data exists for the LCP that has recently been confirmed through exploration drilling across all four concessions. The degree of risk is quantified somewhat by the classification of Resources into Inferred and Indicated tonnages.

Development of the concessions will also be controlled by future infrastructure requirements for the mining operation that will be simultaneously addressed, including but not limited to; land holdings for surface infrastructure, site investigation for surface infrastructure and shaft designs and licensing of or extension to transport networks (road and rail). The degree of risk is quantified somewhat by the classification of Resources into Inferred and Indicated tonnages and the associated losses applied.

5.1.3 Coal Quality

The distribution of coal quality data collected through historical investigation and confirmed by PDZ drilling provides confidence in the continuity of coal qualities across the deposit. Nevertheless, as is applicable to all preliminary mining studies, should further exploration prove lower coal quality than expected, this has the potential to impact negatively on the project.

The 2015 Resource estimate by RHDHV however indicates that all seams show good prospectivity, and within the proposed PFS target seam (Seam 391) in particular, which displays the highest level of lateral continuity. Seam 391 represents approximately one third of the total resource base, exhibiting the highest qualities; lowest average ash and density and highest CV.

5.1.4 Environmental

Previous assessments of the deposit suggest that all Run of Mine coal (ROM) will be processed in a CHPP and the waste will be deposited in a suitable emplacement area. This will require an environmental permit although given an operating mine already exists in the immediate area it is not expected to encounter opposition at this stage.

Submitted Deposit Development Plans, Geological Documentation and Environmental documentation including impact assessments will require approval from the relevant environmental authority in Poland.

This will include consideration for impacts from surface infrastructure and coal transportation, and protection and exclusion of local nature reserve areas identified within the concession areas.

5.1.5 Management

Development of the project is dependent on efficient management including the undertaking/ commissioning of additional exploration, processing of license applications and renewals for Exploration/Mining rights, and the management and mitigation of unforeseen changes in the project either during development, ramp up or operations.

5.2 Sovereign Risk

Political and economic stability in Poland, whilst beyond control of PDZ and other project stakeholders, has the future potential to affect any mining or investment project. Ranked 32nd/189 for Ease of Doing Business (World Bank) and 35th/175 for Corruption Perception Index (Transparency International), Poland can be considered a sound operational and business-friendly environment that has experienced a stable or positive economic outlook for the past decade.

Only in the past year has the potential for instability in Poland occurred since the country announced its support to Ukraine in the current Russian military crisis and increased spending on national defences and armed forces due in 2016.

Despite this the potential for unrest in the region to directly impact on development projects remains low, and Foreign Direct Investment from overseas and within Europe remains high, at approximately EUR160bn (~US\$174bn). Fully integrated into the European import and export markets with strong trade links to the UK and Germany, Poland has experience sustained growth rates of between 3 and 4% over the past 5 years.

Relating to power supply and demand, Poland aims to progressively decrease its imports from Russia placing increasing importance on development of its in-country coal reserves and domestic power generation projects.

6 Valuation

6.1 Approach

Early stage mineral asset valuations are generally subjective and are based on the potential for extraction rather than a detailed cash-flow analysis. For this reason, it is important to understand the principles that drive value at an early stage and provide a realistic, fair market estimate that takes into account the inherent risk in developing an operating mine. The term 'Fair Market Value' is an important distinction and is defined by the VALMIN code as *"The amount of money (or the cash equivalent) determined by the Expert for which the Mineral or Petroleum asset or Security should change hands on the Valuation Date in an open and unrestricted market in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion"*¹.

To comply with the above, RHDHV has adopted a 'willing buyer, willing seller' principle when assigning a fair market valuation to mineral assets.

The assets under consideration include the LCP and the Sawin concession. The project classification categories considered by RHDHV when undertaking a valuation are shown below. These categories inform the selection of an appropriate valuation method.

Exploration Areas... properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified

Advanced Exploration Areas... properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill core testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category

Pre-Development Projects... properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.

Development Projects... properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels

Operating Mines... mineral properties, particularly mines and processing plants that have been commissioned and are in production

¹ The VALMIN Code, 2005

Due to limitations with all methods of valuation it is advisable to adopt as many techniques as both the information allows, and are reasonable in the particular circumstances. As such, RHDHV have adopted a combined (multiple method) approach which ensures the most appropriate techniques are applied per asset as well as providing a useful validity check.

There are three generally accepted valuation approaches which are applied to three different types of mineral properties; exploration, development and production. The three approaches are defined as follows²:

The Income Approach is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property.

The Market Approach is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market. Methods include comparable transactions and option or farm-in agreement terms analysis.

The Cost Approach is based on the principle of contribution to value. The appraised value method is one commonly used method where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property. Each approach is applicable given the method used is matched to the available data and maturity of the project, ranging from grass roots exploration to operating mines.

Appropriate valuation approaches and methods for the different stages of development are shown in Figure 6-1.

Figure 6-1: Valuation Approaches per Development Category

Valuation Approach	Valuation Method	General Development Category		
		Exploration – Pre-development	Development	Operating
Income	Discounted Cash Flow	Not generally used	Widely used	Widely used
	Real options Analysis	Less widely used	Quite widely used	Quite widely used
	Monte Carlo Analysis	Less widely used	Less widely used	Less widely used
	Probabilistic Methods	Not widely used	Not widely used	Not widely used
Market	Comparable Transactions	Widely used	Widely used	Widely used
	Option Agreement Terms	Widely used	Widely used	Quite widely used
	Mineral 'In-situ' Value	Not acceptable		
	Net metal value per unit	Widely used rule of thumb		
	Value per unit area	Widely used	Not widely used	Not widely used
	Market Capitalisation	More applicable to single asset junior companies		
Cost	Multiples	Quite widely used	Quite widely used	Widely used
	Exploration Expenditure	Quite widely used	Not widely used	Not generally used
	Geoscience Factor	Quite widely used	Not widely used	Not generally used

RHDHV has defined the LCP asset as an **Advanced Exploration** or a **Pre-development** project. PDZ have conducted extensive drilling which has resulted in a large, JORC (2012) defined, resource of 722Mt

² CIMVAL Standards and Guidelines, 2003

(333Mt Indicated, 390Mt Inferred) which lends itself to a Market based primary valuation method with a supporting Cost approach.

Once the Preliminary Feasibility Study (currently ongoing) has established a JORC compliant Reserve, meaningful costs and associated cash-flow; an Income approach (such as discounted cash-flow) can be considered.

The Sawin project is an early-stage asset and represents a potential extension to the LCP (pending a detailed assessment of historical geological data), and as such no Resources as defined by the JORC Code (2012) exist for the concession. Despite some historical activity, RHDHV has defined Sawin as an Exploration area and as such believes a Cost approach to be the most appropriate method of valuation. This has also been supported by a geoscientific factor method valuation due to a lack of appropriate comparable transactions.

A summary of valuation methods used as the basis of this TAR are presented in the table below and principally include:

Comparable Transaction – this method forms part of the Market Approach category defined above, and allows the value estimated for a mining project to be benchmarked against market rates using recent comparable transactions to derive a dollar value per unit of in situ resources, which is then applied to the property being valued. It should be based on a recent 'arm's length' transactions of a similar nature and is a key tool for ensuring values are congruent with what the market would pay.

Multiple of Exploration Expenditure – this method forms part of the Cost Approach category defined above and is based on the principle of contribution to value. The method is one commonly used where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

The Geoscientific Factor Method (GFM) - also known as the Kilburn Method, is a common method of valuing early stage exploration projects with no formal Resources or confirmed mineralisation. Although considered subjective, it is reliant on the expertise of an exploration geologist who is familiar with the geological characteristics of the concession or surrounding area, and who is experienced in the assessment of mineral deposits and mineral resources.

Each method was applied to the corresponding project classification deemed most appropriate. As a secondary investigation, the remaining alternative method was then used as a cross-check. The methods applied per concession are outlined in Table 6-1.

Table 6-1. Valuation methods for PDZ coal assets

Asset	Classification	Primary	Validation
LCP	Advanced Exploration / Pre-development	Comparable Transaction	Multiple of Exploration Expenditure
Sawin	Exploration	Multiple of Exploration Expenditure	Geoscientific Factor Method

6.2 Lublin Coal Project

6.2.1 Comparable Transaction Method

Mineral asset transactions that have been executed within three (3) years of the valuation date have been considered by RHDHV in the assessment of potential comparable sales. To ensure consistency and to mitigate the effects of market sentiment, price and currency fluctuations have been taken into account and the analysis adjusted accordingly.

Each property is unique and key factors such as geology, mineralisation, depth, infrastructure and risks have to be considered, therefore finding executed deals that are truly comparable is one of the principle challenges with this valuation approach. Due to a lack of appropriate European and semi-soft coking coal comparisons, RHDHV have expanded the search parameters to include worldwide coal transactions. It is noted that the price achieved for a Lublin coking coal has potential to attract a premium of US\$5 to US\$15 over the price of thermal coal and has been factored into the evaluation.

Obvious anomalies have been identified and excluded from the list to enhance the likelihood that fair 'arm's-length' deals have been used in the assessment. Where possible, reasons for any exclusions, asset descriptions and risk factors are provided for transparency.

RHDHV have employed a holistic approach when evaluating the LCP, considering all major, identifiable parameters which define the deposit and its operating environment. As part of this process, RHDHV have evaluated the results for suitability by assessing asset characteristics such as project maturity, Resource size and confidence, coal type, destination and market, country risk, infrastructure and date of transaction. The results of the initial transaction search are shown in **Table 6-2**².

From an initial assessment, several transactions have not been deemed suitable to be included as part of the comparison, but have been included for completeness and indicated in grey.

² The preliminary transaction search has been based on information output from SNL and supplemented by additional internet research on publicly available data (reports, announcements etc).

Table 6-2: Summary of preliminary transaction search

Property Name	Principal Owner	Location	Infrastructure Description	Project Status	Coal Market	Reason for rejection
Arckaringa	Alinta Energy	Australia	Relatively remote, South Australia with some mining roads and rail nearby	Feasibility	Thermal	Extraction method not comparable (CTL)
Brakkentien	Alinta Energy	Australia	Established coal producing area of RSA	Feasibility	Thermal	Small proportion of overall asset purchased (premium assumed)
Clyde Park	Guilford Coal	Australia	Remote area of Queensland although close to rail line and MOU with port	Reserves Development	Thermal	
Collingwood	New Hope Corporation	Australia	SE Queensland, 7km spur required, plus transmission and water	Reserves Development	Thermal	
Donkin	Cine Group	Canada	Established rail mining region of Cape Breton, Nova Scotia	Prefeas/Scoping	Thermal, Metallurgical	
Ebenezer	Zedmar	Australia	Existing infrastructure in place, Queensland	Feasibility	Thermal	Closed Mine
Highlands	Guilford Coal	Australia	Remote area of Queensland although close to rail line and MOU with port	Reserves Development	Thermal	
Imahilo	Lemur Resources	Madagascar	Remote, SW Madagascar, proposed rail route to Toamasina port	Prefeas/Scoping	Thermal	
Julesville	Black Range Minerals	USA	Remote area of Alaska although 20km to rail line 300km from port	Reserves Development	Thermal	
Merkato	Boleslawa Resources	Poland	Established, populated region of Poland, localised rail, power and water links required	Feasibility	Thermal	
Mecsek Hills	Force Energy	Hungary	Established, populated region of Hungary, localised rail, power and water links required	Feasibility	Thermal	Extraction method not comparable (UCC)
Mookpoats	Coal of Africa	South Africa	Within an established coalfield	Closed Mine	Thermal	Closed Mine
Nuurist	Modun Resources	Mongolia	Remote area of Mongolia but near to operating mines, 6km rail spur required	Feasibility	Thermal	High Risk country (volatile) - Mongolia
Powder	WPG Resources	Australia	Relatively remote, South Australia with some minor roads and rail nearby	Reserves Development	Thermal	
Tetu	Strategic Minerals	New Zealand	Semi-remote region of NZ, localised rail, power and water links required	Prefeas/Scoping	Thermal	
TCM	Pan Asia Corporation	Indonesia	Adjacent to established open-pit mine, haul road and ramping possible	Feasibility	Thermal	High Risk country (volatile) - Indonesia
Vista	Coalpur Mines	Canada	Established, populated region of Canada, localised links required, rail MOU agreed	Feasibility	Thermal	Huge Resource Base
Wulfin	Prairie Mining	Poland	Established, populated region of Poland, localised rail, power and water links required	Prefeas/Scoping	Thermal and semi-soft coking	

Following omission of those projects deemed unsuitable, nine projects remained, each of which could be considered broadly comparable with the LCP in terms of its major attributes. Reasons for project exclusions are included in Table 6-2 and focus on major differences, such as clean coal technology projects, projects which were previously successfully operating and with minimal lead time to recommencement of mining, and those in high risk countries where valuations can differ significantly over a short time frame dependent on a range of legal or geopolitical factors.

Transaction details for the remaining suitable properties, with market-adjusted US\$/t values to account for price and currency fluctuations, are shown in Table 6-3:

Table 6-3 Summary of preliminary transaction search

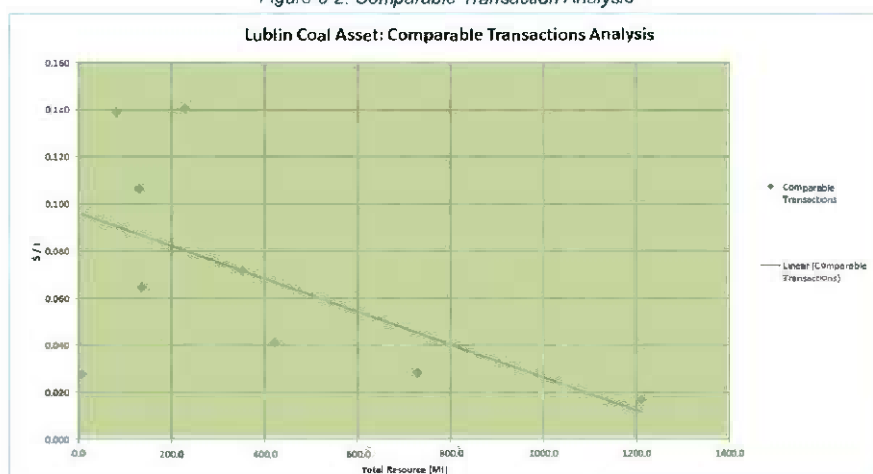
Property Name	Original Transaction Currency	Date of Transaction	Transaction Breakdown	Transaction Value (\$M)*	Preparation of Transaction (%)	Coal Price at Transaction Date**	Resources (Measured + Indicated) (MMt)	Resources (Inferred) (MMt)	Total Resources (MMt)	Adjusted Transaction Value / Total Resources (\$/t)
Clyde Park	USD	Jul '14	Cash, Common Stock, Debt, Unclassified	25.0	100	70.69	50.7	677.0	727.7	\$13.6
Collingwood	AUD	Feb '15	Unclassified	17.1	49	63.70	160.0	69.0	219.0	\$13.6
Dunkin	CAD	Jan '15	Cash, Non-contingent Future Payment, Equity Issued	4.7	25	65.12	172.0	250.0	422.0	\$13.6
Hughenden	USD	Jul '14	Cash, Common Stock, Debt, Unclassified	25.0	100	70.69	122.9	1076.0	1208.9	\$13.6
Imuloto	AUD	Jun '15	Cash	3.1	36	57.11	123.1	12.6	135.7	\$13.6
Jonestown	AUD	Jan '15	Common Stock, Debt Assumed	14.5	100	61.29	34.3	96.4	130.7	\$13.6
Minerals	USD	Nov '14	Common Stock	11.4	85	70.02	26.1	85.0	111.1	\$13.6
Pennryn	AUD	Apr '15	Cash, Debt Assumed	28.0	100	60.63	335.9	16.5	352.4	\$13.6
Tetu	NZD	Mar '15	Unclassified	0.1	51	62.01	6.7	0.0	6.7	\$13.6

*Values are upon completion, if no completion data is available, announcement values are used instead

**(\$/t) Estimated from CIF ARA Coal Index (coal price accurate as of 29.07.15, using GBP to USD exchange rate of 1.56 (29.07.15))

The comparable transaction analysis results displayed in graph format are shown in Figure 6-2:

Figure 6-2: Comparable Transaction Analysis



RHDHV has evaluated each of the remaining projects individually and compared against the LCP asset. Outliers have been identified and duly noted in the analysis. RHDHV has applied an appropriate discounted weighting to the anomalies resulting in lower influence on the final valuation. The outliers are described below:

- Both **Collingwood** (Aus) and **Mariola** (Poland) were noted to have an anomalously high US\$/t value which could, in RHDHV's opinion, skew the results unrealistically if a lower weighting was not applied. This was disappointing given that the Mariola asset is in Poland, one of the only geographically comparable transactions available. Similarly **Jonesville** (US) appeared high for an early stage, remote project located 300km from market links.
- At the other end of the spectrum, the Guildford Coal assets, **Hughenden** (Aus) and **Clyde Park** (Aus) were highlighted due to the disproportionately high level of inferred tonnes which resulted in a low US\$/t value. Again, this was noted in the analysis and given due consideration.

During valuation more credence was also given to projects displaying the most similarity to the LCP, namely the earlier stage, underground projects with an Inferred to Indicated resource ratio similar to the LCP. This value per unit of resource correlates with the **Donkin** project (Can), which represents the only comparable metallurgical coal project on the list and it is also at a similar stage of development.

The analysis shows that once the outliers had been discounted accordingly, the weighted mean \$/t value for the dataset is US\$0.046/t. This forms the basis for the preferred valuation multiplier of US\$0.045/t.

Based on the preferred valuation figure and considering the dataset spread, RHDHV considers a low and high multiplier of US\$0.030/t and US\$0.060/t respectively to be appropriate.

Table 6-4. Lublin Concession Comparable Transaction Valuation

Asset	Total Resource (Mt)	Market Value (US\$M)		
		Low	High	Preferred
Lublin Coal Project	722	\$0.030/t	\$0.060/t	\$0.045/t
Project Value (US\$M)		21.7	43.3	32.5

The upper and lower market values are approximately equivalent to the maximum and minimum US\$/t values observed in the dataset.

6.2.2 Multiple of Exploration Expenditure

The Multiple of Exploration Expenditure (MEE) valuation technique is based on the principle of past expenditure and applies a premium (or discount) to past and committed future exploration costs by the use of a Prospectivity Enhancement Multiplier (PEM) which applies a multiplier related to the success of previous exploration activities, depending on whether the exploration has enhanced the prospectivity of the deposit or not.

This approach is also subjective by nature but does rely upon warranted cost data with a set of defined parameters used to assign an appropriate PEM, shown in Table 6-5.

Table 6-5. Common PEM Factors for exploration projects

PEM	Description / Justification
0.2	Exploration has downgraded the prospectivity – no deposit found
0.5	Exploration potential degraded – no significant deposit found
1.0	Exploration has maintained (not downgraded) the prospectivity
1.3	Exploration has slightly enhanced the prospectivity
1.5	Exploration has considerably increased the prospectivity (geological mapping, geophysics, analysis)
2.0	Reconnaissance drilling intersected deposit
2.5	Infill drilling has defined a deposit with potential for future economic extraction
3.0	Inferred Resource has been defined, no feasibility study at this stage
4.0	Indicated Resources have been defined which are likely to form the basis of a Pre-Feasibility Study
5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment

PDZ have provided exploration costs that have advanced the development of the LCP and have been used as the basis for this valuation. Overheads, management, administrative and general costs have not been considered as part of the assessment. It was considered that as Indicated Resources have been defined and a PFS is currently underway, a preferred multiplier of no less than 4.0 should be assigned with an upper limit of 4.5. The results are shown in Table 6-6.

Table 6-6. Lublin MEE Valuation Results

Year	Exploration Expenditure (US\$)	Prospectivity Enhancement Multiplier	
FY2013	1,068,355	Preferred – 4.0	High – 4.5
FY2014	3,787,013		
FY2015	3,926,649		
Total	8,782,016		
	Project Value (US\$M)	35.1	39.5

The MEE approach is used to derive the technical or intrinsic value of a project without considering market factors. In this scenario, RHDHV is satisfied that the valuation is broadly in line with the market approach and have included it as a validation.

6.3 Sawin-Zachód concession

6.3.1 Cost Approach (MEE)

RHDHV has been provided with planned and approved budget expectations for the Sawin concession for the next 12 months (Table 6-7). These costs are mostly attributable to exploration activity and the drilling of one (1) borehole to meet the terms of the concession agreement, discussed previously. Table 6-7 provides a breakdown of expected expenditure.

Table 6-7. Expected Expenditure on Sawin, next 12 months

Exploration Activity	Planned and approved exploration expenditure (next 12 months)	
	PLN (Polish Zlotny)	US\$
Drilling (1 no. borehole)	1,200,000	324,120
Drilling supervision, logging and statutory papers	600,000	162,060
Coal quality, geotechnical and geophysical investigations	600,000	162,060
TOTAL	2,400,000	648,240

A Prospectivity Enhancement Multiplier (PEM) has been applied to the expenditure values allocated to Sawin, budgeted to be spent by PDZ over the next 12 months in order to derive a current value for the concession based on its perceived prospectivity.

In order to define a range of low, preferred and high valuations for the Sawin concession, PEM values have been chosen based on the current progress of exploration (Table 6-5). Historical data has been assessed by the Prairie geological team and considered of sufficient quantity and quality to enable a simple geological model to be constructed in order to estimate an Exploration Target (of between 90Mt and 130Mt).

Whilst RHDHV have not conducted an audit, it is considered highly unlikely that the historical data warrants a downgrading in the prospectivity i.e. the historical drilling has been successful in intersecting coal seams and confidence can be taken in the proximity to and simple structure observed at the adjacent LCP concessions. As such a PEM ≥ 1.0 should be used in this instance.

Considering a higher PEM, a value of 2.5 would be deemed too high given that no infill drilling has yet been undertaken and consideration for its future extraction has not been fully investigated. A PEM between 1.0 and 1.5 is viewed as most appropriate given the entirely historical nature of the drilling data, not yet confirmed by more up to date exploration drilling.

Therefore, RHDHV have applied PEM values of 1.0, 1.3 and 1.5 to represent low, preferred and high valuations for the concession. These valuations are presented in Table 6-8.

Table 6-8. PEMs and Cost Based Valuation Approach, Sawin

	PEM	Description / Justification	Valuation (US\$)
Low	1.0	Exploration has maintained (not downgraded) the prospectivity	648,240
Preferred	1.3	Exploration has slightly enhanced the prospectivity	842,712
High	1.5	Exploration has considerably increased the prospectivity (geological mapping, geophysics, analysis)	972,360

6.3.2 Alternative Valuation

Alternative valuation methods have been investigated in an attempt to validate the Cost Base Approach. It is best practice to use as many valuation techniques as possible, however RHDHV consider many of the alternatives to be too subjective or inappropriate to apply to the Sawin concession.

The **Comparable Transaction Approach** (market based) is difficult to apply in this instance. Due to the early stage of the Sawin concession, very few comparable projects have been identified from the industry – i.e. an early stage project with no formal JORC Resources adjacent to more advanced/operating projects. As such the **Geoscientific Factor Method (GFM)** has been used as the validation valuation approach for the Sawin asset. This method is a purely technical valuation with no in-built consideration for market conditions. It is accepted by many within the industry that this method should not be used as a primary technique but only as a cross-check against other methods. In this case, the GSF method has not been used in isolation by RHDHV but rather as a means of testing the results of the Cost Based Approach.

In principle, the Geoscientific Factor Method is based on the multiplication of weighting factors that are determined by an interpretation of the known geological characteristics of the property. These characteristics can be divided into 19 categories, themselves based on 4 main considerations, including; (i) location of the property with respect to known off-property mineral occurrences or targets, (ii) grade of mineralisation on the property, (iii) geophysical or geochemical targets on the property, and (iv) number of geological features.

After the multiplication of weighting factors, the initial upfront costs of the concession (in this case approximately A\$21,700 or US\$15,800) is also factored in. A resultant valuation of **US\$1.70m** was determined for Sawin that approximately falls within the same order of magnitude as the primary MEE method.

Table 6-9: Geoscientific Factor Method Outcome

	Product of Geological Factors	Approximate Annual Concession Cost (US\$)	Valuation (US\$M)
Preferred	108	15,800	1.7

Upon review, it is the opinion of RHDHV that the location of the Sawin concession adjacent to the LCP – an advanced stage exploration project undergoing a PFS – and close proximity to the operating Bogdanka Coal Mine, serves to increase the weighting factors used in the above calculation resulting in an overestimated valuation, however RHDHV is satisfied that the GSF method generally corroborates the results of the primary valuation (MEE), falling within the same order of magnitude.

6.4 Summary

RHDHV have used several valuation techniques to derive a value for the Lublin and Sawin concessions, relying on Market and Cost based approaches due to the development status of the two assets. Despite challenges such as lack of suitable comparable European and coking assets for Lublin and issues with a lack of defined Resources for Sawin,

RHDHV is satisfied that the results reflect a true market valuation for both properties.

Lublin Coal Project - RHDHV has derived a valuation range of between US\$21.7m and US\$43.3m with a preferred value of **US\$32.5m** (effective valuation date: 29th July 2015).

Sawin - the results return a valuation range of US\$0.65m to US\$1.6m with a preferred value of US\$0.84m (effective valuation date: 29th July 2015).

A summary of RHDHV's valuation of the PDZ assets is provided in **Table 6-10** and **Table 6-11**.

Table 6-10: Valuation Summary: Lublin Coal Project

Valuation Approach	Method	Market Value (US\$m)		
		Low	High	Preferred
Primary	Comparable Sales	21.7	43.3	32.5
Validation	Multiple of Exploration Expenditure		39.5	35.1
Lublin Coal Project		21.7	43.3	32.5

Table 6-11: Valuation Summary: Sawin-Zachód Concession

Valuation Approach	Method	Market Value (US\$m)		
		Low	High	Preferred
Primary	Multiple of Exploration Expenditure	0.65	0.97	0.84
Validation	Geoscientific Factor Method			1.70
Sawin-Zachód Concession		0.65	0.97	0.84

7 References

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