Prairie Mining Limited

NEWS RELEASE | 29 January 2021

DECEMBER 2020 QUARTERLY REPORT

Prairie Mining Limited (**Prairie** or the **Company**) is pleased to present its Quarterly Report for the period ending 31 December 2020.

HIGHLIGHTS

- International arbitration claims (**Claim**) against the Republic of Poland under both the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty (**Treaties**) ongoing with the proceedings having now been constituted and a quantum expert being appointed by the Company during the quarter.
  - ➢ Prairie alleges that the Republic of Poland has breached its obligations under the Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland.
  - ➢ The Republic of Poland's actions have deprived Prairie of the entire value of its investments in Poland.
  - ➢ Claim for the damages may include but is not limited to the value of Prairie's historical expenditure in developing both the Jan Karski and Debiensko mines, lost profits and damages, which is linked to the net present value of both mines, and accrued interest related to any damages.
- The Company's Claim against the Republic of Poland will be prosecuted through an established and enforceable legal framework with both parties agreeing to apply the United Nations Commission on International Trade Law Rules (**UNCITRAL**) to the proceedings.
- The Company is well funded to pursue the Claim with the US$12.3 million Litigation Funding Agreement (**LFA**) in place and currently being drawn down to cover legal, tribunal and external expert costs and defined operating expenses associated with the Claim.
- Prairie continues its efforts to identify and assess other suitable new business opportunities, focused on the resources sector. The Company will make announcements to the market as appropriate.

Enquiries

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Sapan Ghai, Head of Corporate Development	
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This announcement as been authorised for release by the Company's Chief Executive Officer, Mr Ben Stoikovich.

DISPUTE WITH POLISH GOVERNMENT

The Company's Claim against the Republic of Poland is being prosecuted through an established and enforceable legal framework, with Prairie and Poland agreeing to apply the UNCITRAL rules to the proceedings.

During the quarter, the proceedings for the Claim were constituted while the Company appointed a quantum expert for and considered other expert proposals and continued with document collation for the Claim.

Prairie's claim for compensation may include, but will not be limited to:

- The value of Prairie's historic expenditure in developing both the Jan Karski and Debiensko mines;
- Lost profits and damages that the Company has suffered as a result of Poland's acts and omissions which have resulted in the expropriation of both the Jan Karski of Debiensko mines, which is linked to the considerable Net Present Value of both mines at the time of Poland's international treaty breaches; and
- Accrued interest related to any damages award and all costs associated with pursuing the Claims to Arbitration.

The Company is not able to make any further comment in relation to the potential quantum of any claim for compensation at this point. Please refer to ASX announcements dated 26 April 2018, 28 May 2018, 18 January 2019, 13 February 2019, 4 April 2019 and 31 December 2019 for further details regarding the Company's dispute with the Republic of Poland.

In July 2020, the Company announced it had executed a LFA for US$12.3 million with LCM. The facility is currently being drawn down to cover legal, tribunal and external expert costs and defined operating expenses associated with the Claim.

In September 2020, Prairie announced that it had formally commenced with the Claim by serving the Notices of Arbitration against the Republic of Poland.

Prairie's dispute alleges that the Republic of Poland has breached its obligations under the applicable Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.

In February 2019, Prairie formally notified the Polish Government that there exists an investment dispute between Prairie and the Polish Government. Prairie's notification called for prompt negotiations with the Government to amicably resolve the dispute and indicated Prairie's right to submit the dispute to international arbitration in the event of the dispute not being resolved amicably. The Company remains open to resolving the dispute with the Polish Government amicably. However, as of the date of this report, no amicable resolution of the dispute has occurred, since the Polish Government has declined to participate in discussions related to the dispute and accordingly the Company has formerly submitted its Claim as discussed above.

Prairie's investment dispute with the Republic of Poland is not unique, with international media widely reporting that the political environment and investment climate in Poland has deteriorated since the change in Government in 2015. As a result, there are a significant number of International Arbitration claims being bought against Poland in the natural resources and energy sectors with damages claims ranging from US$120 million to over US$1.3 billion and includes Bluegas NRG Holding (Gas), Lumina Copper (Copper) and InvEnergy (wind farms).

Background to the Jan Karski Mine

The Jan Karski Mine (**Jan Karski**) is a large scale semi-soft coking coal project located in the Lublin Coal Basin in south east Poland. The Lublin Coal Basin is an established coal producing province which is well serviced by modern and highly efficient infrastructure, offering the potential for low capital intensity mine development. Jan Karski is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982 and is the lowest cost hard coal producer in Europe.

Key benefits previously identified for the local community and the Lublin and Chelm regions which would have been associated with the development, construction and operation of Jan Karski were recognised as the following:

- creation of 2,000 direct employment positions and 10,000 indirect jobs for the region once operational;
- increasing skills of the workforce through the implementation of International Standard training programmes;
- stimulating the development of education, health services and communications within the region; and
- building a mine that creates new employment for generations to come and career paths for families to remain in the region.

In March 2016, Prairie released the results of a JORC compliant Pre-Feasibility Study (**PFS**) for Jan Karski prepared by independent international mining consultancies Golder Associates and Royal HaskoningDHV. The PFS demonstrated the technical viability and robust economics of Jan Karksi to be developed as a large-scale long life strategic coal supplier. Further details about the PFS are contained in the Company's announcement dated 8 March 2016.

Background to the Debiensko Mine

The Debiensko Mine (**Debiensko**), is a premium 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-Szczyglowice Mine in the north west and the Budryk Mine in the north east, both owned and operated by Jastrzębska Spółka Węglowa SA, Europe's leading producer of hard coking coal.

The Debiensko mine was historically 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 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 Polish Ministry of Environment (**MoE**) granted a 50-year mine license for Debiensko.

In October 2016, Prairie 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.

In March 2017, Prairie released the results of a JORC compliant Scoping Study prepared by independent international mining consultancy Royal HaskoningDHV. The Scoping Study demonstrated the technical viability and robust economics for the fully permitted Debiensko mine to be a large scale, lowest cost and long life premium hard coking coal supplier. Further details of the Scoping Study care contained in the Company's announcement dated 16 March 2017.

CORPORATE

Busines Development

A number of opportunities have been reviewed during the quarter, and the Company will continue in its efforts to identify and acquire suitable new business opportunities. The Company is currently focusing on new opportunities in the resources sector.

However, no agreements have been reached or licences granted and the Company is not able to assess the likelihood or timing of a successful acquisition or grant of any opportunities.

Balance Sheet

At 31 December 2020, the Company is in a strong financial position to pursue the Claim and continue with business development activities with the US$12.3 million LFA and cash reserves of A$5.8 million.

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: TENEMENT INFORMATION

As at 31 December 2020, 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, K6-7, K-8 and K-9)[1]	100	In dispute[1]	Exclusive Right to apply for a mining concession
Debiensko, Poland	Debiensko 1	100	Granted[2]	Mining
Debiensko, Poland	Kaczyce 1	100	Granted	Mining & Exploration (includes gas rights)

Notes:

1 In July 2015, Prairie announced that it had secured the Exclusive Right to apply for a Mining Concession for Jan Karski as a result of its Geological Documentation for the Jan Karski deposit being approved by Poland's MoE. The approved Geological Documentation covers areas of all four original Exploration Concessions granted to Prairie (K-4-5, K6-7, K-8 and K-9) and includes the full extent of the targeted resources within the mine plan for Jan Karski. The K-4-5, K-8 and K-9 Exploration Concessions expired in November 2018 but these were separate to and had no bearing on the Company's access to land and the Exclusive Right (tenure) to apply for a mining concession at Jan Karski, however as noted below, this position is the subject of Prairie's Mining Usufruct Agreement proceedings in front of the Civil Court and the award of a mining concession of K6-7 to Bogdanka. As a result of the Exclusive Right, Prairie was the only entity with a legal right to lodge a Mining Concession application over Jan Karski for the period up and until 2 April 2018.

The approval of Prairie's Geological Documentation in 2015 also conferred upon Prairie the legal right to apply for a Mining Usufruct Agreement over Jan Karski for an additional 12-month period beyond April 2018, which should have precluded any other parties being granted any licence/concession over all or part of the Jan Karski concessions. Under Polish law, the MoE is strictly obligated, within three months of Prairie making an application for a Mining Usufruct Agreement, to grant the agreement. It should be noted that the MoE confirmed Prairie's priority right in two written statements (i.e. in a final administrative decision dated 11 February 2016 and in a formal letter dated 13 April 2016). Prairie applied to the MoE for a Mining Usufruct Agreement over Jan Karski in late December 2017. As of the date of this report the MoE has still not made available to Prairie a Mining Usufruct Agreement for Jan Karski, therefore breaching the three-month obligatory period for the agreement to be concluded. Advice provided to Prairie concludes that failure of the MoE to grant Prairie the Mining Usufruct Agreement is a breach of Polish law. Accordingly, the Company commenced legal proceedings, which remain ongoing, against the MoE through the Polish courts in order to protect the Company's security of tenure over the Jan Karski concessions. Since the MoE has not provided a decision within three months regarding Prairie's Mining Usufruct Agreement application, the Polish civil court has the power to enforce conclusion of a Usufruct Agreement in place of the MoE. In the event that a Mining Usufruct Agreement is not made available to the Company on acceptable terms or the Company does not enter into a Mining Usufruct Agreement for any other reason, other parties may be able to apply for exploration or mining rights for all or part of the Jan Karski concession area. In April 2018, the Civil Court approved Prairie's motion for an injunction against the MoE, which prevented them from entering into a usufruct agreement or a concession with any other party besides Prairie. A decision by an Appeal Court in Warsaw has since overturned the injunction in place against the MoE. Prairie believes that the Appeal Court's decision is fundamentally flawed. Prairie has now received official notification from the Polish government that the K6-7 deposit, which forms an integral part of Prairie's Jan Karski project, has been granted to Bogdanka. Despite multiple applications by Prairie to the MoE to be admitted as a party of interest to Bogdanka's K6-7 mining concession proceedings, the MoE has denied Prairie the status of party of interest which effectively prevents Prairie from appealing the award of the K6-7 mining concession to Bogdanka. These events provide further evidence of the unfair and inequitable treatment faced by Prairie as a foreign investor in Poland and these and other measures directed against Prairie by the Polish government, with respect to the Company's permitting process and licenses, have entirely blocked Prairie's pathway to any future production from Jan Karski. Prairie has formally notified the Polish government that there exists an investment dispute between Prairie and the Polish Government. The dispute arises out of certain measures taken by Poland in breach of the Treaties. Prairie has now formally commenced with the Claims against the Polish Government. The Claim alleges that the Republic of Poland has breached its obligations under both domestic law and the applicable Treaties through its actions to block the development of the Company's Jan Karksi and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.

2 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 was to occur by 1 January 2018. In December 2016, following the acquisition of Debiensko, Prairie applied to the MoE to amend the 50 year Debiensko Mining Concession. The purpose of the concession amendment was to extend the time stipulated in the Mining Concession for first production of coal from 2018 to 2025. In 2018 Prairie received a final "second instance" decision from the MoE that denied the Company's amendment application. Prairie appealed this MoE decision to Poland's Administrative Court and in November 2019 the Administrative court ruled in Prairie's favour confirming that Prairie's concession amendment application fulfilled all formal requirements under Polish law and that the MoE was obliged to grant Prairie the requested concession amendment. The court verdict indicated that the MoE had not established legal grounds justifying rejection of Prairie's amendment application. The MoE has now appealed this decision to Poland's Supreme Administrative Court. Nevertheless, Prairie also holds a valid environmental consent decision and continues to have valid tenure and ownership of land at Debiensko. Not meeting the production timeframe stipulated in the concession does not automatically infringe on the validity and expiry date of the Debiensko mining concession, which is June 2058. However, the concession authority now has the right to request the concession holder to remove any infringements related to non-compliance with the conditions of the mining concession and determine a reasonable date for removal of the infringements. Nevertheless, the actions of the Polish government have effectively blocked any pathway to production for Prairie at Debiensko therefore making it impossible for the Company to continue with development at Debiensko. The Company will consider any actions necessary to pursue its legal rights regarding Debiensko. For this and other reasons, Prairie has now formally commenced with the Claims against the Polish Government. The Claim alleges that the Republic of Poland has breached its obligations under both domestic law and the applicable Treaties through its actions to block the development of the Company's Jan Karksi and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.

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APPENDIX 2: RELATED PARTY PAYMENTS

During the quarter ended 31 December 2020, the Company made payments of $183,440 to related parties and their associates. These payments relate to existing remuneration arrangements (director fees, consulting fees and superannuation of $113,440) and the provision of a serviced office and company secretarial and administration services ($70,000).

APPENDIX 3: EXPLORATION AND MINING EXPENDITURE

During the quarter ended 31 December 2020, the Company made the following payments in relation to exploration activities:

Activity	$000
Legal and permitting related expenditure	95
Consultants – technical and Debiensko statutory operations personnel	96
Other	88
Total as reported in the Appendix 5B	**279**

There were no mining or production activities and expenses incurred during the quarter ended 31 December 2020.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Prairie Mining Limited

ABN	Quarter ended ("current quarter")
23 008 677 852	31 December 2020

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (6 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(279)*	(613)*
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(119)	(279)
	(e) administration and corporate costs	(291)	(568)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	10
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	(a) Business Development	(36)	(51)
	(b) Property rental and gas sales	70	147
	(c) Arbitration related expenses	(301)	(427)
	(d) Receipt of arbitration funding	254	254
1.9	**Net cash from / (used in) operating activities**	**(695)**	**(1,527)**

*relates to legal and permitting expenditure and payments made to consultants (Debiensko technical statutory operations personnel).

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) Entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-

	Consolidated statement of cash flows	**Current quarter $A'000**	**Year to date (6 months) $A'000**
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	728	875
	(d) investments	-	-
	(e) 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**	**728**	**875**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,020
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(57)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(77)	(108)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(77)**	**3,855**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,809	2,562
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(695)	(1,527)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	728	875

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(77)	3,855
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	**Cash and cash equivalents at end of period**	**5,762**	**5,762**

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	5,762	5,059
5.2	Call deposits	-	750
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)**	**5,762**	**5,809**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(183)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	16,000*	1,926
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**16,000***	**1,926**

7.5	**Unused financing facilities available at quarter end**	**14,074**

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

On 30 June 2020, the Company executed a Litigation Funding Agreement (**LFA**) for US$12.3 million (*now worth A$16 million with the appreciation of the A$ compared to the $US) with LCM Funding UK Limited a subsidiary of Litigation Capital Management Limited (**LCM**), to pursue damages claims in relation to the investment dispute between Prairie and the Polish Government that has arisen out of certain measures taken by Poland in breach of the Energy Charter Treaty and the Australia – Poland Bilateral Investment Treaty (**BIT**). LCM will provide up to US$12.3m (A$17.8m), denominated in US$, in limited recourse financing which is repayable to LCM in the event of a successful Claim or settlement of the Dispute that results in the recovery of any monies. If there is no settlement or award, then LCM is not entitled to any repayment of the financing facility. In return for providing the financing facility, LCM shall be entitled to receive repayment of any funds drawn plus an amount equal to between two and five times the total of any funds drawn from the funding facility during the first five years, depending on the time frame over which funds have remained drawn, and then a 30% interest rate after the fifth year until receipt of damages payments.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(695)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(695)
8.4	Cash and cash equivalents at quarter end (item 4.6)	5,761
8.5	Unused finance facilities available at quarter end (item 7.5)	14,074
8.6	Total available funding (item 8.4 + item 8.5)	19,835
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	**>10**

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer: Not applicable	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: Not applicable	
Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.	

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.

Date: 29 January 2021

Authorised by: Company Secretary
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.