



NEWS RELEASE | 31 October 2017

SEPTEMBER 2017 QUARTERLY REPORT

HIGHLIGHTS

Debiensko Mine (Premium Hard Coking Coal)

Geo-technical Drill Program Underway

- In preparation for the upcoming next phase of project studies, a shallow geo-technical drill program was completed at Debiensko during the quarter.
- Results will be used for detailed design and engineering of surface structures associated with the shafts, coal handling and preparation plant and other surface facilities during the upcoming feasibility study.

Mine Site Redevelopment Program Update

- Focus during the quarter has been on planning the mine site's redevelopment program, including:
 - preparation for an in-fill drill program to increase JORC Measured and Indicated resources to support future feasibility studies;
 - initial demolition works; and
 - pre-qualification of study contractors.

Offtake Discussions Advance

- Prairie continued discussions with regional steel makers and coke producers for future coking coal sales and offtake.
- Highly favourable market fundamentals remain prominent as Europe's steel industry continues to consume 47 Mt of hard coking coal annually, 85% of which is imported.

Jan Karski Mine (Semi-Soft Coking Coal)

Transformational Coking Coal Quality Results

- Coal quality results from latest drilling have transformed Jan Karski into a high-value ultra-low ash semi-soft coking coal project.
- Updated marketing and coal sales strategies have begun in the quarter following Prairie's latest successful drilling results with Jan Karski's semi-soft coking coal product expected to attract a 10% premium to international benchmark prices. Marketing and coal sales are strategies to be used in preliminary offtake discussions between Prairie and steel makers.

China Coal Studies Near Completion

- China Coal's studies for the development of the Jan Karski Mine have significantly advanced and will incorporate the coal quality results from the latest drilling at Jan Karski. Studies are due to be finalised in the coming months.
- Under the Strategic Co-operation Agreement between Prairie and China Coal, the studies will support China Coal's EPC contract to construct the Jan Karski Mine and will underpin a Chinese bank financing package.

Jan Karski Most Advanced Coking Coal Project in Northern Hemisphere

- Spatial development plan approved at Jan Karski meaning the rezoning of 56 hectares of agricultural land for industrial use is complete allowing for construction of a mine site, shafts and associated surface infrastructure.
- Prairie remains on track to submit a Mining Concession application for Jan Karski in the coming months following submission of the Environmental and Social Impact Assessment during October 2017.

Robust Coking Coal Fundamentals

Strong Price Environment Continues

- Coking coal price environment has remained strong throughout the quarter attributed to strong cash margins of Chinese steel mills, production cuts by some Chinese miners, and production disruptions in Australia.

Coking Coal Reconfirmed as a Critical Raw Material for Europe

- In Europe, coking coal remains on the European Commission's 2017 revised list of Critical Raw Materials as European steel makers – including the newly-formed ThyssenKrupp Tata Steel Joint Venture – look to supply a changing automobile industry and numerous infrastructure programs.
 - Increasing demand for ultra-low emission vehicles is expected to drive growth in steel supply to the European automobile industry – almost 0.5 tonnes of coking coal are required to produce the structural, electrical and plated steel for each electric car.
 - UK infrastructure projects including the High Speed 2 Rail Line and the construction of the Hinkley Point C Nuclear Power Station are expected to use over 3 million tonnes of steel – equivalent to 375 London Olympic Stadiums.
 - According to BHP Billiton, China's Belt and Road Initiative to advance globalisation and trading – and which includes several European countries including Poland – could result in up to 150 million tonnes of incremental steel demand.
- Prairie's two large-scale Tier One assets are ideally positioned to supply coking coal to meet Europe's steel demand in the future.

Corporate

- Prairie and CD Capital completed an additional investment of US\$2.0 million (A\$2.6 million) in the form of non-redeemable, non-interest-bearing convertible loan notes.
- Prairie has cash reserves of A\$17 million. With CD Capital's right to invest a further A\$55 million as a cornerstone investor, plus with the Strategic Co-operation Agreement Prairie has with China Coal for financing and construction of Jan Karski, Prairie is in a strong financial position to progress with its planned development activities at Debiensko and Jan Karski.

Ben Stoikovich, Chief Executive Officer commented ***“Following coal quality testing that demonstrated premium quality ultra-low ash semi-soft coking coal at Jan Karski, it is clear that we hold one of the most advanced coking coal projects of significant scale in the Northern Hemisphere. Alongside our partner China Coal, we are nearing completion of all requisite studies required to facilitate already advanced discussions with Chinese debt providers. Jan Karski's development will provide substantial economic and social benefits for Eastern Poland and we look forward to submitting our Mining Concession application shortly. At Debiensko, we continue works in order to restart the mine at a time when long term coking coal supply has become increasingly important to the European steel industry.”***

For further information, please contact:

Prairie Mining Limited

Ben Stoikovich, Chief Executive Officer

Sapan Ghai, Head of Corporate Development

+44 20 7478 3900

info@pdz.com.au

DEBIENSKO MINE

The Debiensko Mine (“**Debiensko**”) is a fully permitted, hard coking coal project located in the Upper Silesian Coal Basin in the south west of the Republic of Poland. It is approximately 40 km from the city of Katowice and 40 km from the Czech Republic.

Debiensko is bordered by the Knurow-Szczygłowice Mine in the north west and the Budryk Mine in the north east, both owned and operated by Jastrzębska Spółka Węglowa SA (“**JSW**”), Europe’s leading producer of hard coking coal.

The Debiensko mine was originally opened in 1898 and was operated by various Polish mining companies until 2000 when mining operations were terminated due to a major government led restructuring of the coal sector caused by a downturn in global coal prices. In early 2006 New World Resources Plc (“**NWR**”) acquired Debiensko and commenced planning for Debiensko to comply with Polish mining standards, with the aim of accessing and mining hard coking coal seams. In 2008, the Minister of Environment of Poland (“**MoE**”) granted a 50-year mine license for Debiensko.

In October 2016, Prairie (“**Prairie**” or “**Company**”) acquired Debiensko with a view that a revised development approach would potentially allow for the early mining of profitable premium hard coking coal seams, whilst minimising upfront capital costs. Prairie has proven expertise in defining commercially robust projects and applying international standards in Poland. The fact that Debiensko is a former operating mine and its proximity to two neighbouring coking coal producers in the same geological setting, reaffirms the significant potential to successfully bring Debiensko back into operation.



Figure 1: Debiensko Mining Concession Area

Premium Quality Hard Coking Coal

Preliminary analysis indicates that a range of premium hard coking coals that will be in high demand from European steelmakers can be produced from Debiensko. This analysis is based on historical data, neighbouring operational coking coal mines and the results of a suite of modern coking tests performed on selected seams from a fully cored borehole drilled by the previous owners in 2015/16. Two premium hard coking coal specifications have been delineated from select seams at Debiensko, namely Medium volatile matter hard coking coal ("**Mid-vol HCC**") and Low volatile matter hard coking coal ("**Low-vol HCC**"). Future study phases will determine the precise Debiensko premium hard coking coal quality specification on a year by year basis depending on final adopted mine plan, mining schedule and extent of coal blending.

Both Debiensko's Mid-vol and Low-vol HCC lie within the range of premium hard coking coals produced globally. Indications are that the Mid-vol HCC at Debiensko is present between 850 m to 1,000 m from surface and the Low-vol HCC is present 1,000 m to 1,300 m below surface i.e. at depths similar to adjacent operating mines owned by JSW - the largest coking coal producer in Europe.

Preparation for the Next Phase of Project Studies

Drilling of 28 shallow geo-technical holes completed during the quarter. Information from the drill holes will be used for engineering design of foundations for structures associated with the shafts, coal handling and preparation plant ("**CHPP**") and other surface facilities. These holes are essential in order to assess the soil conditions, properly design structural foundations and thus provide more accurate pricing in the tenders as required for a feasibility study.

Pre-qualification of contractors for the major components of the next phase of Debiensko studies commenced during the quarter including:

- Drilling contractors for the planned in-fill drilling program (to update measured and indicated resources);
- CHPP;
- Shafts and bulk coal winder;
- Desalination plant; and
- Surface facilities.

The tender process for construction of the desalination plant is now underway with final specifications near completion.

Demolition of old surface structures of the former Debiensko mine including the bathhouse, switchgear building and locomotive garage was completed during the quarter. Further structures including walkways and old administrative buildings have been earmarked for demolition during the following quarter.

JAN KARSKI MINE

Transformational Coking Coal Quality Results Establish Jan Karski as a High Value Ultra-Low Ash Semi-Soft Coking Coal Mine

Following the latest drilling results at the Jan Karski Mine (“**Jan Karski**”), Prairie announced coal quality testwork which confirmed the mine to be a high-value ultra-low ash semi-soft coking coal (“**SSCC**”) project. An Independent assessment by specialist coking coal market consultants predicts that Jan Karski ultra-low ash SSCC would potentially realise a 10% premium to international benchmark prices.

Preliminary discussions between Prairie and select European steel makers have confirmed the suitability of ultra-low ash SSCC to be utilised in coke oven blends. Consequently, the Company is currently updating the marketing and sales strategy for the coal which will be produced at Jan Karski and will incorporate this strategy into the studies.

China Coal Progress and Financing Discussions

In November 2016, Prairie and China Coal, China’s second largest coal mining company and one of the world’s most advanced and prolific shaft sinking and underground coal mine construction companies signed a landmark Strategic Co-operation Agreement for the financing and construction of the Jan Karski Mine.

Under the terms of the agreement China Coal is set to complete all studies (“**Studies**”) required by Chinese financing institutions earmarked to provide financing for the construction and development of Jan Karski. Drafts of the Studies were submitted to Prairie in the previous quarter following which the Company hosted two delegations in Poland from China including: leading underground mine construction company and partner of Prairie, China Coal No.5 Construction Company Ltd. (“**CC5C**”); Chinese Government’s officially authorised coal mine design institute Jinan Mine Design Institute (“**Jinan**”); and China’s first large scale foreign trade corporation specialising in international engineering contracting, China National Machinery Import & Export Corporation (“**CMC**”).

The Chinese delegations were welcomed by the government-appointed Governor of Lublin Province and elected regional government officials of the Lublin region. Prairie conducted various site visits and facilitated meetings with domestic Polish contractors and suppliers who could participate in the construction of Jan Karski.

Prairie and China Coal’s technical teams continue to work together to:

- agree a final version of the Studies which will form the basis of Chinese bank credit approval for funding construction of Jan Karski;
- enter into a complete Engineering, Procurement, and Construction (“**EPC**”) contract under which CC5C to construct Jan Karski; and
- incorporate relevant Polish content into the design and construction phases which will include working with a range of Polish specialists, sub-contractors and business partners.

Spatial Planning (Rezoning) Approval

Following completion of community consultation and submission by Prairie of all applications required to change the local spatial development plan to affect the rezoning of land for mining use, the Gmina (Municipality) of Siedliszcze officially adopted a new spatial development plan that will allow for the construction of the Jan Karski mine site in the location of Kulik.

The Resolution of the Town Council of Siedliszcze on to adopt the zoning plan was passed during the quarter completing yet another significant milestone towards Prairie obtaining a Mining Concession for Jan Karski.

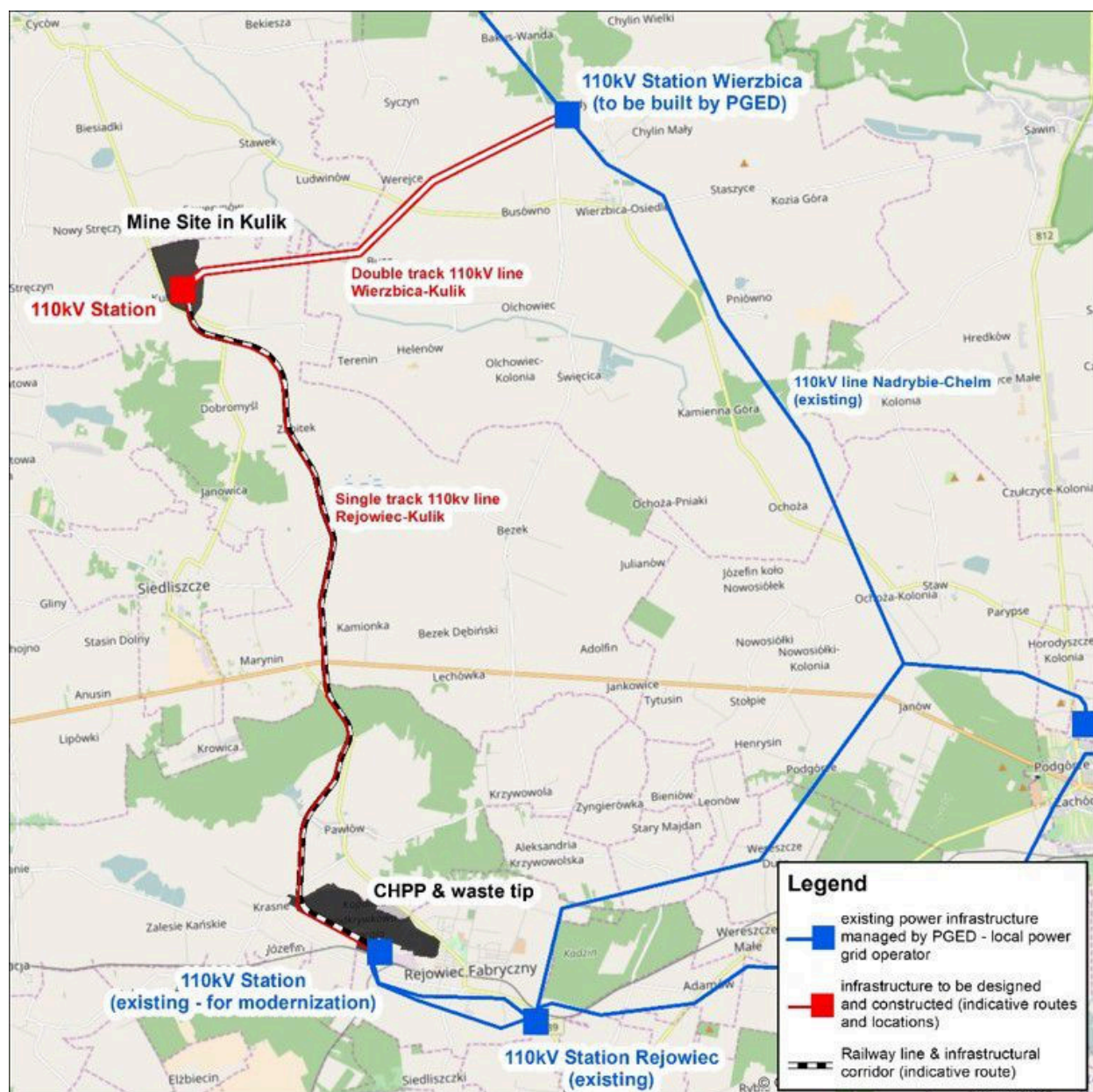


Figure 2: Configuration of the Jan Karski Mine surface infrastructure & Rezoned Mine Site in Kulik

The spatial planning approval process was conducted in parallel with approval by Poland's Ministry of Agriculture for the rezoning of 56 hectares of agricultural land to be designated for industrial (mining) purposes. These 56 hectares are in the Kulik area where the Jan Karski mine shafts and major surface facilities will be located, as per the approved Jan Karski Deposit Development Plan ("**DDP**") and the ongoing China Coal Bankable Feasibility Study.

Spatial planning approval was granted following the achievement by Prairie of another significant permitting milestone following official approval by the Lublin Regional Mining Authority of the Jan Karski DDP in May 2017 (*refer to ASX announcement dated 25 May 2017*).



Figure 3: 3D Visualisation of Jan Karski Mine Site Surface Layout

Prairie remains on track to have its full application for a Mining Concession submitted for Jan Karski in the coming months. In Poland, a Mining Concession application comprises the approval of a DDP, a spatial development plan (rezoning of land for mining use), and an Environmental Social Impact Assessment ("**ESIA**") in the form of an Environmental Consent decision.

Jan Karski's DDP and Spatial Development Plan have now been officially approved and the ESIA was submitted following the quarter end. Granting of the Environmental Consent will fulfil all the regulatory prerequisites for the Company to submit a formal Mining Concession application.

CORPORATE

Additional Investment by CD Capital

In August 2017 following shareholder approval, Prairie completed the second convertible note investment with its cornerstone investor CD Capital Natural Resources Fund III LP (“**CD Capital**”). In July 2017, final investment terms were agreed for Prairie to issue a non-redeemable, non-interest-bearing, unsecured convertible loan notes for an aggregate principal amount of US\$2.0 million (A\$2.6 million) to CD Capital.

Financial Position

Prairie has cash reserves of A\$17 million. With CD Capital's additional US\$2 million (A\$2.6 million) investment now completed and their right to invest a further A\$55 million as a cornerstone investor, plus with the Strategic Co-operation Agreement Prairie has with China Coal for financing and construction of Jan Karski, Prairie is in a strong financial position to progress with its planned development activities at Debiensko and Jan Karski.

Forward Looking Statements

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

APPENDIX 1 - EXPLORATION TENEMENT INFORMATION

As at 30 September 2017, the Company has an interest in the following tenements:

Location	Tenement	Percentage Interest	Status	Tenement Type
Jan Karski, Poland	Jan Karski Mine Plan Area (K-4-5, K-6-7, K-8 and K-9)*	100	Granted	Exclusive Right to apply for a mining concession
Jan Karski, Poland	Kulik (K-4-5)	100	Granted	Exploration
Jan Karski, Poland	Syczyn (K-8)	100	Granted	Exploration
Jan Karski, Poland	Kopina (K-9)	100	Granted	Exploration
Jan Karski, Poland	Sawin-Zachód	100	Granted	Exploration
Debiensko, Poland	Debiensko 1**	100	Granted	Mining
Debiensko, Poland	Kaczyce 1	100	Granted	Mining & Exploration (includes gas rights)

* On 1 July 2015, the Company announced that it had secured the Exclusive Right to apply for, and consequently be granted, a mining concession for Jan Karski. As a result of its geological documentation for Jan Karski deposit being approved, Prairie is now the only entity that can lodge a mining concession application over Jan Karski within a three (3) year period.

The approved geological documentation covers an area comprising of all four of the original exploration concessions granted to Prairie (K-4-5, K-6-7, K-8 and K-9) and includes the full extent of the targeted resources within the mine plan for Jan Karski. In this regard, no beneficial title interest has been surrendered by the Company when the K-6-7 exploration concession expired during the quarter. The Company intends to submit a mining concession application, over the mine plan area at Jan Karski (which includes K-6-7) within the next 12 months. Under Polish mining law, and owing to the Exclusive Right the Company has secured, Prairie is the only entity that may apply for and be granted a mining concession with respect to the K-6-7 area (the Exclusive Right also applies to the K-4-5, K-8 and K-9 areas of Jan Karski). There is no requirement for the Company to hold an exploration concession in order exercise the Exclusive Right and apply for a mining concession.

**Under the terms of the Debiensko Mining Concession issued in 2008 by the MoE (which is valid for 50 years from grant date), commencement of production is to occur by 1 January 2018. Not commencing production by 2018 will not infringe on the validity and expiry date (June 2048) of the Mining Concession, however in December 2016, the Company did make an application to the MoE to amend the Debiensko Mining Concession to alter the date for commencement of production from 2018 to 2025 with a decision still pending.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

PRAIRIE MINING LIMITED

ABN

23 008 677 852

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,456)	(1,456)
(b) development	-	-
(c) production	-	-
(d) staff costs	(605)	(605)
(e) administration and corporate costs	(240)	(240)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	119	119
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)		
(a) Business development costs	(317)	(317)
(b) Property rental and gas sales	141	141
1.9 Net cash from / (used in) operating activities	(2,358)	(2,358)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(22)	(22)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(22)	(22)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	2,627	2,627
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(179)	(179)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	66	66
3.10	Net cash from / (used in) financing activities	2,514	2,514

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,809	16,809
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,358)	(2,358)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,514	2,514

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	16,943	16,943

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,443	4,809
5.2	Call deposits	11,500	12,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,943	16,809

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(284)

Nil

Payments include executive remuneration (including bonuses), director fees, superannuation and provision of a fully serviced office.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

Not applicable

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter**\$A'000**

9.1 Exploration and evaluation

(1,500)

9.2 Development

-

9.3 Production

-

9.4 Staff costs

(500)

9.5 Administration and corporate costs

(200)

9.6 Other (provide details if material)
(a) Business development costs

(150)

9.7 Total estimated cash outflows

(2,350)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: *[lodged electronically without signature]* Date: 31 October 2017
(~~Director~~/Company secretary)

Print name: Dylan Browne

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.