PRAIRIE DOWNS METALS LIMITED

ABN 23 008 677 852

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Contents

Directors' Report

Your directors submit their report of Prairie Downs Metals Limited ("**Prairie**" or "**the Company**") and its controlled entity ("**Consolidated Entity**" or "**Group**") for the half-year ended 31 December 2005 ("**Balance Date**").

DIRECTORS
The names of the directors of the company in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Jeremy David Shervington (Chairman)
Mark Christian Hansen (Managing Director)
Alec Christopher Pismiris (Executive Director & Company Secretary)
Adam Rankine-Wilson (Non-Executive Director) (resigned 5 October 2005)
Geoffrey Ernest Lambert (Non-Executive Director) (resigned 5 October 2005)

REVIEW AND RESULTS OF OPERATIONS
The principal activities of the Company throughout the half year have been the identification and acquisition of a 100% interest in Mineral Investments Pty Ltd being the owner of a portfolio of prospective base metals projects located within Western Australia including the Prairie Downs Zinc Project, raising $3.5 million under a Prospectus, commencement of exploration activities, investing cash assets in interest bearing bank accounts and the general administration of the Company.

The Consolidated Entity's net loss for the half-year was $293,547 (2004: $71,670) representing a significant increase compared to the previous period. There was an improvement in revenue for the half-year to $54,492 (2004: $30,894) achieved primarily from investing the Company's cash assets. The operating costs over the half-year increased to $293,547 (2004: $102,564) which was the major component of the Consolidated Entity's net loss. The majority of operating costs for the half-year were associated with conducting due diligence investigations on the acquisition of Mineral Investments Pty Ltd, higher costs associated with the administration of the Company and additional compliance costs incurred during the period.

On 15 August 2005 the Company lodged a Prospectus with the Australian Stock Exchange Limited ("ASX"). Under the Prospectus, the Company made four separate offers comprised of the following:
(i) Round Up Offer: An offer to existing Prairie shareholders holding less than a minimum parcel of 10,000 shares to apply for such number of additional shares and equivalent number of options exercisable at 25 cents on or before 31 May 2008 to bring their shareholdings to at least 10,000 Shares.
(ii) Priority Offer: An offer to existing Prairie shareholders to apply for additional shares and equivalent number of options exercisable at 25 cents on or before 31 May 2008 in parcels of at least 10,000 shares.
(iii) Public Offer: An offer to public investors to subscribe for a minimum of 10,500,000 Shares in the Company at an issue price of 20 cents each to raise up to $2,100,000 together with a free attaching option exercisable at 25 cents on or before 31 May 2008. The Company reserved the right to accept oversubscriptions pursuant to the Public Offer, of up to $1,000,000 through the issue of an additional 5,000,000 Shares at an issue price of 20 cents per and equivalent number of options.
(iv) Bonus Option Offer: An offer to existing Prairie shareholders granting one free option exercisable at 25 cents on or before 31 May 2008 for every three shares held.

At a general meeting held on 12 September 2005, shareholders approved the acquisition of Mineral Investments Pty Ltd, the owner of a portfolio of prospective base metals projects located within Western Australia including the Prairie Downs Zinc-Lead-Copper Project. The following resolutions put to shareholders at the meeting were passed:
- the number of issued shares in the capital of the Company be converted from 76,251,898 to 8,970,810 shares;
- the allotment and issue of 8,000,000 shares and 2,000,000 options to the vendors being Mark Hansen and Glenn Styles;
- the allotment and issue of up to a maximum of 17.5 million shares together with 17.5 million free attaching options pursuant to the Prospectus;
- the allotment and issue of 750,000 shares and 750,000 free attaching options to directors pursuant to the Prospectus; and
- the name of the Company be changed to "Prairie Downs Metals Limited".

Directors' Report (Continued)

On 3 October 2005 the Company announced the offers made under the Prospectus closed oversubscribed. The Company received applications totalling in excess of $3.5 million, including oversubscriptions of $1.0 million. Completion of the capital raising satisfied a condition for the acquisition of Mineral Investments Pty Ltd. The vendors of Mineral Investments Pty Ltd were issued with 8.0 million shares and 2.0 million options.

Prairie was reinstated to official ASX quotation on 21 October 2005 with the following securities on issue:
- 34,670,163 shares;
- 22,489734 options expiring 31 May 2008 and exercisable at 25 cents; and

941,176 options expiring 31 December 2006 and exercisable at 21.25 cents.

Prairie Downs Project

Prairie Downs is located approximately 100 kilometres southwest of Newman in Western Australia. The primary focus at Prairie Downs is high grade zinc-lead-silver deposits in the vicinity of the Prairie Downs Fault. The most advanced prospect, Zone 1, hosts the following JORC compliant resources:

Lode	Category	Tonnes (t)	Zinc Grade (%)	Lead Grade (%)	Silver Grade (g/t)	Zinc metal (t)	Lead metal (t)
	Indicated	300,000	8.4	1.5	17	25,200	4,500
	Inferred	520,000	5.9	1.8	17	30,680	9,360
Main Lode	Total	820,000	6.8	1.7	17	55,880	13,860
All Lodes	**Total**	**1,250,000**	**5.7**	**1.8**	**16**	**71,250**	**22,500**

Mineralisation is open at depth and along strike, with the total target potential at Zone 1 of the order of 1.5 to 2.5 million tonnes at a targeted grade ranging from 8% to 15% zinc, 3% to 5% lead and 10g/t to 40g/t silver, indicated by drilling and geophysics.

Reverse circulation drilling commenced in March 2006 and will continue for two to three months. The objective is development and exploration at Zone 1, and exploration of two recently discovered lodes and several IP targets. Diamond drilling will commence in April, a further gradient array induced potential ("IP") survey is underway and detailed geological mapping will commence next week.

Two new lodes were discovered in December. Evidence suggests that they are separate outcrops of the same lode, and that they are in turn a continuation of the Main Lode, which would result in a total strike length of 3.5 kilometres of lodes. All results have been received for IP surveys completed during 2005, a total of 26 IP anomalies have been identified of which only four have been drill tested.

Metallurgical testwork has commenced with the initial results of flotation testwork being very encouraging. The zinc flotation performance shows good concentrate grade, high recovery and fast process time. The Company has also appointed an engineering contractor to complete a conceptual study to provide the basis for further exploration and development planning.

Coppermine Bore Project

Significant results were received during the December 2005 quarter that have dramatically increased the prospectivity of the Coppermine Bore project. An airborne survey discovered a new, high amplitude uranium anomaly and rock chip assay results have returned an anomalous suite of elements remarkably similar to that at Olympic Dam.

Rock chip samples collected from historic workings and analysed for a suite of 58 elements to determine the geochemical signature of the deposit. The objective has been to allow comparison with Australian sediment-hosted granitoid-related copper-gold deposits such as Telfer and Ernest Henry, and copper-gold-uranium deposits such as Olympic Dam.

Directors' Report (Continued)

Coppermine Bore Project (continued)

Olympic Dam is a very large copper-gold-uranium-silver-rare earth element ("REE") deposit. The principle REE elements are cerium and lanthanum and it is also anomalous in lead. Coppermine Bore is anomalous in all these elements, which is a remarkable correlation given the unusual suite of elements at Olympic Dam. The highest and average values for these elements in the samples from Coppermine Bore are shown in the following table.

	Cu (%)	Au (g/t)	U (ppm)	Ag (g/t)	Ce (%)	La (%)	Pb (ppm)
Highest Value	20.7	1.58	370	172	>500	198	8800
Average Value	14.1	0.35	216	35.8	178	85	2552

Airborne radiometrics have identified a high amplitude uranium anomaly with a strike length of 1.2 kilometres along with a second, lesser anomaly over the historic Coppermine Bore workings to the southwest. These anomalies are substantial and indicate a significant uranium mineralising event.

The magnetics show that the uranium corresponds with a zone of structural complexity at the contact between granite and the overlying sequence of iron formations, basalt and sediments. Drainage and sand cover mask the area between the two anomalies; however it is likely that uranium mineralisation continues beneath this cover and is continuous over a total strike length of 2.5 kilometres.

Many of the exploration criteria have now been identified that are considered necessary for the emplacement of significant sediment-hosted granitoid-related copper-gold-uranium mineralisation. These features include; uranium mineralisation on or near a granite contact, a specific geochemical signature, structural complexity and an appropriate overlying rock sequence.

The next stage of exploration will comprise ground geophysics and geochemistry preparatory to drilling. Geophysics is expected to include scintillometer/spectrometer surveys to more closely define the uranium mineralisation and IP ("induced potential") surveys to identify metal accumulations.

Longreach Well Project

The Longreach Well project is located 900km north of Perth. It covers a Mississippi Valley Type zinc-lead prospect on the eastern margin of the Carnarvon Basin. A direct analogy can be drawn to the zinc-lead deposits of the Lennard Shelf in the Kimberley region of Western Australia.

By comparison with the Lennard Shelf, exploration at Longreach Well is at an early stage. The main conclusion from previous exploration is that mineralising fluids have moved through the area. The next step is to locate the trap sites – open spaces such as fractures and solution cavities where significant sulphide accumulation has occurred.

There are three main opportunities requiring further exploration within the project area: structures at high-angle to basin margin; structures that parallel the basin margin; and facies contacts. An airborne magnetic survey is planned for the March quarter to better define these prospective structures.

A detailed literature search during the quarter identified an obscure reference to gossans to the immediate north of the project area. An exploration licence has been applied for over these gossans.

Perenjori Project

The Perenjori project is located in the Gullewa Greenstone belt, 270 kilometres northeast of Perth and 65 Km from the Golden Grove zinc-copper-gold deposits. Mineralisation occurs in a felsic volcanic unit which is the same unit that hosts the Golden Grove mine.

The project covers a 2km long gossan anomalous in base metals and gold. Drilling by previous explorers is wide spaced and shallow and most anomalous intercepts are open down dip and down plunge.

Amongst many anomalous intersections, the best previous drill results are: 1 metre @ 11.3% zinc & 4.1% lead; 1 metre @ 3.6% zinc & 1.2% lead; 5 metres @ 1.9% copper & 18g/t silver; 1 metre @ 5.3g/t gold. All intersections are within 100 metres of the surface.

Directors' Report (Continued)

Perenjori Project (continued)

Exploration to date indicates that the main potential for economic mineralisation lies down dip from the known mineralisation. In addition, a number of gossans, soil anomalies and geophysical anomalies have been inadequately tested, thus leaving potential for further discoveries.

The Perenjori project tenement covers the entire known surface and near surface base metal mineralisation of the greenstone belt in this district. The drilling to date is too shallow and wide spaced to be considered as anything other than an indication of the anomalism of the zone. By comparison to the exploration history of the nearby Golden Grove deposits, Perenjori should be regarded as positioned near the end of early phase exploration.

Exploration planned for late 2006 will include reappraisal of existing geophysics and a high definition airborne magnetic survey.

Information in this directors' report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr David Broomfield and Mr Mark Hansen, who are Members of The Australasian Institute of Mining and Metallurgy. Mr Hansen 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 Broomfield and Mr Hansen consent to the inclusion in this report of the statements based on their information in the form and context in which it appears.

Signed in accordance with a resolution of the directors.

Jeremy Shervington
Chairman

Dated this 15th day of March 2006, Perth WA

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Auditor's Independence Declaration to the Directors of Prairie Down Metals Limited

In relation to our review of the financial report of Prairie Down Metals Limited for the half-year ended 31 December 2005, 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

V. Tidy

V W Tidy
Partner
Perth
15 March 2006

VT:HG:BATAVIA:039

Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	CONSOLIDATED 2005 $	PRAIRIE 2004 $
Continuing operations			
Revenue	2	54,492	30,894
Cost of sales		-	-
Gross profit		54,492	30,894
Other expenses		(348,039)	(102,564)
Loss from continuing operations before tax	2	(293,547)	(71,670)
Income tax expense		-	-
Loss after tax from continuing operations		(293,547)	(71,670)
Net loss for the period attributable to members of parent		(293,547)	(71,670)
Loss per share (cents per share)			
- basic for loss for the half-year		(1.42)	(0.094)
- diluted for loss for the half-year		(1.42)	(0.094)
- dividends paid per share	3	-	-

Condensed Balance Sheet

AS AT 31 DECEMBER 2005

	Note	*CONSOLIDATED As at 31 December 2005 $*	*PRAIRIE As at 30 June 2005 $*
ASSETS			
Current Assets			
Cash and cash equivalents		**2,932,743**	679,699
Trade and other receivables		**105,416**	3,922
Prepayments		**33,321**	-
Total Current Assets		**3,071,480**	683,621
Non-current Assets			
Plant and equipment		**35,330**	-
Exploration and evaluation		**2,307,991**	-
Total Non-current Assets		**2,343,321**	-
TOTAL ASSETS		**5,414,801**	683,621
LIABILITIES			
Current Liabilities			
Trade and other payables		**261,536**	76,802
Total Current Liabilities		**261,536**	76,802
TOTAL LIABILITIES		**261,536**	76,802
NET ASSETS		**5,153,265**	606,819
EQUITY			
Issued Capital	4	**5,960,275**	1,120,282
Retained Earnings		**(807,010)**	(513,463)
TOTAL EQUITY		**5,153,265**	606,819

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	CONSOLIDATED 2005 $	PRAIRIE 2004 $
Cash flows from/(used in) operating activities			
Payments to suppliers and employees		(498,729)	(143,326)
Other		39,870	21,284
Net cash flows used in operating activities		(458,859)	(122,042)
Cash flows used in investing activities			
Exploration and evaluation		(491,235)	-
Purchase of plant and equipment		(36,955)	-
Cash balance resulting from acquisition of Mineral Investments Ltd Pty		100	-
Net cash flows used in investing activities		(528,090)	-
Cash flows from financing activities			
Proceeds from issue of shares		3,502,500	-
Capital raising expenses		(262,507)	
Net cash flows from financing activities		3,239,993	-
Net increase/decrease in cash and cash equivalents		2,253,044	(122,042)
Cash and cash equivalents at beginning of period		679,699	903,530
Cash and cash equivalents at end of period	9	2,932,743	781,488

Condensed Statement Of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Attributable to Equity Holders of Parent		
CONSOLIDATED	*Issued Capital* $	*Accumulated Losses* $	*Total* $
At 1 July 2004	**1,165,643**	**(317,251)**	**848,392**
Loss for the period	-	(71,670)	(71,670)
Total income/(expense) for the period	**-**	**(71,670)**	**(71,670)**
At 31 December 2004	**1,165,643**	**(388,921)**	**776,722**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Attributable to Equity Holders of Parent		
CONSOLIDATED	*Issued Capital* $	*Accumulated Losses* $	*Total* $
At 1 July 2005	**1,120,282**	**(513,463)**	**606,819**
Loss for the period	-	(293,547)	(293,547)
Total income/(expense) for the period	**-**	**(293,547)**	**(293,547)**
Share issues:			
- Purchase of Mineral Investments Pty Ltd	1,600,000	-	1,600,000
- Prospectus capital raising	3,500,000	-	3,500,000
- Cost of capital raising	(262,507)	-	(262,507)
- Conversion of options	2,500	-	2,500
At 31 December 2005	**5,960,275**	**(807,010)**	**5,153,265**

Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Prairie Downs Metals Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by Prairie Downs Metals Limited and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting
The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance
The half-year financial report complies with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 IFRS ensures compliance with International Financial Reporting Standard 34 "Interim Financial Reporting".

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those disclosed in the lodged 2005 annual financial report. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:
- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note (e) below.

(c) Summary of significant accounting policies

(i) Basis of consolidation
The consolidated financial statements comprise the financial statements of Prairie Downs Metals Limited and its subsidiary ('the Group').

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Notes to the Half-Year Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

(c) Summary of significant accounting policies (continued)
All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Prairie Downs Metals Limited has control.

During the half year Prairie Downs Metals Limited acquired Mineral Investments Pty Ltd. This was an acquisition of a group of net assets that does not constitute a business combination. Accordingly, the cost of Mineral Investments Pty Ltd has been allocated between the individual identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition.

(ii) Plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a diminishing value method over the estimated useful life of the asset as follows:

- Plant and equipment - over 3 to 5 years

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 item) is included in the income statement in the period the item is derecognised.

(iii) Borrowing costs
Borrowing costs are recognised as an expense when incurred.

Notes to the Half-Year Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

(c) Summary of significant accounting policies (continued)

(iv) Exploration expenditure
Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recouped through successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

The Directors review the carrying value of each area of interest at balance date and exploration expenditure which no longer satisfies the above policy is written off.

(v) Recoverable amount of assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

(vi) Trade and other receivables
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(vii) Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the Half-Year Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

(c) Summary of significant accounting policies (continued)

(viii) Share-based payment transactions
The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There is currently no share or option plans in place to provide these benefits.

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

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Prairie Downs Metals Limited ("market conditions").

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of 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 earnings per share.

(ix) Leases
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(x) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Notes to the Half-Year Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

(c) Summary of significant accounting policies (continued)

(xi) Income tax
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 where the deferred income tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences 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.

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.

(xii) Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- where 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
- receiveables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as pan 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 flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

Notes to the Half-Year Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

(d) AASB 1 Transitional exemptions
The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Share-based payment transactions
AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139 The Group has not elected to adopt this exemption and has applied AASB 132 'Financial Instruments:

Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

(e) Impact of adoption of AIFRS
The directors have determined there is no impact on total equity as a result of adopting AIFRS as at transition on 1 July 2004, as at 31 December 2004 or as at 30 June 2005. In addition there is no impact to loss after tax as a result of adopting AIFRS for the six month period ending 31 December 2004 or for the year ended 30 June 2005.

There are no material differences between the cashflow statement as presented under AIFRS and those presented under AGAAP.

Notes to the Half-Year Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	CONSOLIDATED 2005 $	PRAIRIE 2004 $
2 REVENUE AND EXPENSES		
(a) Specific Items		
Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
(i) Revenue		
Interest income	54,492	30,894
	54,492	30,894
(ii) Expenses		
ASX listing fees	48,524	-
Share registry expenses	27,489	3,560
Consulting fees	90,773	-
Directors' fees	55,098	48,000
Depreciation	1,624	-

3 DIVIDENDS PAID AND PROPOSED

There were no dividends proposed or paid during the half-year ended 31 December 2005.

	Dec-2005 $	Jun-2005 $
4 ISSUED CAPITAL		
Ordinary shares		
Issued and fully paid	5,960,275	1,120,282
	Number	**$**
Movements in ordinary shares on issue		
At 1 July 2005	8,970,163	1,120,282
Issued on 5 October 2005 in exchange for issued share capital of Mineral Investments Pty Ltd	8,000,000	1,600,000
Issued on 10 October 2005 pursuant to a public offer of securities under a Prospectus dated 15 August 2005	17,500,000	3,500,000
Issued on 2 December 2005 for cash on exercise of share options	10,000	2,500
Capital raising expenses		(262,507)
	34,480,163	5,960,275

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

5 SEGMENT REPORTING

The Company's activities consist predominantly of minerals exploration and evaluation within Australia.

6 CHANGE IN COMPOSITION OF ENTITY

Acquisition of Mineral Investments Pty Ltd
On 5 October 2005 Prairie Downs Metals Limited acquired 100% of the issued capital of Mineral Investments Pty Ltd ("Mineral"), an unlisted private company which owned a portfolio of prospective base metal projects located within Western Australia including:

- Prairie Downs Project
- Coppermine Bore Project
- Longreach Well Project
- Perenjori Project

This has not been accounted for as a business combination as it is the acquisition of a group of net assets and not a business.

In connection with the acquisition, Prairie Downs Metals Limited issued 8,000,000 ordinary shares with a fair value of 20 cents each based on the issue price of shares offered to public investors under a Prospectus dated 15 August 2005.

From the date of acquisition, Mineral Investments Pty Ltd has not contributed to the net loss of the group.

The fair value of identifiable assets and liabilities of Mineral Investments Pty Ltd as at the date of acquisition are:

	CONSOLIDATED Recognised on acquisition $	*Mineral Carrying value $*
Cash and cash equivalents	100	100
Exploration and evaluation	1,685,883	18,037
	1,685,983	18,137
Loan advance	(983)	(983)
	(983)	(983)
Fair value of net assets	1,685,000	17,154
Consideration		
Shares issued at fair value	1,600,000	
Acquisition costs	85,000	
Total consideration	1,685,000	
The cash outflow on acquisition is as follows:		
Net cash acquired with subsidiary	100	
Cash paid	-	
Net cash inflow	100	

Notes to the Half-Year Financial Statements (continued)

6 CHANGE IN COMPOSITION OF ENTITY (CONTINUED)

Assets included in this balance consist of mining projects that have been subject to exploration activities.

7 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities.

8 EVENTS AFTER THE BALANCE DATE

There have been no significant events that have occurred subsequent to the balance date.

9 ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2005:

	CONSOLIDATED	*PRAIRIE*
	2005	*2004*
	$	*$*
Cash at bank and in hand	**35,593**	679,699
Short term deposits	**32,043**	-
Commercial bills	**2,865,107**	-
	2,932,743	679,699

Directors' Declaration

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

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

(i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board

Jeremy Shervington
Chairman

Dated this 15th day of March 2006, Perth WA

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Independent review report to members of Prairie Down Metals Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Prairie Down Metals Limited (the company) and the entity it controlled during the half year, and the directors' declaration for the company, for the period ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Prairie Down Metals Limited and the entity it controlled during the half-year is not in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half-year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

V. Tidy

V W Tidy
Partner
Perth
15 March 2006