



Prairie Mining Limited

ANNUAL FINANCIAL REPORT

30 JUNE 2016

ABN 23 008 677 852

CORPORATE DIRECTORY

DIRECTORS:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

COMPANY SECRETARY:

Mr Dylan Browne

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Ernst & Young

SOLICITORS:

DLA Piper

BANKERS:

Australia and New Zealand Banking

SHARE REGISTRIES:

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Perth WA 6000
ASX Code: PDZ – fully paid ordinary shares

United Kingdom:

London Stock Exchange – Main Board
10 Paternoster Square
London ECM 7LS
LSE Code: PDZ – fully paid ordinary shares

Poland:

Warsaw Stock Exchange
Książęca 4
00-498 Warsaw
WSE Code: PDZ – fully paid ordinary shares

CONTENTS

	Page
Directors' Report	1
Auditor's Independence Declaration	20
Consolidated Statement of Profit or Loss and other Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to and Forming Part of the Financial Statements	25
Directors' Declaration	59
Independent Auditor's Report	60

The Directors of Prairie Mining Limited present their report on the Consolidated Entity consisting of Prairie Mining Limited ("Company" or "Prairie") and the entities it controlled at the end of, or during, the year ended 30 June 2016 ("Consolidated Entity" or "Group").

DIRECTORS

The names and details of the Group's Directors in office at any time during the financial year or since the end of the financial year are:

Current Directors:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director (appointed 21 September 2015)
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

Former Directors:

Mr Anastasios Arima	Executive Director (resigned 21 September 2015)
Mr Emil Morfett	Non-Executive Director (appointed 21 September 2015, resigned 31 July 2016)
Mr John Welborn	Non-Executive Director (resigned 21 September 2015)

Unless otherwise stated, Directors held their office from 1 July 2015 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas *B.Com, CA* *Chairman*

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

Mr Middlemas was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Cradle Resources Limited (May 2016 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Syntonic Limited (April 2010 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Papillon Resources Limited (May 2011 – October 2014), Sierra Mining Limited (January 2006 – June 2014) and Decimal Software Limited (July 2013 – April 2014).

Mr Benjamin Stoikovich *B.Eng, M.Eng, M.Sc, CEng, CEnv* *Director and CEO*

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

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

Mr Stoikovich was appointed a Director of the Company on 17 June 2013. During the three year period to the end of the financial year, Mr Stoikovich has not held any other directorships in listed companies.

DIRECTORS' REPORT

(Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

Ms Carmel Daniele B.Ec, CA

Non-Executive Director

Ms Carmel Daniele is the founder and Chief Investment Officer of CD Capital in London. Ms Daniele has over 20 years of global natural resources investment experience, ten of which was spent with Newmont Mining/Normandy Mining and acquired companies. As a Senior Executive (Corporate Advisory) at Newmont she structured cross-border M&As including the three-way merger between Franco-Nevada, Newmont and Normandy. Post-merger Ms Daniele structured the divestment of various non-core mining assets around the world for the merchant banking arm, Newmont Capital. Ms Daniele started off her career at Deloitte Touche Tohmatsu. Prior to setting up CD Capital in London in 2006, Ms Daniele was an investment advisor to RAB Capital's Special Situations Fund on sourcing and negotiating natural resource private equity investments. Ms Daniele holds a Master of Laws (Corporate & Commercial) and Bachelor of Economics from the University of Adelaide and is a Fellow of the Institute of Chartered Accountants.

Ms Daniele was appointed a Director on 21 September 2015. During the three year period to the end of the financial year, Ms Daniele has not held any other directorships in listed companies.

Mr Thomas Todd B.Sc (Hons), CA

Non-Executive Director

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

Mr Todd was appointed a Director on 16 September 2014. During the three year period to the end of the financial year, Mr Todd has been an alternate director in Paringa Resources Limited (May 2014 – Present).

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

Non-Executive Director

Mr Pearce is a Chartered Accountant and is currently a Director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and Administrators and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Pearce has held directorships in Salt Lake Potash Limited (August 2014 – present), Syntonic Limited (April 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present) and Decimal Software Limited (July 2013 – April 2014).

Mr Todd Hannigan B.Eng (Hons)

Alternate Director for Mr Thomas Todd

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

Mr Hannigan was appointed as Alternate for Mr Thomas Todd on 16 September 2014. During the three year period to the end of the financial year, Mr Hannigan has held a directorship in Paringa Resources Limited (May 2014 – Present).

Mr Dylan Browne *B.Com, CA, AGIA*
Company Secretary

Mr Browne is a Chartered Accountant and Associate Member of the Governance Institute of Australia who commenced his career at a large international accounting firm and has since worked in the corporate office of a number of listed companies that operate in the resources sector. Mr Browne was appointed Company Secretary of the Company on 25 October 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of the exploration and development of resource projects. No significant change in nature of these activities occurred during the year.

OPERATING AND FINANCIAL REVIEW

Operations

Highlights during, and subsequent to, the financial year end include:

- (i) Cash in excess of \$18 million at 30 June 2016, placing the Company in an excellent position to complete its planned development activities for the Jan Karski Mine at the Lublin Coal Project (“Project”);
- (ii) Coal Markets continue to improve with global coal prices improving by 30% in 2016 and are forecast to recover further over the medium to long term. Coal is set to remain critical to Poland’s economy, currently providing over 80% of the country’s energy needs and providing critical raw materials for the steel industry;
- (iii) A Pre-Feasibility Study (“PFS”) was completed during the year 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;
- (iv) Development funding - preliminary discussions with strategic partners, EPC contractors, global project finance banks and potential offtakers have now commenced following the excellent results of the PFS published in the year;
- (v) Completed an investment agreement (“Investment Agreement”) with CD Capital Natural Resources Fund III LP (“CD Capital”) for an investment in Prairie’s 100% owned subsidiary, PDZ Holdings Pty Ltd (“PDZ Holdings”), of up to A\$83 million to upgrade, expand and develop the Project, and included the issue of non-interest bearing convertible loan notes (“Convertible Notes”) with an aggregate principal amount of \$15 million to CD Capital, exchangeable for ordinary shares of Prairie at \$0.335 per share;
- (vi) Secured a three year exclusive right to apply and be granted a mining concession for the Project following the approval of geological documentation by the Polish Ministry of Environment (“MoE”);
- (vii) Completed the admission of the Company’s ordinary shares on the main market of the London Stock Exchange and the main market of the Warsaw Stock Exchange. Following the admissions, Prairie has enjoyed high volumes and good liquidity on the Warsaw Stock Exchange which has highlighted the strong local market support for the Company; and
- (viii) Prairie completed a number of significant work streams in relation to the ongoing mining concession application including completion of a draft Deposit Development Plan (“DDP”), substantial progress on the Environmental and Social Impact Assessment (“ESIA”); commencement of local land rezoning amendments in the Project mine area, continued with the land acquisition process aimed at securing access to the planned surface infrastructure sites for Project development, lodged application for power grid connection at the project and progressed with planning the railway spur line connection to the national railway network.

Jan Karski Mine at the Lublin Coal Project

Completion of Pre-Feasibility Study

In March 2016, the Company completed a PFS at the Project, 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. Please refer to announcement released by the Company on 8 March 2016.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

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

On 21 September 2015, Prairie completed an investment agreement with CD Capital to raise up to \$83 million. CD Capital have committed to be a key strategic funding partner in the upgrading, expansion and development of the Project.

The transaction was approved by shareholders on 21 September 2015 and is structured in three tranches as follows:

- a private placement by PDZ Holdings (a wholly-owned subsidiary of Prairie which indirectly holds the LCP) of non-interest bearing Convertible Notes with an aggregate principal amount of \$15 million to CD Capital, exchangeable for ordinary shares of Prairie at \$0.335 per share;
- on the conversion of the Convertible Notes, the grant of unlisted options in Prairie with an exercise price of A\$0.60 per option ("CD Options") for a further \$13 million once exercised; and
- a priority right for CD Capital to invest a further A\$55 million in any future funding conducted by Prairie.

The receipt by PDZ Holdings of the initial \$15 million is being used to fund the de-risking of the Project towards a construction decision. The completion of the transaction will fully fund all required works up to a positive mine development decision at the Project, including the completion of a DFS and all required permitting.

CD Capital securing rights to provide \$55 million as part of any future Prairie fund raising provides a solid platform for Prairie to progress project financing for the successful development of the LCP, which has now commenced.

Under the investment agreement, CD Capital has currently appointed Ms Carmel Daniele to the Board of Prairie.

CD Capital is a global natural resources private equity fund with a proven track record of successfully identifying and investing in world-class mining and resource assets at the growth equity stage. CD Capital unlocks value in high quality mining projects through a strategic hands-on approach to development and has a long term investment horizon. CD Capital's underlying investor base is made up of professional institutional investors with strong representation from endowments and foundations.

Approval of Geological Documentation

On 1 July 2015, Prairie announced that it had secured the Exclusive Right to apply for, and consequently be granted, a mining concession for the Project. This follows the approval by Poland's MoE of Prairie's previously submitted geological documentation and is in accordance with the terms of the Polish Geological and Mining Law (2011) ("GML"). Geological documentation is a resource estimate prepared according to the standards prescribed in the Polish resource reporting code and follows the successful completion of all required exploration works by Prairie under its concession commitments with the MoE.

As a result of its geological documentation being approved, Prairie is now the only entity that can lodge a mining concession application over the LCP within the next three (3) years. The Company is advancing technical and environmental feasibility programs for the LCP in accordance with standards of international best practice and intends to submit the mining concession application for the Project in mid-2017.

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. As part of its application for the approval of Geological Documentation, Prairie relinquished a small area to the north of the K-9 concession as the coal within this region has been deemed not of mineable thickness. In addition, Prairie's geological documentation does not include the Sawin-Zachod concession which may be added at a later date.

London Stock Exchange and Warsaw Stock Exchange Listings

In September 2015, the Company completed the admission of its ordinary shares on the main market of the London Stock Exchange and on the main market of the Warsaw Stock Exchange. Following the admissions, Prairie has enjoyed high volumes and good liquidity on the Warsaw Stock Exchange which has highlighted the strong local market support for the Company.

Divestment of Prairie Downs Metals Project (“BMP”)

Subsequent to the end of the year, Prairie altered the terms of the farm-in agreement (“Farm-In Agreement”) with Marindi Metals Limited (“Marindi”). Under the terms of the Farm-In Agreement, Marindi can earn a 100% interest in the BMP by electing to pay Prairie \$0.5 million in cash (which Prairie received on 27 May 2015), \$0.325 million on or before 30 September 2016 and \$0.325 million on or before 31 March 2017, with Prairie retaining a 2.5% Net Smelter Royalty.

The Farm-In Agreement allows Prairie to focus 100% of its time, energy and resources on the Polish coal operations.

Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2016 was \$6,761,400 (2015: \$5,152,146). Significant items contributing to the current year loss and the substantial differences from the previous financial year include:

- (i) Exploration and Evaluation expenses of \$4,830,109 (2015: \$7,301,685), which is attributable to the Group’s accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of rights to explore and up to the commencement of a bankable feasibility study for each separate area of interest. As a direct result of exploration and evaluation activities conducted during the year, the Group achieved key milestones including (i) approval of geological documentation and securing a three year exclusive right to apply for a mining concession at the LCP; (ii) 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; (iii) announcement of a maiden ore reserve for the Project; (iv) announcing an update coal resource estimate for the Project; and (v) continued progression of the DDP, ESIA and spatial planning process for the Project;
- (ii) Business development expenses of \$1,219,309 (2015: \$1,301,836) which includes expenses in relation to the Group’s investor relations activities including, costs in relation to the admission of the Company’s shares on the London Stock Exchange and Warsaw Stock Exchange in 2016 and other business development costs incurred during the year include brokerage fees, travel costs, attendances at conferences and consultant costs;
- (iii) Non-cash share-based payment expenses of \$1,723,271 (2015: \$1,576,867) due to incentive securities issued to key management personnel and other key employees and consultants of the Group as part of the long-term incentive plan to reward key management personnel and other key employees and consultants for the long term performance of the Group. The expense results from the Group’s accounting policy of expensing the fair value (determined using an appropriate pricing model) of incentive securities granted on a straight-line basis over the vesting period of the options and rights. The slight decrease in share-based payment expenses in 2016 compared to 2015 is attributable to lower fair values of incentive securities being issued to key employees and consultants of the Group;
- (iv) Non-cash gain on the derecognition of available-for-sale financial assets of nil (2015: \$9,593,775). At 1 July 2014, the Company held 10.0 million fully paid ordinary shares in Papillon Resources Limited (“Papillon”) (ASX:PIR). During the prior year, Papillon implemented a scheme of arrangement by which B2Gold Corp (TSX:BTO) (“B2Gold”) acquired all of the issued shares in Papillon (“Scheme”). In consideration for the Scheme, Prairie received 0.661 B2Gold shares for every Papillon share held. As a result of the Scheme, the Company was required to derecognise the Papillon available-for-sale asset. The Company subsequently recognised the B2Gold shares as a held-for-trading (fair value through profit and loss) financial asset;
- (v) Other income of \$1,765,429 (2015: \$1,823,851) which is the result of the non-cash fair value gain of \$1,132,966 (2015: fair value loss of 1,063,846) on the B2Gold financial assets at fair value through profit and loss due to the appreciation in the B2Gold share price and fair value during the year. A further non-cash fair value gain of \$632,463 (2015: nil) is attributable to the fair value movement of the conversion right of the Convertible Notes accounted as a financial liability at fair value through profit and loss. In 2016, the Group recognised nil income (2015: \$1,323,851) on the net gain on sale of available-for-sale financial assets, as in 2016 the Group derecognised the Papillon available-for-sale asset as discussed in point (iii) above. In 2016 the Company received nil (2015: \$500,000) as a result of the Farm-In Agreement with Marindi; and
- (vi) An income tax expense of \$nil (2015: \$4,410,000) as a result of the sell down and derecognition of available-for-sale assets that occurred in 2015.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Financial Position

At 30 June 2016, the Company had cash reserves of \$18,063,119 (2015: \$2,076,409) placing it in an excellent position to conduct its planned development activities at the Project.

At 30 June 2016, the Company had net assets of \$17,815,760 (2015: \$9,399,258), an increase of 90% compared with the previous year. This is consistent with and largely attributable to the receipt of \$15 million pursuant to the CD Capital Investment Agreement, the sale of and increase in value of the held-for-sale B2Gold listed securities held by the Company during the year. These gains have been offset by the current year's net loss after tax.

Business Strategies and Prospects for Future Financial Years

Prairie's strategy is to create long-term shareholder value by continuing to explore and develop the LCP in Poland.

To date, the Group has not commenced production of any minerals. To achieve its objective, the Group currently has the following business strategies and prospects:

- a Definitive Feasibility Study will commence after all Project options have been suitably examined and an ultimate "go forward" case has been selected;
- continue the mining concession process for the Project, having been granted the 3 year Priority Right, including the rezoning of land for mining use, the completion of a DDP and ESIA for the Project and submission of these to the relevant authorities for approval. Once approved the Company will apply for a mining concession for the Project;
- continue financing discussions with strategic partners, EPC contractors, global project finance banks and potential offtakers following the excellent results of the PFS published in the year;
- continuation of other required Project permitting activities including spatial planning and land acquisition;
- review of new business opportunities that may compliment and / or add synergies to the Company's existing Project;
- continued development activity across the Project specifically aimed at improving knowledge of hydrogeological conditions and confirming the definitive shaft site location; and
- conduct additional exploration at the Sawin-Zachod exploration concession.

All of these activities are inherently risky and the Board is unable to provide certainty of the expected results of these activities, or that any or all of these likely activities will be achieved. The material business risks faced by the Group that could have an effect on the Group's future prospects, and how the Group manages these risks, include the following:

- *The Company's activities will require further capital in future years* – The Company currently has cash in excess of \$18 million which places it in an excellent position to conduct its current planned exploration and development activities. However, the ability of the Company to finance capital investment in future years for the development, construction and future operation of the Project is dependent, among other things, on the Company's ability to raise additional future funding either through equity or debt financing. Any failure to obtain sufficient future financing may result in delaying or indefinite postponement of any future development or construction of the Project or even a loss of property interest (in the future). The key items in respect of which the Company would require further funding in future years would be for the development and construction of the mine at the Project. In this regard however, and pursuant to the CD Capital investment agreement, CD Capital has a first right to invest a further \$55 million in any future fund raise conducted by the Company. There is however no guarantee that CD Capital would take up this right in the future and there is a risk that the Company's obligation to offer CD Capital a first right of refusal on any future fund raising could prejudice the Company's ability to raise funds from investors other than CD Capital. However, the Company considers that it would not be necessary to undertake such development actions until it has secured financing to do so and the timing for commencement of such actions would accordingly depend on the date that such financing is secured. If, in the unlikely event that future financing cannot be secured, the Group has the flexibility and ability to significantly reduce its ongoing expenditure.

Furthermore, the Company's board of directors has a successful track record of fundraising for natural resources projects, including large scale coal projects, and has completed successful financing transactions with strategic partners, large institutional fund managers, off-take partners and traders and project finance lenders. There is however no guarantee that the then prevailing market conditions will allow for a future fundraising or that new investors will be prepared to subscribe for ordinary shares or at the price at which they are willing to do so in the future. Failure to obtain sufficient future financing may result in delaying or indefinite postponement of appraisal and any development of the Project in the future, a loss of the Company's personnel and ultimately a loss of its interest in the Project if it were unable to successfully apply for a mining concession for the Project before the expiry of the Priority Right. There can be no assurance that additional future capital or other types of financing will be available, if needed, or that, if available, the terms of such future financing will be favourable to the Company;

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

- *Risk of further challenges by Bogdanka* – In April 2015 the MoE issued a decision approving geological documentation for the Project. During administrative proceedings related to the approval of the Company's geological documentation, Lubelski Wegiel Bogdanka ("Bogdanka") filed a motion to be admitted as a party to these. On 25 June 2015, the MoE issued its final decision rejecting Bogdanka's application to be admitted as a party to the proceedings relating to the approval of geological documentation. This means that the MoE decision approving the Company's geological documentation is final - providing the Company with a three year priority right to apply for a mining concession for the LCP and confirms that the Company's geological documentation complies with the legal requirements of the Polish Geological Mining Law. Furthermore in 2014, Bogdanka submitted a mining concession application over the Company's K-6-7 exploration concession. In September 2015, the MoE rejected Bogdanka's mining concession application over the K-6-7 concession which confirmed that Bogdanka's application was inadmissible. Bogdanka subsequently filed a case to reconsider with the MoE which was further rejected by the MoE confirming the Company's security of tenure and exclusive right to apply for a mining concession for the K-6-7 concession. In December 2014, Bogdanka appealed this final decision by the MoE with a regional administrative court, which was rejected by that court, in March 2016.

Bogdanka has since made a further appeal to the Supreme Administrative Court with no court hearing being scheduled to date. The Supreme Administrative Court has no authority to grant Bogdanka a concession but it may however cancel the MoE's original rejection decision. If the Supreme Administrative Court does cancel the MoE decision, the MoE will be required to re-assess Bogdanka's mining concession application. These proceedings do not relate to the Prairie's valid and existing priority right to apply for a mining concession over the K-6-7 area. As discussed above Bogdanka has in the past raised several appeals challenging the Company's title to the exploration concessions comprising the Project and to actions by government departments in the approval process for the Project. There is therefore no guarantee that Bogdanka will not seek to file further appeals to future decisions taken by government departments in the course of the Project development timeline;

- *The Company has limited operating history* – The Company has a limited operating history on which it can base an evaluation of its prospects. Despite this, members of the Company's Board of Directors and management team have considerable experience in the exploration, appraisal, funding development and mining of coal projects both globally and within the Lublin Coal Basin. The future success of the Company is dependent upon a number of factors, including the successful: (i) completion of positive technical and feasibility studies which demonstrates that mining of coal can be economically undertaken at the Project; (ii) design, construction and commissioning of the infrastructure required for the Project; (iii) progression of permitting including acquiring a mining concession for the Project and the maintenance of title for Project; and (iv) identification of, and agreement with, strategic partners, offtakers and other financiers to fund and assist with the future development and operation of mining at the Project. The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty;

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Business Strategies and Prospects for Future Financial Years (Continued)

- *Operations conducted in an emerging market* – The Company's operations are located in Poland and will be exposed to related risks and uncertainties associated with this jurisdiction. Changes in mining or investment policies, laws or regulations (or the application thereof) or shifts in political attitude in Poland, in particular to mining, use of coal, and foreign ownership of coal projects may adversely affect the operation or profitability of the Company. The Company continues to consult with the various levels of Government but there can be no assurances that the future political developments in Poland will not directly impact the Company's operations or its ability to attract funding for its operations. The Company also competes with many other companies in Poland, including companies with established mining operations. Some of these companies have greater financial resources and political influence than the Company and, as a result, may be in a better position to compete with or impede the Company's current or future activities;
- *The Company may be adversely affected by fluctuations in coal prices* – The price of coal can fluctuate widely and is affected by numerous factors beyond the control of the Company. Coal prices are currently depressed from previous levels and there is no guarantee that they will recover. Future production, if any, from the Company's mineral properties and its profitability will be dependent upon the price of coal being adequate to make these properties economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, this policy will be reviewed periodically going forward; and
- *Global financial conditions may adversely affect the Company's growth and profitability* – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. The exploration and any development of the Company's exploration properties will require substantial funding. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth, or rate of growth, and ability to fund its activities. If these increased levels of volatility and market turmoil continue, the Company's activities could be adversely impacted and the trading price of the Company's shares could be adversely affected.

EARNINGS PER SHARE

	2016 Cents	2015 Cents
Basic and diluted loss per share	(4.52)	(3.81)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Group during the financial year.

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made (2015: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year other than the following:

- (i) On 1 July 2015, the Company announced that it had secured a three year exclusive right to apply and be granted a mining concession for the Project following the approval of its geological documentation by the Polish MoE;
- (ii) In September 2015, the Company commenced trading of its shares on the main boards of the London Stock Exchange and Warsaw Stock Exchange;
- (iii) On 21 September 2015, following shareholder approval, the Company completed an investment agreement with CD Capital for an investment in PDZ Holdings to raise up to A\$83 million to upgrade, expand and develop the Project;
- (iv) On 21 September 2015, in accordance with the investment agreement with CD Capital, the Company appointed CD Capital's nominee directors, Ms Carmel Daniele and Mr Emil Morfett, as Non-Executive Directors of the Company. As a result of CD Capital director appointments, Mr Welborn and Mr Arima resigned as directors of the Company;
- (v) On 8 March 2016, the Company announced the results from a PFS on the Project which confirmed 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; and
- (vi) On 29 March 2016, the Company announced that a Warsaw administrative court had rejected Lubelski Węgiel BOGDANKA's administrative complaints against MoE regarding the Project which confirmed Prairie's security of tenure and exclusive right to take the K-6-7 concession, as part of the Project, through to mining production.

SIGNIFICANT EVENTS AFTER BALANCE DATE

- (i) On 13 July 2016, Mr Janusz Jakimowicz resigned from his position as President of the PD Co sp z o.o. Management Board;
- (ii) On 31 July 2016, Mr Emil Morfett resigned as a non-executive director of the Company; and
- (iii) On 12 September 2016, Prairie altered the terms of the Farm-In Agreement with Marindi allowing Marindi to earn a 100% interest in the BMP by electing to pay Prairie \$0.5 million in cash (which Prairie received on 27 May 2015), \$0.325 million in cash on or before 30 September 2016 and \$0.325 million in cash on or before 31 March 2017.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2016, of the Consolidated Entity.

DIRECTORS' REPORT

(Continued)

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in securities at the date of this report		
	Ordinary Shares ¹	Options ²	Performance Rights ³
Mr Ian Middlemas	10,600,000	-	-
Mr Benjamin Stoikovich	-	3,000,000	2,500,000
Ms Carmel Daniele ⁴	-	-	-
Mr Thomas Todd	2,800,000	1,400,000 ⁵	-
Mr Mark Pearce	3,000,000	-	-
Mr Todd Hannigan	3,146,398	1,400,000 ⁵	-

Notes:

¹ "Ordinary Shares" means fully paid Ordinary Shares in the capital of the Company.

² "Options" means an option to subscribe for one Ordinary Share in the capital of the Company.

³ "Performance Rights" means Performance Rights issued by the Company that convert to one Ordinary Share in the capital of the Company upon vesting of various performance conditions.

⁴ As founder and controller of CD Capital, Ms Daniele has an interest in the Convertible Notes and the right of CD Capital to acquire 44,776,119 Ordinary Shares and 21,388,060 \$0.60 CD Options which may result in the issue of an additional 21,388,060 Ordinary Shares.

⁵ On 11 September 2014, 1,400,000 Unlisted Options were issued to T2 Resources Pty Ltd, a Company in which Messrs Todd and Hannigan are directors and shareholders.

SHARE OPTIONS AND PERFORMANCE RIGHTS

At the date of this report the following options and rights have been issued over unissued Ordinary Shares of the Company:

- 1,600,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
- 4,460,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017;
- 765,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017;
- 1,400,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2018;
- 9,397,000 Performance Rights with various vesting conditions and expiry dates between 30 June 2017 and 31 December 2020; and
- Pursuant to the Investment Agreement, CD Capital has the right to acquire 44,776,119 Ordinary Shares (on conversion of the Convertible Notes) and 21,388,060 \$0.60 CD Options which may result in the issue of an additional 21,388,060 Ordinary Shares.

During the year ended 30 June 2016, nil Ordinary Shares have been issued as a result of the exercise of Unlisted Options, and 3,649,000 Ordinary Shares have been issued as a result of the conversion of 3,649,000 Performance Rights. Subsequent to year end and up until the date of this report, nil Ordinary Shares have been issued as a result of the exercise of Unlisted Options, and nil Ordinary Shares have been issued as a result of the conversion of Performance Rights.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a Director or officer of the Company or Group for any liability caused as such a Director or officer and any legal costs incurred by a Director or officer in defending an action for any liability caused as such a Director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During the financial year, an annualised insurance premium was paid to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director (appointed 21 September 2015)
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

Former Directors

Mr Anastasios Arima	Executive Director (resigned 21 September 2015)
Mr Emil Morfett	Non-Executive Director (appointed 21 September 2015, resigned 31 July 2016)
Mr John Welborn	Non-Executive Director (resigned 21 September 2015)

Other KMP

Mr Janusz Jakimowicz	President of the PD Co sp z o.o. Management Board (resigned 13 July 2016)
Mr Artur Kluczny	Vice President of the PD Co sp z o.o. Management Board
Mr Hugo Schumann	Executive – Corporate Development (ceased 31 December 2015)
Mr Dylan Browne	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors. In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- (a) the Group is currently focused on undertaking exploration, appraisal and development activities;
- (b) risks associated with small cap resource companies whilst exploring and developing projects; and
- (c) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and health care benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration (Continued)

Performance Based Remuneration – Short Term Incentive (“STI”)

Some executives are entitled to an annual cash incentive payment upon achieving various key performance indicators (“KPI’s”), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI’s will include measures such as successful commencement and/or completion of exploration activities (e.g. commencement/completion of exploration programs within budgeted timeframes and costs), establishment of government relationship (e.g. establish and maintain sound working relationships with government and officialdom), development activities (e.g. completion of infrastructure studies and commercial agreements), corporate activities (e.g. recruitment of key personnel and representation of the company at international conferences) and business development activities (e.g. corporate transactions and capital raisings). These measures were chosen as the Board believes they represent the key drivers in the short and medium term success of the Project’s development. On an annual basis, subsequent to year end, the Board assesses performance against each individual executive’s KPI criteria. During the 2016 financial year, and due to market conditions a total cash incentive payment sum of nil (2015: \$213,465) was paid, or is payable, to KMP.

Performance Based Remuneration – Long Term Incentive

The Group has adopted a long-term incentive plan (“LTIP”) comprising the “Prairie Employee and Contractors Performance Rights Plan” (the “Plan”) to reward KMP and key staff (including eligible employees and contractors) for long-term performance. Shareholders approved the Plan in November 2013 at an Annual General Meeting of Shareholders. On 21 September 2015, shareholders approved an amendment to the Plan.

The Plan provides for the issuance of unlisted performance share rights (“Performance Rights”) which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

To achieve its corporate objectives the Company needs to attract and retain its key staff, whether employees or contractors. Performance Rights granted to eligible participants under the Plan, will assist with the Company's employment strategy and will:

- (a) enable the Company to recruit, incentivise and retain KMP and other eligible employees and contractors to assist with the completion of feasibility studies for the LCP to achieve the Company’s strategic objectives;
- (b) link the reward of eligible employees and contractors with the achievements of strategic goals and the long term performance of the Company;
- (c) align the financial interests of eligible participants of the Plan with those of Shareholders; and
- (d) provide incentives to eligible employees and contractors of the Plan to focus on superior performance that creates Shareholder value.

Performance Rights granted under the Plan to eligible participants will be linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. The Performance Rights also vest where there is a change of control of the Company. Upon Performance Rights vesting, Ordinary Shares are automatically issued for no consideration. If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

During the financial year, Performance Rights were granted (and were on issue) to certain KMP and other employees with the following performance conditions:

- (a) Tranche 1 – Achievement of Geological Documentation Milestone on or before 30 September 2015;
- (b) Tranche 2 – Achievement of Mine Permit and Definitive Feasibility Study on or before 30 June 2017;
- (c) Tranche 3 – Award of Mine Permit Milestone on or before 31 December 2017;
- (d) Tranche 4 - Decision to Commence Construction Milestone on or before 31 December 2018; and
- (e) Tranche 5 – Initial Production Milestone on or before 31 December 2020.

In addition, the Group may choose to provide unlisted incentive options (“Unlisted Options”) to some KMP as part of their remuneration and incentive arrangements in order to attract and retain their services and to provide an incentive linked to the performance of the Group. The Board’s policy is to grant Unlisted Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, any Unlisted Options granted to KMP are generally only of benefit if the KMP performed to the level whereby the value of the Group increased sufficiently to warrant exercising the unlisted Options granted.

Other than service-based vesting conditions (if any), there are generally no additional performance criteria attached to any Unlisted Options granted to KMP, as given the speculative nature of the Group’s activities and the small management team responsible for its running, it is considered that the performance of the KMP and the performance and value of the Group are closely related.

The Company prohibits executives entering into arrangements to limit their exposure to Unlisted Options and Performance Rights granted as part of their remuneration package.

Non-Executive Director Remuneration

The Board’s policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Unlisted Options may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director’s fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors’ interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Unlisted Options in order to secure and retain their services.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company’s exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board’s policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash incentive payments are based upon achieving various non-financial key performance indicators as detailed under “Performance Based Remuneration – Short Term Incentive” and are not based on share price or earnings. However, as noted above, certain KMP may receive Unlisted Options in the future which generally will be of greater value to KMP if the value of the Company’s shares increases sufficiently to warrant exercising the Unlisted Options.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director and KMP of Prairie Mining Limited are as follows:

		Short-term benefits					Total \$	Performance related %
		Salary & fees \$	Cash Incentive Payments \$	Living Allow- ance \$	Post- employment benefits \$	Share- based payments \$		
Directors								
Ian Middlemas	2016	36,000	-	-	3,420	-	39,420	-
	2015	36,000	-	-	3,420	-	39,420	-
Benjamin Stoikovich	2016	452,718	-	-	-	276,999	729,717	38.0%
	2015	432,531	164,204	-	-	175,712	772,447	44.0%
Carmel Daniele ¹	2016	-	-	-	-	-	-	-
Emil Morfett ^{1,2}	2016	30,147	-	-	-	-	30,147	-
Anastasios Arima ³	2016	11,174	-	-	1,062	-	12,236	-
	2015	79,167	-	-	7,521	-	86,688	-
Thomas Todd	2016	20,000	-	-	1,900	-	21,900	-
	2015	15,889	-	-	1,509	359,800	377,198	95.4%
John Welborn ³	2016	4,470	-	-	425	-	4,895	-
	2015	23,219	-	-	2,206	-	25,425	-
Mark Pearce	2016	20,000	-	-	1,900	-	21,900	-
	2015	23,219	-	-	2,206	-	25,425	-
Todd Hannigan	2016	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-
Other KMP								
Janusz Jakimowicz	2016	332,504	-	49,437	-	592,433	974,374	60.8%
	2015	331,983	-	48,061	-	456,122	836,166	54.5%
Artur Kluczny	2016	131,776	-	-	-	146,081	277,857	52.6%
	2015	77,343	-	-	-	122,229	199,572	61.2%
Hugo Schumann ⁴	2016	79,767	-	-	-	283,500	363,267	78.0%
	2015	141,828	49,261	-	-	68,287	259,376	45.3%
Dylan Browne ⁵	2016	102,177	-	-	-	64,151	166,328	38.6%
	2015	-	-	-	-	25,640	25,640	100.0%
Total	2016	1,220,733	-	49,437	8,707	1,363,164	2,642,041	
	2015	1,161,179	213,465	48,061	16,862	1,207,790	2,647,357	

Notes:

¹ Ms Daniele was appointed on 21 September 2015. During the year Ms Daniele waived her Non-Executive Director remuneration and directed that it be paid to Mr Morfett.

² Mr Morfett was appointed on 21 September 2015 and resigned on 31 July 2016.

³ Messrs Arima and Welborn resigned on 21 September 2015.

⁴ Mr Schumann resigned 31 December 2015

⁵ Mr Browne was appointed 25 October 2012. For the period 1 July 2015 to 30 September 2015, Mr Browne provided services as the Company Secretary through a services agreement with Apollo Group Pty Ltd ('Apollo'). For the period 1 July 2015 to 30 September 2015 Apollo was paid, or was payable, \$62,000 (2015: 296,000) for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group. Please refer to the "Employment Contracts with Directors and KMP" section below for further details on Mr Browne's consultancy agreement with the Company.

Options and Performance Rights Granted to KMP

Details of Unlisted Options and Performance Rights granted as part of remuneration by the Company to each KMP of the Group during the financial year is as follows:

2016	Security	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value ¹ \$	Number Granted	Number Vested
Director								
Benjamin Stoikovich	Rights	2-Oct-15	30-Jun-17	30-Jun-17	-	0.3150	1,000,000	-
	Rights	2-Oct-15	31-Dec-17	31-Dec-17	-	0.3150	1,000,000	-
	Rights	2-Oct-15	31-Dec-18	31-Dec-18	-	0.3150	500,000	-
Other KMP								
Janusz Jakimowicz	Rights	2-Oct-15	31-Mar-16	31-Mar-16	-	0.3150	1,000,000	1,000,000 ³
Artur Kluczny	Rights	2-Oct-15	31-Mar-16	31-Mar-16	-	0.3150	180,000	180,000 ³
	Rights	2-Oct-15	31-Dec-17	31-Dec-17	-	0.3150	200,000	-
	Rights	2-Oct-15	31-Dec-18	31-Dec-18	-	0.3150	250,000	-
Hugo Schumann	Rights	2-Oct-15	31-Mar-16	31-Mar-16	-	0.3150	50,000	50,000 ³
	Rights	2-Oct-15	31-Dec-17	31-Dec-17	-	0.3150	300,000	-
	Rights	2-Oct-15	30-Jun-17	30-Jun-17	-	0.3150	300,000	-
Dylan Browne	Rights	2-Oct-15	31-Dec-18	31-Dec-18	-	0.3150	250,000	-
	Rights	2-Oct-15	30-Jun-17	30-Jun-17	-	0.3150	200,000	-
	Rights	2-Oct-15	31-Dec-17	31-Dec-17	-	0.3150	200,000	-
	Rights	2-Oct-15	31-Dec-18	31-Dec-18	-	0.3150	150,000	-

Notes:

¹ For details on the valuation of the Unlisted Options and Performance Rights, including models and assumptions used, please refer to Note 18 to the financial statements.

² Each Unlisted Option or Performance Right converts into one Ordinary Share of Prairie Mining Limited.

³ Converted to shares on 16 March 2016.

Details of the values of Unlisted Options granted, exercised or lapsed for each KMP of the Group during the 2016 financial year are as follows:

2016	Value of Options Granted during the Year ¹ \$	Value of Options exercised during the year \$	Value of Options lapsed during the year \$	Value of Options included in remuneration report for the year \$	Remuneration for the year that consists of options %
Director					
Benjamin Stoikovich	-	-	- ²	\$42,184	5.80%

Notes:

¹ For details on the valuation of the Unlisted Options, including models and assumptions used, please refer to Note 18.

² On 21 September 2015, shareholders approved to cancel 1,500,000 unlisted options exercisable at \$0.60 each on or before 30 June 2017, previously issued to the Company's Chief Executive Officer, in return for the issue of 2,500,000 performance rights with various vesting conditions and expiry dates between 30 June 2017 and 31 December 2018.

Employment Contracts with Directors and KMP

Mr Stoikovich has signed an appointment letter with an effective appointment date of 17 June 2013, under the terms of which he agrees to serve as a Director of the Company. Mr Stoikovich's appointment letter is terminable, pursuant to the Company's Constitution, by giving the Company notice in writing. Mr Stoikovich receives a fixed fee of £25,000 per annum pursuant to this appointment letter.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Employment Contracts with Directors and KMP (Continued)

Windellama Capital Limited, a company of which Mr. Stoikovich is a director and shareholder, has a consulting agreement with the Company to provide project management and capital raising services (CEO services) related principally to the Lublin Coal Project.

The contract with Windellama Capital Limited commenced effectively from 9 July 2015 (previously Cordeaux Capital Limited). Under this agreement, Windellama Capital Limited is paid a fixed fee of £200,000 per annum and an annual incentive payment of up to £80,000 payable upon the successful completion of key project milestones as determined by the Board. In addition, Windellama Capital Limited will be entitled to receive a payment incentive of £112,500 in the event of a change of control clause being triggered with the Company. The consulting contract may be terminated by either Windellama Capital Limited or the Company by giving six months' notice. No amount is payable to Windellama in the event of termination of the contract arising from negligence or incompetence in regard to the performance of services specified in the contract.

Mr Jakimowicz, President PD Co sp z o.o. has a consultancy agreement with the company dated 4 February 2013. The contract specifies the duties and obligations to be fulfilled by the President of PD Co sp z o.o. The contract may be terminated by either party by giving three months' notice. Mr Jakimowicz receives a consulting fee of \$26,150, Management Board (PD Co sp. z o.o.) fees of PLN4,400 and an in-country living allowance of PLN11,630 per month.

Mr Kluczny, was appointed as Vice-President PD Co sp z o.o on 25 November 2014. He has a consultancy agreement with the company dated 12 December 2013 and amended effective 1 November 2014, which provides for a consulting fee of PLN26,600 per month for strategic advisory services. The contract may be terminated by either party by giving three months' notice. Mr Kluczny also receives a fixed Management Board (PD Co sp. z o.o.) fee of PLN4,400 per month.

Mr Dylan Browne, Company Secretary, has a letter of appointment dated 1 October 2015 confirming the terms and conditions of his appointment. Mr Browne's appointment letter is terminable pursuant to the Company's Constitution. Mr Browne receives a fee of £6,000 per annum pursuant to this appointment letter. In addition CandyL Limited ('CandyL'), a company of which Mr Browne is a director and shareholder, has a consultancy agreement with the Company, which specifies the duties and obligations to be fulfilled by Mr Browne as the Company Secretary. Either party may terminate the agreement with three months written notice. No amount is payable in the event of termination for material breach of contract, gross misconduct or neglect. CandyL receives an annual consultancy fee of £63,000.

Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2016 (2015: Nil).

Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid or is payable \$217,000 (2015: \$296,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income. At 30 June 2016, \$12,500 (2015: \$22,000) was included as a current liability in the Statement of Financial Position.

Equity instruments held by KMP

Option and Performance Right holdings of Key Management Personnel

2016	Held at 1 July 2015	Granted as Remuner- ation	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2016	Vested and exercise- able at 30 June 2016
Directors						
Ian Middlemas	-	-	-	-	-	-
Benjamin Stoikovich	4,500,000	2,500,000 ¹	-	(1,500,000) ¹	5,500,000	3,000,000
Carmel Daniele	- ²	-	-	-	-	-
Emil Morfett	- ²	-	-	-	-	-
Anastasios Arima	1,500,000	-	-	-	1,500,000 ³	1,500,000 ³
Thomas Todd	1,400,000	-	-	-	1,400,000	-
John Welborn	-	-	-	-	- ³	- ³
Mark Pearce	-	-	-	-	-	-
Todd Hannigan	1,400,000	-	-	-	1,400,000	-
Other KMP						
Janusz Jakimowicz	3,400,000	1,000,000	(2,000,000)	-	2,400,000	-
Artur Kluczny	750,000	630,000	(455,000)	-	925,000	-
Hugo Schumann	1,050,000	900,000	(50,000)	-	1,900,000 ³	1,050,000 ³
Dylan Browne	575,000	550,000	-	(250,000) ⁴	875,000	325,000

Notes:

¹ On 21 September 2015, shareholders approved to cancel 1,500,000 unlisted options exercisable at \$0.60 each on or before 30 June 2017, previously issued to the Company's Chief Executive Officer, in return for the issue of 2,500,000 performance rights with various vesting conditions and expiry dates between 30 June 2017 and 31 December 2018

² As at date of appointment

³ As at date of resignation

⁴ Expiry of Unlisted Options exercisable at \$0.25 on or before 30 June 2016

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Equity instruments held by KMP (Continued)

Shareholdings of Key Management Personnel

2016	Held at 1 July 2015	Granted as Remuneration	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2016
Directors					
Ian Middlemas	10,000,000	-	-	600,000 ¹	10,600,000
Benjamin Stoikovich	-	-	-	-	-
Carmel Daniele	- ²	-	-	-	-
Emil Morfett	- ²	-	-	-	-
Anastasios Arima	2,910,000	-	-	(500,000) ³	2,410,000 ⁴
Thomas Todd	2,800,000	-	-	-	2,800,000
John Welborn	4,500,000	-	-	-	4,500,000 ⁴
Mark Pearce	3,000,000	-	-	-	3,000,000
Todd Hannigan	3,146,398	-	-	-	3,146,398
Other KMP					
Janusz Jakimowicz	1,541,931	-	2,000,000	-	3,451,931
Artur Kluczny	20,000	-	455,000	95,238 ¹	570,238
Hugo Schumann	-	-	50,000	-	50,000 ³
Dylan Browne	-	-	-	-	-

Notes:

¹ On market purchases

² As at date of appointment.

³ Off-market transfer as part of the full and final settlement of divorce proceedings in accordance with the Family Court of WA.

⁴ As at date of resignation.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows (there were no Board committees during the financial year):

	Board Meetings	
	Number eligible to attend	Number attended
Ian Middlemas	2	2
Benjamin Stoikovich	2	2
Carmel Daniele	1	1
Emil Morfett	1	1
Thomas Todd	2	2
Anastasios Arima	1	1
John Welborn	1	1
Mark Pearce	2	2
Todd Hannigan	-	-

NON-AUDIT SERVICES

Non-audit services provided by our auditors, Ernst & Young and related entities, are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

	2016	2015
	\$	\$
Preparation of income tax return	8,000	8,000
Professional fees in relation to the London and Warsaw Stock Exchange listings	-	19,703
	8,000	27,703

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2016 (2015: nil).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 20 of the Directors' Report.

Signed in accordance with a resolution of the Directors.



Benjamin Stoikovich
 Director

23 September 2016

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.

Auditor's independence declaration to the Directors of Prairie Mining Limited

As lead auditor for the audit of Prairie Mining Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Prairie Mining Limited and the entities it controlled during the financial year.



Ernst & Young



G H Meyerowitz
Partner
23 September 2016

**CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2016



	Notes	2016 \$	2015 \$
CONTINUING OPERATIONS			
Revenue	2(a)	309,969	34,912
Other income	2(b)	1,765,429	1,823,851
Gain on the derecognition of available-for-sale financial assets	7	-	9,593,775
Exploration and evaluation expenses		(4,830,109)	(7,301,685)
Employment expenses	3(a)	(289,008)	(175,372)
Administration and corporate expenses		(310,083)	(285,947)
Occupancy expenses		(465,018)	(489,131)
Share-based payment expenses	3(a)	(1,723,271)	(1,576,867)
Business development expenses		(1,219,309)	(1,301,836)
Other expenses	3(b)	-	(1,063,846)
Loss before income tax		(6,761,400)	(742,196)
Income tax expense	4	-	(4,410,000)
Net loss for the year		(6,761,400)	(5,152,146)
Net loss attributable to members of Prairie Mining Limited		(6,761,400)	(5,152,146)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of available-for-sale financial assets		-	(3,642,124)
Deferred tax on available-for-sale financial assets	4	-	1,096,845
Net realised gain on available-for-sale financial assets transferred to other income		-	(1,323,851)
Deferred tax on sale of available-for-sale financial assets	4	-	397,155
Gain on derecognition of available-for-sale financial assets transferred to other income	7	-	(9,593,775)
Deferred tax on gain on derecognition of available-for-sale financial assets	4	-	2,916,000
Exchange differences on translation of foreign operations		10,230	38,121
Total other comprehensive income/(loss) for the year, net of tax		10,230	(10,111,629)
Total comprehensive loss for the year, net of tax		(6,751,170)	(15,263,775)
Total comprehensive loss attributable to members of Prairie Mining Limited		(6,751,170)	(15,263,775)
Basic and diluted loss per share from continuing operations (cents per share)	14	(4.52)	(3.81)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	13(b)	18,063,119	2,076,409
Trade and other receivables	5	265,635	197,878
Other financial assets	6	-	7,569,754
Total Current Assets		18,328,754	9,844,041
Non-current Assets			
Other financial assets	7	-	-
Property, plant and equipment		98,140	58,097
Exploration and evaluation assets	8	530,000	530,000
Total Non-current Assets		628,140	588,097
TOTAL ASSETS		18,956,894	10,432,138
LIABILITIES			
Current Liabilities			
Trade and other payables	9	805,313	1,032,880
Other financial liabilities	10	335,821	-
Total Current Liabilities		1,141,134	1,032,880
TOTAL LIABILITIES		1,141,134	1,032,880
NET ASSETS		17,815,760	9,399,258
EQUITY			
Contributed equity	11	51,298,932	36,649,571
Reserves	12	3,043,493	2,620,683
Accumulated losses		(36,526,665)	(29,870,996)
TOTAL EQUITY		17,815,760	9,399,258

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY**
AS AT 30 JUNE 2016



	Ordinary Shares	Available- For-Sale Reserve	Share- Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	36,649,571	-	2,597,720	22,963	(29,870,996)	9,399,258
Net loss for the year	-	-	-	-	(6,761,400)	(6,761,400)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	10,230	-	10,230
Total comprehensive income/(loss) for the period	-	-	-	10,230	(6,761,400)	(6,751,170)
Transactions with owners recorded directly in equity						
Issue of ordinary shares	321,248	-	-	-	-	321,248
Share issue costs	(4,900)	-	-	-	-	(4,900)
Issue of Convertible Note (Note 11)	15,000,000	-	-	-	-	15,000,000
Recognition of Conversion right attached to Convertible Note (Note 11)	(968,284)	-	-	-	-	(968,284)
Costs to issue convertible note	(903,663)	-	-	-	-	(903,663)
Transfer from share-based payments	1,204,960	-	(1,204,960)	-	-	-
Lapse of performance Rights	-	-	(8,356)	-	8,356	-
Lapse of Unlisted Options	-	-	(97,375)	-	97,375	-
Recognition of share-based payments	-	-	1,723,271	-	-	1,723,271
Balance at 30 June 2016	51,298,932	-	3,010,300	33,193	(36,526,665)	17,815,760
Balance at 1 July 2014	34,864,888	10,149,750	1,051,658	(15,158)	(24,718,850)	21,332,288
Net loss for the year	-	-	-	-	(5,152,146)	(5,152,146)
Other comprehensive income:						
Changes In fair value of available-for-sale financial assets	-	(3,642,124)	-	-	-	(3,642,124)
Deferred tax available-for-sale financial assets	-	1,096,845	-	-	-	1,096,845
Net realised gain on available-for-sale financial assets transferred to other income	-	(1,323,851)	-	-	-	(1,323,851)
Deferred tax on sale of available-for-sale financial assets	-	397,155	-	-	-	397,155
Gain on derecognition of available-for-sale financial assets transferred to other income	-	(9,593,775)	-	-	-	(9,593,775)
Deferred tax on gain on de-recognition of available-for-sale financial assets	-	2,916,000	-	-	-	2,916,000
Exchange differences on translation of foreign operations	-	-	-	38,121	-	38,121
Total comprehensive income/(loss) for the period	-	(10,149,750)	-	38,121	(5,152,146)	(15,263,775)
Transactions with owners recorded directly in equity						
Issue of ordinary shares	1,768,133	-	-	-	-	1,768,133
Share issue costs	(14,255)	-	-	-	-	(14,255)
Exercise of Unlisted Options	30,805	-	(30,805)	-	-	-
Recognition of share-based payments	-	-	1,576,867	-	-	1,576,867
Balance at 30 June 2015	36,649,571	-	2,597,720	22,963	(29,870,996)	9,399,258

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(7,304,600)	(9,265,398)
Interest received from third parties		254,470	58,667
Proceeds from retirement of performance bonds		-	22,111
NET CASH FLOWS USED IN OPERATING ACTIVITIES	13(a)	(7,050,130)	(9,184,620)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(76,600)	(37,896)
Proceeds from sale of listed securities		8,702,720	6,459,932
Proceeds from Farm-In Agreement		-	500,000
NET CASH FLOWS FROM IN INVESTING ACTIVITIES		8,626,120	6,922,036
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,768,133
Payments for share issue costs		(16,135)	(5,327)
Proceeds from issues of convertible note		15,000,000	-
Payments for issue of convertible note		(566,735)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		14,417,130	1,762,806
Net increase/(decrease) in cash and cash equivalents		15,993,120	(499,778)
Net foreign exchange differences		(6,410)	1,887
Cash and cash equivalents at beginning of year		2,076,409	2,574,300
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13(b)	18,063,119	2,076,409

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Prairie Mining Limited ("Prairie" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2016 are stated to assist in a general understanding of the financial report.

Prairie Mining is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"), the London Stock Exchange and the Warsaw Stock Exchange.

The financial report of the Group for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 22 September 2016.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis, except for held-for-trading investments which have been measured at fair value. The financial report is presented in Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- (i) AASB 1031, AASB 9 and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments; and
- (ii) AASB 1031 Materiality and AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2016. These are outlined in the table below and overleaf, but these are not expected to have any significant impact on the Group's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Title	Summary	Application Date of Standard	Application Date for Group
AASB 9 <i>Financial Instruments</i>	AASB 9 is a new standard which replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . AASB 9 incorporates a simplified model for classifying and recognising financial instruments, a new impairment model, and a substantially-reformed approach to hedge accounting.	1 January 2018	1 July 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 is a new standard which replace AASB 118 (which covers contracts for goods and services) and AASB 111 (which covers construction contracts). AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.	1 January 2018	1 July 2018
AASB 16 <i>Leases</i>	AASB 16 is a new standard which replaces AASB 117 <i>Leases</i> . AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts.	1 January 2019	1 July 2019
AASB 2015-1 <i>Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i>	Amendments to clarify minor points in various accounting standards, including AASB 5 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> , AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 119 <i>Employee Benefits</i> and AASB 134 <i>Interim Financial Reporting</i> .	1 January 2016	1 July 2016
AASB 2015-2 <i>Disclosure Initiative: Amendments to AASB 101</i>	Amends AASB 101 <i>Presentation of Financial Statements</i> to clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.	1 January 2016	1 July 2016
AASB 2016-1 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	Amends AASB 112 <i>Income Taxes</i> to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
AASB 2016-2 <i>Disclosure Initiative: Amendments to AASB 107</i>	Amends AASB 107 <i>Statement of Cash Flows</i> to introduce additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
AASB 1057 <i>Application of Australian Accounting Standards (as amended by AASB 2015-9 Scope and Application Paragraphs)</i>	This Standard effectively moves Australian specific application paragraphs from each Standard into a combined Standard. The Standard has no impact on the application of individual standards.	1 January 2016	1 July 2016
AASB 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	This standard amends AASB 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> - The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments - Share-based payment transactions with a net settlement feature for withholding tax obligations A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled	1 January 2018	1 July 2018

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(f) Investments and Other Financial Assets

(i) Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Financial Assets at Fair Value through Profit or Loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of the Group is to designate a financial asset in this category if there exists the possibility it will be sold in the short term and if the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Derivatives are classified as held for trading unless they are designated as hedges.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments and Other Financial Assets (Continued)

Available-for-sale financial assets (Continued)

(ii) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the Statement of Profit or Loss and other Comprehensive Income as gains and losses on disposal of investment securities.

(iv) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Profit or Loss – is transferred from equity to the Statement of Profit or Loss and other Comprehensive Income. Impairment losses recognised in the Statement of Profit or Loss and other Comprehensive Income on equity instruments classified as held for sale are not reversed through the Statement of Profit or Loss and other Comprehensive Income.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Property, Plant and Equipment

(i) Cost and valuation

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

(ii) Depreciation and Amortisation.

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2016	2015
Major depreciation and amortisation periods are:		
Leasehold Land:	7% - 20%	7% - 20%
Buildings:	22%- 40%	22%- 40%
Plant and equipment:	22%- 40%	22%- 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Exploration and Development Expenditure

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

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

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

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Exploration and Development Expenditure (Continued)

(i) Impairment

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

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

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Other Financial Liabilities

(i) Initial recognition and measurement

Other financial liabilities are currently classified, at initial recognition, as financial liabilities at fair value through profit or loss. All other financial liabilities are recognised initially at fair value. The Group's other financial liabilities currently include derivative financial instruments (i.e. a conversion factor attached to the Convertible Notes).

(ii) Subsequent measurement

Other financial liabilities at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'other financial liabilities at fair value through profit or loss' category are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise.

(iii) Derecognition

Other financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing other financial liability is replaced by another or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective fair value amounts is recognised in the statement of profit or loss.

(m) Revenue Recognition

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(n) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Prairie Mining Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(o) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(p) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(s) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(t) Impairment of Assets

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

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(u) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(v) Issued and Unissued Capital

Ordinary Shares and Unissued Milestone Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Foreign Currencies

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement Profit or Loss and other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the other Comprehensive Income.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 18.

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

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

(y) Use and Revision of Accounting Estimates, Judgements and Assumptions

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets (Note 8)
- Financial liability through profit and loss (Note 10 and Note 21(h))
- Share-Based Payments (Note 18)

2. REVENUE AND OTHER INCOME

	Notes	2016 \$	2015 \$
(a) Revenue			
Interest income		309,969	34,912
		309,969	34,912
(b) Other Income			
Net gain on sale of available-for-sale financial assets		-	1,323,851
Farm-In Agreement income		-	500,000
Fair value gain on financial assets at fair value through profit and loss	6	1,132,966	-
Fair value gain in financial liabilities at fair value through profit and loss	11(a)	632,463	-
		1,765,429	1,823,851

3. EXPENSES

		2016	2015
	Note	\$	\$
(a) Employee benefits expense (including KMP)			
Salaries and wages		(263,889)	(145,639)
Superannuation expense		(7,645)	(9,340)
Other employee expenses		(17,474)	(20,393)
Employment expenses		(289,008)	(175,372)
Share-based payment expense	18(a)	(1,723,271)	(1,576,867)
Employment expenses recorded in exploration and evaluation expenses		(714,527)	(730,048)
Employment expenses recorded in business development expenses		(292,814)	(550,437)
Total employment expenses included in profit or loss		(3,019,620)	(3,032,724)
(b) Other Expenses			
Fair value loss on financial assets at fair value through profit and loss	7	-	(1,063,846)

4. INCOME TAX

		2016	2015
		\$	\$
(a) Recognised in the statement of comprehensive income			
Current income tax			
Current income tax benefit in respect of the current year		-	-
Adjustments in respect of current income tax of previous years		(99,071)	-
Deferred income tax			
Relating to origination and reversal of temporary differences		(355,920)	1,636,438
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period		-	(187,849)
Deferred tax assets not brought to account		454,991	2,961,411
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income		-	4,410,000
(b) Recognised in the statement of changes in equity			
Deferred income tax			
Unrealised gain/(loss) on available-for-sale investments		-	(1,096,845)
Net gain on available-for-sale assets reclassified from equity to profit and loss		-	(3,313,155)
Income tax expense/(benefit) reported in equity		-	(4,410,000)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

4. INCOME TAX (Continued)

	2016 \$	2015 \$
(c) Reconciliation between tax expense and accounting loss before income tax		
Accounting loss before income tax	(6,761,400)	(742,196)
At the domestic income tax rate of 30% (2015: 30%)	(2,028,420)	(222,659)
Expenditure not allowable for income tax purposes	1,290,102	1,187,403
Income not assessable for income tax purposes	(339,890)	-
Capital gains	387,524	-
Deferred tax assets not brought to account	454,991	2,961,411
Adjustments in respect of current income tax of previous years	(99,071)	-
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period	-	(187,849)
Effect of different tax rates of subsidiaries operating in other jurisdictions	334,764	671,694
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	-	4,410,000
(d) Deferred Tax Assets and Liabilities		
Deferred income tax at 30 June relates to the following:		
Deferred Tax Liabilities		
Other financial assets at fair value through profit or loss	-	1,985,979
Receivables	16,939	290
Deferred tax assets used to offset deferred tax liabilities	(16,939)	(1,986,269)
	-	-
Deferred Tax Assets		
Accrued expenditure	10,500	11,550
Capital allowances	2,091,164	1,829,999
Property, plant and equipment	6,535	6,826
Tax losses available offset against future taxable income	2,332,088	5,095,609
Deferred tax assets used to offset deferred tax liabilities	(16,939)	(1,986,269)
Deferred tax assets not brought to account	(4,423,348)	(4,957,715)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(e) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Prairie Mining Limited.

(f) Polish tax Losses

Losses from one source of profits may offset income from other sources in the same tax year. Losses may be carried forward to the following five tax years to offset profits from all sources that are derived in those years. Up to 50% of the original loss may offset profits in any of the five tax years. Losses may not be carried back.

5. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Trade receivables	13,271	16,386
Accrued interest	56,464	966
GST and other receivables	195,900	180,526
	265,635	197,878

6. CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Notes	2016	2015
		\$	\$
<i>Held-for-trading financial assets:</i>			
Canadian listed equity securities		-	7,569,754
	6(a)	-	7,569,754
(a) Held-for-trading financial assets reconciliation			
Carrying amount at the start of the period		7,569,754	-
Recognition of held-for-trading financial assets	7	-	13,410,000
Changes in fair value recognised in the Statement of Profit and Loss	2(b),3(b)	1,132,966	(1,063,846)
Proceeds from sale of held-for-trading financial assets		(8,702,720)	(4,698,337)
Foreign exchange loss		-	(78,063)
		-	7,569,754

Notes:

¹ During the year, the Company sold its remaining 3.75 million shares held in B2Gold Corp (TSX:BTO) ("B2Gold").

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

7. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Notes	2016 \$	2015 \$
<i>Available-for-sale financial assets</i>			
Australian listed equity securities ¹		-	-
	7(a)	-	-
(a) Available-for-sale financial assets reconciliation			
Carrying amount at the start of the period		-	18,800,000
Proceeds from sale of available-for-sale financial assets		-	(1,738,262)
Changes in fair value recognised in the reserve		-	(3,651,738)
De-recognition of available-for-sale assets ¹	6	-	(13,410,000)
		-	-

Notes:

¹ At 1 July 2014, the Company held 10.0 million fully paid ordinary shares in Papillon Resources Limited (“Papillon”) (ASX:PIR). On 1 September 2014, the Company completed the sale of a parcel of one (1) million available-for-sale financial assets. Furthermore, and during the prior year, Papillon implemented a scheme of arrangement by which B2Gold acquired all of the issued shares in Papillon (“Scheme”). In consideration for the Scheme, Prairie received 0.661 B2Gold shares for every Papillon share held. As a result of the Scheme, the Company was required to derecognise the Papillon available-for-sale asset which resulted in a non-cash gain being recognised in the Statement of Profit and Loss and other Comprehensive Income in 2015 of \$9,593,775 (2016: nil). The Company subsequently recognised the B2Gold shares as a held-for-trading financial asset.

8. EXPLORATION AND EVALUATION ASSETS

	2016 \$	2015 \$
(a) Areas of Interest		
Lublin Coal Project	530,000	530,000
Carrying amount at end of year, net of impairment¹	530,000	530,000

Notes:

¹ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

9. TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
Trade creditors	770,313	986,673
Accrued expenses	35,000	46,207
	805,313	1,032,880

10. OTHER FINANCIAL LIABILITIES

	Notes	2016 \$	2015 \$
<i>Financial liabilities at fair value through profit or loss:</i>			
Conversion right attached to Convertible Note	11(a)	335,821	-
		335,821	-

11. CONTRIBUTED EQUITY

	Notes	2016 \$	2015 \$
(a) Issued and Unissued Capital			
151,608,969 (2015: 146,467,432) fully paid Ordinary Shares	11(b)	38,170,879	36,649,571
nil (2015: 600,000) unissued milestone shares	11(b)	-	-
Convertible Note exchangeable into fully paid ordinary shares at \$0.335 per share ¹		15,000,000	-
Recognition of conversion right attached to Convertible Note ²		(968,284)	-
Costs incurred to issue convertible note		(903,663)	-
Total Contributed Equity		51,298,932	36,649,571

Notes:

¹ During the period, Prairie completed an Investment Agreement with CD Capital by way of a private placement by PDZ Holdings (a wholly-owned subsidiary of Prairie which indirectly holds the LCP) of non-interest bearing convertible loan notes ("Convertible Note") with an aggregate principal amount of \$15 million to CD Capital, exchangeable for ordinary shares in Prairie at \$0.335 per share. Other key terms of the Convertible Note include the following:

- At any time while the Convertible Note is outstanding, CD Capital has the right to convert all or part of the outstanding principal amount of the Convertible Note into shares at the conversion price of \$0.335 per share. The Convertible Note must be converted in minimum amounts of \$250,000 increments.
- Prairie has the right, whilst no Event of Default exists, to convert all or part of the outstanding principal amount of the Convertible Note into shares at the conversion price of \$0.335 per share:
 - in the event of an unconditional takeover of the Company (acquisition of a relevant interest in at least 50% of Prairie shares pursuant to a takeover bid or by an Australian court approving a merger by way of a scheme of arrangement); or
 - at any time 12 months after the date of issue of the Convertible Note (being 19 July 2016) provided that the 30 day VWAP of Prairie's shares exceeds the conversion price of A\$0.335 per share;
- The Convertible Note does not provide CD Capital with any right to participate in any new issues of securities.
- If the Company reorganises its capital structure, such as by subdividing or consolidating the number of its shares, conducts a pro-rata offer to existing shareholders or distributes assets or securities to Shareholders, then the conversion price of \$0.335 of the Convertible Note will be adjusted so that the number of shares received by CD Capital on conversion of the Convertible Note (assuming that all PDZ Holdings shares issued to CD Capital were exchanged for Prairie shares) is the same as if the Convertible Note were converted prior to relevant event.
- The occurrence of an Event of Default entitles CD Capital to declare the principal amount of the Convertible Note immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Group.
- Each of the following events is an "Event of Default" in relation to the Convertible Note:
 - If any representation or warranty made by Prairie is false or misleading which is reasonably likely to be a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
 - If the Group breaches a covenant or condition of the Convertible Note or Investment Agreement which is a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
 - An Insolvency Event occurs (i.e. winding up) in relation to the Group;
 - If the Group ceases to carry on a business; or
 - If the Group does not maintain the listing and trading of its shares on at least one of the ASX, LSE or WSE.
- CD Capital may assign, transfer or encumber in whole or in part (in amounts of at least \$1 million) its rights under the Convertible Note to any third party by giving written notice to the Prairie Group provided the third party has provided a deed of assumption. Assignment of the Convertible Note will not result in the assignment of the rights and obligations under the Investment Agreement.
- A Material Adverse Effect means a material adverse effect on:
 - the Company or PDZ Holding's ability to perform any of their obligations under the Convertible Note, the Investment Agreement and all other documents to be executed and delivered by CD Capital to PDZ Holdings or the Group ("Transaction document");
 - the validity or enforceability of a Transaction Document; or
 - the assets, business, condition (financial or otherwise), prospects or operations of the Group.
- An Insolvency Event in relation to the Group means:
 - An order being made, or the Group passing a resolution, for its winding up.

² Under AASB 132, the conversion rights (the issue of Ordinary Shares and CD Options on conversion of the Convertible Note) of the Convertible Note needs to be considered and accounted for separately. This embedded derivative is required to be carried at fair value through profit and loss and results in the fair value movements of the conversion rights to be recognised in profit and loss for the period. The fair value of the derivative liability at the date of drawdown (21 September 2015) and balance date was assessed to be \$968,284 and \$335,821, respectively. The gain arising from the movement in the derivative was \$632,463. Please refer to Note 2(b) and 10.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

11. CONTRIBUTED EQUITY (Continued)

(b) Movements in Ordinary Shares During the Past Two Years Were as Follows:

Date	Details	Number of Ordinary Shares	\$
01-Jul-15	Opening balance	146,467,432	36,649,571
24-Jul-15	Issue of Shares on conversion of Performance Rights	1,885,000	-
30-Dec-15	Issue of shares to consultant as part of their fee in relation to the issue of convertible notes	1,492,537	321,248
16-Mar-16	Issue of Shares on conversion of Performance Rights	1,764,000	-
Jul-15 to Dec-15	Transfer from share-based payment reserve	-	1,204,960
Jul-15 to Dec-15	Share issue costs	-	(4,900)
30-Jun-16	Closing balance	151,608,969	38,170,879
01-Jul-14	Opening balance	134,679,879	34,539,888
Jul-14 to Jun-15	Transfer from unissued milestone shares ¹	-	325,000
Jul-14 to Jun-15	Issue of shares on exercise of \$0.15 Unlisted Options	11,787,553	1,768,133
Jul-14 to Jun-15	Transfer from share-based payment reserve	-	30,805
Jul-14 to Jun-15	Share issue costs	-	(14,255)
30-Jun-15	Closing balance	146,467,432	36,649,571

Notes:

¹ In 2015, 4.4 million unissued milestone shares were cancelled. A further 0.5 million unissued milestone shares expired on 31 December 2014.

(c) Rights Attaching to Ordinary Shares:

The rights attaching to fully paid Ordinary Shares ("Ordinary Shares") arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Unlisted Options in accordance with Note 12(c) or the conversion of Performance Rights in accordance with Note 12(d) will rank equally in all respects with the Company's existing Ordinary Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) *Meetings of Members*

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) *Voting*

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) *Changes to the Constitution*

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) *Listing Rules*

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

12. RESERVES

	Note	2016 \$	2015 \$
Share-based-payments reserve	12(b)	3,010,300	2,597,720
Foreign currency translation reserve		33,193	22,963
		3,043,493	2,620,683

(a) **Nature and Purpose of Reserves**

(i) *Share-based payments reserve*

The share-based payments reserve is used to record the fair value of Unlisted Options and Performance Rights issued by the Group.

(ii) *Foreign Currency Translation Reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(w). The reserve is recognised in the Statement of Profit or Loss and other Comprehensive Income when the net investment is disposed of.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

12. RESERVES (Continued)

(b) Movements in share-based payments reserve during the past two years were as follows:

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
01-Jul-15	Opening balance	10,975,000	6,032,000	2,597,720
24-Jul-15	Conversion of Performance Rights	-	(1,885,000)	(649,300)
31-Jul-15	Lapse of Performance Rights	-	(50,000)	(8,356)
21-Sep-15	Cancellation of \$0.60 Unlisted Options	(1,500,000)	-	-
2-Oct-15	Grant of Performance Rights	-	7,064,000	-
16-Mar-16	Conversion of Performance Rights	-	(1,764,000)	(555,660)
30-Jun-16	Expiry of Unlisted Options	(1,250,000)	-	(97,375)
Jul-14 to Jun-15	Share-based payments expense			1,723,271
30-Jun-16	Closing balance	8,225,000	9,397,000	3,010,300
01-Jul-14	Opening balance	9,582,133	1,536,000	1,051,658
11-Sep-14	Grant of \$0.45 Unlisted Options	1,650,000	-	-
5-Dec-14	Grant of Performance Rights	-	3,875,000	-
11-Feb-14	Grant of Performance Rights	-	2,400,000	-
30-Jun-15	Lapse of Performance Rights	-	(1,779,000)	-
Jul-14 to Jun-15	Exercise of \$0.15 Unlisted Options	(257,133)		(30,805)
Jul-14 to Jun-15	Share-based payments expense	-	-	1,576,867
30-Jun-15	Closing balance	10,975,000	6,032,000	2,597,720

(c) **Terms and Conditions of Unlisted Options**

The Unlisted Options are granted based upon the following terms and conditions:

- Each Unlisted Option entitles the holder the right to subscribe for one Ordinary Share upon the exercise of each Unlisted Option;
- The Unlisted Options outstanding at the end of the financial year have the following exercise prices and expiry dates:
 - 1,600,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
 - 4,460,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017;
 - 765,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017; and
 - 1,400,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2018.
- The Unlisted Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Unlisted Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Unlisted Options will be made by the Company.

(d) Terms and Conditions of Performance Rights

The unlisted performance share rights (“Performance Rights”) are granted based upon the following terms and conditions:

- Each Performance Right automatically converts into one Ordinary Share upon vesting of the Performance Right;
- Each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- The Performance Rights outstanding at the end of the financial year have the following expiry dates:
 - 1,200,000 Performance Rights expiring on 31 December 2016;
 - 3,197,000 Performance Rights expiring 30 June 2017;
 - 2,150,000 Performance Rights expiring 31 December 2017;
 - 1,650,000 Performance Rights expiring 31 December 2018; and
 - 1,200,000 Performance Rights expiring on 31 December 2020.
- Ordinary Shares issued on conversion of the Performance Rights rank equally with the then Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon conversion of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- No application for quotation of the Performance Rights will be made by the Company; and
- Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

13. STATEMENT OF CASH FLOWS

(a) Reconciliation of the Profit after Tax to the Net Cash Flows from Operations

	2016	2015
	\$	\$
Net loss for the year	(6,761,400)	(5,152,146)
Adjustments		
Depreciation of plant and equipment	39,824	54,342
Share-based payment expense	1,723,271	1,576,867
Unrealised foreign exchange gain	-	113,671
Net gain on sale of available-for-sale financial assets	-	(1,323,851)
Gain on derecognition of available-for-sale financial assets	-	(9,593,775)
Fair value gain on financial assets at fair value through profit and loss	(1,132,966)	1,063,846
Fair value gain on financial liabilities at fair value through profit and loss	(632,463)	-
Income tax (benefit)/expense	-	4,410,000
Farm-In Agreement income (investing activity)	-	(500,000)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(67,757)	156,773
Increase in other financial assets	-	22,111
Increase/(decrease) in trade and other payables	(218,639)	(12,458)
Net cash outflow from operating activities	(7,050,130)	(9,184,620)
(b) Reconciliation of Cash		
Cash at bank and on hand	10,063,119	2,076,409
Deposits at call	8,000,000	-
	18,063,119	2,076,409

(c) Non-cash Financing and Investing Activities

30 June 2016

An amount of \$321,248 was recognised as a share-based payment for the issue of shares to a consultant as part their fee in relation to the issue of convertible notes. Please refer to Note 18(a).

30 June 2015

There were no non-cash financing or investing activities during the year ended 30 June 2015.

14. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2016 \$	2015 \$
The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Net loss attributable to members of the Parent used in calculating basic and diluted earnings per share	(6,761,400)	(5,152,146)

	Number of Ordinary Shares 2016	Number of Ordinary Shares 2015
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	149,500,027	135,077,138

(a) Non-Dilutive Securities

As at balance date, 8,225,000 Unlisted Options, 9,397,000 Performance Rights, 44,776,120 Shares on conversion of the Convertible Notes and 22,388,060 CD Options (which represent 84,786,180 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2016

Since 30 June 2016, the Company has not issued any securities.

There have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

15. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest	
		2016 %	2015 %
Mineral Investments Pty Ltd	Australia	100	100
PDZ Holdings Pty Ltd	Australia	100	100
PDZ (UK) Limited	UK	100	100
PD CO Holdings (UK) Limited	UK	100	100
PD Co sp z o.o.	Poland	100	100
Chelm-Rol sp z o.o.	Poland	100	-

(b) Ultimate Parent

Prairie Mining Limited is the ultimate parent of the Group.

(c) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Key Management Personnel, including remuneration, are included at Note 16.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

16. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Current Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director (appointed 21 September 2015)
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

Former Directors

Mr Anastasios Arima	Executive Director (resigned 21 September 2015)
Mr Emil Morfett	Non-Executive Director (appointed 21 September 2015, resigned 31 July 2016)
Mr John Welborn	Non-Executive Director (resigned 21 September 2015)

Other KMP

Mr Janusz Jakimowicz	President PD Co sp z o.o. Management Board (resigned 13 July 2016)
Mr Artur Kluczny	Vice President of the PD Co sp z o.o. Management Board
Mr Hugo Schumann	Executive – Corporate Development (resigned 31 December 2015)
Mr Dylan Browne	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

	2016	2015
	\$	\$
Short-term employee benefits	1,270,170	1,422,705
Post-employment benefits	8,707	16,862
Share-based payments	1,363,164	1,207,790
Total compensation	2,642,041	2,647,357

(b) Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2016 (2015: Nil).

(c) Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$217,000 (2015: \$296,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income.

17. PARENT ENTITY DISCLOSURES

	2016	2015
	\$	\$
(a) Financial Position		
Assets		
Current assets	18,818,482	9,514,282
Non-current assets	536,182	542,345
Total assets	19,354,664	10,056,627
Liabilities		
Current liabilities	651,329	852,936
Total liabilities	651,329	852,936
Equity		
Contributed equity	38,170,879	36,649,571
Reserves	3,010,300	2,597,719
Accumulated losses	(22,477,844)	(30,043,599)
Total equity	18,703,335	9,203,691
(b) Financial Performance		
Profit/(loss) for the year	7,460,025	(22,697,993)
Other comprehensive income/(loss)	-	(10,149,750)
Total comprehensive income/(loss)	7,460,025	(32,847,743)

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 22 for details of contingent assets and liabilities.

18. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payments

From time to time, the Group provides incentive Unlisted Options and Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	2016	2015
	\$	\$
Expenses arising from equity-settled share-based payment transactions	1,723,271	1,576,867
Issue of shares to consultant as part of their fee in relation to the issue of convertible notes (equity)	321,248	-
Total share-based payments recognised during the year	2,044,519	1,576,867

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

18. SHARE-BASED PAYMENTS (Continued)

(b) Summary of Unlisted Options and Performance Rights Granted as Share-based Payments

The following Unlisted Options were granted as share-based payments during the past two years:

For the year ended 30 June 2016, there were nil Unlisted Options granted as share-based payments.

2015 Option Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	Prairie Mining Limited	250,000	10-Sep-14	30-Jun-17	0.45	0.2250
Series 2	Prairie Mining Limited	1,400,000	10-Sep-14	30-Jun-18	0.45	0.2570

The following table illustrates the number and weighted average exercise prices (WAEP) of Unlisted Options granted as share-based payments at the beginning and end of the financial year:

Unlisted Options	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at beginning of year	10,975,000	\$0.4436	9,582,133	\$0.4346
Granted by the Company during the year	-	-	1,650,000	\$0.4500
Forfeited/cancelled/lapsed	(2,750,000)	\$0.4409	-	-
Exercised during the year	-	-	(257,133)	\$0.1500
Outstanding at end of year	8,225,000	\$0.4445	10,975,000	\$0.4436

The outstanding balance of options as at 30 June 2016 is represented by:

- 1,600,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
- 4,460,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017;
- 765,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017; and
- 1,400,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2018.

The following Performance Rights were granted as share-based payments during the past two years:

2016 Rights Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	Prairie Mining Limited	1,764,000	2-Oct-15	31-Mar-16	-	0.315
Series 2	Prairie Mining Limited	1,500,000	2-Oct-15	30-Jun-17	-	0.315
Series 3	Prairie Mining Limited	2,150,000	2-Oct-15	31-Dec-17	-	0.315
Series 4	Prairie Mining Limited	1,650,000	2-Oct-15	31-Dec-18	-	0.315

2015 Rights Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	Prairie Mining Limited	200,000	17-Jul-14	30-Jun-15	-	\$0.430
Series 2	Prairie Mining Limited	100,000	17-Jul-14	30-Sep-15	-	\$0.430
Series 3	Prairie Mining Limited	300,000	17-Jul-14	31-Dec-16	-	\$0.430
Series 4	Prairie Mining Limited	1,233,000	5-Dec-14	30-Jun-15	-	\$0.350
Series 5	Prairie Mining Limited	1,390,000	5-Dec-14	30-Sep-15	-	\$0.350
Series 6	Prairie Mining Limited	652,000	5-Dec-14	31-Dec-16	-	\$0.350
Series 7	Prairie Mining Limited	1,200,000	11-Feb-15	31-Dec-16	-	\$0.330
Series 8	Prairie Mining Limited	1,200,000	11-Feb-15	31-Dec-20	-	\$0.330

The following table illustrates the number and weighted average exercise prices (“WAEP”) of Performance Rights granted as share-based payments at the beginning and end of the financial year:

Performance Rights	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at beginning of year	6,032,000	-	1,536,000	-
Granted by the Company during the year	7,064,000	-	6,275,000	-
Forfeited/cancelled/lapsed/expired	(50,000)	-	(1,779,000)	-
Converted during the year	(3,649,000)	-	-	-
Outstanding at end of year	9,397,000	-	6,032,000	-

The outstanding balance of Performance Rights as at 30 June 2016 is represented by:

- 1,200,000 Performance Rights expiring on 31 December 2016;
- 3,197,000 Performance Rights expiring 30 June 2017;
- 2,150,000 Performance Rights expiring 31 December 2017;
- 1,650,000 Performance Rights expiring 31 December 2018; and
- 1,200,000 Performance Rights expiring on 31 December 2020.

(c) Weighted Average Remaining Contractual Life

At 30 June 2016, the weighted average remaining contractual life of Unlisted Options on issue that had been granted as share-based payments was 1.17 years (2015: 2.02 years) and of Performance Rights granted as share-based payments was 1.72 years (2015: 1.83 years).

(d) Range of Exercise Prices

At 30 June 2016, the range of exercise prices of Unlisted Options on issue that had been granted as share-based payments was \$0.35 to \$0.60 (2015: \$0.25 to \$0.60). Performance Rights have a nil exercise price.

(e) Weighted Average Fair Value

The weighted average fair value of Unlisted Options granted as share-based payments by the Group during the year ended 30 June 2016 was nil (2015: \$0.2522). The weighted average fair value of Performance Rights granted as share-based payments by the Group during the year ended 30 June 2016 was \$0.3150 (2015: \$0.3500).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

18. SHARE-BASED PAYMENTS (Continued)

(f) Option and Rights Pricing Models

The fair value of the equity-settled share options and performance rights granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The table below lists the inputs to the valuation model used for share options granted by the Group during the last two years:

For the year ended 30 June 2016, there were nil Unlisted Options issued.

2015 Inputs	Series 1	Series 2
Exercise price	\$0.45	\$0.45
Grant date share price	\$0.44	\$0.44
Dividend yield ¹	-	-
Volatility ²	80%	80%
Risk-free interest rate	2.82%	2.82%
Grant date	10-Sep-14	10-Sep-14
Issue date	11-Sep-14	11-Sep-14
Expiry date	30-Jun-17	30-Jun-18
Expected life of option ³	2.81 years	3.81 years
Fair value at grant date	\$0.2250	\$0.2570

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

The table below lists the inputs to the valuation model used for Performance Rights granted by the Group during the last two years:

2016 Inputs	Series 1 ²	Series 2	Series 3	Series 4
Grant date share price	\$0.3150	\$0.3150	\$0.3150	\$0.3150
Grant date	2-Oct-15	2-Oct-15	2-Oct-15	2-Oct-15
Issue date	2-Oct-15	2-Oct-15	2-Oct-15	2-Oct-15
Expiry date	31-Mar-16	30-Jun-17	31-Dec-17	31-Dec-18
Expected life of right ¹	0.50 years	1.75 years	2.25 years	3.25 years
Fair value at grant date	\$0.3150	\$0.3150	\$0.3150	\$0.3150

Notes:

¹ The expected life of the rights is based on the expiry date of the rights as there is limited track record of the early exercise of rights.

² This series of Performance Rights converted on 16 March 2016 into Ordinary Shares upon meeting the relevant milestone (PFS Milestone).

2015 Inputs	Series 1	Series 2	Series 3	Series 4
Grant date share price	\$0.43	\$0.43	\$0.43	\$0.35
Volatility ¹	80%	80%	80%	80%
Risk-free interest rate	2.58%	2.36%	2.36%	2.36%
Grant date	17-Jul-14	17-Jul-14	17-Jul-14	5-Dec-14
Issue date	5-Dec-14	5-Dec-14	5-Dec-14	5-Dec-14
Expiry date	30-Jun-15	30-Sep-15	31-Dec-16	30-Jun-15
Expected life of right ²	0.95 years	1.21 years	2.46 years	0.58 years
Fair value at grant date	\$0.43	\$0.43	\$0.43	\$0.35

2015 Inputs (Continued)	Series 5	Series 6	Series 7	Series 8
Grant date share price	\$0.35	\$0.35	\$0.33	\$0.33
Volatility ¹	80%	80%	-	-
Risk-free interest rate	2.36%	2.36%	-	-
Grant date	5-Dec-14	5-Dec-14	11-Feb-15	11-Feb-15
Issue date	5-Dec-14	5-Dec-14	18-Feb-15	18-Feb-15
Expiry date	30-Sep-15	31-Dec-16	31-Dec-16	31-Dec-20
Expected life of right ²	0.83 years	2.08 years	1.89 years	5.8 years
Fair value at grant date	\$0.35	\$0.35	\$0.33	\$0.33

Notes:

¹ The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

² The expected life of the rights is based on the expiry date of the rights as there is limited track record of the early exercise of rights.

19. AUDITORS' REMUNERATION

The auditor of Prairie Mining Limited is Ernst & Young.

	2016	2015
	\$	\$
Amounts received or due and receivable by Ernst & Young for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	29,800	28,255
• preparation of income tax return	8,000	8,000
• professional service fees for the Company's UK Main board standard listing	-	19,703
	37,800	55,958

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(Continued)

20. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

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

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

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

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

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

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables. There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2016	2015
	\$	\$
Cash and cash equivalents	18,063,119	2,076,409
Trade and other receivables	265,635	197,878
	18,328,754	2,247,287

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

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

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Group's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2016, none (2015: none) of the Group's receivables are past due.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2016 and 2015, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months \$	6-12 Months \$	1-5 Years \$	≥5 Years \$	Total \$
2016 Group					
Financial Assets					
Cash and cash equivalents	18,063,119	-	-	-	18,063,119
Trade and other receivables	265,635	-	-	-	265,635
	18,328,754	-	-	-	18,328,754
Financial Liabilities					
Trade and other payables	805,313	-	-	-	805,313
Other financial liabilities	335,821	-	-	-	335,821
	1,141,134	-	-	-	1,141,134

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

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

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2016 \$	2015 \$
Interest-bearing financial instruments		
Cash at bank and on hand	10,063,119	2,076,409
Deposits at Call	8,000,000	-
	18,063,119	2,076,409

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 1.22% (2015: 0.6%).

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Interest Rate Risk (Continued)

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) Profit or Loss and Other Comprehensive Income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit or loss		Other Comprehensive Income	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
2016 Group				
Cash and cash equivalents	180,632	(180,632)	-	-
2015 Group				
Cash and cash equivalents	20,764	(20,764)	-	-

(e) Equity Price Risk

The Group was previously exposed to equity securities price risk. This arose from investments held by the Group and classified in the Statement of Financial Position as held-for-trading financial assets. At the reporting date the Group no longer has any investments in listed equity securities.

Equity price sensitivity

A sensitivity of 20% has been selected as this is considered reasonable given the current volatility of global equity markets. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	20% increase	20% decrease	20% increase	20% decrease
2016 Group				
Held-for-trading financial assets	-	-	-	-
2015 Group				
Held-for-trading financial assets	1,513,951	(1,513,951)	-	-

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) Capital Management

The Group defines its Capital as total equity of the Group, being \$17,815,760 as at 30 June 2016 (2015: \$9,399,258). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(h) Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

At 30 June 2016 and 30 June 2015, the carrying value of the Group's financial assets and liabilities approximate their fair value. At 30 June 2016, the Group no longer held any equity instruments which were required to be fair valued. For further disclosure please see below and refer to Note 6 and 7.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in following table:

	Quoted Market Price (Level 1)	Valuation Technique (Level 2)	Valuation Technique (Level 3)	Total
Other financial assets:				
2016				
Held-for-trading investments:				
Canadian listed equity security	-	-	-	-
2015				
Held-for-trading investments:				
Australian listed equity security	7,569,754	-	-	7,569,754
Other financial liabilities:				
2016				
Financial liabilities at fair value through profit and loss:				
Conversion right of Convertible Note	-	(335,821)	-	(335,821)

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(h) Fair Value (Continued)

An appropriate valuation technique was used to fair value the conversion rights attached to the Convertible Note. For the purposes of valuing the conversion right, the fair value has been determined to be the price that would be received to transfer a liability in an orderly transaction between market participants at the measurement date. The assumptions used to determine the fair value of the conversion rights attached to the Convertible Note are as follows:

2016 Assumptions	
Exercise price	\$0.60
Valuation date share price	\$0.16
Dividend yield ¹	-
Volatility ²	86%
Risk-free interest rate	1.65%
Number of CD Options	22,388,060
Issue date	11-Sep-14
Estimated Expiry date	20-Sep-20
Expected life of CD Option ³	4.22 years
Discount Applied ³	75%
Fair value at grant date	\$0.015

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ Based on management's best estimates.

(i) Foreign Currency Risk

As a result of activities overseas, the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income can be affected by movements in exchange rates. The Group has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is the Polish Zloty ("PLN"). Foreign currency risk arises on translation of the net assets of a controlled entity to Australian dollars. In the Group accounts, the foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

It is the Group's policy not to enter into any hedging or derivative transactions to manage foreign currency risk. However the Group does hold some PLN cash and cash equivalents to fund its planned Polish operations over the next 12 months, given the majority of the Group's expenditure over this period is expected to be in PLN.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies was:

2016	PLN	AUD	Total Equivalent AUD
Financial assets			
Cash and cash equivalents	262,917	17,974,273	18,063,119
Trade and other receivables	543,730	81,897	265,635
	806,647	18,056,170	18,328,754
Financial liabilities			
Trade and other payables	(455,682)	(651,329)	(805,313)
	(455,682)	(651,329)	(805,313)
Net exposure	350,965	17,404,841	17,523,441

Foreign exchange rate sensitivity

At the reporting date, had the Australian Dollar appreciated or depreciated against the PLN, as illustrated in the table below, Profit or Loss and other Comprehensive Income would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2016 Group				
AUD to PLN	(11,860)	11,860	(11,860)	11,860

22. CONTINGENT ASSETS AND LIABILITIES

(i) *Contingent Assets*

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2016 financial year.

(ii) *Contingent Liability*

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2016 financial year except for the following:

Historical Exploration Data

In the year ended 30 June 2014, the Company announced that it had entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical exploration data for the K-6-7 concession at the Project. Under the terms of the agreement, the Company was required to make a payment to the MoE of PLN1,911,709 (~A\$690,500) for the right to use the historical exploration data. This amount constitutes 10% of the overall fee for the data. The term of the agreement is for 30 months and upon the grant of a mining license at the Project by the MoE, the balance is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a mining license.

In the year ended 30 June 2015, the Company entered into further agreements with the MoE to obtain full rights to use a completed set of detailed historical exploration data for the K-4-5, K-8 and K-9 concessions at the LCP. These agreements also give Prairie the legal title to use this data as part of the mine permitting process. Under the terms of the agreements, the Company was required to make a payment to the MoE of PLN3,682,248 (~A\$1,292,017) for the right to use the historical exploration data. This amount constitutes 10% of the overall fee for the data. The term of the agreement is 30 months and upon the grant of a mining concession at the LCP by the MoE, the balance is payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of the mining concession.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

23. EVENTS SUBSEQUENT TO BALANCE DATE

- (i) On 13 July 2016, Mr Janusz Jakimowicz resigned from his position as President of the PD Co sp z o.o. Management Board;
- (ii) On 31 July 2016, Mr Emil Morfett resigned as a non-executive director of the Company; and
- (iii) On 12 September 2016, Prairie altered the terms of the Farm-In Agreement with Marindi allowing Marindi to earn a 100% interest in the BMP by electing to pay Prairie \$0.5 million in cash (which Prairie received on 27 May 2015), \$0.325 million in cash on or before 30 September 2016 and \$0.325 million in cash on or before 31 March 2017.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2016 of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity;
or
- the state of affairs, in financial years subsequent to 30 June 2016, of the Consolidated Entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Prairie Mining Limited:

1. In the opinion of the Directors and to the best of their knowledge:
 - (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
 - (i) Complying with the applicable Accounting Standards; and
 - (ii) Giving a true and fair view of the assets, liabilities, financial position and profit or loss of the consolidated group and the undertakings included in the consolidation taken as a whole as at 30 June 2016 and of its performance for the year ended 30 June 2016; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(b) to the financial statements; and
3. To the best of the Directors' knowledge, the Directors' report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Board



Benjamin Stoikovich
Director

23 September 2016

Independent auditor's report to the members of Prairie Mining Limited

Report on the financial report

We have audited the accompanying financial report of Prairie Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Prairie Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Prairie Mining Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



G H Meyerowitz
Partner
Perth
23 September 2016