



Prairie Downs Metals  
Limited

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ASX RELEASE

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## Quarterly Report for the Period Ended 31 December 2008

### PRAIRIE DOWNS BASE METALS PROJECT

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The Prairie Downs Base Metal Project is located approximately 100 kilometres southwest of Newman in the Eastern Pilbara region of Western Australia. Currently the project hosts a total inferred and indicated resource of 4.7 million tonnes at a grade of 6.3% zinc, 18g/t silver and 1.8% lead at a nominal lower cut off grade of 1% zinc. This resource contains 295,000 tonnes of zinc, 2.6 million ounces of silver and 83,000 tonnes of lead. Included is a High Grade Indicated and Inferred Resource of 1.6 million tonnes at a grade of 12.3% zinc, 36g/t silver and 3.7% lead. In addition, Prairie Downs Metals Ltd has successfully targeted mineralization along strike including "Costean Seven" and "Kerrs Find" prospects for zinc, lead, silver, copper and gold.

### EXPLORATION DRILLING

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Exploration Aircore drilling completed at the Prairie Downs Project covering 3.7km of strike, 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. These may not reflect true thicknesses due to drill hole orientation but this will be confirmed with later research

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

Drilling was designed to target anomalous surface vanadium, copper, lead and silver. A total of 21 holes were drilled for a total of 1292 meters and variably spaced to assess anomalous vanadium surface mineralisation. The plan shown as Figure 1 depicts the distribution of results. Anomalous vanadium assays have been returned however the results are not considered commercially significant results are tabulated in Table 1 below.

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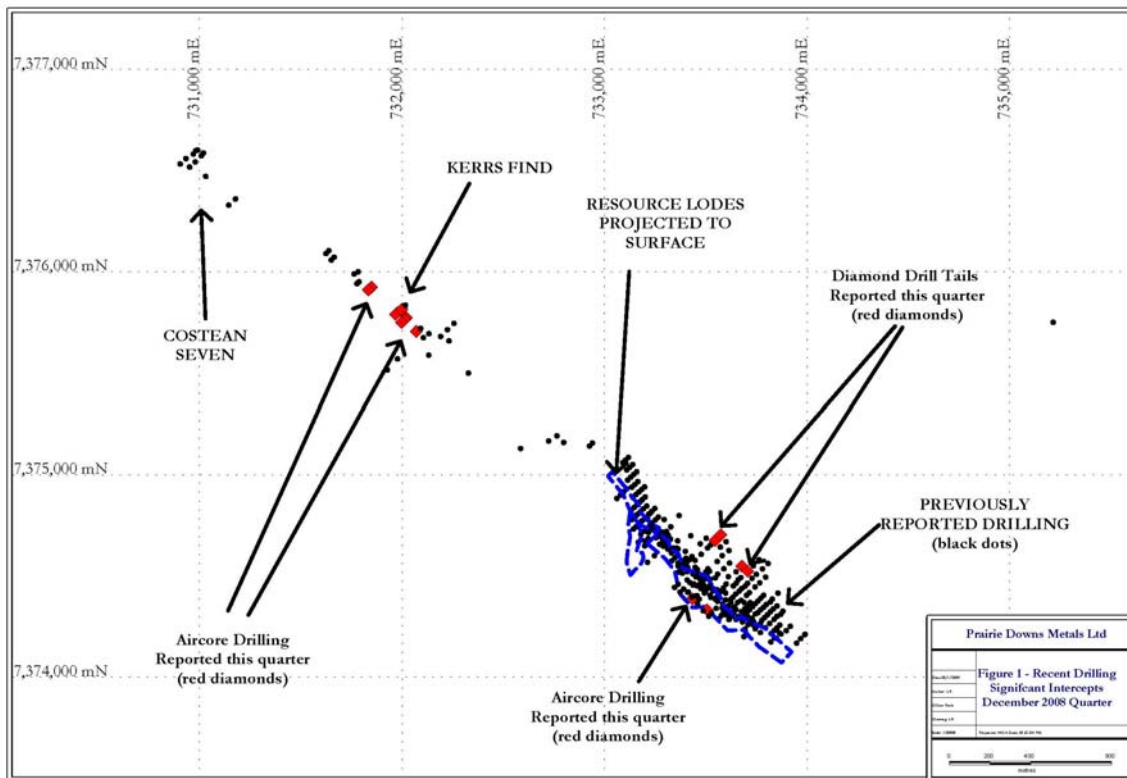
**Table 1**

Hole ID	East MGA (94/50)	North MGA (94/50)	Dip	Azimuth	From (m)	To (m)	Int. (m)	Zinc (%)	Lead (%)	Silver (g/t)	Zinc Eq (%)	Metal Cont. (Zn Eq%.m)
<b>Aircore Drilling - Exploration</b>												
<b>PDP324</b>	<b>733472</b>	<b>7374659</b>	<b>-60</b>	<b>222</b>	<b>197</b>	<b>205</b>	<b>8</b>	<b>2.4</b>	<b>1.2</b>	<b>7.6</b>	<b>3.6</b>	<b>28.7</b>
					229	230	1	2.3	0.0	0.0	2.4	2.4
PDP340	731850	7375924	-60	42	24	28	4	0.3	1.0	2.8	1.3	5.4
PDP341	731834	7375910	-60	42	24	30	6	0.8	0.0	2.5	0.8	5.0
PDP342	731993	7375807	-60	42	19	24	5	0.8	0.2	3.1	1.0	4.8
PDP343	731976	7375797	-60	42	47	50	4	1.1	0.0	1.7	1.1	4.5
					51	54	3	0.2	1.6	2.6	1.7	5.2
PDP344	731968	7375789	-60	42	66	74	8	0.9	1.0	3.4	1.9	14.9
PDP345	732000	7375814	-60	222	15	19	4	0.7	1.6	4.5	2.3	9.2
PDP349	731998	7375749	-60	46	66	70	4	1.5	0.0	1.5	1.5	6.1
PDP351	732071	7375705	-60	44	36	44	8	1.5	0.0	0.1	1.5	12.2
PDP351	Inc. 3x1 meter assays at > 30 % Zn, taken as 30 % Zn in the grade calculation				<b>59</b>	<b>68</b>	<b>10</b>	<b>15.8</b>	<b>1.2</b>	<b>13.8</b>	<b>17.0</b>	<b>169.8</b>
PDP365	733433	7374387	-60	43	<b>41</b>	<b>71</b>	<b>30</b>	<b>11.0</b>	<b>2.9</b>	<b>13.7</b>	<b>13.8</b>	<b>415.3</b>
Inc. 2x1 assays at > 30 % Zn, taken as 30 % Zn in the grade calculation												
<b>Diamond Tails - Main Lode</b>												
PDD322	733546	7374675	-60	222	263.4	264.7	1.3	1.0	0.6	5.0	1.6	2.0
PDD325	733501	7374687	-60	223.5	222	224	2	2.1	0.0	1.4	2.1	4.3
					<b>242.7</b>	<b>244.4</b>	<b>1.7</b>	<b>8.5</b>	<b>1.7</b>	<b>47.6</b>	<b>10.1</b>	<b>17.2</b>
Inc. 1x1 meter assay at > 30 % Zn, taken as 30 % in the grade calculation												
<b>PDD326</b>	<b>733678</b>	<b>7374548</b>	<b>-60</b>	<b>222</b>	<b>255.5</b>	<b>256.6</b>	<b>1.1</b>	<b>15.1</b>	<b>2.6</b>	<b>15.2</b>	<b>17.7</b>	<b>19.4</b>
<b>PDD327</b>	<b>733706</b>	<b>7374523</b>	<b>-60</b>	<b>219</b>	<b>249.4</b>	<b>251</b>	<b>1.6</b>	<b>7.3</b>	<b>1.8</b>	<b>13.5</b>	<b>9.1</b>	<b>14.5</b>

Notes:

- i. Zinc equivalent % = Zinc % + (Lead %\*(USD Lead price per tonne/ USD Zinc price per tonne))
- ii. Zinc price of USD1,131/t and lead price of USD1,149.0/t as per London Metals Exchange 27th January 2009.
- iii. Results are addenda to this release as Table 1.0

Figure 1



The extent of lead and zinc mineralization in this drill programme highlighted the along strike and down dip potential of the project as illustrated in Figure 1.

Four diamond tails were completed and these have contributed to the overall interpretation. Diamond core results are consistent with the geological model adopted in the resource estimate which indicated medium to high grade intercepts of variable thicknesses. The drilling conducted during this quarter has been designed to maximize the contribution of indicated resources and add to inferred resources however a new resource estimate will not be undertaken at this time.

These results demonstrate the realization and potential of the deposit at modest mining depths and support the Company's resource definition strategy.

#### **FUTURE EXPLORATION INITIATIVES**

The company, recognizing difficult market conditions, has responded by adapting its exploration strategy toward low cost exploration focused on the main structure which hosts the main lode but which extends for a further 17kms west. External consultants, in collaboration with company geologists, have been engaged to expedite the targeting process utilizing comprehensive geophysical, geochemical and other remotely derived information. This will be carried out in conjunction with the appropriate field work.

The target is shallow, high grade lead-zinc mineralization however the Company recognizes that the area has great potential for other commodities' and mineralization models.

## **OTHER PROJECTS**

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Active negotiations are being undertaken with respect to joint venture agreements for the Coppermine Bore, Longreach Well and Perenjori Projects.

## **CORPORATE**

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The Company's cash balance at 31 December 2008 was \$4.886 million. There are no plans to raise further capital at this time.

### *Shareholder Information*

As at 31 December 2008 the Company had 2,348 shareholders and 72,890,598 ordinary fully paid shares on issue with the top 20 shareholders holding 37.96% of the total issued capital.

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*Information in this 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 this report of the statements based on his information in the form and context in which it appears.*