Prairie Mining Limited

# Interim Financial Report for the Half-Year Ended 31 December 2020

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 Dylan Browne | Company Secretary |

**PRINCIPAL OFFICES:**

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**PD Co sp. z. o.o. (Warsaw):**
Wiejska 17/11
00-480 Warszawa

**Karbonia S.A. (Czerwionka – Leszczyny):**
Ul. 3 Maja 44,
44-230 Czerwionka - Leszczyny

**SOLICITORS:**
Thomson Geer

**AUDITOR:**
Ernst & Young – Perth

**BANKERS:**
National Australia Bank Ltd
Australia and New Zealand Banking Group Ltd

**SHARE REGISTRIES:**

**Australia:**
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Tel: +61 8 9323 2000

**United Kingdom:**
Computershare Investor Services PLC
The Pavilions, Bridgewater Road
Bristol BS99 6ZZ
Tel: +44 370 702 0000

**Poland:**
Komisja Nadzoru Finansowego (KNF)
Plac Powstańców Warszawy 1, skr. poczt. 419
00-950 Warszawa
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**STOCK EXCHANGE LISTINGS:**

**Australia:**
Australian Securities Exchange – ASX Code: PDZ

**United Kingdom:**
London Stock Exchange (Main Board) – LSE Code: PDZ

**Poland:**
Warsaw Stock Exchange – GPW Code: PDZ

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# DIRECTORS REPORT

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 during the half-year ended 31 December 2020 ("Consolidated Entity" or "Group").

## DIRECTORS

The names and details of the Company's Directors in office at any time during the half-year and until the date of this report are:

**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 (resigned 5 February 2021) |

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

## OPERATING AND FINANCIAL REVIEW

### Operations

Highlights during, and subsequent to, the half-year include:

- International arbitration claims (**Claim**) against the Republic of Poland under both the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty (**Treaties**) ongoing during the period with the proceedings having now been constituted and a quantum expert being appointed by the Company.
  - ➢ Prairie alleges that the Republic of Poland has breached its obligations under the Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland.
  - ➢ The Republic of Poland's actions have deprived Prairie of the entire value of its investments in Poland.
  - ➢ The Claim for damages may include but is not limited to the value of Prairie's historical expenditure in developing both the Jan Karski and Debiensko mines, lost profits and damages, which is linked to the net present value of both mines, and accrued interest related to any damages.
- The Company's Claim against the Republic of Poland will be prosecuted through an established and enforceable legal framework with both parties agreeing to apply the United Nations Commission on International Trade Law Rules (**UNCITRAL**) to the proceedings.
- The Company is well funded to pursue the Claim with the US$12.3 million Litigation Funding Agreement (**LFA**) in place and currently being drawn down to cover legal, tribunal and external expert costs and defined operating expenses associated with the Claim.
- The Company completed a Share Purchase Plan (**SPP**) to raise A$4 million (before costs) for working capital requirements and business development opportunities.
- Prairie continues its efforts to identify and assess other suitable new business opportunities, focused on the resources sector. The Company will make announcements to the market as appropriate.

# DIRECTORS REPORT
(Continued)

## OPERATING AND FINANCIAL REVIEW (Continued)

### Dispute with Polish Government

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

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

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

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

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

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

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

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

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

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

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

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

# DIRECTORS REPORT
(Continued)

## OPERATING AND FINANCIAL REVIEW (Continued)

### Corporate

***Business Development***

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

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

***Share Purchase Plan***

During the half-year, the Company completed a SPP to raise $4 million before costs for working capital requirements and business development opportunities.

### Results of Operations

The net loss of the Consolidated Entity for the half-year ended 31 December 2020 was $242,096 (31 December 2019: $2,333,168). Significant items contributing to the current half-year loss and the substantial differences from the previous half-year include to the following:

(i) Arbitration related expenses of $1,367,071 (31 December 2019: nil) relating to the Claim against the Republic of Poland. This has been offset by the arbitration funding income of $1,339,120 (31 December 2019: nil);

(ii) Sale of land rights at Debiensko of 601,016 (31 December 2019: nil);

(iii) Exploration and evaluation expenses of $749,104 (31 December 2019: $1,813,627), 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;

(iv) Business development expenses of $119,746 (31 December 2019: $105,477) which includes expenses relating to the Group's review of new business and project opportunities plus also investor relations activities during the six months to 31 December 2020 including public relations, digital marketing, travel costs, attendances at conferences and business development consultant costs;

(v) Non-cash share-based payment reversal of $548,745 (31 December 2019: $60,189) 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. During the half-year ended 31 December 2020, 6.23 million unvested performance rights lapsed with $661,876 being reversed from the reserve to profit and loss; and

(vi) Revenue of $166,442 (31 December 2019: $243,563) consisting of interest revenue of $11,052 (31 December 2019: $43,283) and the receipt of $155,390 (31 December 2019: $191,280) of gas and property lease income derived at Debiensko.

### Financial Position

At 31 December 2020, the Group had cash reserves of $5,763,797 (30 June 2020: $2,566,518), and the US$12.3 million arbitration facility (US$10.8 million available at 31 December 2020) placing it in a good financial position to continue with the Claim and with its business development activities.

At 31 December 2020, the Company had net assets of $7,034,850 (30 June 2020: $3,998,552) an increase of approximately 76% compared with 30 June 2020. This is largely attributable to the increase in cash reserves, following the completion of the $4 million SPP, and the decrease in trade payables.

# DIRECTORS REPORT
(Continued)

## OPERATING AND FINANCIAL REVIEW (Continued)

### Business Strategies and Prospects for Future Financial Years

Prairie's strategy is to create long-term shareholder value. This includes pursuing the Claim against the Republic of Poland through international arbitration and the successful identification of other suitable business opportunities.

As discussed throughout this half-year report, various measures directed against Prairie by the Polish government in breach of Polish and international law with respect to the Company's permitting process and licenses, have blocked Prairie's pathway to any future production from its Polish projects.

To achieve its objective, the Group currently has the following business strategies and prospects:

- Continue to enforce its rights through an established and enforceable legal framework in relation to international arbitration for the investment dispute between Prairie and the Polish Government that has arisen out of certain measures taken by Poland in breach of the Treaties;

- Continue to assess corporate options for Prairie's investments in Poland; and

- Identify and assess other suitable business opportunities in the resources sector.

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. Furthermore, Prairie will continue to take all necessary actions to preserve the Company's rights and protect its investments in Poland, if and as required. 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:

- *Litigation risk* – All industries, including the mining industry, are subject to legal and arbitration claims. Specifically and as noted above, the Company is proceeding with it its Claim against the Republic of Poland, will strongly defend its position and will continue to take all relevant actions to pursue its legal rights regarding both the Debiensko and Jan Karski projects. There is however no certainty that the Claim will be successful. If the Claim is unsuccessful, then this may have a material impact on the value of the Company's securities.

- *The Company may be adversely affected by fluctuations in foreign exchange* – Current and planned activities are predominantly denominated in Stirling and/or Euros and the Company's ability to fund these activates may be adversely affected if the Australian dollar continues to fall against these currencies. The Company currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. As the Company's operations change, this policy will be reviewed periodically going forward.

- *The Company may not successfully acquire new projects* – the Company may pursue and assess other new business opportunities in the resources sector. These new business opportunities may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, or direct equity participation. The Company's success in its acquisition activities depends on its ability to identify suitable projects, acquire them on acceptable terms, and integrate the projects successfully, which the Company's Board is experienced in doing. However, there can be no guarantee that any proposed acquisition will be completed or be successful. If a proposed acquisition is completed the usual risks associated with a new project and/or business activities will remain.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 5 February 2021, Mr Todd Hannigan resigned as an Alternate Director to Mr Thomas Todd.

Other than as disclosed above, there were no significant events occurring after balance date requiring disclosure.

## DIRECTORS REPORT
(Continued)

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst and Young, to provide the Directors of Prairie Mining Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 16 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

B. Stoik

**BEN STOIKOVICH**
**Director**

10 March 2021

***Forward Looking Statements***

*This report 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.*

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Prairie Mining Limited, I state that:

In the reasonable opinion of the Directors and to the best of their knowledge:

(a) the attached financial statements and notes thereto for the period ended 31 December 2020 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(ii) giving a true and fair view of the financial position of the Group as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) The Directors Report, which includes the Operating and Financial Review, includes a fair review of:

(i) important events during the first six months of the current financial year and their impact on the half-year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could have such a material effect; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

B. Stoik

**BEN STOIKOVICH**
**Director**

10 March 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Note | Half-Year Ended 31 December 2020 $ | Half-Year Ended 31 December 2019 $ |
|---|---|---|---|
| Revenue | 4(a) | **166,442** | 234,563 |
| Other income | 4(b) | **1,940,136** | - |
| Exploration and evaluation expenses | | **(749,104)** | (1,813,627) |
| Employment expenses | | **(154,363)** | (192,985) |
| Administration and corporate expenses | | **(176,623)** | (137,227) |
| Occupancy expenses | | **(330,512)** | (283,195) |
| Share-based payment reversal | | **548,745** | 60,189 |
| Business development expenses | | **(119,746)** | (105,477) |
| Arbitration related expenses | | **(1,367,071)** | - |
| Other expenses | | **-** | (95,409) |
| **Loss before income tax** | | **(242,096)** | (2,333,168) |
| Income tax expense | | **-** | - |
| **Net loss for the period** | | **(242,096)** | (2,333,168) |
| **Net loss attributable to members of Prairie Mining Limited** | | **(242,096)** | (2,333,168) |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences on translation of foreign operations | | **(91,391)** | 5,977 |
| Total other comprehensive income for the period | | **(91,391)** | 5,977 |
| **Total comprehensive loss for the period** | | **(333,487)** | (2,327,191) |
| **Total comprehensive loss attributable to members of Prairie Mining Limited** | | **(333,487)** | (2,327,191) |
| Basic and diluted loss per share (cents per share) | | **(0.11)** | (1.07) |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2020

| | Note | 31 December 2020 $ | 30 June 2020 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | **5,763,797** | 2,566,518 |
| Trade and other receivables | **5** | **857,767** | 1,631,500 |
| **Total Current Assets** | | **6,621,564** | 4,198,018 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | **6** | **2,185,862** | 2,438,254 |
| **Total Non-Current Assets** | | **2,185,862** | 2,438,254 |
| **TOTAL ASSETS** | | **8,807,426** | 6,636,272 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | **658,058** | 1,601,109 |
| Other financial liabilities | **7(a)** | **530,432** | 271,195 |
| Provisions | **8(a)** | **93,316** | 257,562 |
| **Total Current Liabilities** | | **1,183,623** | 2,129,866 |
| **Non-Current Liabilities** | | | |
| Other financial liabilities | **7(b)** | **23,859** | 166,981 |
| Provisions | **8(b)** | **466,911** | 340,873 |
| **Total Non-Current Liabilities** | | **490,770** | 507,854 |
| **TOTAL LIABILITIES** | | **1,772,576** | 2,637,720 |
| **NET ASSETS** | | **7,034,850** | 3,998,552 |
| **EQUITY** | | | |
| Contributed equity | **9** | **79,395,073** | 75,476,543 |
| Reserves | **10** | **996,389** | 1,636,525 |
| Accumulated losses | | **(73,356,612)** | (73,114,516) |
| **TOTAL EQUITY** | | **7,034,850** | 3,998,552 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Contributed Equity<br>$ | Share-based Payments Reserve<br>$ | Foreign Currency Translation Reserve<br>$ | Accumulated Losses<br>$ | Total Equity<br>$ |
|---|---|---|---|---|---|
| **Balance at 1 July 2020** | **75,476,543** | **548,745** | **1,087,780** | **(73,114,516)** | **3,998,552** |
| Net loss for the period | **-** | **-** | **-** | **(242,096)** | **(242,096)** |
| **Other comprehensive income for the half-year** | | | | | |
| Exchange differences on translation of foreign operations | **-** | **-** | **(91,391)** | **-** | **(91,391)** |
| **Total comprehensive income/(loss) for the period** | **-** | **-** | **(91,391)** | **(242,096)** | **(333,487)** |
| Issue of shares | **4,020,000** | | | | **4,020,000** |
| Share issue costs | **(101,470)** | **-** | **-** | **-** | **(101,470)** |
| Lapse of performance rights | **-** | **(661,876)** | **-** | **-** | **(661,876)** |
| Recognition of share-based payments | **-** | **113,131** | **-** | **-** | **113,131** |
| **Balance at 31 December 2020** | **79,395,073** | **-** | **996,389** | **(73,356,612)** | **7,034,850** |
| **Balance at 1 July 2019** | 75,491,413 | 887,600 | 1,143,823 | (70,214,248) | 7,308,588 |
| Effect of adoption of AASB 16 | - | - | - | (95,137) | (95,137) |
| **Balance at 1 July 2020 - restated** | 75,491,413 | 887,600 | 1,143,823 | (70,309,385) | 7,213,451 |
| Net loss for the period | - | - | - | (2,333,168) | (2,333,168) |
| **Other comprehensive income for the half-year** | | | | | |
| Exchange differences on translation of foreign operations | - | - | 5,977 | - | 5,977 |
| **Total comprehensive income/(loss) for the period** | - | - | 5,977 | (2,333,168) | (2,327,191) |
| Lapse of performance rights | - | (286,450) | - | - | (286,450) |
| Recognition of share-based payments | - | 226,261 | - | - | 226,261 |
| **Balance at 31 December 2019** | 75,491,413 | 827,411 | 1,149,800 | (72,642,553) | 4,826,071 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Half-Year Ended 31 December 2020 $ | Half-Year Ended 31 December 2019 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | **(1,457,652)** | (2,368,792) |
| Proceeds from property lease and gas sales | **146,728** | 191,280 |
| Interest revenue from third parties | **10,706** | 56,810 |
| **Net cash outflow from operating activities** | **(1,300,218)** | (2,120,702) |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(2,310)** | - |
| Proceeds from sale of land rights | **878,569** | - |
| Payments for arbitration related expenses | **(426,236)** | - |
| **Net cash inflow from investing activities** | **450,023** | - |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | **4,020,000** | - |
| Payments for share issue costs | **(109,540)** | - |
| Receipts from Arbitration Funding | **253,235** | - |
| Payments for lease liabilities | **(113,673)** | (179,882) |
| **Net cash inflow/(outflow) from financing activities** | **4,050,022** | (179,882) |
| Net increase/(decrease) in cash and cash equivalents | **3,199,827** | (2,300,584) |
| Foreign exchange movements | **(2,548)** | - |
| Cash and cash equivalents at the beginning of the period | **2,566,518** | 6,628,371 |
| **Cash and cash equivalents at the end of the period** | **5,763,797** | 4,327,787 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of Compliance

The interim consolidated financial statements of the Group for the half-year ended 31 December 2020 were authorised for issue in accordance with the resolution of the Directors.

This general purpose condensed financial report for the interim half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Prairie Mining Limited for the year ended 30 June 2020 and any public announcements made by the Group and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### (a) Basis of Preparation of Half-Year Financial Report

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The Group has updated the classification of expenses to make the Statement of Profit or Loss and other Comprehensive Income more relevant to users of the financial report. This has resulted in the reclassification of some items in the prior year, however, has not impacted the reported loss for the year or earnings per share.

### (b) New Standards, interpretations and amendments thereof, adopted by the Group

The accounting policies and methods of computation adopted in the preparation of the consolidated half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2020, other than as detailed below.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2020.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- Conceptual Framework and Financial Reporting

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### (c) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the reporting period ended 31 December 2020. Those which may be relevant to the Company are set out in the table below, but these are not expected to have any significant impact on the Company's financial statements:

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

| Standard/Interpretation | Application Date of Standard | Application Date for Company |
|---|---|---|
| AASB 2020-2 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (AASB 1, 3, 9, 116, 137 & 141)* | 1 January 2022 | 1 July 2022 |
| AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* | 1 January 2023 | 1 July 2023 |

## 3. SEGMENT INFORMATION

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

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

| | Half-Year ended 31 December 2020 $ | Half-Year Ended 31 December 2019 $ |
|---|---|---|
| **4. REVENUE AND OTHER INCOME** | | |
| **(a) Revenue** | | |
| Interest Income | **11,052** | 43,283 |
| Gas and property lease revenue | **155,390** | 191,280 |
| | **166,442** | 234,563 |
| **(b) Other income** | | |
| Arbitration finance facility income | **1,339,120** | - |
| Sale of land rights at Debiensko | **601,016** | - |
| | **1,940,136** | - |

| | 31 December 2020 $ | 30 June 2020 $ |
|---|---|---|
| **5. TRADE AND OTHER RECEIVABLES** | | |
| Trade receivables | **250,680** | 229,758 |
| Arbitration finance facility receivable | **254,708** | 906,036 |
| Accrued interest | **2,654** | 2,308 |
| Deposits/prepayments | **202,692** | 292,392 |
| GST and other receivables | **147,033** | 201,006 |
| | **857,767** | 1,631,500 |

| | Land and Buildings $ | Plant and equipment $ | Right-of-use assets $ | Total $ |
|---|---|---|---|---|
| **6. PROPERTY, PLANT AND EQUIPMENT** | | | | |
| Carrying amount at 1 July 2020 | **1,997,596** | **58,099** | **382,559** | **2,438,254** |
| Additions | - | 2,310 | - | **2,310** |
| Depreciation and amortisation | (26,019) | (17,851) | (109,303) | **(153,173)** |
| Foreign exchange differences | (101,495) | (34) | - | **(101,529)** |
| **Carrying amount at 31 December 2020** | **1,870,082** | **42,524** | **273,256** | **2,185,862** |
| - at cost | **1,896,101** | **324,332** | **601,164** | **2,821,597** |
| - accumulated depreciation and amortisation | **(26,019)** | **(281,808)** | **(327,908)** | **(635,735)** |

| | 31 December 2020 $ | 30 June 2020 $ |
|---|---|---|
| **7. OTHER FINANCIAL LIABILITIES** | | |
| **(a) Current:** | | |
| Lease liability | **277,389** | 271,195 |
| Deferred other income[1] | **253,043** | - |
| | **530,432** | 271,195 |
| **(b) Non-Current:** | | |
| Lease liability | **23,859** | 166,981 |
| | **23,859** | 166,981 |

**Notes:**

1 Upfront contractual deposit amounts received for the sale of land rights at Debienkso.

| | 31 December 2020 $ | 30 June 2020 $ |
|---|---|---|
| **8. PROVISIONS** | | |
| **(a) Current Provisions:** | | |
| Provisions for the protection against mining damage at Debiensko[1] | **52,104** | 230,332 |
| Annual leave provision | **41,212** | 27,230 |
| | **93,316** | 257,562 |
| **(b) Non-Current Provisions:** | | |
| Provisions for the protection against mining damage at Debiensko[1] | **466,911** | 340,873 |
| | **466,911** | 340,873 |

**Notes:**

1 As Debiensko was previously an operating mine, the Group has provided for the pay out of mining land damages to a surrounding land owner who has made a legitimate claim under Polish law prior to 1 January 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020 (Continued)

| | Note | 31 December 2020 $ | 30 June 2020 $ |
|---|---|---|---|
| **9. CONTRIBUTED EQUITY** | | | |
| **(a) Issued and Unissued Capital** | | | |
| 228,355,089 (30 June 2020: 212,275,089) fully paid ordinary shares | 9(b) | **70,587,568** | 66,669,038 |
| Loan Note 2 exchangeable into fully paid ordinary shares at $0.46 per share, net of transaction costs[1] | | **2,600,012** | 2,600,012 |
| Issue of CD Options[2] | | **6,207,493** | 6,207,493 |
| **Total Contributed Equity** | | **79,395,073** | 75,476,543 |

**Notes:**

1 On 2 July 2017, Prairie and CD Capital completed an investment of US$2.0 million (A$2.6 million) in the form of the non-redeemable, non-interest-bearing convertible Loan Note 2. The Loan Note 2 is convertible into ordinary shares of Prairie at an issue price of A$0.46 per share.

Other key terms of the Loan Note 2 include the following:

- Loan Note 2 is non-interest bearing;
- Loan Note 2 is only repayable in an event of breach of the terms of the Loan Note 2 agreements;
- Loan Note 2 cannot be converted until after 1 April 2018 by either party;
- Prairie has the right, whilst no Event of Default exists, to convert all or part of the outstanding principal amount of Loan Note 2 into shares at the conversion price of $0.46 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 after 1 April 2018 provided that the 30 day VWAP of Prairie's shares exceeds the conversion price of $0.46 per share.
- Loan Note 2 does not provide CD Capital with any right to participate in any new issues of securities.
- CD Capital has the right to convert all or part of the outstanding principal amount of the Notes into shares at the conversion price of $0.46 per share provided that:
  - Loan Note 1 has been converted into Prairie shares; and
  - The CD Options have been exercised into Prairie shares.
- 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 $0.46 of Loan Note 2 will be adjusted so that the number of Prairie shares received by CD Capital on conversion of Loan Note 2 is the same as if Loan Note 2 were converted prior to relevant event.
- The occurrence of an Event of Default entitles CD Capital to declare the principal amount of the Loan Note 2 immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Company.
- Each of the following events is an "Event of Default" in relation to the Loan Note 2:
  - 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 Company breaches a covenant or condition of the Notes or associated agreements 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 A$1 million) its rights under Loan Note 2 to any third party by giving written notice to Prairie provided the third party has provided a deed of assumption. Assignment of Loan Note 2 will not result in the assignment of the rights and obligations under the subscription agreement or investment agreement from Loan Note 1.
- A Material Adverse Effect means a material adverse effect on:
  - the Company or PDZ Holding's ability to perform any of their obligations under Loan Note 2, the and all other 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 On 25 May 2018, following conversion of Loan Note 1 the company issued the CD Options, which are exercisable at $0.60 each on or before 30 May 2021. The options are freely transferable provided the transfer complies with the Corporations Act 2001.

### (b) Movements in fully paid ordinary shares during the past six months

| Date | Details | Number of Ordinary Shares | $ |
|---|---|---|---|
| **1 Jul 2020** | **Opening Balance** | **212,275,089** | **66,669,038** |
| 23 Sep 2020 | Issue of shares | 16,080,000 | 4,020,000 |
| Jul 20 to Dec 20 | Share issue expenses | - | (101,470) |
| **31 Dec 2020** | **Closing Balance** | **228,355,089** | **70,587,568** |

| | Note | 31 December 2020 $ | 30 June 2020 $ |
|---|---|---|---|
| **10. RESERVES** | | | |
| Share-based payments reserve | **10(a)** | **-** | 548,745 |
| Foreign currency translation reserve | | **996,389** | 1,087,780 |
| | | **996,389** | 1,636,525 |

### (a) Movements in share-based payments reserve during the past six months

| Date | Details | Number of Performance Rights | $ |
|---|---|---|---|
| **1 Jul 20** | **Opening Balance** | **6,225,000** | **548,745** |
| Jul 20 to Dec 20 | Lapse of unvested Performance Rights | (6,225,000) | (661,876) |
| Jul 20 to Dec 20 | Share-based payments expense | - | 113,131 |
| **31 Dec 20** | **Closing Balance** | **-** | **-** |

The Company also has other unlisted securities (not accounted for as share-based payments) on issue which includes the following:

- 22,388,060 CD Options exercisable at $0.60 each expiring 30 May 2021; and
- A convertible loan note with a principal amount of $2,627,430, convertible into 5,711,805 ordinary shares at a conversion price of $0.46 per share with no expiry date (Loan Note 2).

## 11. CONTINGENT ASSETS AND LIABILITIES

There have been no changes to contingent assets or liabilities since the date of the last annual report.

## 12. FINANCIAL INSTRUMENTS

The Group’s financial assets and liabilities, which comprise of cash and cash equivalents, trade and other receivables, trade and other payables and other financial liabilities, may be impacted by foreign exchange movements. At 31 December 2020 and 30 June 2020, the carrying value of the Group’s financial assets and liabilities approximate their fair value.

## 13. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half-year (31 December 2019: nil).

## 14. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 5 February 2021, Mr Todd Hannigan resigned as an Alternate Director to Mr Thomas Todd

Other than as disclosed above, there were no significant events occurring after balance date requiring disclosure.

# AUDITOR'S INDEPENDENCE DECLARATION

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working world

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## Auditor's independence declaration to the directors of Prairie Mining Limited

As lead auditor for the review of the half-year financial report of Prairie Mining Limited for the half-year ended 31 December 2020, 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 review; and

b. no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
10 March 2021



PD:AJ:PRAIRIE:004

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

## Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of Prairie Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



PD:AJ:PRAIRIE:003

# AUDITOR'S REVIEW REPORT
(Continued)

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
10 March 2021