Prairie Downs
Metals Limited

Annual Report 2009

General Information

Directors

Jeremy David Shervington (Non-Executive Chairman)

John Paul Welborn (Managing Director)

Alec Christopher Pismiris (Non-Executive Director)

Stuart John Hall (Non-Executive Director)

Company Secretary

Alec Christopher Pismiris

Registered Office

Level 19, St Martins Tower

44 St George's Terrace

Perth WA 6000

Telephone: +61 8 9225 5755

Facsimile: +61 8 9225 4599

Solicitors

Jeremy Shervington

52 Ord Street

West Perth WA 6005

Telephone: +61 8 9481 8760

Bankers

Westpac Banking Corporation Limited

109 St George's Terrace

Perth WA 6000

Share Register

Computershare Investor Services Pty Ltd

Level 2, RBA Building

45 St George's Terrace

Perth WA 6000

Telephone: +61 8 9323 2000

Auditors

Ernst & Young

11 Mounts Bay Road

Perth WA 6000

Telephone: +61 8 9429 2222

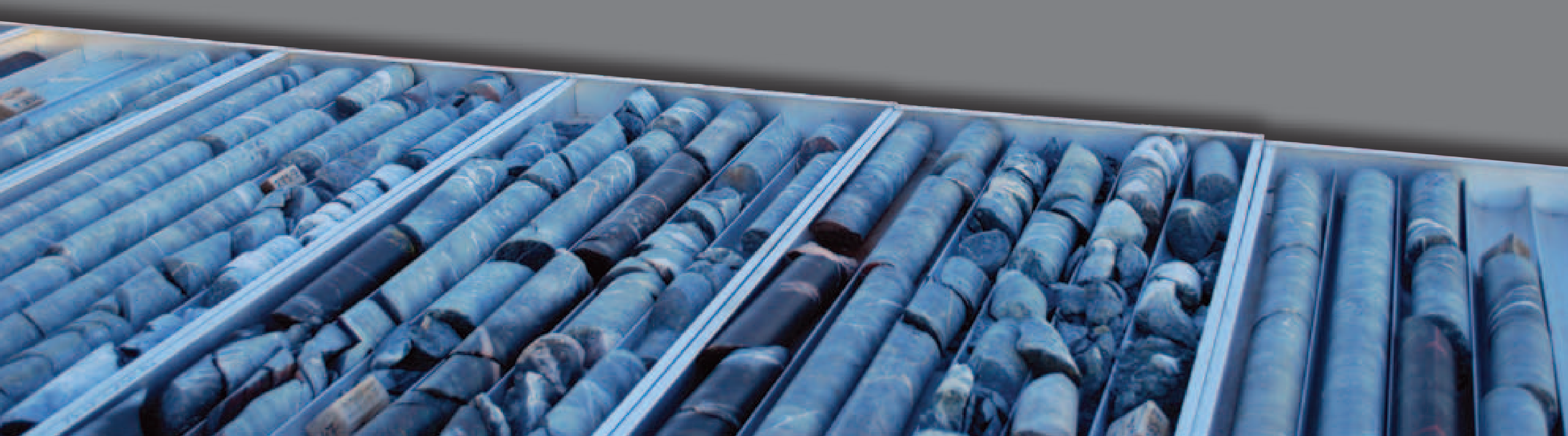
Stock Exchange Listing

The Company is listed on the Australian Securities Exchange

ASX Code: PDZ

Website

www.prairiedownsmetals.com.au



Contents

Chairman's Letter

Dear Shareholder,

On behalf of your Board of Directors, I have pleasure in presenting the Annual Report and Financial Statements of Prairie Downs Metals Limited and its controlled entities ("Prairie" or the "Group") for the financial year ended 30 June 2009.

Prairie recorded a consolidated operating loss after tax of $1,540,292 (2008: $2,111,715) for the year ended 30 June 2009. The result was achieved on total income of $1,046,012 (2008: $1,084,404) and operating expenses of $2,586,304 (2008: $3,195,579). The majority of the operating expenses incurred related to employment expenses, administration of the Group and expenses associated with the issue of options to senior executives during the financial year.

The severe downturn in global financial markets and particularly the continued decline in the zinc price has made this a testing year for Prairie. Under the strong leadership of our Managing Director, John Welborn, and his senior management team, the Board is confident Prairie is now well placed to take advantage of improving economic conditions and capitalise on the intrinsic strength of the Company's assets.

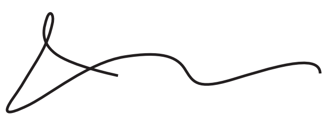
Prairie is in a strong financial position with significant cash reserves and no debt.

The 2009/2010 financial year will see a new focus on evaluation and progression of a revised strategy for the development of the Prairie Downs Project ("Project"). The Board is also aware the current market will create opportunities and we are constantly reviewing potential investments that could compliment the Group's existing operations.

The Board of Prairie is committed to pursuing a strategy that will deliver long-term growth to shareholders.

I wish to extend my sincere thanks to the Board and management team of Prairie for their contributions and efforts to date. Appreciation is also extended to our shareholders for their support and we look forward to success in the financial year ahead.

Yours faithfully



Jeremy Shervington

Chairman

Managing Director's Report

Dear Shareholders,

The past year has been challenging for emerging exploration companies such as Prairie. A number of factors have affected the environment in which our Company operates and influenced the proposed development of the Prairie Downs Project:

- The extraordinary global financial crisis and the sustained decline in economic activity that resulted;
- The severe decline in the zinc price, the key commodity driver of the Project; and
- The closure of debt and equity markets to new projects.

I am delighted to report that notwithstanding these conditions Prairie is in great shape and the entire Company from board level down is fully committed to delivering on the Company's objectives of long-term growth to shareholders.

The principal activity of the Company remains the development of our namesake project. A total review of exploration data and models has developed a new set of exploration priorities. Importantly, the goal behind this work is to generate an increased reserve inventory that will underpin a robust development scenario. Signs are extremely positive for the Project's key commodities. Base metal prices have risen strongly towards the end of the year and this has been led by sustained improvements in both zinc and lead prices.

The past year has proven the merit of the Project and I have every confidence the coming year will see significant advancement.

The challenges faced during the year have made the Company stronger and has also proven the merit of extending the Company's portfolio of assets and diversifying Prairie's exposure to single commodity price cycles. To this end Prairie continues to explore for other commodities on the Company's existing tenements in addition to reviewing new projects that will add shareholder value.

I look forward to a rewarding future for Prairie. I would like to thank shareholders for their support and all staff for their hard work and commitment to the progression of the Company's interests.

Yours faithfully

JP Welborn

John Welborn

Managing Director

Directors' Report

The Directors of Prairie Downs Metals Limited ("Prairie" or "the Company") present their financial report with respect to the results of Prairie and its controlled entity ("the Group") for the year ended 30 June 2009 ('the Balance Date").

Directors

The names and details of the Group's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

Names, Qualifications, Experience And Responsibilities

Jeremy David Shervington BJuris, LLB

Non-Executive Chairman

Appointed 11 October 2002

Mr Shervington operates a legal practice in Western Australia. He specialises in the laws regulating companies and the securities industry in Australia. Mr Shervington has 29 years experience as a lawyer, gained since his admission as a Barrister and Solicitor of the Supreme Court of Western Australia. Mr Shervington has since 1985 served as a Director of various ASX listed companies as well as a number of unlisted public and private companies. Presently Mr Shervington also serves as a member of the Audit and Compliance Committee. During the past three years Mr Shervington has also served as a Director of the following other listed companies:

- Altera Resources Limited* - Appointed 8 August 2006
- Australian Zircon NL* - Appointed 16 February 1998
- Biron Apparel Limited – Appointed 17 February 2002; Retired 26 December 2006
- Colonial Resources Limited* - Appointed 11 May 2006
- Emerald Oil & Gas NL* - Appointed 23 January 2006
- Industrial Minerals Corporation Limited * - Appointed 17 February 2004
- Stirling Resources Limited* - Appointed 13 July 2009
- Western Uranium Limited *- Appointed 11 May 2006

* denotes current Directorship

John Paul Welborn BCom, CA, MAICD, SA Fin

Managing Director

Appointed 4 February 2009

Mr Welborn is a chartered accountant with extensive experience in corporate finance, company administration and investment banking. Most recently Mr Welborn was Head of Specialised Lending in WA for Investec Bank (Australia) Ltd. Prior to joining Investec Bank John has more than 15 years of experience working for national and international professional services and management consulting business's. Mr Welborn is a Director of RugbyWA Ltd, the Rugby Union Players Association, the Force 15 Foundation Ltd and is also currently the Chairman of Future Now - Learning for Life. During the past three years Mr Welborn has not served as a Director of any other listed companies. His qualifications include a Bachelor of Commerce degree from the University of Western Australia and memberships of the Institute of Chartered Accountants in Australia, the Financial Services Institute of Australasia, and the Australian Institute of Company Directors.

Alec Christopher Pismiris BComm, ICSA

Non-Executive Director & Company Secretary

Appointed 11 May 2006

Mr Pismiris is currently an Executive Director of Azure Capital Pty Ltd, a company which provides corporate advisory services. He is also the Company Secretary of several companies listed on ASX and Company Secretary of several public and private companies. Mr Pismiris completed a Bachelor of Commerce degree at the University of Western Australia and is an associate of Chartered Secretaries Australia. Mr Pismiris has over 21 years' experience in the securities, finance and mining industries. Presently Mr Pismiris also serves as a member of the Audit and Compliance Committee. During the past three years Mr Pismiris has also served as a Director of the following other listed companies:

- Colonial Resources Limited* - Appointed 11 May 2006
- Industrial Minerals Corporation Limited * - Appointed 8 November 2006
- Sundance Resources Limited - Appointed 5 July 2006; Retired 28 November 2008
- Western Uranium Limited *- Appointed 11 May 2006

* denotes current Directorship

Directors' Report

Stuart Hall BSc Hons, FAusIMM, FGS

Non-Executive Director

Appointed 21 November 2008

Mr Hall is a qualified geologist with over 40 years experience in exploration and mining projects located in Australia and Africa. He has extensive experience in the areas of exploration strategy, mine geology, open pit and underground mining operations, resource/reserve estimations, reconciliation, feasibility, mine project development and mine management. Mr Hall has been involved in the feasibility, construction, commissioning and management of several open pit and underground mining operations. Mr Hall currently operates his own geological consultancy. During the past three years Mr Hall has also served as a Director of the following other listed companies:

- Colonial Resources Limited* - Appointed 4 February 2009
- Western Uranium Limited *- Appointed 21 November 2008

* denotes current Directorship

Alan Gordon Coulthard

Non-Executive Director

Appointed 8 October 2008; Resigned 21 November 2008

Mr Coulthard is an accountant currently residing in the United Kingdom. Since 1968 Mr Coulthard has held various career positions both in Australia, the United Kingdom and America involving roles as accountant, Group financial controller, Company secretary and general manager. During the past three years Mr Coulthard has also served as a Director of the following other listed companies:

- Colonial Resources Limited - Appointed 8 October 2008; Retired 4 February 2009
- Western Uranium Limited - Appointed 8 October 2008; Retired 21 November 2008

Mark Christian Hansen MSc, MAIMM, FAICD

Executive Director

Appointed 11 May 2006; Resigned 2 October 2008

Mr Hansen trained as a geologist and has over 26 years experience in the exploration and mining industry. During the past three years Mr Hansen has also served as a Director of the following other listed companies:

- Western Uranium Limited - Appointed 11 May 2006; Retired 2 October 2008
- Colonial Resources Limited - Appointed 11 May 2006; Retired 2 October 2008

Interests in the shares and options of the Company and related bodies

As at the date of this financial report, the interests of the Directors in the shares and options of Prairie Downs Metals Limited were:

	Number of Ordinary Shares	Number of 45 Cent Options Over Ordinary Shares	Number of 10 Cent Options Over Ordinary Shares
J D Shervington	**920,582**	**1,500,000**	-
J P Welborn	**350,000**	-	**4,000,000**
A C Pismiris	**603,305**	**1,000,000**	-
S J Hall	-	-	-

Loss Per Share

	2009	2008
Basic loss per share	(2.11) cents	(3.95) cents
Diluted loss per share	(2.11) cents	(3.95) cents

Directors' Report

Operating And Financial Review

Corporate Information

Corporate Structure

Prairie Downs Metals Limited is a Company limited by shares that is incorporated and domiciled in Australia. Prairie has prepared a consolidated financial annual report incorporating an entity that it controlled during the financial year.

Principal Activities

The principal activities of the Group throughout the financial year have been exploration and evaluation and consisted of the following:

- Conducting exploration activities on the Group's portfolio of prospective base metal projects located within Western Australia including the Prairie Downs Zinc-Lead-Silver Project, Perenjori Copper-Gold-Zinc-Lead-Silver Project and Longreach Well Zinc-Lead-Silver Project;
- Seeking to identify new investment opportunities in the resources sector to complement the Company's existing portfolio of projects;
- Investing cash assets in interest bearing bank accounts; and
- The general administration of the Group.

Employees

The Group employed 4 employees as at 30 June 2009 (2008: 11 employees).

Dividends

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

Operations And Highlights

Prairie Downs Project

The Project is located in two tenements 100% owned by Prairie which consists of 550km2 approximately 60 kilometres southwest of Newman in the Pilbara region of Western Australia. Prairie has a successful track record of exploration at the Project and has previously announced a total inferred and indicated global resource in three lodes of 4.7 million tonnes grading 6.3% Zn, 1.8%Pb and 18g/t Ag. This resource remains open at depth and along strike.

The total inferred and indicated resource includes a high grade inferred and indicated resource of 1.6 million tonnes at a grade of 12.3% zinc, 3.7% lead and 36g/t silver. Furthermore, the Group has developed exploration models with respect to zinc, lead, silver, copper, iron ore, uranium and gold, within the project area on the basis of geological mapping, independently analysed samples and independent consultants.

Prairie Downs Resource Summary

The resource table below provides information on the classification of the Global Resource and High Grade Resource including the Indicated Resource and Inferred Resource and is JORC and VALMIN Compliant.

Category	Tonnes	Zinc	Lead	Silver	Zinc Metal	Lead Metal	Silver Metal
		%	%	g/t	tonnes	tonnes	ounces
Global Indicated	2,257,835	7.7%	2.1%	22	174,350	47,332	1,612,981
Global Inferred	2,397,223	5.0%	1.5%	13	120,635	36,093	1,017,900
High Grade Indicated	1,116,283	12.9%	3.6%	33	144,414	40,742	1,191,942
High Grade Inferred	529,805	10.9%	3.8%	42	57,544	20,020	720,319
High Grade Total	1,646,088	12.3%	3.7%	36	201,958	60,762	1,912,261
Global Total	4,655,058	6.3%	1.8%	18	294,985	83,425	2,630,881

Exploration Activity

Surface copper mineralisation was discovered at the Costean Seven prospect, 3.2 kilometres from the Main Lode, in April 2008 during a detailed mapping program at the Project. Drilling at the Costean Seven prospect commenced in June 2008 with the objective of identifying a nearby source of the surface mineralisation. A total of five holes were drilled for 821 metres and while all holes were mineralised the program did not discover the source.

The geology in the area is very complex and further drilling would be required to gain a better understanding.

Resource drilling of the Main Lode commenced on 1 August 2008 and was completed by the 30 October 2008. The results were very encouraging. A total of 25 RC pre-collars holes for 4,817 metres were drilled with target depths being achieved in three holes which intersected both alteration and sulphide mineralisation. The remaining holes require diamond tails to reach anticipated mineralised horizons. A total of 11 diamond tails were completed for 1364.7 metres.

Directors' Report

Results received for the first of the diamond tails included:

- MAIN LODE, PDD111, 6.2 metres at 8.1% zinc, 1.2% lead and 12g/t silver (9.6% zinc equivalent) for a total of 59.6% zinc equivalent metres from 201.8 metres. This intersection includes 4 metres at 11.9% zinc, 1.4% lead and 15g/t silver (13.7% zinc equivalent) for a total of 54.6% zinc equivalent metres.
- MAIN LODE, PDD325, 1.7 metres at 8.7% zinc, 1.7% lead and 48g/t silver (10.8% zinc equivalent) for a total of 18.3 % zinc equivalence metres from 242.7 metres.

These results demonstrate both the continuation of the ore body to greater depths and the potential of the deposit at modest mining depths.

Drilling conducted during the year had been designed to increase the high grade indicated and inferred resources. The results support Prairie's resource definition strategy, but have not been used to add to the resource due to insufficient exploration and low drill density.

Exploration continued in December 2008 with an Aircore drilling program west from the main zinc resource. The drilling delivered encouraging results that confirm the continuity of the resource within the previously defined estimate. The summarised Intercepts below confirm the continuity of the high grade zone.

- MAIN LODE, PDP351: 10 metres at 15.78% zinc, 1.2% lead and 13.9g/t silver (17.0% zinc equivalent) from 59 metres and:
- MAIN LODE, PDD365: 30 metres' at 11.0% zinc, 2.9% lead and 13.7g/t silver (13.8% zinc equivalent) from 41 metres.

Drilling was designed to target anomalous surface copper, lead and silver. A total of 21 holes were drilled for a total of 1,292 metres and variably spaced to assess anomalous surface mineralisation. Drill results are disclosed below.

Hole ID	East	North	Dip	Azimuth	From	To	Int.	Zinc	Lead	Silver
	MGA (94/50)	MGA (94/50)			(m)	(m)	(m)	(%)	(%)	(g/t)
Aircore Drilling - Exploration										
PDP324	733472	7374659	-60	222	197	205	8	2.4	1.2	7.6
					229	230	1	2.3	0.0	0.0
PDP340	731850	7375924	-60	42	24	28	4	0.3	1.0	2.8
PDP341	731834	7375910	-60	42	24	30	6	0.8	0.0	2.5
PDP342	731993	7375807	-60	42	19	24	5	0.8	0.2	3.1
PDP343	731976	7375797	-60	42	47	50	4	1.1	0.0	1.7
					51	54	3	0.2	1.6	2.6
PDP344	731968	7375789	-60	42	66	74	8	0.9	1.0	3.4
PDP345	732000	7375814	-60	222	15	19	4	0.7	1.6	4.5
PDP349	731998	7375749	-60	46	66	70	4	1.5	0.0	1.5
PDP351	732071	7375705	-60	44	36	44	8	1.5	0.0	0.1
PDP351	Inc. 3x1 metre assays at > 30 % Zn, taken as 30 % Zn in the grade calculation				59	68	10	15.8	1.2	13.8
PDP365	733433	7374387	-60	43	41	71	30	11.0	2.9	13.7
Inc. 2x1 assays at > 30 % Zn, taken as 30 % Zn in the grade calculation										
Diamond Tails - Main Lode										
PDD322	733546	7374675	-60	222	263.4	264.7	1.3	1.0	0.6	5.0
PDD325	733501	7374687	-60	223.5	222	224	2	2.1	0.0	1.4
				Average	**242.7**	**244.4**	**1.7**	**8.5**	**1.7**	**47.6**
Inc. 1x1 metre assay at > 30 % Zn, taken as 30 % in the grade calculation										
PDD326	733678	7374548	-60	222	255.5	256.6	1.1	15.1	2.6	15.2
PDD327	733706	7374523	-60	219	249.4	251	1.6	7.3	1.8	13.5

The extent of lead and zinc mineralisation in this drill programme highlighted the along strike and down dip potential of the Project.

Project Feasibility Work

The Company released the results of a feasibility study by Abesque Engineering & Construction ("Abesque") on 31 October 2008 which covered metallurgy, process plant design and related supporting surface infrastructure for the proposed development of the Project. The design intended to treat 500,000 tonnes per annum of base metal ore, which at 91% availability, equates to a throughput rate of 62.5 tonnes per hour. The process plant is designed to produce 113,240 dry tonnes of zinc concentrate per annum and 18,022 dry tonnes of lead concentrate per annum

Provision was made in the plant layout for a future upgrade of the facility, including additional crushers, screens, mill and flotation cells which would allow an increase in the design throughput to 1,000,000 tonnes per annum if required.

The zinc concentrate was assessed to grade 50.3% zinc for annual production of 57,000 tonnes of zinc metal. The lead concentrate was assessed to grade 63.6% lead for annual production of 11,700 tonnes of lead metal.

The capital expenditure for the process plant and supporting infrastructure was estimated by Abesque in May 2008 to cost AUD86 million. This was made up of a cost for the process plant of AUD52 million ± 10% and a cost of AUD34 million at ± 20% for the supporting infrastructure.

Directors' Report

Operating costs from the ROM pad to delivery of concentrate to Port Hedland (or an equivalent port) were calculated at AUD41/tonne milled while processing at 500,000 tonnes per annum rate. The largest operating cost component was assessed to be concentrate transport, followed in order by power supplied from gas generators and personnel.

Further feasibility work, including mine feasibility and optimisation, was not considered due to the ongoing exploration and a focus on increasing the reserve inventory.

The work done by Abesque has allowed comprehensive economic models to be developed for the Project and provide management with the ability to rapidly advance the project towards implementation.

Exploration Targeting Review

In February 2009 the Company responded to the difficult economic conditions by scaling back expenditure, re-evaluating previous exploration and feasibility work, and re-positioning the Project given the significant changes to commodity prices. A decision was made to commission an independent review of all available data. The aim was to investigate the complex geology, verify the Company's exploration strategies, and generate further exploration targets. Southern Geoscience Consultants Pty Ltd was commissioned to conduct the extensive evaluation of the Company's high quality and comprehensive data. This review has significantly advanced the Company's exploration model. Fifty-one exploration targets have been generated of which nine are considered to be very high priority (see figure 1 below).

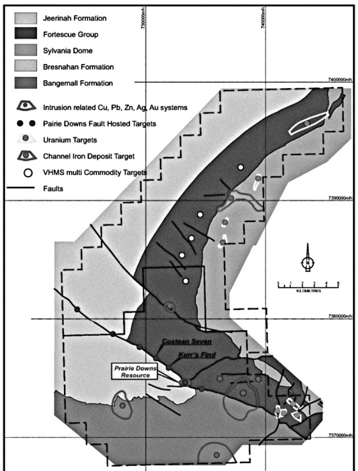


Figure 1
PRAIRIE DOWNS PROJECT
SUMMARY TARGET LOCATIONS AND GEOLOGY

The geological, geophysical, geochemical and other remotely sensed data collected to date across the entire Prairie Downs metallogenic province, confirm the Company's tenements are highly prospective for a range of commodities. In addition to the currently defined resource the review confirmed previously identified zinc, lead, silver and copper targets further along strike including the "Costean Seven" and "Kerr's Find" prospects.

Mineralisation styles identified as exploration targets are summarised below:

- "Main Lode" style zinc mineralisation, i.e. Prairie Downs Fault hosted, or at least spatially related, zinc mineralisation. Mineralisation appears to be related to a large intrusive body to the east of the Main Lode;
- A series of "Intrusion related" porphyry style targets;
- Channel Iron deposits;
- Archaean gold hosted targets, possibly similar to Independence Groups nearby Karalwinda Project;
- Uranium deposits, either as sediment hosted deposits in modern drainage, sediment hosted deposits in the basal Fortescue, or structurally controlled deposits in the granites; and
- Other less advanced targets include Komatiite hosted nickel deposits and VHMS style Cu-Zn mineralisation in the Fortescue Group, with plausibly associated Au mineralisation.

The Company's highest priority remains adding to the existing zinc mineralisation and the review is being used to develop a new exploration program to significantly add to the known resource.

In addition the targeting review has identified the following opportunities that Prairie plans to progress:

Channel Iron Deposits

The Company has delineated a channel iron deposit prospect defined by ground-truthing of radiometrically and magnetically defined paleochannels covering approximately 223 hectares. Channel iron deposits are an important source of iron ore and although typically low-grade, their relative lack of consolidation in most cases renders them amenable to bulk mining with little or no need for drilling and blasting. The key economic criteria for channel iron deposits are, firstly tonnage and location relative to infrastructure, as available in Newman. Notable type deposits in the Pilbara area include Robe River and Pannawonnica.

A large buried, weakly magnetic palaeochannel has been identified, marginal to a thin lateritic duricrust on granite (with an intense Th anomaly), interpreted to be a buried channel iron deposit. The palaeochannel is covered by a modern sheetwash surface, and modern drainage is developed almost at right angles to the palaeodrainage. The interpretation suggests the magnetic material, interpreted to be the channel iron deposit, is developed at or below the buried laterite surface.

Dynasty Metals Ltd recently described Channel Iron Ore Deposits (CID), asserted as "Direct Shipping Ore", discovered in tenure immediately juxtaposed with the Prairie Downs tenement. Prairie Downs Metals Ltd has completed detailed geological mapping, ground magnetic/radiometric surveys and surface sampling, targeting potential extensions to these identified channels where they are postulated to cross the Company's tenure. Given the data generated and considering the tenement location and neighbouring activity the Company envisages defining a portfolio of additional drill ready targets and progressing a strategy related to the iron ore potential of the tenement.

Uranium Targets

Fourteen uranium mineralisation targets are defined, based on uranium anomalism in airborne radiometric data, and high U/Th ratios in the same dataset. The targets are grouped into three broad styles:

- Anomalies hosted in basal sediments in the Fortescue (possible "Witwatersrand' style);
- Anomalies hosted in old alluvial terraces marginal to the modern drainage; and
- Anomalies apparently hosted in fractures in granites in the Sylvania Dome.

Nine targets have been selected as priority opportunities and evaluation programmes are being designed and will be evaluated in due course.

Directors' Report

Perenjori Copper-Gold-Zinc-Lead-Silver Project

The Perenjori Project covers a 2 kilometre long gossan anomalous in base metals and gold. Drilling by previous explorers was wide spaced and shallow and most anomalous intercepts are open down dip and down plunge. Separate zones of copper, zinc-lead and gold have been intersected.

An initial RC drill programme comprising 8 holes for 1,032 metres was completed during early 2007. Drilling targeted a 300 metre strike length of the gossan that is anomalous in copper. Results showed continuity of the mineralised structure but copper results were generally of low tenor. Consequently no further work has been conducted.

Coppermine Bore Copper-Gold-Uranium Project

On 23 September 2009, the Company advised the Government of Western Australia Department of Mines and Petroleum that it wished to surrender the tenement.

Longreach Well Zinc-Lead-Silver Project

Longreach Well is located 200 kilometres northeast of Carnarvon in Western Australia. Geophysical interpretation of an airborne magnetic survey completed in March 2006 identified a number of targets potentially prospective for Mississippi Valley-type zinc mineralisation. These targets, along with conceptually developed structural targets, may be reviewed at a future date.

Tenement Schedule

Project Name	Tenement	Interest
LONGREACH	E 09/1262	100%
PERENJORI	E 59/1144	100%
PRAIRIE DOWNS	E 52 /1926	100%
PRAIRIE DOWNS	E 52 /1758	100%

Competent Person Statement

Information in the Directors' Report that relates to exploration results or mineral resources is based on information compiled by Mr Luke Kerr who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Kerr has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kerr consents to the inclusion in the report of the statements based on his information in the form and context in which it appears.

Operating results and financial position for the year

The Group recorded a consolidated operating loss of $1,540,292 (2008: $2,111,175) for the financial year ended 30 June 2009. The decrease in the operating loss over the financial year was largely attributable to exploration expenditure impaired in the 2008 year in relation to tenements identified as lower priority targets, and for which substantial expenditure is neither budgeted nor planned.

Prairie had consolidated net assets of $16,295,103 (2008: $17,430,925) at the end of the financial year, consisting largely of the following:

- $3,957,453 (2008: $8,044,976) held in cash assets;
- $395,481 (2008: $387,522) being receivables;
- Plant and equipment of $788,717 (2008: $580,139);
- $11,328,971 (2008: $9,145,766) representing capitalised exploration and evaluation costs associated with the Prairie Downs Zinc-Lead-Silver-Copper Project; and
- $146,932 (2008: $709,295) being payables largely associated with office administration activities.

The Group's cash reserves decreased by $4,087,523 (2008: $4,562,787 increase) during the financial year, reflecting a deficit from operations of $1,811,754 (2008: $1,504,440 deficit), a deficit from investing activities of $2,275,769 (2008: $4,425,618 deficit) and no impact from financing activities (2008: $10,492,845 increase).

Review of financial condition

Liquidity and Capital Resources

The consolidated cash flow statement illustrates a decrease in cash and cash equivalents in the year ended 30 June 2009 of $4,087,523 (2008: increase $4,562,787).

There were no proceeds from share issues in 2009. In 2008, proceeds from the issue of shares during the financial year provided cash inflows of $5,187,000 net of costs and the exercise of options contributed $5,305,878. The cash out-flow from investing activities of $2,275,769 (2008: cash out-flow $4,425,618) consisted largely of expenditure related to exploration and evaluation of the Group's mining projects and acquisitions of plant and equipment.

The Group has sufficient funds to finance its current operations.

Directors' Report

Share Issues During the Year

The Company issued no shares during the financial year.

Treasury Policy

The Board is responsible for the treasury function and managing the Group's finance facilities. Treasury management is a recurring agenda item at meetings of the Board.

Risk Management

The Board takes a pro-active approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee. Risk management is a recurring agenda item at meetings of the Board.

Grant of Options

The Company granted the following options during the financial year:

- 5,050,000 options exercisable at $0.10 expiring 29 July 2014 to eligible directors and employees for no consideration as part of their remuneration. These options were not issued until post balance date on 29 July 2009.

Summary of Shares and Options on Date of Directors' Report

Security Description	Number of Securities
Fully paid shares	72,890,598
Options exercisable at $0.45 expiring 05 December 2011	4,000,000
Options exercisable at $0.65 expiring 01 December 2011	250,000
Options exercisable at $1.00 expiring 31 December 2011	450,000
Options exercisable at $0.10 expiring 29 July 2014	5,050,000

Shares issued as a result of the exercise of Options

There were no shares issued on the exercise of options during the year or to the date of this report.

Significant Changes In The State Of The Affairs

The following significant changes in the state of affairs of the Company occurred during the year:

- The issue of 5,050,000 $0.10 options expiring 29 July 2014 in the Company to eligible employees. Shareholder approval was required, and granted for 5,000,000 of the options at a general meeting of shareholders on 30 June 2009;
- The receipt of a $628,829 rebate (2008: $nil) from the Australian Taxation Office as a research and development tax concession.

The Directors are not aware of any other significant changes in the state of affairs that occurred during the financial year.

Significant Events After The Balance Date

On 29 July 2009, Prairie issued 5,050,000 $0.10 options expiring 29 July 2014 in the Company to eligible employees. 4,000,000 of these options were granted and approved by shareholders on 30 June 2009. The remaining 1,050,000 options were approved by the Board on 27 March 2009.

On 7 September 2009, drilling commenced at Prairie Downs to evaluate remotely defined Channel Iron Ore Deposit (CID) targets. The Company is evaluating potential CIDs that may be contiguous between the Company's tenement and neighbouring tenements of BHP Billiton Ltd, Dynasty Metals Ltd, and Fortescue Metals Group Ltd. The current program consists of an initial 17 holes to average depth of 20 – 24 metres for a total of approximately 400 metres. Assay results for the holes drilled will be released on receipt.

On 23 September 2009, the Company advised the Government of Western Australia Department of Mines and Petroleum that it wished to surrender tenement number E 08/1436 (Coppermine Bore), no value is attributed to this tenement.

No other matter or circumstance has arisen since 30 June 2009, other than these disclosed above, which has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

Likely Developments And Expected Results

The Board of Directors intends to continue with development of the Prairie Downs Project and evaluation of the other projects held by the Group. Directors will also seek to identify new investment opportunities in the resources sector that will compliment the Group's existing operations.

Further information on likely developments in the operations of the Group has not been included in this report because at this stage the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors' Report

Environmental Regulation And Performance

The exploration tenements held by the Group contain environmental requirements and conditions that the entities must comply with in the course of normal operations. There have been no significant known breaches of the Group's environmental regulations.

Indemnification Of Directors And Officers

The Group has paid premiums totalling $9,984 (2008: $8,936) in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all Directors and officers of the Group against liabilities to the extent permitted by the Corporations Act 2001. The policy conditions preclude the Group from any detailed disclosures.

Remuneration Report (Audited)

The information in this section is audited.

This Remuneration Report outlines the Director and Executive remuneration arrangements of Prairie Downs Metals Limited and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purpose of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Parent Company, and includes the five Executives in the Parent Company and the Group receiving the highest remuneration.

For the purposes of this report, the term 'Executive' encompasses the Chief Executive, senior Executives, general managers and secretaries of the Parent and the Group.

Details of Key Management Personnel

(i) Directors	
Jeremy David Shervington	Chairman (Non-Executive)
John Paul Welborn	Managing Director (Executive) – appointed 4 February 2009
Alec Christopher Pismiris	Director (Non-Executive)
Stuart John Hall	Director (Non-Executive) – appointed 21 November 2008
Alan George Coulthard	Director (Non-Executive) – appointed 8 October 2008; resigned 21 November 2008
Mark Christian Hansen	Director (Executive) – resigned 2 October 2008
(ii) Executives	
Darren Michael Bromley	Chief Financial Officer
Luke Charles Kerr	Senior Project Geologist
Denise Gardiner	Office Manager – resigned 8 October 2008

There were no other changes between financial year end and the date of signing this report to Key Management Personnel.

Remuneration philosophy

The Board of Directors of Prairie Downs Metals Limited is currently responsible for determining and reviewing compensation arrangements for the Directors and senior Executives. The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Company places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the Company.

The performance of the Company largely depends upon the quality of its Directors and Executives. To prosper the Company must be able to attract, motivate and retain Directors and Executives with the appropriate skills. To achieve this, the Company adheres to the following principles in formulating its remuneration framework:

- Provide competitive rewards to attract Executives; and
- Link Executive rewards to shareholder value creation.

Director and Executive remuneration is not linked to either long term or short term performance conditions. Refer to page 13 for Company performance indicators. The Board is of the opinion that the expiry dates of the options currently on issue to the Directors and Executive is sufficient to align the goals of the Directors and Executive with those of the shareholders to maximise shareholder wealth and as such, the Board has not set any performance conditions for the Directors and Executive of the Group and the remuneration policy is not limited to the Group's performance. The Board will continue to monitor this policy to ensure that it is appropriate for the Group in future years.

The Board currently has no policy in relation to Key Management Personnel limiting his/her risk in relation to securities granted as part of remuneration.

Remuneration Committee

The Board has elected not to appoint a Remuneration Committee due to the scale of the Company's activities.

The Board of Prairie assumes responsibility for assessing the appropriateness of the nature and amount of remuneration of Directors and senior Executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Directors' Report

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Director and senior Executive remuneration is separate and distinct.

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a reasonable cost to shareholders.

Structure

The Constitution specifies that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external sources as well as fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each Director is entitled to receive a fee for being a Director of the Company and may receive an additional fee for serving on Committees of the Board.

Non-executive Directors are encouraged by the Board to hold shares in the Company. It is considered good governance for Directors to have a stake in the Company on whose Board he or she sits. In addition long term incentives in the form of options may be awarded to non-executive Directors, subject to shareholder approval, in a manner which aligns this element of remuneration with the creation of shareholder wealth.

The Company has taken into account the guidelines for non-executive Director remuneration as set out in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("the Principles"). Paragraph 2 of those guidelines provides non-executive Directors should not receive options or bonus payments. The Company considers the issue of options to non-executive Directors is appropriate as the quantum of cash fees that the Company believes it is prudent to pay in the current circumstances, does not represent an adequate reward and does not provide an adequate incentive to enable the Company to attract and keep non-executive Directors of the requisite level of experience and qualifications to assist with the development of the Company. In accordance with the Principles, non-executive Director's remuneration is not linked to individual performance targets nor do non-executive Directors receive bonus payments.

The remuneration of non-executive Directors for the year ending 30 June 2009 is detailed in the table on page 14 of this report.

Executive Director and senior Executive remuneration

Objective

The Company aims to reward Executives with a level of remuneration commensurate with their position and responsibilities within the Company that:

- Reward Executives for Company and individual performance against appropriate benchmarks;
- Align the interests of the Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure remuneration is comparable to market standards.

In determining Executive remuneration, the Board considers advice from external independent sources as well as fees paid for comparable Executives when undertaking the review process.

It is the preferred policy of the Board to enter into employment agreements with senior Executives.

Remuneration of Executives consists of the following key elements:

- fixed remuneration; and
- variable remuneration.

Fixed Remuneration

The level of fixed remuneration is set to provide a level of remuneration that is appropriate to the position and is competitive in the market. The fixed remuneration is reviewed annually by the Board with a review of individual performance, comparative remuneration in the market and external advice where appropriate.

Variable Remuneration – Short Term Incentives

Objective

The objective of variable remuneration will be to reward Executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration is made to Executives who can influence the generation of shareholder wealth and thus have a direct impact on the Group's performance.

Variable remuneration is delivered by short term incentive payments for Executives of the Group which are subject to approval of the Board.

Directors' Report

Variable Remuneration – Long Term Incentives

Objective

The objectives of long term incentives are to:

- align Executives remuneration with the creation of shareholder wealth;
- recognise the ability and efforts of the Directors, employees and consultants of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- provide an incentive to the Directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its Directors, employees and consultants.

Structure

Long term incentives granted to senior Executives are delivered in the form of options issued under the Employee Share and Option Plan adopted during the financial year. During the financial year there were 5,000,000 options exercisable at $0.10 expiring 29 July 2014 granted. 4,000,000 were granted via shareholder approval and 1,000,000 granted via Board approval.

Company Performance

It is not possible at this time to evaluate the Company's financial performance using generally accepted measures such as profitability, total shareholder return or peer company comparison as the Company is at a very early stage in the implementation of the corporate strategy. This assessment will be developed over the next few years.

The table below shows the gross revenue, losses and earnings per share for the last 4 years for the Group.

	2006	2007	2008	2009
	$	$	$	$
Revenue and other income	130,406	643,073	1,084,404	1,046,012
Net Loss	(834,975)	(1,648,529)	(2,111,715)	(1,540,292)
Earnings/(Loss) per share (cents per share)	(2.97)	(3.97)	(3.95)	(2.11)
Share price	0.295	1.09	0.68	0.135

Relationship of Reward and Performance

The value of options will represent a significant portion of an Executive's salary package. The ultimate value to the Executives of the options depends on the share price of Prairie Downs Metals Limited. The share price is the key performance criteria for the long term incentive as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

Short Term Incentive to Performance

The objective of the shorter term incentive plan is to reward Executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to Executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Long Term Incentive to Performance

The objective of the long term incentive plan is to reward Executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to Executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Long term incentives are delivered in the form of options. There are no performance conditions relating to the options, however the strike price of options are determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

Employment Contracts

Managing Director (Mr John Welborn)

The Managing Director has a 2 year contract commencing 4 February 2009. The Company may terminate the employment contract by the Board giving written notice to the Managing Director and by paying the equivalent salary that would have been payable over the balance of the employment term. On termination or notice by the Company, any options that have vested will lapse on the day which is 6 months after the date of termination. In the event of termination without cause options that have not vested will automatically vest. Where termination with cause occurs, the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited as per the terms of the options.

Other Executives (standard contracts)

Executives have rolling contracts. The Company may terminate the Executive's employment contracts by providing up to one month's written notice or providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). On termination or notice by the Company, any options that have vested during the notice period will be released. Options that have not vested will be forfeited. Where termination with cause occurs, the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited and any vested options will automatically expire as per the terms of the options.

Directors' Report

Table 1: Remuneration for the year ended 30 June 2009

Remuneration of Key Management Personnel

	Short Term		Post Employment	Share Based Payment	Total	Remuneration consisting of options
	Salary & Fees	Non Monetary Benefits	Superannuation	Options		
	$	$	$	$	$	%
Non-Executive Directors						
J D Shervington	60,000	-	-	-	60,000	-
A C Pismiris	72,000	-	-	-	72,000	-
S J Hall (appointed 21 Nov 2008)	21,945	-	-	-	21,945	-
A G Coulthard (appointed 8 Oct 2008; resigned 21 Nov 2008)	4,241	-	-	-	4,241	-
	158,186	**-**	**-**	**-**	**158,186**	
Executive Directors						
J P Welborn (appointed 4 Feb 2009)	99,038	-	8,913	149,286	257,237	58.0
M C Hansen (resigned 2 Oct 2008)	56,156	-	827	-	56,983	-
	155,194	**-**	**9,740**	**149,286**	**314,220**	
Other Key Management Personnel						
D M Bromley	174,866	-	65,073	95,542	335,481	28.5
L C Kerr	177,841	-	16,006	9,811	203,658	4.8
D Gardiner (resigned 8 Oct 2008)	22,965	-	2,470	3,488	28,923	12.1
	375,672	**-**	**83,549**	**108,841**	**568,062**	
Totals	**689,052**	**-**	**93,289**	**258,127**	**1,040,468**	

Table 2: Remuneration for the year ended 30 June 2008

Remuneration of Key Management Personnel

	Short Term		Post Employment	Share Based Payment	Total	Remuneration consisting of options
	Salary & Fees	Non Monetary Benefits	Superannuation	Options		
	$	$	$	$	$	%
Non-Executive Directors						
J D Shervington	60,000	-	-	-	60,000	-
	60,000	**-**	**-**	**-**	**60,000**	
Executive Directors						
M C Hansen	336,000	-	3,780	-	339,780	-
A C Pismiris	109,000	-	-	-	109,000	-
	445,000	**-**	**3,780**	**-**	**448,780**	
Other Key Management Personnel						
G I Karelse (resigned 28 Apr 2008)	217,208	-	16,990	153,717	387,915	39.6
L C Kerr	164,769	-	12,759	-	177,528	-
D Gardiner	77,000	-	6,300	40,612	123,912	23.8
D M Bromley (appointed 14 Jan 2008)	75,512	-	6,796	369	82,677	0.5
M A Zucchi (resigned 28 Nov 2007)	44,337	-	3,990	-	48,327	-
C Panetta (resigned 5 May 2008)	25,308	-	2,278	-	27,586	-
	604,134	**-**	**49,113**	**194,698**	**847,945**	
Totals	**1,109,134**	**-**	**52,893**	**194,698**	**1,356,725**	

1. The Company has paid premiums totalling $9,984 (2008: $8,936) in respect of Directors' and Officers' liability insurance and Company Reimbursement Policies, which cover all Directors and officers of the Company. The premium paid cannot be allocated to the individual Directors and officers.
2. No remuneration is subject to performance conditions. Remuneration consisting of options is considered to be performance related.

Directors' Report

Table 3: Compensation options: Granted and vested during 2009

2009	Granted		Terms & Conditions for each Gant				Vested	
	No	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date and last exercise date	First exercise date	No	%
			$	$				
Directors								
J D Shervington	-	-	-	-	-	-	-	-
J P Welborn	4,000,000	30 Jun 2009	0.03	0.10	29 Jul 2014	29 Jul 2009	1,000,000	25
A C Pismiris	-	-	-	-	-	-	-	-
S J Hall	-	-	-	-	-	-	-	-
A G Coulthard	-	-	-	-	-	-	-	-
M C Hansen	-	-	-	-	-	-	-	-
Other Key Management Personnel								
L C Kerr	500,000	27 Mar 2009	0.021	0.10	29 Jul 2014	29 Jul 2009	125,000	25
D M Bromley	500,000	27 Mar 2009	0.021	0.10	29 Jul 2014	29 Jul 2009	125,000	25
D M Bromley	350,000	30 Jun 2008	0.209	1.00	31 Dec 2011	14 Jan 2009	350,000	100
D Gardiner	100,000	8 Oct 2007	0.441	1.00	31 Dec 2011	28 Jul 2008	100,000	100
Total	**5,450,000**						**1,700,000**	

1. For details on the valuation of the options, including models and assumptions, refer to Note 25.
2. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.
3. 100,000 options to Mrs Gardiner granted in 2008 and vesting on 28 July 2008 were subsequently cancelled due to termination of employment.

Shares issued on Exercise of Compensation Options

No shares were issued on the exercise of compensation options during the year.

Table 4: Options granted as part of remuneration

2009	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year
	$	$	$
J P Welborn	316,833		
D M Bromley	20,823	-	-
L C Kerr	20,823	-	-
D Gardiner	*-	-	*-

*These options were granted in 2008 and cancelled during the year.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

End of Remuneration Report

Meetings Of Directors

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors		Audit & Compliance Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Directors				
J D Shervington	6	5	1	1
J P Welborn	2	2	-	-
A C Pismiris	6	6	1	1
S J Hall	5	5	-	-
A G Coulthard	1	-	-	-
M C Hansen	-	-	-	-

Directors' Report

Committee Membership

As at the date of this report the Company has an Audit & Compliance Committee with Mr Pismiris (Chairman) and Mr Shervington acting as members throughout the financial year.

Other Directors may attend meetings of the Audit and Compliance Committee at the invitation of the Chairman. The details of the functions and membership of the Audit and Compliance Committee of the Board are included in the Corporate Governance Statement.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Prairie Downs Metals Limited adhere to strict principles of corporate governance. The Company's Corporate Governance Statement is included on page 18 of this annual report.

Auditor Independence And Non-Audit Services

The Directors received the declaration included on page 17 of this annual report from the auditor of Prairie Downs Metals Limited.

Non-Audit Services

Non-audit services provided by our auditors, Ernst & Young 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.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

R&D Tax Concession Services	$19,995
AGM proxy validation	$ 3,767
	$23,762

Signed in accordance with a resolution of the Directors.

Jeremy Shervington
Chairman

Dated this 30 September 2009
Perth, Western Australia

Auditor's Independence Declaration

To the Directors of Prairie Downs Metals Limited

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's independence declaration to the Directors of Prairie Downs Metals Limited

In relation to our audit of the financial report of Prairie Downs Metals Limited for the year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

J C Palmer
Partner
Perth
30 September 2009

25

Corporate Governance Statement

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business activities and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement is structured with reference to the Australian Stock Exchange Corporate Governance Council's ("Council") "Principles of Good Corporate Governance and Best Practice Recommendations". In accordance with the recommendations of the Council, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Prairie's Corporate Governance Statement has been structured with reference to the Council's principles and recommendations. The following is a summary of Prairie's adherence to the Council's principles and recommendations:

Principle 1.	**Lay solid foundations for management and oversight**
	Prairie largely complies with this recommendation except the Board and senior management of Prairie actively participate in the operations of the Company due to the nature of the Company's current operations.
Principle 2.	**Structure the Board to add value**
	Prairie complies with this recommendation.
Principle 3.	**Promote ethical and responsible decision making**
	Prairie complies with this recommendation.
Principle 4.	**Safeguard integrity in financial reporting**
	Prairie does not comply with this recommendation of having at least three non-executive Directors on the Audit Committee. Prairie is a small Company with limited resources that does not have an operating business. Prairie's Audit and Compliance Committee is comprised of two non-executive Directors.
Principle 5.	**Make timely and balanced disclosure**
	Prairie complies with this recommendation.
Principle 6.	**Respect the rights of shareholders**
	Prairie complies with this recommendation.
Principle 7.	**Recognise and manage risk**
	Prairie complies with this recommendation.
Principle 8.	**Remunerate fairly and responsibly**
	Prairie complies with this recommendation except that it has not established a Remuneration Committee. The objective of granting options is to ensure maximum stakeholder benefit is achieved from the retention of a high quality Board and to provide incentive for Directors to identify new commercial opportunities for the Company..

The Prairie Downs Metals Ltd corporate governance policies and procedures are largely consistent with the Council's best practice recommendations. The process to achieve consistency with the Council's recommendations are gradual and where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the scale and nature of the Company's operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1 and 1.3
Recommendation 1.2 Senior Executive Evaluation	1.2
Recommendation 1.3 Reporting on Principle 1	1.3
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chair	1.2
Recommendation 2.3 Role of the Chair and CEO	Not Applicable
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Board and Individual Director Evaluation	1.4.10
Recommendation 2.6 Reporting on Principle 2	1.2, 1.4.6, 2.3 and the Directors' Report
Recommendation 3.1 Code of Conduct	1.1 and 1.3
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of the Audit Committee	2.1
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4

Corporate Governance Statement

Recommendation	Section
Recommendation 6.1 Communications Strategy	1.4.4 and 1.4.8
Recommendation 6.2 Reporting on Principle 6	1.4.4 and 1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	2.1
Recommendation 7.2 Risk Management Report	1.4.11
Recommendation 7.4 Reporting on Principle 7	2.1
Recommendation 8.1 Establishment of Remuneration Committee	2.2
Recommendation 8.2 Executive and Non-Executive Director Remuneration	2.2
Recommendation 8.3 Reporting on Principle 8	2.2

1. Board of Directors

1.1 Role of the Board

The Board's current role is to collectively govern and manage the Company. The Directors must act in the best interests of the Company as a whole. It is the role of the Board to govern and manage the Company in accordance with the stated objectives of the Company.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors in the performance of their roles.

1.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are included in the Director's Report. Directors are appointed based on their experience and on the independence of their decision-making and judgment.

The Company's Constitution provides for the appointment of a minimum number of Directors as three and up to a maximum of seven. Currently the Company has four Directors comprising one Executive Director. The Constitution does not require a shareholding qualification for Directors.

The Company recognises the importance of non-executive Directors and the external perspective and advice that non-executive Directors can offer. Mr Shervington, Mr Coulthard (resigned 21 November 2008) and Mr Hall are non-executive Directors and meet the following criteria for independence adopted by the Company.

An independent Director:

- is a non-executive Director and:
- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an Executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other Company member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Up until 18 August 2008, Mr Hansen held the position of Managing Director and was responsible for management of the Company, negotiating joint venture and other arrangements with third parties, advising the Board on the strategic direction of the Company, assessing new opportunities and risks and monitoring the operating performance of the Company and therefore does not meet the Company's criteria for independence.

Corporate Governance Statement

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

(i) Leadership of the organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
(ii) Strategy formulation: working to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
(iii) Overseeing planning activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
(iv) Shareholder liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
(v) Monitoring, compliance and risk management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
(vi) Company finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
(vii) Human resources: appointing, and, where appropriate, removing the Managing Director/Chief Executive Officer and Chief Financial Officer as well as reviewing their performance and monitoring the performance of senior management in their implementation of the Company's strategy.
(viii) Ensuring the health, safety and well-being of employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
(ix) Delegation of authority: where appropriate delegating appropriate powers to the Company's Executives to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of any Committees of the Board.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company and if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company is able to publish the information in accordance with this policy.

1.4.5 Education and Induction

New Directors undergo an induction process in which they are given a full briefing on the Company. Information conveyed to new Directors includes:

- Details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- Formal policies on Director appointment as well as conduct and contribution expectations;
- Details of all relevant legal requirements;
- A copy of the Board Charter;
- Guidelines on how the Board processes function;
- Details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- Background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- An analysis of the Company;
- A synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- A copy of the Constitution of the Company.

Corporate Governance Statement

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

(i) Communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
(ii) Giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
(iii) Making it easy for shareholders to participate in general meetings of the Company; and
(iv) Requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy under which Directors are required to discuss their intention to trade in the Company's securities with the Chairman prior to trading. Consideration will be given in these discussions to any special circumstances (eg financial hardship).

Directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the Director by virtue of holding office as a Director of the Company.

The following guidelines are to be observed by Directors and employees of Prairie:

- Securities may be purchased or sold during the two week period immediately following the release of Prairie's, half-yearly and final results ("results announcements") (subject to observing the additional approval requirements set out below).
- Securities should not be purchased or sold during the two week period preceding any results announcements.
- Securities should not be purchased or sold preceding any material ASX announcement by Prairie, if the employee is aware that it is likely that such an announcement will be made.
- Securities should not be purchased or sold for the purpose of short term speculation.
- Securities may be purchased or sold at other times (subject to additional disclosure requirements established by the Board).

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review/Evaluation

The Board intends to conduct an evaluation of its performance annually. There was no evaluation conducted during the financial year.

1.4.11 Attestations by Company Secretary

In accordance with the Board's policy, the Company Secretary is required to make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

Corporate Governance Statement

2. Board Committees

2.1 Audit & Compliance Committee

The Board has adopted an Audit and Compliance Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company to deal with the effectiveness and efficiency of business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of the internal control framework and ethical standards to the Audit and Compliance Committee. The Committee's responsibilities include the following:

- Oversee and appraise the independence, quality and extent of the total audit effort;
- Perform an independent overview of the financial information prepared by Company management for shareholders and prospective shareholders;
- Evaluate the adequacy and effectiveness of the Company's and the Group's risk management and financial control, and other internal control systems and evaluate the operation thereof; and
- Review and endorse the annual and half year attestation statements in accordance with regulatory requirements.
- The appointment of external auditors.
- Review and implement risk management and internal control structures appropriate to the needs of Prairie.
- Monitor compliance issues applicable laws and regulations, particularly compliance with the Stock Exchange Listing Rules;
- Review all public releases to the ASX of material consequence, prior to release to the market; and
- Review of Corporate Governance Practices.

The members of the Audit and Compliance Committee since its inception were Messrs A C Pismiris and J D Shervington. There was one meeting held during the financial year.

The qualifications of Audit and Compliance Committee members are as follows:

Alec Christopher Pismiris (B Comm, AICSA) is Chairman of the Audit and Compliance Committee and has significant experience in the management and administration of Prairie Downs Metals Limited since his appointment as a Director and Company Secretary in May 2006. He is also a Director and Company Secretary of a number of public companies where as part of his role, he serves as Financial Controller. Mr Pismiris is an Associate of the Chartered Secretaries & Administrators. He is chairman of the Audit and Compliance Committee.

Jeremy David Shervington (B Juris, LLB) has been a practicing lawyer for 25 years and has extensive experience in the area of corporate law. He is also a Director of a number of public companies where as part of his role, he serves as a member of Audit and Compliance Committee.

2.2 Remuneration Committee

The Directors have elected not to appoint a Remuneration Committee due to the scale and nature of the Company's activities.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of Directors' emoluments to the Company's performance. The outcome of the remuneration structure is:

- Reward Executives for Company and individual performance against appropriate benchmarks;
- Align the interests of the Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure remuneration is comparable to market standards.

For details of the amount of remuneration and all monetary and non-monetary components for each of the Directors during the financial year, refer to page 14 of the Directors' Report.

The Company has taken into account the guidelines for non-executive Director remuneration of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("Principles"). Paragraph 2 of those guidelines provides non-executive Directors should not receive options or bonus payments. The Company considers the issue of options to non-executive Directors is appropriate as the quantum of cash fees that the Company believes it is prudent to pay in the current circumstances, does not represent an adequate reward and does not provide an adequate incentive to enable the Company to attract and keep non-executive Directors of the requisite level of experience and qualifications to assist with the development of the Company. In accordance with the Principles, non-executive Director's remuneration is not linked to individual performance targets nor do non-executive Directors receive bonus payments.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Directors.

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

2.3 Nomination Committee

The Directors have elected not to appoint a Nomination Committee due to the scale and nature of the Company's activities.

Subject to the provision of the Company's Constitution, the issues of Board composition and selection criteria for Directors are dealt with by the full Board. The Board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

The Constitution provides for events whereby Directors may be removed from the Board. Similarly shareholders have the ability to nominate, appoint and remove Directors. In addition, the Constitution provides for the regular rotation of Directors which ensures that Directors seek re-election by shareholders at least once every three years.

Given these existing regulatory requirements, Directors are not appointed for a specified term and Directors' continuity of service is in the hands of shareholders.

Corporate Governance Statement

2.4 Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole.

This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages it employees to strive to do the same.

Responsibilities to the Community

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs.

Responsibility to the Individual

The Company is committed to keeping private information collected during the course of its activities, confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

2.5 Shareholder Communication

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The Annual Financial Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the financial year, changes in the state of affairs of the Company and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- Developments, in addition to other disclosures required by the Corporations Act 2001;
- Release of a Half-Yearly Report to the ASX Limited;
- The Company's website at www.prairiedownsmetals.com.au; and
- Proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are responsible for voting on appointment of Directors, appointment of auditors, level of remuneration of Non-executive Directors and any matters of special business.

Financial Statements

For the year ended 30 June 2009

Balance Sheet

As at 30 June 2009

	Notes	CONSOLIDATED		PARENT	
					Restated
		2009	2008	2009	2008
		$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	11	**3,957,453**	8,044,976	**3,947,353**	8,044,876
Trade and other receivables	12	**395,481**	387,522	**395,481**	387,522
Prepayments		**11,389**	18,519	**11,389**	18,519
Total Current Assets		4,364,323	**8,451,017**	4,354,223	**8,450,917**
Non-current Assets					
Deferred tax asset	8	**-**	-	**2,898,338**	2,243,376
Plant and equipment	15	**788,717**	580,139	**788,717**	580,139
Trade and other receivables	13	**-**	-	**8,440,733**	7,227,156
Investment in subsidiaries	14	**-**	-	**-**	-
Exploration and evaluation	16	**11,328,971**	9,145,766	**-**	-
Total Non-current Assets		**12,117,688**	**9,725,905**	**12,127,788**	**10,050,671**
TOTAL ASSETS		**16,482,011**	**18,176,922**	**16,482,011**	**18,501,588**
LIABILITIES					
Current Liabilities					
Trade and other payables	17	**146,932**	709,295	**146,932**	709,295
Provisions	18	**39,976**	36,702	**39,976**	36,702
Total Current Liabilities		**186,908**	745,997	**186,908**	745,997
TOTAL LIABILITIES		**186,908**	**745,997**	**186,908**	**745,997**
NET ASSETS		**16,295,103**	**17,430,925**	**16,295,103**	**17,755,591**
EQUITY					
Contributed equity	19	**21,397,470**	21,397,470	**21,397,470**	21,397,470
Reserves	20	**1,546,607**	1,142,137	**1,546,607**	1,142,137
Accumulated losses	20	**(6,648,974)**	(5,108,682)	**(6,648,974)**	(4,784,016)
TOTAL EQUITY		**16,295,103**	**17,430,925**	**16,295,103**	**17,755,591**

The above Balance Sheet is to be read in conjunction with the accompanying notes to the financial statements.

Income Statement

For the year ended 30 June 2009

	Notes	CONSOLIDATED		PARENT	
					Restated
		2009	2008	2009	2008
		$	$	$	$
Revenue	6(a)	**315,335**	304,404	**970,297**	862,780
Other Income	6(b)	**730,677**	780,000	**101,848**	780,000
Expenses					
Accounting and registry fees		**(41,406)**	(140,705)	**(41,194)**	(140,705)
ASX listing fees		**(24,347)**	(51,808)	**(24,347)**	(51,808)
Auditing Fees		**(43,925)**	(48,837)	**(43,925)**	(48,837)
Company secretarial expenses		**(36,000)**	(73,000)	**(36,000)**	(73,000)
Consultants expenses	7(a)	**(71,828)**	(348,510)	**(71,828)**	(348,510)
Depreciation expense	7(b)	**(198,181)**	(94,438)	**(198,181)**	(94,438)
Employment expenses	7(d)	**(1,731,846)**	(1,461,976)	**(1,731,846)**	(1,461,976)
Exploration expenditure written off	16	**(1,194)**	(324,242)	**-**	-
Impairment of receivables from subsidiary		**-**	-	**(356,367)**	(558,376)
Insurance		**(29,411)**	(27,412)	**(29,411)**	(27,412)
IT expenses		**(42,655)**	(59,647)	**(42,655)**	(59,647)
Legal expenses		**(16,327)**	(3,307)	**(16,327)**	(3,307)
Office accommodation expenses		**(155,071)**	(149,886)	**(155,071)**	(149,886)
Public relations expenses		**(65,561)**	(171,433)	**(65,561)**	(171,433)
Travel and accommodation		**(18,628)**	(114,880)	**(18,628)**	(114,880)
Other expenses		**(109,924)**	(126,038)	**(105,762)**	(126,038)
Loss before income tax expense		**(1,540,292)**	**(2,111,715)**	**(1,864,958)**	**(1,787,473)**
Income tax expense	8	**-**	-	**-**	-
Net loss for the period		**(1,540,292)**	**(2,111,715)**	**(1,864,958)**	**(1,787,473)**
Loss attributable to members of Prairie Downs Metals Limited		**(1,540,292)**	**(2,111,715)**	**(1,864,958)**	**(1,787,473)**
Basic Loss Per Share (cents)	10	**(2.11)**	(3.95)		
Diluted Loss Per Share (cents)	10	**(2.11)**	(3.95)		

The above Income Statement is to be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2009

Consolidated		Issued Capital	Reserves	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2007		**10,904,625**	**931,000**	**(2,996,967)**	**8,838,658**
Total income and expense recognised directly in equity		-	-	-	-
Loss for the year		-	-	(2,111,715)	(2,111,715)
Total recognised income and expense for the period		-	-	(2,111,715)	(2,111,715)
Share based payments		-	211,137	-	211,137
Shares issued during the year:					
- Ordinary shares		10,765,845	-	-	10,765,845
- Costs of issue		(273,000)	-	-	(273,000)
Balance at 30 June 2008		**21,397,470**	**1,142,137**	**(5,108,682)**	**17,430,925**
Balance at 1 July 2008		**21,397,470**	**1,142,137**	**(5,108,682)**	**17,430,925**
Total income and expense recognised directly in equity		-	-	-	-
Loss for the year		-	-	(1,540,292)	(1,540,292)
Total recognised income and expense for the period		-	-	(1,540,292)	(1,540,292)
Share based payments		-	404,470	-	404,470
Balance at 30 June 2009		**21,397,470**	**1,546,607**	**(6,648,974)**	**16,295,103**

Parent		Issued Capital	Reserves	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2007		**10,904,625**	**931,000**	**(2,996,543)**	**8,839,082**
Total income and expense recognised directly in equity		-	-	-	-
Loss for the year (as restated)		-	-	(1,787,473)	(1,787,473)
Total recognised income and expense for the year		-	-	(1,787,473)	(1,787,473)
Share based payments		-	211,137	-	211,137
Shares issued during the year:					
- Ordinary shares		10,765,845	-	-	10,765,845
- Costs of issue		(273,000)	-	-	(273,000)
Balance at 30 June 2008 (as restated)		**21,397,470**	**1,142,137**	**(4,784,016)**	**17,755,591**
Balance at 1 July 2008		**21,397,470**	**1,142,137**	**(4,784,016)**	**17,755,591**
Total income and expense recognised directly in equity		-	-	-	-
Loss for the year		-	-	(1,864,958)	(1,864,958)
Total recognised income and expense for the period		-	-	(1,864,958)	(1,864,958)
Share based payments		-	404,470	-	404,470
Shares issued during the year:					
- Ordinary shares		-	-	-	-
Balance at 30 June 2009		**21,397,470**	**1,546,607**	**(6,648,974)**	**16,295,103**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2009

	Notes	CONSOLIDATED		PARENT	
					Restated
		2009	2008	2009	2008
		$	$	$	$
Cash flows from operating activities					
Office services income received		**101,898**	635,500	**101,898**	635,500
Payments to suppliers and employees		**(2,542,481)**	(2,139,940)	**(2,538,053)**	(2,139,940)
Research and development tax concession received		**628,829**	-	**628,829**	-
Net cash (used in) operating activities	22(a)	**(1,811,754)**	(1,504,440)	**(1,807,326)**	(1,504,440)
Cash flows from investing activities					
Interest received		**315,335**	289,364	**315,335**	289,364
Payments for exploration & evaluation		**(2,184,345)**	(4,348,100)	**-**	-
Loan to subsidiary		**-**	-	**(2,198,773)**	(4,348,100)
Purchase of plant & equipment		**(406,759)**	(366,882)	**(406,759)**	(366,882)
Net cash (used in) investing activities		**(2,275,769)**	(4,425,618)	**(2,290,197)**	(4,425,618)
Cash flows from financing activities					
Proceeds from issue of shares		**-**	5,460,000	**-**	5,460,000
Proceeds from exercise of options		**-**	5,305,845	**-**	5,305,845
Transaction costs of issue of shares		**-**	(273,000)	**-**	(273,000)
Net cash from financing activities		**-**	10,492,845	**-**	10,492,845
Net (decrease)/ increase in cash and cash equivalents		**(4,087,523)**	4,562,787	**(4,097,523)**	4,562,787
Cash and cash equivalents at the beginning of the financial year		**8,044,976**	3,482,189	**8,044,876**	3,482,089
Cash and cash equivalents at the end of the financial year	11	**3,957,453**	8,044,976	**3,947,353**	8,044,876

The above Cash Flow Statement is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2009

1 Corporate information

The financial report of the Group comprising Prairie Downs Metals Limited and its controlled subsidiary for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 30 September 2009.

Prairie Downs Metals Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange Limited.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 Summary of significant accounting policies

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report has been prepared for the year ended 30 June 2009 and is presented in Australian dollars.

(b) Statement of compliance

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

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 the operations of the Group and effective for reporting periods beginning on or after 1 July 2008. The adoption of these standards did not have a material effect on the financial statements of the Group.

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 ending 30 June 2009. These are outlined in the table below.

Reference	Title	Summery	Application date of standard	Impact on Company financial report	Application date for Company
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statement	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

Notes to the Financial Statements

For the year ended 30 June 2009

Reference	Title	Summery	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Company has share-based payment arrangements that may be affected by these amendments. However, the Company has not yet determined the extent of the impact, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group has not yet determined the impact, if any, on the Group's financial statements.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Group has not yet determined the impact, if any, on the Group's financial statements.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	The Group has not yet determined the impact, if any, on the Group's financial statements.	1 July 2009

Notes to the Financial Statements

For the year ended 30 June 2009

Reference	Title	Summery	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	The Group has not yet determined the impact, if any, on the Group's financial statements.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Group has not yet determined the impact, if any, on the Group's financial statements.	1 July 2010
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	The Group has not yet determined the impact, if any, on the Group's financial statements.	1 July 2009
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: • the scope of AASB 2; and • the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	The Group has not yet determined the impact, if any, on the Group's financial statements.	1 July 2010

Notes to the Financial Statements

For the year ended 30 June 2009

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Prairie Downs Metals Limited and its controlled subsidiary as at 30 June each year ("the Group").

Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

The subsidiary is fully consolidated from the date on which control is obtained by the Group and will cease to be consolidated from the date of which control is transferred out of the Group.

(d) Segment reporting

Geographical segments

The Group operates predominantly in one geographic segment, Australia.

Industry Segments

The Group operates predominantly in the mining and exploration industry.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Investments and other financial assets

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 financial assets. 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.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to the Financial Statements

For the year ended 30 June 2009

(h) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either;

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the income statement.

(i) Plant and equipment

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 part 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 profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of 5 to 15 years.

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

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(j) Impairment of non financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised if respect of the employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements

For the year ended 30 June 2009

(l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Share-based payment transactions

The Group provides benefits to its employees (including Key Management Personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Group has adopted an Employee Share and Option Plan to provide these benefits to Directors, Executives, employees and consultants.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either a binomial or black and scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the market price of the shares of Prairie.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employees turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer award vested than were originally expected to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangements, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date on cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share.

(o) Contributed Equity

Ordinary shares are classified as equity. 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.

(p) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and then revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through life of the financial asset to the net carrying amount of the financial asset.

Notes to the Financial Statements

For the year ended 30 June 2009

(q) Income tax and other taxes

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

Unrecongnised deferred income tax assets are reassessed at each balance sheet 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Loss per share

Basic loss per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Office services income

Income for the provision of personnel, office accommodation and equipment services is recognised in income on a straight line basis over the term of the agreement. Contingent income is recognised in the periods in which it is earned.

Notes to the Financial Statements

For the year ended 30 June 2009

3 Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash assets held primarily in short term cash deposits. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow interest rate risk. Refer to note 26 for sensitivity analysis of interest rate risk.

Commodity price risk

The Group's exposure to the risk is minimal.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all 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.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions.

With respect to credit risk arising from the financial assets of the Group, which comprise 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.

This risk is mitigated by spreading deposits across two institutions with AAA credit ratings.

Liquidity and capital management

The Group manages liquidity risk by ensuring that there is sufficient cash to meet commitments as and when they fall due. The Board monitors rolling cashflow forecasts to manage liquidity risk. Refer note 26.

When managing capital, management's objective is to ensure the entity continues as going concern, "capital" means the Shareholders' equity in the Group.

The Group is not subject to any externally imposed capital requirements.

4 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(a) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Notes to the Financial Statements

For the year ended 30 June 2009

(b) Impairment of plant and equipment

Plant and equipment is reviewed if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

(c) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black Scholes model, with the assumption detailed in note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(d) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experiences as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

There are no significant judgements associated in preparation of these financial statements.

5 Segment information

The Group operates in the mining and exploration industry segment, with all operations located in Australia.

6 Revenue and other income

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$	$	$	$
(a) Finance Revenue					
Bank interest		**315,335**	304,404	**315,335**	304,404
Tax consolidation distribution (Note 21)		**-**	-	**654,962**	558,376
		315,335	304,404	**970,297**	862,780
(b) Other income					
R&D tax concession income		**628,829**	-	**-**	-
Office services income from related parties		**84,314**	780,000	**84,314**	780,000
Other income		**17,534**	-	**17,534**	-
		730,677	780,000	**101,848**	780,000

Notes to the Financial Statements

For the year ended 30 June 2009

7 Expenses

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		$	$	$	$
(a) Consultants expenses					
Consulting - Related parties		**46,962**	336,000	**46,962**	336,000
Consulting - Others		**24,866**	12,510	**24,866**	12,510
		71,828	348,510	**71,828**	348,510
(b) Depreciation expense					
Depreciation		**198,181**	94,438	**198,181**	94,438
		198,181	94,438	**198,181**	94,438
(c) Lease payments					
Operating lease		**135,812**	117,429	**135,812**	117,429
		135,812	117,429	**135,812**	117,429
(d) Employment expenses					
Wages and salaries		**919,222**	849,132	**919,222**	849,132
Consulting fees		**62,025**	-	**62,025**	-
Annual leave provision		**3,273**	23,163	**3,273**	23,163
Other employment costs		**119,448**	149,819	**119,448**	149,819
Share based payments		**404,470**	211,137	**404,470**	211,137
Staff amenities		**6,736**	22,715	**6,736**	22,715
Superannuation		**85,292**	70,230	**85,292**	70,230
Fees and salaries		**131,380**	132,000	**131,380**	132,000
		1,731,846	1,461,976	**1,731,846**	1,461,976

8 Income tax

		CONSOLIDATED		PARENT	
					Restated
		2009	2008	2009	2008
		$	$	$	$
The major components of income tax expense are:					
Income Statement					
Current income tax charge		**-**	-	**-**	-
Deferred income tax charge		**-**	-	**-**	-
Income tax expense reported in the income statement		**-**	-	**-**	-
Statement of Changes in Equity					
Deferred tax on share issue costs		**-**	(81,900)	**-**	(81,900)
Deferred tax asset not recognised		**-**	81,900	**-**	81,900
Income tax expense reported in equity		**-**	-	**-**	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the applicable income tax rate as follows:					
Loss before tax from continued operations		**(1,540,292)**	(2,111,715)	**(1,864,958)**	(1,228,557)
At the statutory income tax rates of 30%		**(462,088)**	(633,514)	**(559,487)**	(368,567)
Share based payments		**121,341**	63,341	**121,341**	63,341
Other non-deductible expenses		**3,156**	2,294	**3,156**	2,294
R&D refund not assessable		**(188,649)**	-	**-**	-
Research & Development tax concession		**163,400**	286,548	**163,400**	286,548
Tax losses and timing differences not brought to account		**362,840**	281,331	**271,590**	16,384
		-	-	**-**	-

Notes to the Financial Statements

For the year ended 30 June 2009

	2009	2008
	$	$
Deferred Income Tax		
Deferred income tax at 30 June relates to the following:		
CONSOLIDATED		
Deferred tax liabilities		
Receivables	**(8,896)**	(11,976)
Exploration tenements	**(2,898,338)**	(2,243,376)
Prepayments	**(3,417)**	(2,291)
	(2,910,651)	(2,257,643)
Deferred tax assets		
Accrued audit fees	**6,000**	6,000
Accrued Directors' fees	**3,630**	-
Capital raising related costs	**93,998**	144,601
Plant and equipment	**4,501**	3,377
Provision for annual leave	**11,993**	11,011
Other	**1,728**	1,943
Revenue tax losses	**4,563,531**	3,479,235
Revenue tax assets not recognised	**(1,774,730)**	(1,388,524)
	2,910,651	2,257,643
Net deferred tax asset / liability	**-**	-
PARENT		Restated
Deferred Income tax at 30 June relates to the following		
Deferred tax liabilities		
Receivables	**(8,896)**	(11,976)
Prepayments	**(3,417)**	(2,291)
	(12,313)	(14,267)
Deferred tax assets		
Accrued audit fees	**6,000**	6,000
Accrued Directors fees	**3,630**	-
Capital raising related costs	**93,998**	144,601
Plant and equipment	**4,501**	3,377
Provision for annual leave	**11,993**	11,011
Other	**1,728**	1,943
Revenue tax losses	**4,563,531**	3,479,235
Deferred tax assets not recognised	**(1,774,730)**	(1,388,524)
	2,910,651	2,257,643
Net deferred tax asset / (liability)	**2,898,338**	2,243,376

No deferred tax balances were recognised in the parent entity in the prior year. This error had the effect of the parent entity not recognising the distribution of losses from its subsidiary, Mineral Investments Pty Limited, understating the parent entity deferred tax asset by $2,243,376 and understating the parent entity's equity (distribution from subsidiary) by $558,376. Following the impairment of the parent Company receivable from the subsidiary by $558,376, the impact on the parent entity's equity in the prior year was nil as a result of this error.

The error has been corrected by restating each of the affected parent entity financial statement line items for the prior year, as described above. Refer to note 21 for more details.

The Company has tax losses that are available indefinitely for offset against future taxable profits of the Company. The recoupment of available tax losses as at the 30 June 2009 is contingent upon the following:

(i) the Company deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
(ii) the conditions for deductibility imposed by tax legislation continuing to be complied with; and
(iii) there being no changes in tax legislation which would adversely affect the Company from realising the benefit from the losses.

Notes to the Financial Statements

For the year ended 30 June 2009

Tax Consolidation

Prairie and its 100% owned Australian resident subsidiary have formed a tax consolidated Group, as a result all losses are assumed by the parent Company.

	PARENT	
	2009	2008
	$	$
Increase in deferred tax assets of Prairie Down Metals Limited	**654,962**	1,207,157
Reduction in investment in subsidiary accounts of Prairie Down Metals Limited	**-**	648,781
Tax consolidation distribution received by Prairie Down Metals Limited from its subsidiary	**648,781**	558,376

9 Dividends paid and proposed

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

10 Loss per share

(a) Loss used in calculating loss per share

	CONSOLIDATED	
	2009	2008
	$	$
Net loss attributable to members of Prairie Downs Metals Limited	**(1,540,292)**	(2,111,715)

(b) Weighted average number of shares

	2009 Number of shares	2008 Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share.	**72,890,598**	53,395,467

(c) Information on the classification of securities

(i) Options

Options granted to Key Management Personnel as described in note 24, and others, are considered to be potential ordinary shares and have been included in the determination of diluted loss per share to the extent they are dilutive. These options have not been included in the determination of basic loss per share.

Options issued to shareholders pursuant to offers made under disclosure documents in prior financial years are considered to be potential ordinary shares and have been included in the determination of diluted loss per share to the extent they are dilutive. These options have not been included in the determination of basic loss per share.

All share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

The total number of potential ordinary shares that are anti-dilutive is 4,700,000 (2008: 5,500,000). An additional 5,050,000 options were issued after balance date.

(ii) Shares issued since Balance Date

No shares have been issued since balance date.

11 Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank and in hand	**157,981**	306,825	**157,881**	306,725
Term deposit	**3,799,472**	36,345	**3,789,472**	36,345
Commercial bills	**-**	7,701,806	**-**	7,701,806
	3,957,453	8,044,976	**3,947,353**	8,044,876

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is $3,957,453 (2008: $8,044,976).

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Consolidated Group, and earn interest at the respective short-term deposit rates.

Commercial bills are made for varying periods of between thirty days and ninety days, depending on the immediate cash requirements of the Consolidated Group, and earn interest at the respective short-term deposit rates.

Notes to the Financial Statements

For the year ended 30 June 2009

12 Trade and other receivables

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
CURRENT				
Trade receivables (i)	**356,437**	171,522	**356,437**	171,522
Related party receivables (ii)	**39,044**	216,000	**39,044**	216,000
	395,481	387,522	**395,481**	387,522

(i) Trade receivables are non-interest bearing and are generally on 30-90 days terms. The carrying amounts of trade and other receivables approximates fair value due to their short term nature.
(ii) For terms and conditions relating to related party receivables refer to note 23.
(iii) There were no past due or impaired receivables at the year end.

13 Trade and other receivables

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
NON-CURRENT				
Related party receivables (i)				
Controlled entity				
Balance as at 1 July	-	-	**7,227,156**	3,437,432
Exploration and evaluation expenditure incurred on behalf of subsidiary	-	-	**2,184,345**	4,348,100
Impairment of related party receivable	-	-	**(356,367)**	(558,376)
Research and development tax concession received	-	-	**(628,829)**	-
Cash transferred to subsidiary	-	-	**10,000**	-
Other	-	-	**4,428**	-
Balance as at 30 June	-	-	**8,440,733**	7,227,156

(i) For terms and conditions relating to related party receivables refer to note 23.

14 Investment in subsidiaries

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Balance as at 1 July	-	-	-	1,685,000
Transfer of tax losses to parent	-	-	-	(1,685,000)
Balance as at 30 June	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

15 Plant and equipment

	CONSOLIDATED	PARENT
	$	$
Year ended 30 June 2009		
At 1 July 2008, net of accumulated depreciation	580,139	580,139
Additions	406,759	406,759
Disposals	-	-
Depreciation charge for the year	(198,181)	(198,181)
As at 30 June 2009, net of accumulated depreciation	**788,717**	**788,717**
At 30 June 2009		
Cost	1,156,842	1,156,842
Accumulated depreciation	(368,125)	(368,125)
Net carrying amount	**788,717**	**788,717**
Year ended 30 June 2008		
At 1 July 2007, net of accumulated depreciation	307,695	307,695
Additions	366,882	366,882
Disposals	-	-
Depreciation charge for the year	(94,438)	(94,438)
As at 30 June 2008, net of accumulated depreciation	**580,139**	**580,139**
At 30 June 2008		
Cost	750,083	750,083
Accumulated depreciation	(169,944)	(169,944)
Net carrying amount	**580,139**	**580,139**

The useful life of plant and equipment for the year ended 30 June 2009 was estimated to be 5 to 15 years.

16 Exploration and evaluation

	CONSOLIDATED	PARENT
	$	$
Year ended 30 June 2009		
At 1 July 2008	**9,145,766**	-
Expenditure incurred	**2,184,345**	-
Impairment of deferred exploration expenditure	**(1,194)**	-
Others	**54**	-
As at 30 June 2009	**11,328,971**	-
Year ended 30 June 2008		
At 1 July 2007	**5,121,908**	-
Expenditure incurred	**4,348,100**	-
Impairment of deferred exploration expenditure	**(324,242)**	-
As at 30 June 2008	**9,145,766**	-

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

In the prior year, exploration expenditure has been expensed as no further exploration is planned for Coppermine Bore, Longreach Well or Perenjori. This is a result of several factor including insufficient encouragement from work completed to date, far superior potential at Prairie Downs, difficulty in sourcing drill rigs and personnel and changes to the Mining Act that prevent continuity of tenure without Joint Ore Reserves Committee (JORC) resources.

Notes to the Financial Statements

For the year ended 30 June 2009

17 Trade and other payables

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Trade payables	**49,040**	656,916	**49,040**	656,916
Other payables	**97,892**	52,379	**97,892**	52,379
	146,932	709,295	**146,932**	709,295

Trade payables are non-interest bearing and are normally settled on 30- 90 day terms. Other payables are non-interest bearing and have an average term of 3 months.

18 Provisions

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Annual leave	**39,976**	36,702	**39,976**	36,702
	39,976	36,702	**39,976**	36,702

Refer to note 2(k) for the relevant accounting policy.

19 Contributed equity

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Ordinary shares	**21,397,470**	21,397,470	**21,397,470**	21,397,470
	21,397,470	21,397,470	**21,397,470**	21,397,470
	Number	**Number**	**Number**	**Number**
(a) Ordinary shares				
Issued and fully paid	**72,890,598**	72,890,598	**72,890,598**	72,890,598

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Notes to the Financial Statements

For the year ended 30 June 2009

Movement in ordinary shares on issue	Number	$
At 1 July 2007	45,827,496	10,904,625
Issued on 11 July 2007 for cash on exercise of options	286,349	71,587
Issued on 3 September 2007 for cash	6,000,000	5,460,000
Issued on 10 October 2007 for cash on exercise of options	9,090	2,273
Issued on 2 November 2007 for cash on exercise of options	53,556	13,389
Issued on 23 November 2007 for cash on exercise of options	89,516	22,379
Issued on 29 November 2007 for cash on exercise of options	86,679	21,670
Issued on 24 January 2008 for cash on exercise of options	112,659	28,165
Issued on 10 March 2008 for cash on exercise of options	20,500	5,125
Issued on 18 April 2008 for cash on exercise of options	180,000	45,069
Issued on 22 April 2008 for cash on exercise of options	108,948	27,237
Issued on 28 April 2008 for cash on exercise of options	47,000	11,750
Issued on 9 May 2008 for cash on exercise of options	690,000	172,500
Issued on 13 May 2008 for cash on exercise of options	1,076,000	269,000
Issued on 14 May 2008 for cash on exercise of options	30,000	7,500
Issued on 16 May 2008 for cash on exercise of options	430,000	107,500
Issued on 23 May 2008 for cash on exercise of options	918,000	269,500
Issued on 28 May 2008 for cash on exercise of options	5,320,315	1,330,079
Issued on 10 June 2008 for cash on exercise of options	11,604,490	2,901,122
Transaction costs on share issue (i)	-	(273,000)
At 1 July 2008	72,890,598	21,397,470
No issues during the year	-	-
Transaction costs on share issue	-	-
At 30 June 2009	72,890,598	21,397,470

(i) The transaction costs represent the costs of issuing the shares pursuant to share placements during the prior financial year.

20 Accumulated losses and reserves

(a) Movement in retained earnings were as follows:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Balance 1 July	**(5,108,682)**	(2,996,967)	**(4,784,016)**	(2,996,543)
Net loss	**(1,540,292)**	(2,111,715)	**(1,864,958)**	(1,787,473)
Balance 30 June	**(6,648,974)**	(5,108,682)	**(6,648,974)**	(4,784,016)

(b) Other reserves

	CONSOLIDATED		PARENT	
	Option Issue Reserve	Total	Option Issue Reserve	Total
	$	$	$	$
At 1 July 2007	931,000	931,000	931,000	931,000
Share based payment	211,137	211,137	211,137	211,137
At 30 June 2008	1,142,137	1,142,137	1,142,137	1,142,137
Share based payment	404,470	404,470	404,470	404,470
At 30 June 2009	**1,546,607**	**1,546,607**	**1,546,607**	**1,546,607**

(c) Nature and purpose of reserves

Option Issue Reserve

The option issue reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration.

Notes to the Financial Statements

For the year ended 30 June 2009

21 Correction of error

(a) Prior period error

No deferred tax balances were recognised in the parent entity in the prior year. This error had the effect of not recognising the distribution of losses from its subsidiary Mineral Investments Pty Limited, understating the parent entity deferred tax asset by $2,243,376 and understating the parent entity's equity (distribution from subsidiary) by $558,376. Following the impairment of the parent Company receivable from its subsidiary by $558,376, the impact on the parent entity's equity in the prior year was nil as a result of the error. The loss per share remains as reported in 2008.

The error has been corrected by restating each of the affected parent entity financial statement line items for the prior year, as described above. The impact of the restatement is as follows:

	Parent previously reported balance	Parent impact	Parent restated balance
	$	$	$
Parent balance sheet as at 30 June 2008			
Deferred tax asset	-	2,243,376	2,243,376
Investment in subsidiary	1,685,000	(1,685,000)	-
Receivables from subsidiary	7,785,532	(558,376)	7,227,156
Parent income statement for the year ended 30 June 2008			
Revenue (tax consolidation distribution)	-	558,376	558,376
Impairment of receivables from subsidiary	-	(558,376)	(558,376)

22 Cash flow reconciliation

(a) Reconciliation of net loss after tax to net cash flows from operations

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Net loss	**(1,540,292)**	(2,111,715)	**(1,864,958)**	(1,787,473)
Adjustments for:				
Depreciation	**198,181**	94,438	**198,181**	94,438
Share based payments	**404,470**	211,137	**404,470**	211,137
Interest classified as investing cash flow	**(315,335)**	(289,364)	**(315,335)**	(289,364)
Exploration expenditure written off	**1,194**	324,242	**-**	-
Impairment of receivable	**-**	-	**356,367**	-
Others	**(54)**	-	**(26,133)**	-
Changes in assets and liabilities				
Decrease /(increase) in receivables	**(7,959)**	(164,260)	**(7,959)**	(164,260)
(Increase)/decrease in prepayments	**7,130**	(3,777)	**7,130**	(3,777)
(Decrease)/Increase in trade and other payables	**(562,363)**	415,021	**(562,363)**	415,021
Increase/(decrease) in provisions	**3,274**	23,163	**3,274**	23,163
Increase/(decrease) in other current liabilities	**-**	(3,325)	**-**	(3,325)
Net cash used in operating activities	**(1,811,754)**	(1,504,440)	**(1,807,326)**	(1,504,440)

(b) Non-cash financing and investing activities

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Share based payments	**404,470**	211,137	**404,470**	211,137

Notes to the Financial Statements

For the year ended 30 June 2009

23 Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of Prairie Downs Metals Limited and its subsidiary listed in the following table.

Name	Country of Incorporation	Equity %		Investment ($)	
					Restated
		2009	2008	2009	2008
Mineral Investments Pty Ltd	Australia	**100**	100	**-**	-

In the prior year the investment in the subsidiary was reduced to nil following a correction of the prior year error. Refer note 21.

(b) Ultimate parent

Prairie Downs Metals Limited is the ultimate Australian parent entity.

(c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in note 24.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Related party	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	$	$	$	$
Consolidated				
Subsidiary:				
Mineral Investments Pty Ltd	-	-	-	-
Western Uranium Limited	-	-	-	-
Colonial Resources Limited	-	-	-	-
Parent				
Subsidiary:				
Mineral Investments Pty Ltd	-	-	8,440,733	-
Western Uranium Limited	38,880	-	23,515	-
Colonial Resources Limited	45,435	-	15,529	-

During the financial year, fees of $38,880 (2008: $390,000) was charged under normal terms and conditions to Western Uranium Limited, of which Messrs J D Shervington, A C Pismiris and S J Hall are Directors, for the provision of personnel, office accommodation and equipment services at normal commercial rates. $23,515 (2008: $143,000) was outstanding at balance date.

During the financial year, fees of $45,435 (2008: $390,000) was charged under normal terms and conditions to Colonial Resources Limited, of which Messrs J D Shervington, A C Pismiris and S J Hall are Directors, for the provision of personnel, office accommodation and equipment services at normal commercial rates. $15,529 (2008: $71,500) was outstanding at balance date.

(e) Loans to related parties

At Balance Date the Company had advanced $9,355,476 (2008: $7,785,532) to its wholly owned subsidiary, Mineral Investments Pty Ltd to fund the on-going exploration and evaluation of Prairie's projects. The loan is non-interest bearing and has no specific repayment date nor is it subject to any contract. The balance is eliminated on Group consolidation.

Notes to the Financial Statements

For the year ended 30 June 2009

24 Key management personnel

(a) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	**689,052**	1,109,134	**689,052**	1,109,134
Post-employment benefits	**93,289**	52,893	**93,289**	52,893
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share-based payments	**258,127**	194,698	**258,127**	194,698
	1,040,468	1,356,725	**1,040,468**	1,356,725

(b) Option holdings of Key Management Personnel (Consolidated)

Subsequent to year end, there were 5,000,000 $0.10 options expiring 29 July 2014 issued to Executives under the Company's Employee Share and Option Plan as equity compensation benefits under the long-term incentive plan to Key Management Personnel.

The commencement of the service rendering period for the vesting terms of these options is 4 February 2009. The options are expensed pro rata during the vesting period as follows:

- 25% of the options will vest on the date of issue – 4 February 2009;
- 25% of the options will vest 6 months thereafter – 29 January 2010;
- 25% of the options will vest 12 months thereafter – 29 July 2010;
- 25% of the will vest 18 months thereafter – 29 January 2011;

Subject to certain conditions, non-vested options will automatically expire on termination of employment and vested options will lapse 6 months after termination of employment.

						As at 30 June 2009		
30 June 2009	Balance at beginning of period 01 Jul 08	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 Jun 09	Total	Vested and Exercisable	Not Exercisable
Directors								
J D Shervington	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
J P Welborn	-	4,000,000*	-	-	4,000,000	4,000,000	1,000,000	3,000,000
A C Pismiris	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
S J Hall (appointed 21 Nov 2008)	-	-	-	-	-	-	-	-
A G Coulthard (appointed 8 Oct 2008; resigned 21 Nov 2008)	-	-	-	-	-	-	-	-
M C Hansen (resigned 2 Oct 2008)	1,500,000	-	-	(1,500,000)	-	-	-	-
Executives								
D M Bromley	350,000	500,000*	-	-	850,000	850,000	475,000	375,000
L C Kerr	250,000	500,000*	-	-	750,000	750,000	375,000	375,000
D Gardiner (resigned 8 Oct 2008)	100,000	-	-	(100,000)	-	-	-	-
Total	4,700,000	5,000,000	-	(1,600,000)	8,100,000	8,100,000	4,350,000	3,750,000

Notes to the Financial Statements

For the year ended 30 June 2009

						As at 30 June 2008		
30 June 2008	Balance at beginning of period 01 Jul 07	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 Jun 08	Total	Vested and Exercisable	Not Exercisable
Directors								
J D Shervington	1,705,524	-	(205,524)	-	1,500,000	1,500,000	1,500,000	-
M C Hansen (resigned 2 October 2008)	3,280,000	-	(1,780,000)	-	1,500,000	1,500,000	1,500,000	-
A C Pismiris	1,103,527	-	(103,527)	-	1,000,000	1,000,000	1,000,000	-
Executives								
M Zucchi (resigned 28 Nov 2007)	100,000	-	-	(100,000)	-	-	-	-
L C Kerr	250,000	-	-	-	250,000	250,000	250,000	-
C Panetta (resigned 5 May 2008)	100,000		(100,000)	-	-	-	-	-
GI Karelse (resigned 28 Apr 2008)	-	550,000	-	(550,000)	-	-	-	-
D Gardiner (resigned 8 Oct 2008)	-	100,000	-	-	100,000	100,000	-	100,000
D M Bromley		350,000	-	-	350,000	350,000	-	350,000
Total	6,539,051	1,000,000	(2,189,051)	(650,000)	4,700,000	4,700,000	4,250,000	450,000

includes forfeitures | * issued on 29 July 2009

(c) Shareholdings of Key Management Personnel (Consolidated)

30 June 2009	Balance 01 Jul 08	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 Jun 09
Directors					
J D Shervington	920,582	-	-	-	920,582
J P Welborn	-	-	-	350,000	350,000
A C Pismiris	603,305	-	-	-	603,305
S J Hall	-	-	-	-	-
A G Coulthard (resigned 21 Nov 2008)	-	-	-	-	-
M C Hansen (resigned 2 Oct 2008)	8,550,000	-	-	(8,550,000)	-
Executives					
D M Bromley	-	-	-	-	-
L C Kerr	-	-	-	-	-
D Gardiner (resigned 8 Oct 2008)	-	-	-	-	-
Total	10,073,887	-	-	(8,200,000)	1,873,887

30 June 2008	Balance 01 Jul 07	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 Jun 08
Directors					
J D Shervington	715,058	-	205,524	-	920,582
M C Hansen	7,120,000	-	1,780,000	(350,000)	8,550,000
AC Pismiris	499,778	-	103,527	-	603,305
Executives					
M Zucchi (resigned 28 Nov 2007)	-	-	-	-	-
L C Kerr	-	-	-	-	-
C Panetta (resigned 5 May 2008)	-	-	100,000	(100,000)	-
GI Karelse (resigned 28 Apr 2008)	-	-	-	-	-
D Gardiner (resigned 8 Oct 2008)	-	-	-	-	-
D M Bromley	-	-	-	-	-
Total	8,334,836	-	2,189,051	(450,000)	10,073,887

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms no more favourable than those the Group would have adopted if dealing at arm's length.

Notes to the Financial Statements

For the year ended 30 June 2009

(d) Other transaction and balances with Key Management Personnel and their related parties

Purchases

During the financial year fees of $56,156 (2008: $336,000) exclusive of GST were paid under normal terms and conditions to Market Capital Group Pty Ltd, of which Mr M C Hansen was a Director, for the provision of professional services, Directors fees and marketing at normal commercial rates. The fees were included as part of the remuneration to Mr. M C Hansen. At year end, $nil (2008: $46,468) remained outstanding

During the financial year fees of $72,000 (2008: $109,000) exclusive of GST were paid under normal terms and conditions to Azure Capital Pty Ltd of which Mr A C Pismiris is a Director, for the provision of services in his capacity as a Director and Company Secretary at normal commercial rates. At year end, $6,000 (2008: $6,000) remained outstanding.

During the financial year fees of $60,000 (2008: $60,000) exclusive of GST were paid under normal terms and conditions to Drumgaghan Pty Ltd of which Mr J D Shervington is a Director, for the provision of services in his capacity as a Director at normal commercial rates. At year end, $5,000 (2008: $5,000) remained outstanding.

25 Share based payments

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Expense arising from equity-settled share-based payment transactions	**404,470**	211,137	**404,470**	211,137
Total expense arising from share-based payment transactions	**404,470**	211,137	**404,470**	211,137

No shares or options issued in the years 2008 and 2009 were issued pursuant to the Company's Employee Share and Option Plan.

The share-based payment plan is described below. There have been no modifications to the plan during the year.

(c) Summaries of options granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, the share options granted during the year:

	2009	2009	2008	2008
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	**5,300,000**	**0.57**	4,450,000	0.47
Granted during the year (i)	**5,050,000**	**0.10**	1,700,000	0.99
Forfeited during the year	**(600,000)**	**1.00**	(750,000)	0.93
Exercised during the year	**-**	**-**	(100,000)	0.65
Expired during the year	**-**	**-**	-	-
	9,750,000	**0.30**	5,300,000	0.57
Exercisable at the end of the year	**9,750,000**	**0.30**	5,300,000	0.57

(i) Options issued in 2009 were granted during the year and not issued until 29 July 2009 after shareholder approval was gained.

The outstanding balance of options as at 30 June 2009 is represented by:

- 4,000,000 options exercisable on or before 05 December 2011 at an exercise price of $0.45 each;
- 250,000 options exercisable on or before 01 December 2011 at an exercise price of $0.65 each;
- 450,000 options exercisable on or before 31 December 2011 at an exercise price of $1.00 each
- 5,050,000 options exercisable on or before 29 July 2014 at an exercise price of $0.10 each

(d) Weighted average remaining contractual life

The weighted average contractual life for the share options outstanding as at 30 June 2009 is 4.46 years (2008: 3.45 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.10 to $1.00 (2008: $0.45 to $1.00).

(f) Weighted average fair value

The weighted average fair value for options granted and issued during the year was $0.071 (2008: $0.303).

Notes to the Financial Statements

For the year ended 30 June 2009

(g) Option pricing model

The fair value of the equity-settled share options granted is estimated as at the grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the models for options granted for the year ended 30 June 2009:

	Granted 30/06/09	Granted 27/03/09	Granted 30/06/08	Granted 08/10/07
Share price	$0.135	$0.085	$0.68	$1.05
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	106.0%	106.0%	85.0%	57.5%
Risk-free interest rate	3.25%	3.25%	7.25%	6.49%
Expected life	3.75 years	2.75 years	1.75 years	2.0 years
Estimated fair value of each option at grant date	7.9 cents	4.2 cents	20.9 cents	44.1 cents

26 Fair value, interest rate risk and maturity analysis

(a) Fair values

All financial assets and financial liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

(b) Interest rate risk

The Company's and Group's exposure to interest rate risk is set out below:

	2009 Floating Interest Rate	2008 Floating Interest Rate
	$	$
Financial Assets		
Cash assets	3,957,453	8,044,976

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The other financial instruments of the Company and Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The interest rate risk exposure is given below for the Group. The exposure for the parent would be materially the same. The sensitivity for 2009 is lower than for 2008 because of the lower cash balance.

The table below details the interest rate sensitivity analyses of the Group at the reporting date, holding all other variables constant. A 50 basis point favourable (+) and unfavourable (-) change is deemed to be a possible change and is used when reporting interest rate risk.

		Post tax effect on:		Post tax effect on:	
Risk Variable	Sensitivity*	Profit 2009	Equity 2009	Profit 2008	Equity 2008
Interest Rate	+0.50%	19,787	19,787	40,224	40,224
	-0.50%	(19,787)	(19,787)	(40,224)	(40,224)

* The method used to arrive at the possible change of 50 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. It is considered that 50 basis points a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

(c) Maturity analysis of financial liabilities

The trade and other payables of $146,932 (2007: $709,295) is contractually due in 30 days.

27 Commitments and contingencies

(a) Commitments

(i) Leasing commitments

Operating lease commitments – Group as lessee

During the 2007 financial year the Group entered into a commercial lease on its office premises. The lease has a term of 3 years with a renewal option included. The lease expires on 30 November 2009.

Notes to the Financial Statements

For the year ended 30 June 2009

During the 2007 financial year the Group entered into a commercial lease on its warehouse premises. The lease has a term of 3 years with a renewal option included. The lease expires on 5 October 2009.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2009 are as follows:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Within one year	**41,817**	83,850	**41,817**	83,850
After one year but not more than five years	**-**	128,787	**-**	128,787
More than five years	**-**	-	**-**	-
Total minimum lease payments	**41,817**	212,637	**41,817**	212,637

(ii) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Within one year	**468,469**	74,353	**468,469**	74,353
After one year but not more than five years	**-**	-	**-**	-
More than five years	**-**	-	**-**	-
Total	**468,469**	74,353	**468,469**	74,353

Estimated fees and salaries payable to Directors and staff for the following 12 month period at 30 June 2009 is $862,600 (2008: $ 948,656).

(iii) Other expenditure commitments – Mineral leases

The Group has minimum expenditure commitments relating to the Company's portfolio of prospective base metal projects. Expenditure commitments at the Balance Date but not recognised as liabilities are as follows:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Within one year	**263,749**	237,000	**-**	-
After one year but not more than five years	**981,237**	1,185,000	**-**	-
More than five years	**-**	-	**-**	-
Total	**1,244,986**	1,422,000	**-**	-

(b) Contingencies

The Group has no contingent assets and liabilities.

28 Events after the balance sheet date

On 29 July 2009, Prairie issued 5,050,000 $0.10 options expiring 29 July 2014 in the Company to eligible employees. 4,000,000 of these options were granted and approved by shareholders on 30 June 2009. The remaining 1,050,000 options were approved by the Board on 27 March 2009.

On 7 September 2009, drilling commenced at Prairie Downs to evaluate remotely defined Channel Iron Ore Deposit (CID) targets. The Company is evaluating potential CIDs that may be contiguous between the Company's tenement and neighbouring tenements of BHP Billiton Ltd, Dynasty Metals Ltd, and Fortescue Metals Group Ltd. The current program consists of an initial 17 holes to average depth of 20 – 24 metres for a total of approximately 400 metres. Assay results for the holes drilled will be released on receipt.

On 23 September 2009, the Company advised the Government of Western Australia Department of Mines and Petroleum that it wished to surrender tenement number E 08/1436 (Coppermine Bore), no value is attributed to this tenement.

No other matter or circumstance has arisen since 30 June 2009, other than these disclosed above, which has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

Notes to the Financial Statements

For the year ended 30 June 2009

29 Auditor's remuneration

The auditor of Prairie Downs Metals Limited is Ernst & Young.

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
Audit or review of the financial report of the entity and any other entity in the consolidated Group	**43,925**	48,837	**43,925**	48,837
Other services in relation to the entity and any other entity in the Group				
• R&D tax concession services	**19,995**	64,753	**19,995**	64,753
• Tax compliance	**-**	19,228	**-**	19,228
• Proxy validation	**3,767**	-	**3,767**	-
	67,687	132,818	**67,687**	132,818

Directors' Declaration

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

1. **In the opinion of the Directors:**
   (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the financial position of Prairie Downs Metals Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001; 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. **This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2009.**

This declaration is made in accordance with a resolution of the Directors.

Jeremy Shervington
Director

Perth, Western Australia

30 September 2009

Independent Audit Report

To the Directors of Prairie Downs Metals Limited

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent auditor's report to the members of Prairie Downs Metals Limited

Report on the financial report

We have audited the accompanying financial report of Prairie Downs Metals Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider 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 met 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. [In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.]

Independent Audit Report

To the Directors of Prairie Downs Metals Limited

ERNST & YOUNG

2

Auditor's opinion

In our opinion:

1. the financial report of Prairie Downs Metals Limited is in accordance with the Corporations Act 2001, including:

    i giving a true and fair view of the financial position of Prairie Downs Metals Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 30 June 2009. 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.

Auditor's opinion

In our opinion the Remuneration Report of Prairie Downs Metals Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

J C Palmer
Partner
Perth
30 September 2009

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 17 September 2009.

(a) Distribution of equity securities

(i) Ordinary share capital

- 72,890,598 fully paid ordinary shares held by 2,499 individual shareholders.
- All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Unlisted options on issue

Options issued by the Company which are not listed on the Australian Stock Exchange are as follows:

- 4,000,000 options exercisable on or before 05 December 2011 at an exercise price of $0.45 each;
- 250,000 options exercisable on or before 01 December 2011 at an exercise price of $0.65 each;
- 450,000 options exercisable on or before 01 December 2011 at an exercise price of $1.00 each
- 5,050,000 options exercisable on or before 29 July 2014 at an exercise price of $0.10 each

The number of holders of ordinary shares, by size of holding in each class are:

	No. of holders	Fully paid ordinary shares
1 – 1,000	827	231,339
1,001 – 5,000	477	1,429,757
5,001 – 10,000	362	3,056,963
10,001 – 100,000	703	25,371,812
100,000 and over	130	42,800,727
Total Holders	2,499	72,890,598

There are 1,060 shareholders holding less than a marketable parcel of shares representing 651,788 shares in total.

(b) Substantial shareholders

There are no substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001.

(c) Twenty largest holders of quoted equity securities

	Fully Paid	
Ordinary shareholders	**Number**	**Percentage**
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	3,783,333	5.19%
Roy Kendall	1,550,000	2.13%
UBS Nominees Pty Ltd <Tp00014 15 A/C>	1,460,400	2.00%
HSBC Custody Nominees (Australia) Limited	1,200,000	1.65%
Pan Australian Nominees Pty Limited	1,100,133	1.51%
Ross Langdon Divett + Linda Alison Divett	1,000,000	1.37%
Golden Crest Pty Ltd <The Styles Super Fund A/C>	950,000	1.30%
Hyflash Holdings Pty Ltd <The Clinton Investment A/C>	932,467	1.28%
Mr James Howard Nigel Smalley	900,000	1.23%
Panga Pty Ltd	832,077	1.14%
Dr Salim Cassim	694,443	0.95%
Mr Gordon Roger Barratt + Mrs Marylee Barratt <Barratt Family Account>	674,934	0.93%
ACP Investments Pty Ltd <ACP Investment Account>	603,305	0.83%
Frass Pty Ltd <The Steve Baudinette A/C>	597,000	0.82%
Frass Pty Ltd <Baudinette Family A/C>	500,000	0.69%
Mr William Gordon Martin + Mrs Beverley Michelle Martin <Chemco Super Fund A/C>	500,000	0.69%
Mr Mark Christian Hansen	487,000	0.67%
Fieldridge Pty Limited	459,022	0.63%
Colliss Superannuation Pty Ltd <Colliss S/F A/C>	450,000	0.62%
Alistair Stuart McGregor + Alison Judith McGregor + Stephen Paul Lace	445,000	0.61%
	19,119,114	26,24%
Shares on Issue at 17 September 2009	**72,890,598**	

Prairie Downs
Metals Limited

Level 19, St Martins Tower
44 St Georges Terrace
Perth, WA 6000

GPO Box 2519, Perth WA 6001

e: info@prairiedownsmetals.com.au
w: www.prairiedownsmetals.com.au
t: +61 8 9225 5755
f: +61 8 9225 4599

ABN 23 008 677 852