Prairie Mining Limited

**NEWS RELEASE | 28 APRIL 2016**

# MARCH 2016 QUARTERLY REPORT

Prairie Mining Limited is pleased to present its quarterly report for the period ending 31 March 2016.

## *HIGHLIGHTS:*

### *Lublin Coal Project*

- **Pre-Feasibility Study completed,** confirming the robust economics and technical viability of the Project to be developed as an ultra-low cost supplier of hard coal into major European markets.
- **Strong demand exists** for high quality coal from a secure regional source within Europe, a region that consumes more than 300Mt of hard coal per annum, with imports of coal increasing year on year, declining domestic European production and growing concerns over energy security.
- **Operating cash costs** in the Study average only US$25 per tonne (steady state) which positions Prairie as the lowest cost supplier of coal into key target markets.
- **Key study results** include:

| | |
|---|---|
| Annual Saleable Coal Production (Steady State Average) | 6.34 million tonnes per year |
| Total Operating Costs FOR Mine Gate (Steady State Ave) | US$25 per saleable tonne |
| Annual EBITDA (Steady State Average) | US$348 million |
| Initial Mine Life from First Production (Ore Reserves Only) | 24 years |
| Initial Marketable Ore Reserve | 139.1Mt |

- **Bogdanka loses court case over K-6-7** – Warsaw Courts rejected outright Bogdanka's administrative complaints against Poland's Ministry of Environment in relation to Prairie's rights over the K-6-7 exploration concession of the Lublin Coal Project. The decision confirms Prairie's security of tenure and exclusive right to apply for a mining concession over the Project.
- **Mining Concession Application** – having completed the Pre-Feasibility Study, Prairie's focus is on obtaining a mining concession for the Project. During the quarter the Company:
  - Completed the draft Deposit Development Plan based on the results of the LCP PFS. An approved plan is a key component of the mining concession application.
  - Formally commenced the ESIA and spatial planning approvals process following completion of environmental baseline studies.
  - Continued the land acquisition process aimed at securing access to the planned surface infrastructure sites for Project development.

### *Corporate*

- **Excellent Financial Position** – Prairie holds cash reserves and listed securities in excess of A$18.8 million and is in a strong position to progress its planned development activities.
- **Strong Warsaw market following** – Prairie continues to receive extensive and positive media coverage as well as a strong following in the Warsaw market.

## *GOING FORWARD:*

- Definitive Feasibility Study will commence after all Project options have been suitably examined and an ultimate “go forward” case has been selected.
- Completion of the Deposit Development Plan, which forms a key part of the Polish requirement for a mining concession application, and lodging it with the relevant government authorities for final review.
- Continuation of other required Project permitting activities including the ESIA, spatial planning and land acquisition.
- Continued development activity across the LCP specifically aimed at improving knowledge of hydrogeological conditions and confirming the definitive shaft site location.

***Figure 1: 3D Render of LCP PFS Mine Site Design***

## *For further information contact:*

***Ben Stoikovich***
*Chief Executive Officer*
*+44 207 478 3900*

***Artur Kluczny***
*Group Executive - Poland*
*+48 22 351 73 80*

*info@pdz.com.au*

## LUBLIN COAL PROJECT

### Completion of Pre-Feasibility Study

During the quarter, Prairie Mining Limited ("Prairie" or "Company") completed a Pre-Feasibility Study ("Study" or "PFS") on the Lublin Coal Project ("Project" or "LCP"), located in the low cost and proven Lublin Coal Basin in south eastern Poland, in accordance with the JORC Code (2012 Edition).

Utilising the Project's initial Marketable Ore Reserve Estimate of 139.1 million tonnes ("Mt") of coal, the Project can support average steady state production of 8.0 million tonnes per annum ("Mtpa") Run-of-Mine ("ROM") coal, yielding an average of 6.34Mtpa of saleable clean coal. The LCP's fundamentals are extremely encouraging with average operating cash costs (inclusive of SG&A and royalties) during steady state production of US$24.96/tonne of saleable coal Free On Rail at the Mine Gate ("FOR"), indicating that the LCP would be the lowest cost supplier of coal into Prairie's key regional European target markets. The high margin LCP is expected to achieve average earnings before interest, taxes, depreciation, and amortization ("EBITDA") of US$348 million per annum (steady state).

At the time of announcing the results of the PFS, Prairie's Chief Executive Officer, Mr Ben Stoikovich, said *"The PFS has confirmed the potential to develop a world scale, multi-generational coal mine with strong cash flows. In fact, we expect that the Lublin Coal Project would be the lowest cost global supplier of coal into Prairie's key regional European target markets."*

| **Table 1: Strong Project Fundamentals** *(to a maximum accuracy variation +/- 20%)* | | |
|---|---|---|
| **Cash flow** | | |
| Average Operating Costs Steady State | US$24.96 per tonne | |
| Average Basket Sales Price Received FOR Steady State | **2024** | **2036** |
| | US$77.46/t | US$80.23/t |
| Average Annual Free Cash flow (steady state) | US$267.7 million | |
| **Production** | | |
| Average ROM Coal Production Steady State | 8.0Mtpa | |
| Total ROM Coal Produced Life of Mine ("**LOM**") | 176.7Mt | |
| Average Effective Product Yield LOM | 78.8% | |
| Mine Life Following First Production | 24 years | |
| Average Saleable Coal Production Steady State | 6.34Mtpa | |
| Total Saleable Coal Produced LOM | 139.1Mt | |
| **Capital Expenditure** | | |
| Coal processing and surface facilities | US$135.9 million | |
| Shaft sinking | US$233.3 million | |
| Other underground development | US$188.4 million | |
| Contingencies, EPCM and owners costs | US$74.1 million | |
| Start of Construction | 2018 | |
| Start of Production Ramp-Up | 2023 | |

***Low Global Cash Operating Costs***

Based on the results of the PFS, The LCP is projected to have an average operating cash cost of US$24.96 per tonne FOR at steady state production for all of its saleable coal products, producing an average 6.34Mtpa. Semi-soft coking coal product from the LCP is anticipated to be at the bottom of the global cash cost curve for semi-soft coking coal delivered into the European trading hub of Amsterdam, Rotterdam and Antwerp ("ARA") with a delivered cost of US$44.86 per tonne.

The LCP's API specification thermal coal delivered to ARA would also cost US$44.86/tonne, thus positioning the LCP in the lowest quartile of the global cash cost curve for export quality thermal coal delivered to ARA. This is a premium quality thermal coal for the combined heat and power plant ("CHP") and power generation sectors, with comparable or superior quality to the API2 (Argus Price Index) specification that is the key benchmark for export quality thermal coals traded into Europe. Due to proximity and freight cost advantages there are several key target markets where LCP export thermal coal will be significantly more cost competitive on delivered to power plant basis. In all likelihood, export thermal coal to be produced at the LCP would not be shipped to ARA, but could readily be sold by rail into the Czech Republic, Germany, Austria, Slovakia or Ukraine, and the LCP would be a lowest cost supplier into these key regional markets.

**Table 2: Low Operating Costs**

| **Average Operating Costs (Steady State)** | **US$ per tonne Saleable Coal** |
|---|---|
| Labour Costs | 4.52 |
| Materials & Consumables | 5.34 |
| Power | 3.60 |
| Leased Equipment & Contractors | 5.32 |
| **Sub-total Direct Mining Costs** | **18.79** |
| CHPP*, Waste Management & Logistics | 2.92 |
| **Sub-total Direct Production Costs** | **21.71** |
| SG&A | 2.25 |
| Mine Closure Fund | 0.21 |
| **Average Operating Costs** | **24.16** |
| Royalty | 0.80 |
| **Average Total Cash Cost** | **24.96** |

* Coal Handling & Preparation Plant

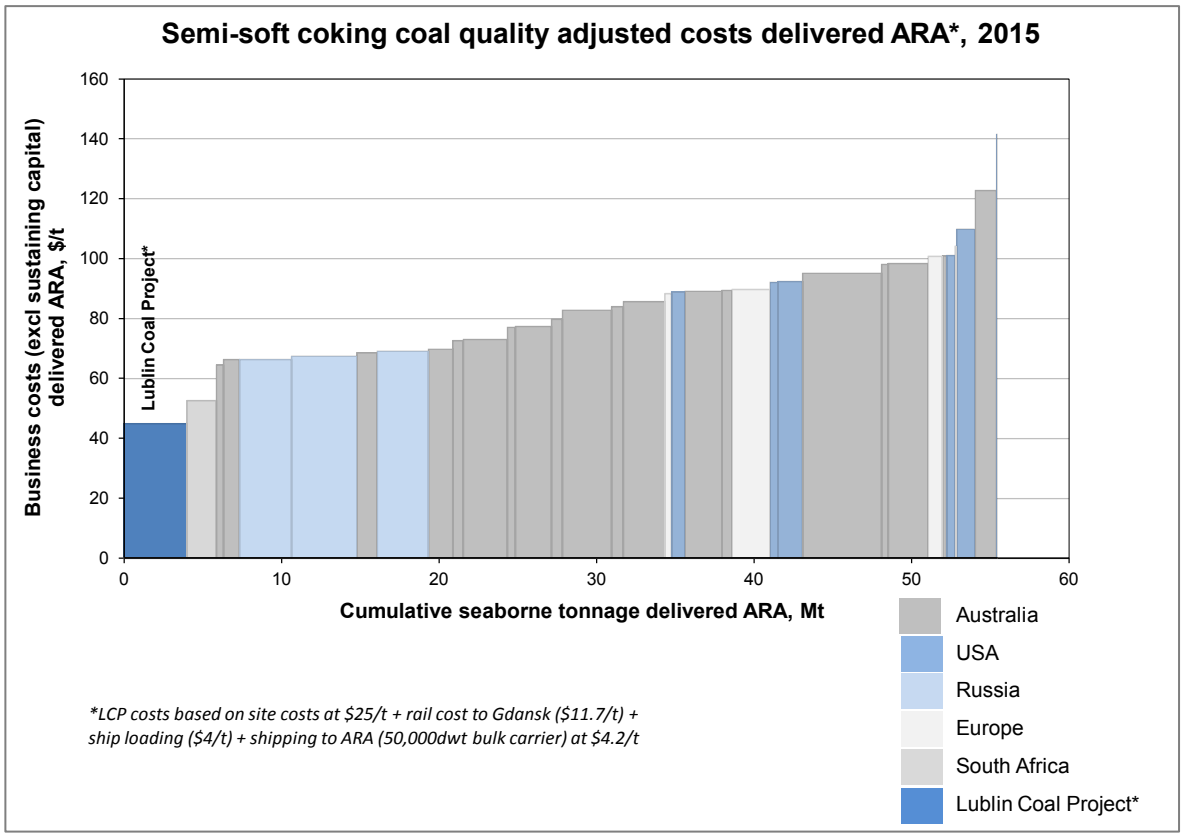


***Figure 2: LCP – Potential Position on the Cash Cost Curve Semi-Soft Coking Coal***

*(Source: CRU)*

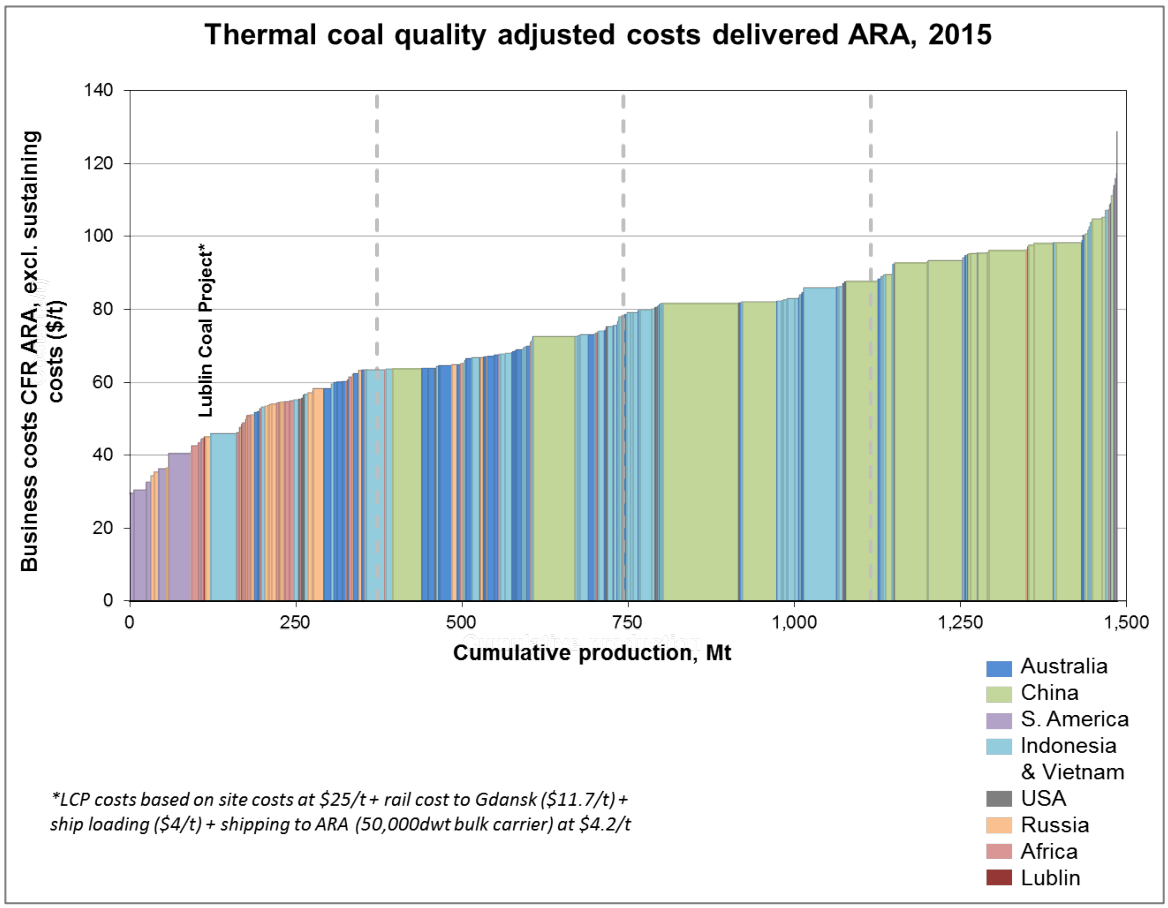


***Figure 3: LCP – Potential Position on the Cash Cost Curve – Thermal Coal***

*(Source: CRU)*

### *High Margin, Significant Cash Flow Generation*

The results of the Study demonstrate the potential for exceptionally high operating margins and cash flow generation given the anticipated low operating costs for the LCP. This is achieved because Prairie is pioneering the introduction of international best practice in mine design, production organisation and technology in Poland. Prairie's exploration program has confirmed that the Lublin coal basin has ideal geological and mining conditions for high productivity longwall operations. The LCP is adjacent to the Lubelski Węgiel BOGDANKA S.A.'s ("Bogdanka") mine that has successfully operated in the Lublin coal basin since 1982 and is proven to be the lowest cost hard coal mine in Europe. One of the major advantages that Prairie enjoys is that the LCP is a greenfield mine development and our studies have incorporated international best practice from the very start of the Project, demonstrating the potential to deliver substantial operational and product quality improvements.

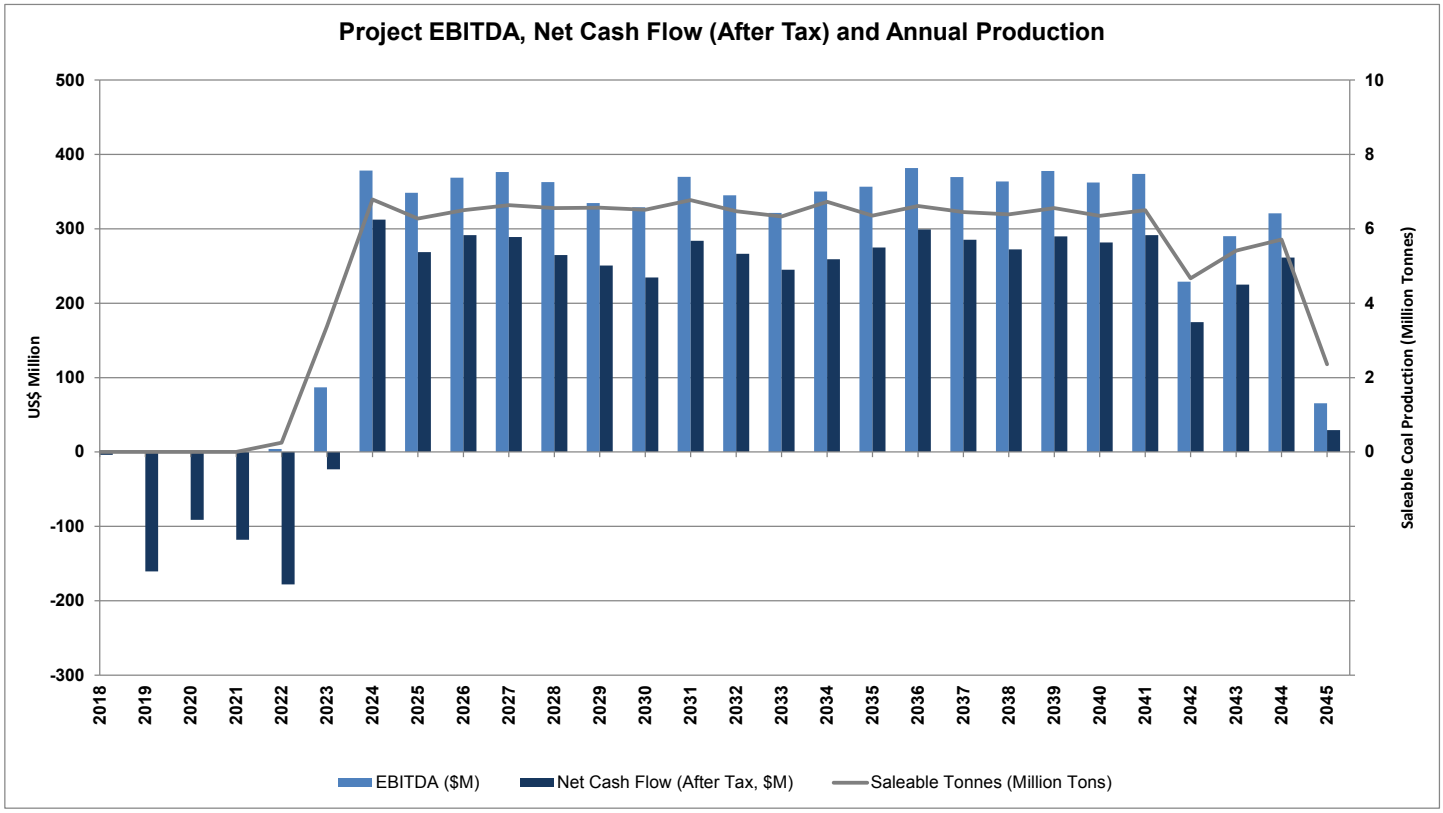


***Figure 4: Project EBITDA, Net Cash Flow (After Tax, Ungeared) and Annual Production Life of Mine***

### *Strategic Access to Export Markets*

Transport infrastructure studies for the LCP, conducted by Polish specialists have confirmed that regional infrastructure servicing the Project can support bulk coal transport. Studies completed by international coal marketing consultants CRU, as well as other Polish specialists, confirm that coal from the LCP can be transported at competitive rates into regional export markets via rail and sea, and also into traditional Polish markets. Given the large scale of the LCP and the availability of nearby well established and low cost transport infrastructure, the Project is well positioned to provide a significant new strategic supply of coal to various industries in Europe.


***Figure 5: Access to Coal Export Markets***

| Table 3: Transport Cost from Lublin | | |
|---|---|---|
| **Destination** | **Mode** | **Cost (US$/t)** |
| Berlin IPP | Rail | ~$15.2/t |
| Hansaport | Polish Rail + Ship from Gdansk | ~$19.2/t |
| Czech Steelworks | Rail | ~$10.8/t |
| Western Ukraine | Rail | ~$5.9/t |
| ARA | Polish Rail + Ship from Gdansk | ~$19.9/t |
| Turkey (Mediterranean Port) | Polish Rail + Ship from Gdansk | ~$27.6/t |


***Figure 6: Favourable Regional Transport Cost***

### *Premium Product Specification*

Given the exceptional in-situ quality of the 391 coal seam the Company is targeting to produce a range of saleable products for sale into different markets. By utilising modern wash plant technology, as is typically used in other world class coal mines in the USA, South Africa or Australia, the Company plans to be able to adjust the product split as required by the market. Such flexibility in product mix represents a significant potential competitive advantage for the Project since it provides mitigation against LCP coal sales from becoming captive to specific end-users.

| Table 4: PFS Saleable Coal Quality Specifications | | | | | | |
|---|---|---|---|---|---|---|
| | **Product Coal Quality** (As Received Basis) | | | | | |
| | **% LOM Saleable Coal Production** | **Sizing** | **Ash** | **Moisture** | **Sulphur** | **CV** (kJ/kg NAR) |
| **Metallurgical Coal** | 42.0% | 0 to 30mm | ≤4% | 10.5% | 0.9% | 29,170 |
| **API Specification Coal** | 22.7% | 0 to 30mm | 14% | 10.5% | 0.8% | 25,500 |
| **High Ash Fines Coal*** | 18.0% | 0 to 30mm | ≤26%* | 10% | 0.7% | 21,900 |
| **Industrial Coal** | 12.0% | 16 to 30mm | <6% | 7% | 1.0% | 29,170 |
| **Household Coal** | 5.3% | 8 to 80mm | <6% | 5% | 1.0% | 29,890 |

* High Ash Fines Coal product can be varied by adjusting washplant parameters to deliver ash percentage according to end-user requirements. For example, a 23% ash product suitable for export to Ukraine can be produced, or coal similar to Bogdanka's typical product specifications (Bogdanka product Type I: Ash – 23%, CV 21,000kJ/kg, Moisture 9 – 11%; Bogdanka product Type II: – Ash - 25%, CV 20,000kJ/kg, Moisture 9 -11%).

The coal quality results from washability testing of the 391 seam from the core drill holes compare favourably with the quality specifications of standard international benchmark semi-soft coking coals which are produced in New South Wales, Australia. The washed 391 coal quality also compares favourably to semi-soft coking coals currently produced at Jastrzêbska Spółka Węglowa SA's ("JSW") Krupinski coal mine in the Upper Silesian Basin in Poland, and with premium, ultra-low ash semi-soft coking coal as exported internationally by New Zealand's Solid Energy.

| Table 5: LCP Semi Soft/ Metallurgical Coal Comparisons | | | | | |
|---|---|---|---|---|---|
| | **LCP** | Rio Tinto (NSW) | Glencore (NSW) | JSW (Poland) | Solid Energy (NZ) |
| Free Swell Index | **4.0 – 6.0** | 5.0 | 4.0 – 6.0 | 6.0 | 3.0 – 5.0 |
| Ash % | **≤4.0** | 9.5 | 9.0 | 8.0 | 4.5 |
| Volatile Matter % | **34 to 35** | 33.0 | 36.5 | 37.0 | 38.0 |

In relation to thermal coal specifications, the 391 seam washed coal quality compares exceptionally well to the globally recognised thermal coal API benchmark, both in terms of calorific value (heat content) and ash content. This means the specification compares well to both Russian and Colombian thermal coals, that account for approximately 60% of Europe's thermal coal imports.

| Table 6: LCP Low Ash API Specification Coal Comparison | | | |
|---|---|---|---|
| | | **LCP** | ARA (API2) |
| Calorific Value | (NAR, kcal/kg) | **6,100** | 6,000 |
| Ash | % | **14.0** | 11 – 15 |
| Volatile Matter | % | **32** | 22.0 – 37.0 |
| Sulphur | % | **0.8** | <1.0 |
| Total Moisture | % | **10.5** | <15 |
| Hardgrove Grindability | | **60** | 45 to 70 |

***Maiden Ore Reserve Estimate***

The Project's Marketable Ore Reserve Estimate of 139.1Mt of coal has been defined from Recoverable Ore Reserve Estimate of 170Mt. Only Indicated Resources have been converted, by use of the appropriate modifying factors as described in the JORC Code (2012 edition). Mining and wash plant losses are accounted for in the figures. All coal tonnes have been estimated on an as-received basis with allowances being made for processing additions so that the final, average moisture content of the clean coal product is 9.5% - as received.

| **Table 7: Summary of Coal Reserves - Seams 389 and 391** | | |
|---|---|---|
| **Probable Coal Reserves** | **Basis** | |
| Recoverable Coal Reserves | As Received | 170Mt |
| **Marketable Reserves (Saleable Product)** | **As Received** | **139Mt** |
| Product Yield | | 81.9% |

**Notes**

- Coal Reserves are stated on an as-received moisture content basis and include partings, interburden, out of seam dilution and 2% mining losses (per Golders Mine Schedule)
- Marketable Reserves are stated on an as-received moisture content basis; estimated average clean coal moisture is 9.5% (per Golders Mine Schedule)
- This table contains roundings and background weighted calculations

*Coal Seam Access*

Two shafts are planned for the LCP, one for bulk coal winding and upcast/return ventilation, and one for staff, materials and downcast/intake ventilation. The Study provides for two 8m diameter concrete and part steel tubing lined shafts that will be blind sunk up to 1,100m depth using modern shaft sinking methods.

The production shaft will be equipped with a ground mounted friction winder (Koepe) and two large, high speed skips for coal winding and have a capacity sufficient for 9.3Mt ROM per year. This is a bulk coal winding shaft configuration and rated winding capacity already in use in Polish coal mines and can be found in modern new mine installations internationally. The second shaft will be equipped with a two large cages for manriding and materials, and for transporting large pieces of equipment without dismantling.

*Mining Method*

It is proposed that mining will be by longwall retreat caving method using modern, fully mechanised and automated faces. The Study assumes that longwall faces will use either shearers or plows for coal cutting. Generally shearers would be preferred to standardise mine production and equipment. Mine roadway development in the Study mine plan assumes a hybrid approach, utilising traditional Polish steel arched roadways driven by roadheaders for main or lateral headings, and modern continuous miner driven roof bolted roadways for longwall gateroads. On the basis of specialised testing of core and detailed modelling by Golder Associates (UK) ("Golder"), the Study has demonstrated that the use of primary roof bolting in roadways is a practical solution for roadway support. This solution for roadway support offers substantial advantages in terms of unit costs due to improved speed of roadway development, lower consumable costs related to roof bolts and mechanised installation, and manpower reduction.

*Mine Plan*

The mine plan presented in this Study includes total production of 176.7 million raw tonnes and 139.1 million saleable tonnes over a 24-year period predominantly from the 391 coal seam, with secondary production from the 389 coal seam. The mine plan takes into account only two of the 8 coal seams within the global CRE containing Indicated Resources. Given the large scale of the resource base for the LCP it is envisaged that mining could continue, following the explicit period covered by the PFS model. Production could then move to the residual parts of the 391 seam resources not included in the Study mine plan, as well as other target seams.

At the forecast rate of steady state production of 8Mtpa of ROM coal, two longwall units would be operating at the same time in different sections of the mine. It is assumed that longwall faces can produce at a rate of up to 4Mtpa ROM, depending on panel dimensions and seam thickness, with development units making up the balance of overall ROM production. Clean coal recovery from the raw material production, including dilution, will average approximately 79.6% during the Steady State production period. Annual production will average approximately 6.34Mt of saleable clean coal.

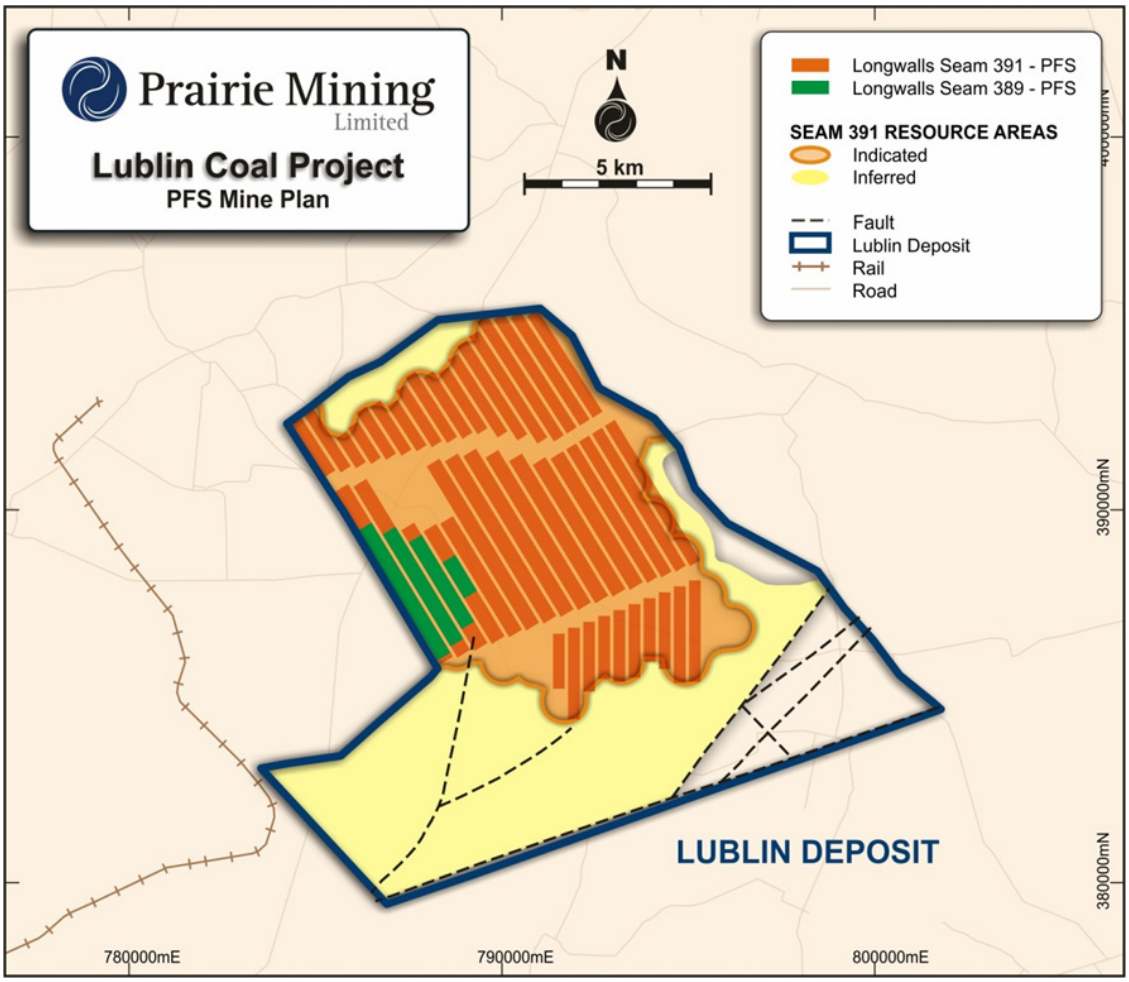


***Figure 7: Mine Plan based on roofbolted gateroads and 80m stable pillars***

### *Significant Expansion Potential*

There is potential for significant expansion of production beyond the proposed PFS marketable reserve (see Figure 8), by inclusion of some 87Mt of inferred resource from the 391 seam, or inclusion from other new coal seams, which will be examined as part of upcoming technical studies to enhance the Project.

For the PFS and preparation of the PFS mine plan, Prairie used a CRE, prepared in accordance with the JORC Code (2012 edition),The CRE comprised 352Mt in the Indicated Category as part of a Global CRE of 728Mt. The CRE was modelled based on data from 10 coal seams that were considered economically extractable and applies a 1m seam thickness cut off and a 100m stand-off from the Jurassic formation.

| Table 8: Lublin Coal Project 2016 Coal Resource Estimate – Gross Seam Thickness | | | |
|---|---|---|---|
| **Coal Seam** | **Indicated Coal Resource In-Situ (Mt)** | **Inferred Coal Resource In-Situ (Mt)** | **Total Coal Resource In-Situ (Mt)** |
| **382** | 63 | 35 | **98** |
| **385** | 35 | 13 | **48** |
| **389** | 17 | 54 | **71** |
| **391** | 164 | 87 | **251** |
| **Other Seams** | 73 | 187 | **260** |
| **Total – Project Area** | **352** | **376** | **728** |

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

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

Due to the substantial resource base of 728Mt of coal across the LCP concessions, the Study only considered a mine plan with 24 years of saleable coal production within Indicated Resources covering a limited area of the 391 and 389 coal seams. In the underground coal mining industry it would be normal for the indicated resources to be expanded during production, by upgrading inferred resources. This could greatly expand the coal available to be added to the reserve base. The remaining inferred resources within the 391 seam, should they be converted to measured or indicated resources, would add substantial tonnages to the LCP. With the balance of resources in the 391 seam outside the first 24 years of mine life, substantial Indicated Resources of other target seams including the 378, 379, 380, 382, 385 and the 392 seams are present across the LCP concession at mineable thickness. There is also the potential to confirm new resources at Prairie's adjoining Sawin-Zachód concession, covering an additional 54km$^2$.

The mine plan (Figure 8) below shows how the mine would likely be laid out if the current 87Mt of inferred resources in the 391 seam were converted to indicated resources during future exploration and mine development.

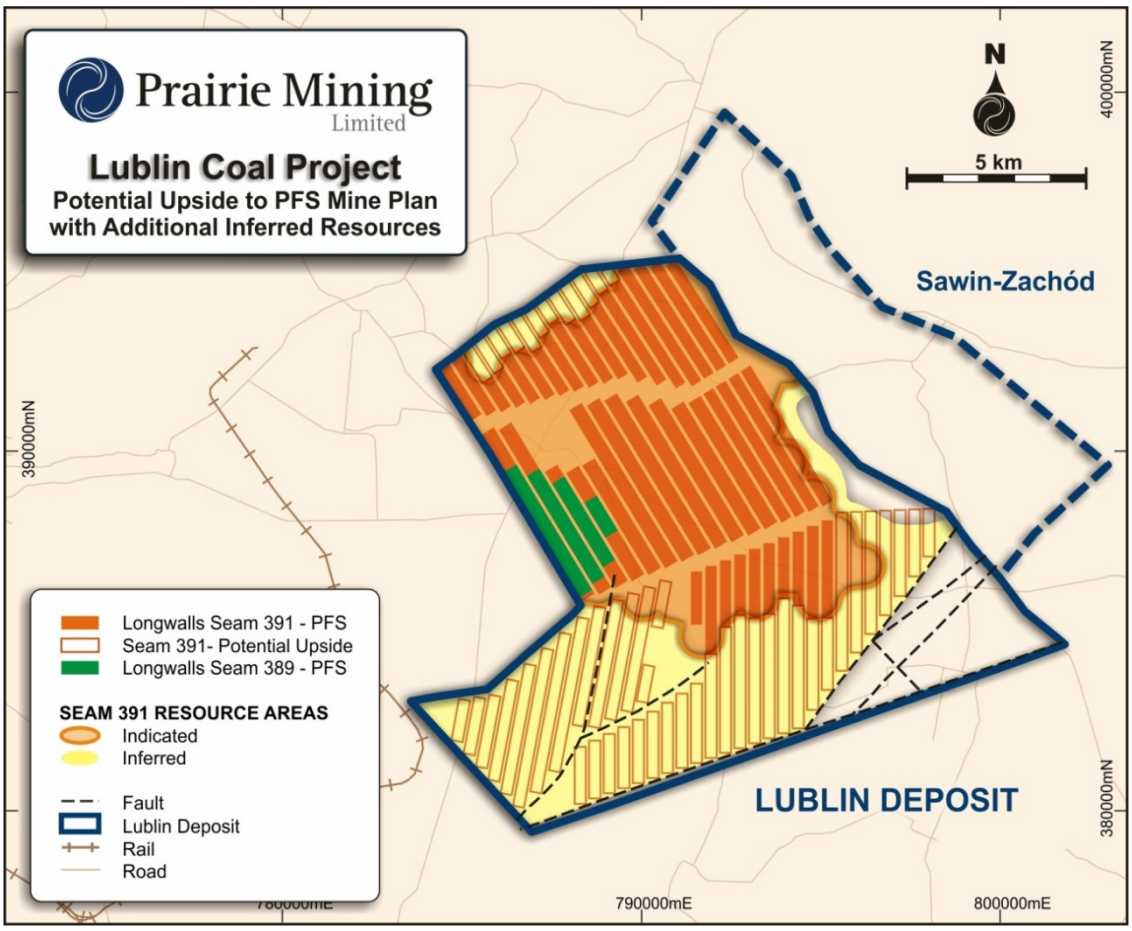


***Figure 8: PFS Mine Plan showing potential mine life extension into inferred resources***

***Mine Site Infrastructure and Coal Handling & Preparation Plant ("CHPP")***

Following site selection and siting of the shafts, the mine site infrastructure was built up to comprise the key elements illustrated in Figure 9. The footprint of the mine site will be some 60 hectares: Key components are the two shafts and their winding facilities, offices, workshops and stores; water treatment plant and settling ponds, car parking and laydown areas, fire and rescue station, medical centre, baths and lamproom, main HV sub-station, ROM stockpiles and rail loop and ROM loading bunkers. The site would be fenced and have appropriate security arrangements in place.

The LCP will include a modern fully integrated CHPP in order to produce a consistent product that meets the specifications of its customers. The process plant is designed so that it can produce low ash semi-soft coking coal, sized household coal, industrial coal and a range of low ash and high ash coals for the power sector. A full design for the coal preparation plant has been prepared as part of the Study including flow sheets. The equipment is that which is employed typically in modern efficient coal process plants around the world.

The CHPP was designed to be fully flexible in producing coal ranging from the lowest ash (typically 4% in the case of the LCP) to a high ash product for typical Eastern European power plants (up to 26% ash). In addition to bulk coal, the Lublin CHPP will produce specialty sized products for household use in the size range 30mm to 80mm of up to 6% ash, and industrial coal sized at 16mm to 30mm.

***Figure 9: Mine Shaft Site Plan***

At full production, the CHPP will process the mine's entire ROM production, with a notional design capacity to process up to 9.3Mtpa of ROM coal to produce up to 6.8Mtpa of saleable coal.

***Net Present Value***

The (ungeared) Net Present Value post tax is US$1.39 billion at an 8% discount rate (real), and the (ungeared) IRR is 26.6%. The Project is expected to exhibit levels of profitability that would contribute value to Prairie shareholders.

**Table 9: Project Net Present Value**

| | NPV (8% real, ungeared) | IRR |
|---|---|---|
| Pre-Tax | US$1.77 billion | 29.7% |
| Post-Tax* | US$1.39 billion | 26.6% |

*Current Polish corporate tax rate of 19% has been assumed

## Warsaw Court Rejects Bogdanka's Complaints

During the quarter, Prairie announced that in two rulings of the Administrative Court in Warsaw, the Court emphasized that Prairie is the only entity that has conducted exploration of the Lublin deposit by way of drilling boreholes and the preparation and approval of Geological Documentation (refer to ASX Announcement on 1 July 2015). By rejecting Bogdanka's previously advised complaints against the Ministry of Environment ("MoE"), the Court confirmed Prairie's legal position as the only entity with the exclusive right to conclude a mining usufruct agreement and to apply for a mining concession at the LCP.

In their verdict, the judges emphasized Bogdanka's mining concession application is not legitimate and therefore not justifiable, and that granting a mining concession to Bogdanka would be a serious violation of the provisions of Poland's Geological and Mining Law, and would be contrary to the rule of law as embodied in the Polish constitution.

In a second ruling, the Regional Administrative Court dismissed Bogdanka's administrative complaint against the decision of the MoE that denied Bogdanka's application to be a party of interest to the proceedings of the approval of Prairie's Geological Documentation for the Lublin Coal Deposit. Most importantly, the Court also stated that Bogdanka has no legal basis to obtain the granting of a mining concession or a priority right to be granted a mining concession.

The Regional Administrative Court's rejection of Bogdanka's complaints re-affirms, beyond doubt, that Bogdanka's claims over Prairie's concessions are without merit. The Board is aware that Mr Zbigniew Stopa, the former CEO of Bogdanka (Mr Stopa's dismissal was announced by Bogdanka on 24 March 2016), has stated an intention to file further legal appeals. Prairie notes that Bogdanka's claims have been consistently and vigorously rejected by the Polish government in multiple decisions and court rulings, and therefore any further pursuit of these claims would be merely ill-conceived.

## Mining Concession Application & Project Permitting

The Company is currently working towards completing a mining concession application which in Poland comprises of the submission of a Deposit Development Plan ("DDP"), an Environmental Social Impact Assessment ("ESIA") that is to be approved by regional authorities and approval of a spatial development plan (rezoning of land for mining use). The DDP is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations. Under Polish law, the environmental consent decision has to be obtained prior to the obtaining of the mining concession. The environmental consent decision is issued by a specialised environmental authority (the Regional Environmental Protection Director).

The DDP and ESIA are currently progressing and are expected to be completed during 2016 to 2017. Spatial planning (rezoning) consents are being prepared on Prairie's behalf by specialised Polish consultants. The new Regional Spatial Development Plan of Lublin, which was passed by the Lublin Regional Assembly in October 2015, established that a leading strategy in the Lublin region is the development of coal mine infrastructure. This resolution significantly facilitates and encourages the development of the LCP.

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

Furthermore, Prairie initiated activities during the quarter aimed at securing the land required for construction of the mine site surface infrastructure.

## Government Endorsement of Modern Roof Bolting Technology

The Polish coal mining industry, with strong endorsement from the polish government, has formally taken steps to introduce international best practice roof bolting technology into Polish coal mining with the aim of lowering production costs, increasing productivity and improving safety. The completed PFS considers use of modern roof bolting technology for parts of the mine plan, demonstrating costs ~60% lower than traditional Polish steel arch roadways.

Given that roof bolting is commonly and successfully used in the overwhelming majority of coal mines around the world, including in Australia, United Kingdom, USA, China and Russia, Prairie has been a strong advocate of the adoption of roof bolting as a standard, safe and cost efficient practice in the Polish coal mining industry and was invited during the quarter to give a key note presentation at the major annual Polish coal industry conference on the application of roof bolting at the Lublin Coal Project.

## Drilling Program for Sawin-Zachód

During the quarter, Prairie conducted hydrogeological drilling at its Sawin-Zachód concession, as required by the exploration concession agreement held with the MoE. The Sawin-Zachód concession is valid until 31 December 2017, with the right to obtain further extensions upon satisfying a drilling program as outlined by the MoE. Subject to the results of the drilling program, Prairie will look to undertake further geological mapping and core drilling.

## Next Steps

The Company has an exciting quarter ahead with a substantial amount of activity scheduled for the Lublin Coal Project over the coming months including:

- Definitive Feasibility Study to commence after all Project options have been suitably examined and an ultimate "go forward" case has been selected.
- Completion of the DDP, which forms a key part of the Polish requirement for a mining concession application, and lodging it with the relevant government authorities for final review.
- Continuation of other Project permitting activities including the ESIA, spatial planning and land acquisition.
- Continued development activity across the LCP specifically aimed at improving knowledge of hydrogeological conditions and confirming shaft site selection.

## CORPORATE

### Strong Warsaw Market Following

Following the Company's listing on the Warsaw Stock Exchange in September 2015, the Company continues to receive extensive media coverage and a strong following in the Warsaw market.

During the quarter, the Company held a successful press conference to present the results of the PFS which was attended by a number of polish financial press and national media. The conference also received extensive positive coverage in numerous polish national publications, and positive commentary from Polish market analysts.

### Financial Position

As at 31 March 2016, the Company had cash reserves and listed securities of approximately A$18.8 million, placing the Company in an excellent position to complete its planned development activities at the LCP.

### Shareholding in B2Gold

As at 31 March 2016, the Company held 2.55 million fully paid shares in B2Gold Corp. (TSX:BTO) ("B2Gold"). During the quarter, the Company sold 1.2 million shares held in B2Gold to raise net proceeds of approximately A$2.4 million. The B2Gold shares are classified as held-for-trading current financial assets in Prairie's Statement of Financial Position.

## EXPLORATION TENEMENT INFORMATION

On 1 July 2015, Prairie announced that it had secured the Exclusive Right to apply for, and consequently be granted, a mining concession for the LCP.

As a result of its geological documentation being approved, Prairie is now the only entity that can lodge a mining concession application over the LCP within a three (3) year period.

The approved geological documentation covers an area comprising 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 the Project. Prairie's geological documentation did not include the Sawin-Zachód concession which may be added at a later date.

As at 31 March 2016, the Company has an interest in the following tenements:

| Location | Tenement | Percentage Interest | Status | Tenement Type |
|---|---|---|---|---|
| Lublin Coal Project | Lublin Coal Project Mine Plan Area | 100 | Granted | Exclusive Right to apply for a mining concession |
| Lublin Coal Project | Kulik (K-4-5) | 100 | Granted | Exploration |
| Lublin Coal Project | Cycow (K-6-7) | 100 | First Instance Decision Granted | Exploration |
| Lublin Coal Project | Syczyn (K-8) | 100 | Granted | Exploration |
| Lublin Coal Project | Kopina (K-9) | 100 | Granted | Exploration |
| Lublin Coal Project | Sawin-Zachód | 100 | Granted | Exploration |
| Prairie Downs | E52/1758 | 100* | Granted | Exploration |
| Prairie Downs | E52/1926 | 100* | Granted | Exploration |

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

***Forward Looking Statements***

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

***Competent Person Statements***

The information in this report that relates to Exploration Results, Coal Resources, Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Prairie's announcement dated 8 March 2016 entitled 'Pre-Feasibility Study Confirms LCP as One of the Lowest Cost Global Coal Suppliers Into Europe' which is available to view on the Company's website at www.pdz.com.au.

The information in the original announcement that related to Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Mr Stephen Newson, a Competent Person who is a Chartered Engineer and Fellow of the Institute of Materials, Minerals and Mining (UK) and has a 1st Class Mine Manager's Certificate of Competency. Mr Newson is employed by independent consultants Golder Associates (UK). Mr Newson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in the original announcement that related to Exploration Results and Coal Resources is based on, and fairly represents, information compiled or reviewed by, Mr Samuel Moorhouse, a Competent Person who is a Chartered Geologist and is employed by independent consultants Royal HaskoningDHV UK Limited. Mr Moorhouse has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Moorhouse consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions and technical parameters underpinning the Coal Resource, Coal Reserve, Production Target, and related forecast financial information derived from the Production Target included in the original announcement 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 presentation have not been materially modified from the original announcement.

*Rule 5.5*

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

**Prairie Mining Limited**

| ABN | Quarter ended ("current quarter") |
|---|---|
| 23 008 677 852 | 31 March 2016 |

### Consolidated statement of cash flows

| | | Current quarter $A'000 | Year to date (9 months) $A'000 |
|---|---|---|---|
| **Cash flows related to operating activities** | | | |
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration & evaluation | (1,220) | (3,591) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (328) | (833) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 100 | 163 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (provide details if material) | | |
| | (a) Business development costs | (99) | (697) |
| | (b) Listing on LSE and WSE costs | (125) | (645) |
| | **Net Operating Cash Flows** | **(1,672)** | **(5,603)** |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: | | |
| | (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | (4) | (5) |
| 1.9 | Proceeds from sale of: | | |
| | (a) prospects | - | - |
| | (b) equity investments | 2,411 | 2,411 |
| | (c) other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| | **Net investing cash flows** | **2,407** | **2,406** |
| 1.13 | Total operating and investing cash flows (carried forward) | 735 | (3,197) |

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | 735 | (3,197) |
| | **Cash flows related to financing activities** | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | | |
| | (a) proceeds from issue of convertible notes | - | 15,000 |
| | (b) costs in relation to issue of convertible notes | - | (545) |
| | (c) Share issue transaction costs | (4) | (17) |
| | **Net financing cash flows** | **(4)** | **14,438** |
| | **Net increase (decrease) in cash held** | **731** | **11,241** |
| 1.20 | Cash at beginning of quarter/year to date | 12,586 | 2,077 |
| 1.21 | Exchange rate adjustments to item 1.20 | (2) | (3) |
| 1.22 | **Cash at end of quarter** | **13,315** | **13,315** |

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

| | | Current quarter $A'000 |
|---|---|---|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | (218) |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | Nil |

1.25 Explanation necessary for an understanding of the transactions

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

## Non-cash financing and investing activities

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

Not applicable

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

Not applicable

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

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

+ See chapter 19 for defined terms.

## Estimated cash outflows for next quarter

| | | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation | 1,500 |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | 300 |
| | **Total** | **1,800** |

# Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Cash on hand and at bank | 3,315 | 2,186 |
| 5.2 | Deposits at call | 10,000 | 10,400 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (provide details) | - | - |
| | **Total: cash at end of quarter** (item 1.22) | **13,315** | **12,586** |

## Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

## Issued and quoted securities at end of current quarter

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

| | | Total number | Number quoted | Issue price per security (see note 3) | Amount paid up per security (see note 3) |
|---|---|---|---|---|---|
| 7.1 | **Preference +securities***(description)* | | | | |
| 7.2 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities** | 151,608,969 | 151,608,969 | | |
| 7.4 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs | 1,764,000 | 1,764,000 | N/A | N/A |
| 7.5 | **+Convertible debt securities**(*description)* | | | | |
| 7.6 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted | | | | |
| 7.7 | **Options***(description and conversion factor)* | Options: | | *Exercise price* | *Expiry date* |
| | | 1,250,000 | - | $0.25 | 30 Jun 2016 |
| | | 1,500,000 | - | $0.40 | 30 Jun 2016 |
| | | 1,600,000 | - | $0.35 | 30 Jun 2017 |
| | | 4,460,000 | - | $0.45 | 30 Jun 2017 |
| | | 765,000 | - | $0.60 | 30 Jun 2017 |
| | | 1,400,000 | - | $0.45 | 30 Jun 2018 |
| | | Rights: | | | |
| | | 1,200,000 | - | - | 31 Dec 2016 |
| | | 3,197,000 | - | - | 30 Jun 2017 |
| | | 2,150,000 | - | - | 31 Dec 2017 |
| | | 1,650,000 | - | - | 31 Dec 2018 |
| | | 1,200,000 | - | - | 31 Dec 2020 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | Rights: | | *Exercise price* | *Expiry date* |
| | | (1,764,000) | - | - | 31 Mar 2016 |
| 7.10 | Expired during quarter | | | | |
| 7.11 | **Debentures** *(totals only)* | | | | |
| 7.12 | **Unsecured notes** *(totals only)* | | | | |

+ See chapter 19 for defined terms.

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: …… Date: **28 April 2016**
(~~Director~~/Company secretary)

Print name: **Dylan Browne**

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==