Prairie Downs Metals

Limited

ABN 23 008 677 852

Annual Report 2008

Annual Report for the year ended 30 June 2008

Corporate Information

Prairie Downs Metals Limited

ABN 23 008 677 852

Bankers

Westpac Banking Corporation Limited
109 St Georges Terrace
Perth WA 6000

Share Register

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Level 2, RBA Building
45 St Georges Terrace
Perth WA 6000
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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

Directors

Jeremy David Shervington
(Non-Executive Chairman)

Alec Christopher Pismiris
(Executive Director)

Mark Christian Hansen
(Non-Executive Director)

Company Secretary

Alec Christopher Pismiris

Registered Office

Level 19, St Martins Tower
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Solicitors

Jeremy Shervington
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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 2008.

The Group has made significant progress towards the proposed development of the Prairie Downs Base Metals Project (the "Project").

During the financial year the Group raised additional capital totalling $5,460,000 with the majority of funds raised from a share placement to institutional clients of Southern Cross Equities Limited. The raising comprised of 6,000,000 shares at $0.91 cents each with costs of the raising totalling $273,000. A further $5,305,878 was raised on the exercise of options. The proceeds of the share placement have been applied to ongoing exploration development of the Prairie Downs Base Metals Project including financing of the future exploration programme and working capital requirements.

Prairie recorded a consolidated operating loss after tax of $2,111,715 (2007: $1,648,529) for the year ended 30 June 2008. The result was achieved on revenue of $1,084,404 (2007: $643,073) and operating expenses of $3,146,119 (2007: $2,291,602). The majority of the operating expenses incurred related to employment expenses, administration of the Group and expenses associated with the issue of options pursuant to the Employee Share and Option Plan during the financial year.

The 2008/2009 financial year will see the continuation of activities relating to the on-going evaluation and proposed development of the Prairie Downs Base Metals Project. The Group will also consider further investment opportunities that compliment the Group's existing operations.

The Board of Prairie is committed to pursuing a strategy that will deliver long-term growth to shareholders. Prairie is in a strong financial position with significant cash reserves and no debt.

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 continued success in the financial year ahead.

Yours faithfully

Jeremy Shervington
Chairman

DIRECTORS' REPORT

The directors of Prai s Limited ("Prairie") present their financial report with respect to the results of Prairie and its controlled entity ("the Group") for the year ended 30th June 2008 ("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

B.Juris. 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 28 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; Resigned 26 December 2006
- Colonial Resources Limited* - Appointed 11 May 2006
- Emerald Oil & Gas NL* - Appointed 23 January 2006
- Industrial Minerals Corp * - Appointed 17 February 2004
- Western Uranium Ltd *- Appointed 11 May 2006

* denotes current directorship

Alec Christopher Pismiris

B.Comm. ICSA.
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 Corp * - Appointed 8 November 2006
- Sundance Resources Limited * - Appointed 5 July 2006
- Western Uranium Ltd *- Appointed 11 May 2006

* denotes current directorship

Mark Christian Hansen

M.Sc., MAIMM, FAICD.
Non-Executive Director
Appointed 11 May 2006

Mr Hansen trained as a geologist and has over 26 years experience in the exploration and mining industry, both as an exploration and development geologist and as a consultant and independent expert. He has experience in project and corporate analysis, including employment as a mining analyst and adviser in the securities industry. He has 16 years experience as a director of listed companies in both Australia and Canada. During the past three years Mr Hansen has also served as a director of the following other listed companies:

- Western Uranium Limited * - Appointed 5 October 2005
- Colonial Resources Limited* - Appointed 11 May 2006

* denotes current directorship

DIRECTORS' REPORT CONTINUED

DIRECTORS CONTINUED

INTERESTS IN THE SHARES AND OPTIONS OF THE GROUP 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
J D Shervington	920,582	1,500,000
A C Pismiris	603,305	1,000,000
M C Hansen	8,550,000	1,500,000

LOSS PER SHARE

	2008	2007
Basic loss per share	(3.95) cents	(3.97) cents
Diluted loss per share	(3.95) cents	(3.97) cents

CORPORATE INFORMATION

CORPORATE STRUCTURE

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

PRINCIPAL ACTIVITES

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;
- Conducting exploration activities on the Group's portfolio of base metals projects;
- Investing cash assets in interest bearing bank accounts; and
- The general administration of the Group.

EMPLOYEES

The Group employed 11 employees as at 30 June 2008 (2007: 9 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.

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW

OPERATIONS AND HIGHLIGHTS

The financial year commenced with an announcement on 12 July 2007 describing a new copper lode grading 3.4 metres at 2.8% copper and 12.2g/t silver, including 0.9 metres at 6.4% copper and 28.2g/t silver. In addition, very high grade zinc in a zone previously undescribed below the Zed lode was delineated.

In July 2007 the Group announced diamond drill hole results from the 2007 drill program at the Project. Results confirm that stacked lodes are a regular occurrence at Prairie Downs.

On 19 July 2007, further high grade zinc results were announced:
- ZED LODE, PDD190: 5.7 metres at 10.5% zinc, 2.0% lead and 15.1g/t silver, including 1.5 metres at 22.7% zinc, 1.7% lead and 13.1g/t silver
- MAIN LODE, PDD192: 2.5 metres at 11.7% zinc, 2.7% lead and 49.9g/t silver; and 1.9 metres at 13.3% zinc, 2.7% lead and 23.2g/t silver
- EAST LODE, PDP195: 1.2 metres at 12.3% zinc, 4.1% lead and 30.3g/t silver

On 25 July 2007 the Group announced a share placement to institutional clients of Southern Cross Equities Limited, subject to shareholder approval. The share placement comprised an issue of 6.0 million shares at a price of $0.91 per share to raise a total of $5,460,000 (before costs of the issue), to be applied to ongoing exploration and development of the Project.

On 29 August 2007 updated mineral resources for the Project were announced. The new resource statement included results from drill programs completed during the December 2006 and June 2007 quarters with a substantial increase to the previously reported resource of one million tonnes at a grade of 8.3% zinc, 1.7% lead and 22g/t silver.
- 4.9 million tonnes at a grade of 5.4% zinc, 2.0% lead and 14g/t silver at a nominal lower cut of 1% zinc. This resource contains 269,000 tonnes of zinc metal, 97,000 tonnes of lead and 2.3 million ounces of silver. It includes a subset of:
- 2.5 million tonnes at a grade of 7.3% zinc, 1.8% lead and 17g/t silver at a lower cut of 4% to 6% zinc. This resource contains 179,000 tonnes of zinc metal, 45,000 tonnes of lead and 1.4 million ounces of silver

Drilling recommenced at Prairie Downs in July 2007 and continued, after a short break, through to December 2007. The objectives of this program were to infill and extend known mineralisation. Initial indications from this drilling proved encouraging with zinc mineralisation continuing to the west and at depth.

Assay results released on 13 September 2007 for the first drill holes from this drilling program show that high grade zinc results continued including high grade mineralisation in Zed lode which extends to a down hole depth of 246 metres in PDP201.

On 2 October 2007 the Group received further assay results which were consistently of a higher grade than the resource grade at the time. Laboratory delays resulted in a large backlog of samples awaiting assay with results expected well into 2008.

A processing feasibility study ("Study") for the Project commenced in early October 2007. Abesque Engineering & Construction Limited ("Abesque") was commissioned to design a 300,000 tonnes per annum processing plant with the capability to expand to 1,000,000 tonnes per annum.

The Study, which includes design of the process, plant and all related equipment, follows on from a high level scoping study competed in May 2007.

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW CONTINUED

OPERATIONS AND HIGHLIGHTS continued

Drilling continued at Prairie Downs towards the end of 2007 with results indicating that the current resource would only be limited by drilling. With drilling expected to continue for the remainder of 2007 and recommence in February 2008, an increase in both tonnage and grade was expected.

In October 2007 the Group appointed Capital Investment Partners Ltd ("CIP") to assist with the negotiation and structuring of future financing requirements in relation to the ongoing evaluation and development of the Project.

CIP was engaged on a non-exclusive basis for a period of 12 months. The fee includes the issue of 1 million options exercisable at $1.25 before 31 December 2008 and 1 million options exercisable at $1.50 before 31 December 2008. The issue of these options was subject to shareholder approval.

In November 2007 further high grade zinc results and a new lead discovery at Prairie Downs was announced. High grade lead was discovered in outcrop near Costean 7, which is 3.2 kilometres northwest of Main lode. The lead mainly occurs as galena with assay values to 16.6% lead. Assay results were received for two samples; returning 16.6% lead, 0.4% zinc, 22.2g/t silver for one sample, and 8.6% lead, 0.1% zinc, 16.4g/t silver for the other.

A total of 27 readings were taken across the outcrop with a portable XRF machine as an indicative guide only, which returned an average value of 5.8% lead with a high value of 24% lead.

While these are exceptional results it must be stressed that they were only surface results and may not be reproduced by drilling at depth. Further, portable XRF results should be taken as an indicative guide only.

On 5 December 2007 the Group announced that recent drilling had been focused on an area of higher grade zinc at the intersection of the Main and East lodes. Mineralisation remains open along strike and at depth. Drilling for the remainder of 2007 will continue to focus on this high grade area.

In December 2007 the Group announced that the resource update planned for December was delayed as a result of technical issues, in particular the lack of assay data for drill holes that lie within the resource. Reported results by the end of December were very good – a pleasing end to the 2007 drilling campaign and bodes well for ongoing drilling in 2008.

On 17 January 2008 final results for the 2007 drilling program were released. Drilling showed that the East and Main lodes are continuous and will now therefore be referred to as Main lode. Drilling has also shown that Zed lode actually lies in the footwall to, or beneath, the Main lode and appears to continue at depth and along strike in this position. Similarly, the Gabbro lode appears to lie beneath and sub parallel to Zed lode. Further drilling, currently underway, will better define lode positions but this is a very positive development in terms of potential mining costs.

Sufficient drilling has now been completed to facilitate interpretation of internal lode structures. This interpretation will be used to update the resource model and to assist in future drill targeting.

Final holes in the 2007 program were drilled to test geological concepts relating to internal lode structures. All holes (with the exception of PDP303 which had to be abandoned due to air loss) intersected significant mineralisation, which remain open at depth in all cases.

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW CONTINUED

OPERATIONS AND HIGHLIGHTS continued

On 7 February 2008 the Group announced and confirmed, by drill testing, a better understanding of the geology at Prairie Downs. As a result of the interpretation of all assay data received from the extensive 2007 drill program, the Main lode is demonstrably a series of high grade shoots which commence near surface and remain open at depth.

The Zed lode also comprises three shoots. It lies in the footwall of the Main lode and remains open at depth and along strike. The Gabbro lode lies in the footwall of the Zed lode. It is less well known than the Main and Zed lodes due to lack of drilling.

An updated resource was announced on 13 February 2008 which described a significant increase in grade from previously reported resources. These results are excellent and clearly demonstrate the potential of the Project to deliver world class grades. Tonnage is expected to increase substantially as the existing lodes are drilled out and drilling commences on new discoveries. Full details for these JORC compliant resources are shown on page 8.

In addition to resource definition the Group undertook very detailed geological mapping which yielded significant copper mineralisation particularly in an area referred to as Costean Seven ("C7"). On 17 April 2008 the Group announced a spectacular surface copper discovery. Channel samples returned the following results:
- 7 metres at 0.2% copper, 5.1% lead, 0.8% zinc
- 7 metres at 5.6% copper, 0.9% lead
- 7 metres at 3.0% copper, 0.3% lead
- 4 metres at 6.6% copper, 1.1% zinc

All channel samples were composites of up to several hundred analyses using a Niton XL3T handheld XRF machine. Rock chip samples are reported where outcrop or subcrop is inadequate to allow reliable channel sampling.

The copper mineralisation at C7 occurs as bornite and chalcopyrite, along with the secondary copper mineral, malachite as confirmed by independent mineralogical assessment by R. Townend and Associates Ltd.

In addition, results confirming mineralisation by an independent laboratory were received and reported on 22 April 2008 confirming the high grade nature of the copper discovery and which extend the mineralisation along strike. Channel samples announced yielded results as below:
- 3 metres at 6.3% copper, 0.4% lead
- 4 metres at 5.4% copper, 0.1% lead

Results are very consistent for each site. There are now a total of 437 samples in the volcanic breccia unit which hosts the copper mineralisation. The average values for these samples are 5.6% copper and 0.8% lead.

On 6 May 2008 the Group reported significant surface copper mineralisation at a prospect described as Kerr's find. The geological setting at Kerr's Find is the same as C7, a copper discovery first reported in an ASX release dated 17 April 2008. High grade copper mineralisation is hosted by a silicified volcanic breccia and is underlain by a basal zone of copper and lead.

The copper is overlain by a carbonatised volcaniclastic that regularly hosts zinc mineralisation. This is in turn overlain by a barite cap that is usually extensively altered with carbonate and silica. The rocks at both prospects dip shallowly to the southwest and the base of mineralisation terminates to the northeast at a rift zone which is intensely sheared and altered.

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW CONTINUED

OPERATIONS AND HIGHLIGHTS continued

Kerr's Find has a strike length of 500 metres and lies 500 metres to the southeast of C7, which has a strike length of 400 metres. There is no outcrop between the two prospects and thus every chance that mineralisation continues between the two. This would equate to a total strike length of 1.4 kilometres with mineralisation passing beneath cover to the northwest and southeast.

Ongoing mapping extended the strike exposure of copper mineralization as reported on 22 May 2008. Results indicated that copper mineralisation is continuous in a similar geological setting from C7 to the Main lode zinc resource. This is a total strike length of 3.7 kilometres of copper mineralisation which commences at surface and remains open to both the northwest and southeast.

Diamond drilling from surface targeting surface anomalies commenced on 27 June 2008 as announced the same day. Results are pending.

In previous announcements the Group has referred the project's total Global 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. The updated resource table below provides additional information on the classification of the Global Resource including the Indicated Resource and Inferred Resource for the respective lodes and is JORC and VALMIN Compliant.

Lode	**Category**	**Tonnes** (%)	**Zinc** (%)	**Lead** (g/t)	**Silver** (tonnes)	**Zinc Metal** (tonnes)	**Lead Metal** (Ounces)	**Silver Metal** (Ounces)
Main	Global Indicated	1,692,844	7.8	1.9	23.8	132,086	32,164	1,295,725
Main	Global Inferred	853,838	6.9	1.9	21.4	58,915	16,223	587,463
Main	Global Total	2,546,682	7.5	1.9	23.0	191,001	48,387	1,883,188
Main	High Grade Indicated	884,082	13.3	3.3	34.8	117,193	29,526	989,823
Main	High Grade Inferred	351,024	11.3	3.2	46.0	39,666	11,233	519,141
Main	**High Grade Total**	**1,235,106**	**12.7**	**3.3**	**38.0**	**156,858**	**40,758**	**1,508,964**
Zed	Global Indicated	477,352	6.2	2.6	18.1	29,644	12,626	277,809
Zed	Global Inferred	262,922	5.9	2.8	15.0	15,512	7,362	126,797
Zed	Global Total	740,274	6.1	2.7	17.0	45,157	19,987	404,606
Zed	High Grade Indicated	144,562	10.1	6.0	35.0	14,601	8,674	162,672
Zed	High Grade Inferred	178,781	10.0	4.7	35.0	17,878	8,787	201,178
Zed	**High Grade Total**	**323,343**	**10.1**	**5.4**	**35.0**	**32,479**	**17,461**	**363,850**
Gabbro	Global Total	1,368,102	4.3	1.1	7.8	58,828	15,049	343,087
Gabbro	Global Grade Indicated	87,639	14.4	2.9	14.0	12,620	2,542	39,447
Gabbro	Global Grade Inferred	1,280,463	3.6	1.0	7.4	46,208	12,508	303,640
Gabbro	High Grade Indicated	87,639	14.4	2.9	14.0	12,620	2,542	39,447
Gabbro	High Grade Inferred	NIL						
Gabbro	High Grade Total	87,639	14.4	2.9	14.0	12,620	2,542	39,447
Total Global		**4,655,058**	**6.3**	**1.8**	**18.0**	**294,986**	**83,423**	**2,630,881**
Total High Grade		**1,646,088**	**12.3**	**3.7**	**36.0**	**201,957**	**60,761**	**1,912,262**

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW CONTINUED

MINING AND EXPLORATION HIGHLIGHTS

Prairie Downs Base Metals Project

The Project is located approximately 100 kilometres southwest of Newman in the Pilbara region of Western Australia. The Project hosts a total resource of 4.7 million tonnes classified as inferred and indicated grading 6.3% Zn, 1.8%Pb and 18g/t Ag. 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. The Group is pursuing the objective of increasing this resource. Furthermore, the Group has developed prospectively with respect to zinc, lead, silver, copper and gold, within the project area on the basis of geological mapping, independently analysed samples and independent consultants. The Group has also added significant value through autonomous evaluation of metal extraction potential (Abesque).

Drilling has been ongoing from July 2007 with a hiatus from January to June 2008. A total of 143 RC holes (including diamond pre-collars) for 27,389 metres have been completed from July 2007 to the end of June 2008 with diamond tails totalling 1,909.5 meters.

The Zed lode remains open along strike and at depth and appears to be increasing in width and tenor at depth. Assay results also demonstrated that the western end of the Main lode remains open and ends in high grade zinc mineralisation. Delineated lodes include a lode above Main lode and a lode above the Zed lode. Results suggest that stacked lodes will be a regular occurrence at Prairie Downs. This substantially enhances economic benefit as a consequence of derived metal content per vertical metre. In addition, copper mineralisation demonstrably outcrops along strike and, adjacent to current zinc resources. This is an unexpected but welcome development as copper mineralisation could be readily treated in the concentrator currently under consideration for the Project.

During 2007, the Group conducted a scoping study on the Project (Golder and Associates/internally). The results concluded that mining of the Main, Gabbro and Zed lodes, is considered to be economically feasible by mechanised open cast and underground methods. The most cost effective near surface mining method is open cast development with concurrent establishment of top down long hole open stoping infrastructure. Infrastructure costs are modest because of the Project's location near Newman, all weather road access and a nearby gas pipeline. Processing is straightforward, with the main operating costs being personnel and power. Energy costs and consumption can be minimised through the use of gas to generate electricity and through underground mining. There are no marketing issues for the zinc concentrate, as it is expected to be suitable for the majority of, if not all, smelters in the region. The west of the Main lode and the east of the Zed lode have significant lead and silver values accompanying the zinc and therefore lead may represent a major value-add for the Project.

Drilling at Prairie Downs recommenced in July 2007 with the initial target being strike and depth extensions to delineated shoots in the Main and Zed lodes.

Perenjori Copper-Gold-Zinc-Lead-Silver Project

The Perenjori 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. 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.

Best results were: PJRC05, 33 to 36 metres, 3 metres at 0.7% copper and 18g/t silver and PJRC08, 33 to 37 metres, 4 metres at 0.7% copper and 22 g/t silver. Further geological and geophysical work is planned prior to drilling.

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW CONTINUED

MINING AND EXPLORATION HIGHLIGHTS continued

Coppermine Bore Copper-Gold-Uranium Project

Coppermine Bore was historically mined for copper and was drilled for uranium in 1977, returning best results of 3m @ 2.5% Cu, 9g/t Ag, 120ppm U & 2m @1.43% Cu, 4.5g/t Ag, 62ppm U (no gold assays). Rock chip sampling at Coppermine Bore in 1977, 1996 and 2005 returned strongly anomalous values in copper, gold, uranium, silver, cerium, lanthanum and lead. This is a very unusual suite of elements and shows a remarkable correlation with the suite of elements at Olympic Dam. Olympic Dam is the world's largest copper-gold-uranium-silver-rare earth element ("REE") deposit with ore reserves at 31 December 2004 of 761 million tonnes at 1.5 per cent copper, 0.6 kg/tonne (600ppm) uranium and 0.5 g/tonne gold.

Interpretation of airborne magnetic and radiometric data has lead to the definition of 15 targets prospective for uranium. A heritage survey has been completed over the most prospective targets and the radiation management plan has been approved. Geophysical interpretation identified 20 targets of which 15 were prospective for uranium. The first RC drill program commenced in November 2006 with a total of 12 holes drilled for a total of 1,152 metres out of a planned program of 20 holes for 2,000 metres.

Sandy and/or rough surface conditions caused problems with rig mobility and high water inflow lead to holes being abandoned short of target depth and also caused problems with sampling. The program tested geophysical targets beneath surface cover with a focus on the sediment granitoid contact and iron-rich sediments. The assay results were encouraging for a first-pass program and the discovery of hematite in the system was a breakthrough. Further fieldwork and geophysical interpretation will be undertaken prior to the next drill program.

Due to market conditions the Group has been unable to obtain a suitable drill rig to complete the assessment of mineralisation at Coppermine Bore.

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, will be reviewed at a future date.

TENEMENT SCHEDULE

Project Name	Tenement	Interest
COPPER MINE	E 08/1436	100%
LONGREACH	E 09/1262	100%
PERENJORI	E 59/1144	100%
PRAIRIE DOWNS	E 52 /1926	100%
PRAIRIE DOWNS	E 52 /1758	100%

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW CONTINUED

OPERATING RESULTS FOR THE YEAR

The Group recorded a consolidated operating loss of $2,111,715 (2007: $1,648,529) for the financial year ended 30 June 2008. The increase in the operating loss over the financial year was largely attributable to employment costs and the general administration of the Group.

Prairie had consolidated net assets of $17,430,925 at the end of the financial year, consisting largely of the following:

- $8,044,976 held in cash assets;
- $387,522 being receivables;
- Plant and equipment of $580,139;
- $7,477,920 representing the value attributable to capitalised exploration and evaluation associated with the Prairie Downs Zinc-Lead-Silver-Copper Project,
- $324,242 in capitalised expenditure was impaired and written down in relation to the Perenjori Copper-Gold-Zinc-Lead-Silver Project, Coppermine Bore Copper-Gold-Uranium Project and Longreach Well Zinc-Lead-Silver Project; and
- $709,295 being payables largely associated with exploration and evaluation activities.

The Group's cash reserves increased by $4,562,820 (2007: $181,928) during the financial year, reflecting a deficit from operations of $1,504,440, a deficit of $4,425,618 from investing activities and a surplus from financing activities of $10,492,878.

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

The consolidated cash flow statement illustrates an increase in cash and cash equivalents in the year ended 30 June 2008 of $4,562,820 (2007: increase $181,928). The significant increase in cash inflow in comparison with the prior period was attributable to greater inflows from financing activities.

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 $4,425,618 (2007: cash out-flow $1,636,874) 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.

Share Issues During the Year

The Group issued the following shares during the financial year:

- 6,000,000 shares to sophisticated investors at an issue price of $0.91 pursuant to a share placement;
- 100,000 shares issued pursuant to the exercise of $0.65 options expiring 1 December 2011; and
- 20,823,512 shares issued pursuant to the exercise of $0.25 options expiring 31 May 2008.

Treasury Policy

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

DIRECTORS' REPORT CONTINUED

OPERATING AND FINANCIAL REVIEW CONTINUED

REVIEW OF FINANCIAL CONDITION continuted

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 identifies by the Board.

The Group 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 Group granted and issued the following options under the Employee Share and Option Plan ("ESOP") during the financial year:

- 50,000 options exercisable at $0.65 expiring 01 December 2011 to eligible employees in October 2007 for no consideration as part of their remuneration (150,000 options of this class were cancelled during the period); and
- 1,650,000 options exercisable at $1.00 expiring 31 December 2011 to eligible employees and contractors in October 2007 to 30 June 2008 for no consideration as part of their remuneration (600,000 options of this class were cancelled during the period).

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	450,000
Options exercisable at $1.00 expiring 31 December 2011	1,050,000

Shares issued as a result of the exercise of Options

There were 100,000 shares issued during the year on the exercise of ESOP options which were exercisable at $0.65 and expiring 1 December 2011.

There were 20,823,512 shares issued during the year on the exercise of options which were exercisable at $0.25 and expiring 31 May 2008.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- The issue of 6,000,000 fully paid shares in the Group to sophisticated investors at an issue price of $0.91 to raise $5,187,000 after capital raising costs;
- The issue of 100,000 fully paid shares in the Group pursuant to the exercise of $0.65 options;
- The issue of 20,823,512 fully paid shares in the Group pursuant to the exercise of $0.25 options;
- Incurring capital raising expenses of $273,000; and
- The consolidated operating loss from ordinary activities of $2,111,715.

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

DIRECTORS' REPORT CONTINUED

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Diamond drilling at the Prairie Downs Base Metals Project recommenced in July 2008 with the initial target being at the Costean Seven copper/lead prospect. Assay results for the holes drilled will be released on receipt.

RC drilling targeting depth and strike extensions to the 4.7 million tonne zinc resource recommenced in August 2008 with the objective of increasing the high grade resource.

On 18 August 2008, the Group announced that a Management Services Agreement with Market Capital Group Pty Ltd which provided the services of Mr Mark Hansen as the Group's Technical Director had been terminated. Mr Hansen remains as Non-executive Director of the Group.

No other matter or circumstance has arisen since 30 June 2008 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 Base Metals 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.

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 Consolidated Entity's environmental regulations.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Group has paid premiums totalling $8,936 in respect of Directors' and Officers' Liability Insurance and Group Reimbursement policies, which cover all directors and officers of the Consolidated Entity against liabilities to the extent permitted by the Corporation Act 2001. The policy conditions preclude the Consolidated Entity from any detailed disclosures.

DIRECTORS' REPORT CONTINUED

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 Group, directly or indirectly, including any director (whether executive or otherwise) of the parent group, and includes the five executives in the parent 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)
Alec Christopher Pismiris	Director (executive)
Mark Christian Hansen	Director (non-executive)

(ii) Executives

Gerrit Ian Karelse	Chief Operating Officer – resigned 28 April 2008
Luke Charles Kerr	Senior Project Geologist
Denise Gardiner	Office Manager
Darren Michael Bromley	Chief Financial Officer – appointed 14 January 2008
Mark Andrew Zucchi	Field Manager – resigned 28 November 2007

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 Group 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 Group.

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

- Provide competitive rewards to attract executives;
- Link executive rewards to shareholder value creation; and
- Establish appropriate performance hurdles in relation to variable executive remuneration

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

REMUNERATION PHILOSOPHY continued

Director and executive remuneration is not linked to either long term or short term performance conditions. 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 Group'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.

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 Group 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 Group 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 Group. It is considered good governance for directors to have a stake in the Group 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.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

NON-EXECUTIVE DIRECTOR REMUNERATION continued

The Group has taken into account the guidelines for non executive director remuneration as set out in Box 9.3 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 Group considers the issue of options to non executive directors is appropriate as the quantum of cash fees that the Group 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 Group to attract and keep Non Executive Directors of the requisite level of experience and qualifications to assist with the development of the Group. 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 2008 is detailed in the table on page 16 of this report.

EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

Objective

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

- Reward executives for group 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 Group; 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 CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION continued

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 Group who have
- contributed to the success of the Group 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 Group and improve the performance of the Group; and
- attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group 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 1,650,000 options exercisable at $1.00 expiring 31 December 2011 granted under the Group's Employee Share and Option Plan and 600,000 of these employee options lapsed. A further 50,000 options exercisable at $0.65 expiring 01 December 2011 were issued during the period and were subsequently cancelled.

Group Performance

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

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 Group'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 Group's performance.

Long term incentives are delivered in the form of options. 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.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

EMPLOYMENT CONTRACTS

Other Executives (standard contracts)

Executives have rolling contracts. The Group 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 on notice by the Group, 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 3 months after termination.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 1: Remuneration for the year ended 30 June 2008

	SHORT TERM		POST EMPLOYMENT	SHARE BASED PAYMENT	TOTAL	REMU-NERATION CONSISTING OF OPTIONS
	Salary & Fees	Non Monetary Benefits	Super-annuation	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						
GI Karelse (resigned 28 Apr 2008)	217,208	-	16,990	153,717	387,915	39.6
L Kerr	164,769	-	12,759	-	177,528	-
D Gardiner	77,000	-	6,300	40,612	123,912	23.8
D Bromley (appointed 14 Jan 2008)	75,512	-	6,796	369	82,677	0.5
MA 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**	

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL continued

Table 2: Remuneration for the year ended 30 June 2007

	SHORT TERM		POST EMPLOYMENT	SHARE BASED PAYMENT	TOTAL	REMU-NERATION CONSISTING OF OPTIONS
	Salary & Fees	Non Monetary Benefits	Super-annuation	Options		
	$	$	$	$	$	%
Non-executive directors						
J D Shervington	60,000	-	-	321,000	381,000	84.2
	60,000	**-**	**-**	**321,000**	**381,000**	
Executive directors						
M C Hansen	284,182	-	2,970	321,000	608,152	52.8
A C Pismiris	69,000	-	-	214,000	283,000	75.6
	353,182	**-**	**2,970**	**535,000**	**891,152**	
Other key management personnel						
M Zucchi (resigned 28 Nov 2007)	58,558	-	5,270	19,700	83,528	23.6
L Kerr	54,000	-	4,860	35,600	94,460	37.7
C Panetta (resigned 5 May 2008)	44,500	-	4,005	19,700	68,205	28.9
D Broomfield (resigned 5 Sept 2006)	31,850	-	2,264	-	34,114	-
E Versteegh (resigned 9 Oct 2006)	16,627	-	1,496	-	18,123	-
	205,535	**-**	**17,895**	**75,000**	**298,430**	
Totals	**618,717**	**-**	**20,865**	**931,000**	**1,570,582**	

1. For details on the valuation of the options, including models and assumptions, refer to Note 23.
2. The Group has paid premiums totalling $8,936 in respect of Directors' and Officers' liability insurance and Group Reimbursement Policies, which cover all directors and officers of the Group. The premium paid cannot be allocated to the individual directors and officers.
3. No cash bonus is granted during both the years.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL continued

Table 3: Compensation options: Granted and vested during 2008

2008	*Granted*		*Terms & Conditions for each Grant*				*Vested*	
			FAIR VALUE PER OPTION AT GRANT DATE	**EXERCISE PRICE PER OPTION**	**EXPIRY DATE AND LAST EXERCISE DATE**	**FIRST EXERCISE DATE**		
	No	**Grant date**	**$**	**$**	**$**	**%**	**NO**	**%**
Directors	-	-	-	-	-	-	-	-
J D Shervington	-	-	-	-	-	-	-	-
A C Pismiris	-	-	-	-	-	-	-	-
M C Hansen	-	-	-	-	-	-	-	-
Other key management personnel								
GI Karelse	550,000	08/10/07	0.441	1.00	31/12/11	28/07/08	-	-
L Kerr	-	-	-	-	-	-	-	-
D Gardiner	100,000	08/10/07	0.441	1.00	31/12/11	28/07/08	-	-
D Bromley	350,000	30/06/08	0.209	1.00	31/12/11	14/01/09	-	-
MA Zucchi	-	-	-	-	-	-	-	-
Total	**1,000,000**						**-**	

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL continued

Table 4: Compensation options: Granted and vested during 2007

2007	*Granted*		*Terms & Conditions for each Gant*				*Vested*	
			FAIR VALUE PER OPTION AT GRANT DATE	EXERCISE PRICE PER OPTION	EXPIRY DATE AND LAST EXERCISE DATE	FIRST EXERCISE DATE		
	No	Grant date	$	$	$	%	No	%
Directors	-	-	-	-	-	-	-	-
J D Shervington	1,500,000	08/11/06	0.214	0.45	05/12/11	08/11/06	1,500,000	100
A C Pismiris	1,000,000	08/11/06	0.214	0.45	05/12/11	08/11/06	1,000,000	100
M C Hansen	1,500,000	08/11/06	0.214	0.45	05/12/11	08/11/06	1,500,000	100
Executives								
M Zucchi	100,000	29/01/07	0.197	0.65	01/12/11	14/02/07	100,000	100
L Kerr	250,000	23/04/07	0.178	0.65	01/12/11	16/05/07	250,000	100
C Panetta	100,000	29/01/07	0.197	0.65	01/12/11	14/02/07	100,000	100
D Broomfield	300,000	20/07/06	0.234	0.45	01/06/11	20/07/06	300,000	100
E Versteegh	-	-	-	-	-	-	-	-
Total	**4,750,000**						**4,750,000**	

* For details on the valuation of the options, including models and assumptions, refer to Note 24.

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

There were 950,000 of the above options granted were subsequently forfeited during the year.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

100,000 $0.65 options were exercised during the year

Table 5: Options granted as part of remuneration

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
GI Karelse	217,208	-	-	55.99
C Panetta	-	-	-	-
D Gardiner	-	19,700	-	-
D Bromley	369	-	-	0.04
MA Zucchi	-	-	-	-

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

Table 6: Shares issued on exercise of compensation options

	Shares issued	Paid per share $	Unpaid per share $
C Panetta	100,000	0.65	-

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:

	Directors' Meetings	Meetings of Committees Audit & Compliance
Number of meetings held:	7	1
Number of meetings attended:		
J D Shervington	7	1
A C Pismiris	7	1
M C Hansen	5	-

All directors were eligible to attend all meetings.

COMMITTEE MEMBERSHIP

As at the date of this report the Group 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 Statement of Corporate Governance Practices.

DIRECTORS' REPORT CONTINUED

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 Group's corporate governance statement is included on page 21 of this annual report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the declaration included on page 24 of this annual report from the auditor of Prairie Downs Metals Limited.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1 under the option available to the Group under ASIC CO 98/0100. The Group is an entity to which the Class Order applies.

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:

Taxation Services	$83,981

Signed in accordance with a resolution of the directors.

Jeremy Shervington
Chairman

Dated this 30th day of September 2008
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PRAIRIE DOWNS METALS LIMITED

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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 financial year ended 30 June 2008, 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

V W Tidy
Partner
Perth
30 September 2008

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the corporate governance of the Group. The Board guides and monitors the business activities and affairs of the Group 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 Group 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 THE FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT
Prairie complies with this recommendation.

PRINCIPLE 2. STRUCTURE THE BOARD TO ADD VALUE Prairie does not comply with this recommendation of having at least three non-executive directors on the Audit Committee. Prairie is a small group with limited resources that does not have an operating business. Prairie's Audit and Compliance Committee is comprised of an executive director and non executive director.

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. ENCOURAGE ENHANCED PERFORMANCE
Prairie complies with this recommendation to the extent that the Board determines appropriate remuneration arrangements. Prairie does not have Remuneration Committee due to the scale and nature of its current operations. It is envisaged that on commencement of development of the Prairie Downs Zinc-Lead-Silver Project the Board will adopt a Remuneration Committee.

PRINCIPLE 9. REMUNERATE FAIRLY AND RESPONSIBLY
Prairie complies with this recommendation.

PRINCIPLE 10. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS
Prairie complies with this recommendation.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 Group's corporate governance practices do not correlate with the practices recommended by the Council, the Group does not consider that the practices are appropriate for the Group due to the scale and nature of the Group operations.

To illustrate where the Group 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
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	Not Applicable
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1,4,6, 2,3 and the Directors' Report
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
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 Attestations by Company Secretary	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 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
Recommendation 6.1 Communications Strategy	1.4.8 and 4
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8 and 4
Recommendation 7.1 Policies on Risk Oversight and Management	2.1
Recommendation 7.2 Attestations by Company Secretary	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2
Recommendation 9.5 Reporting on Principle 9	2.2
Recommendation 10.1 Company Code of Conduct	2.5

CORPORATE GOVERNANCE STATEMENT CONTINUED

1. BOARD OF DIRECTORS

1.1 ROLE OF THE BOARD

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

In carrying out its governance role, the main task of the Board is to drive the performance of the Group. The Board must also ensure that the Group 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 Group.

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 Group, 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 stated on page one of the Director's Report. Directors are appointed based on their experience and on the independence of their decision-making and judgment.

The Group's Constitution provides for the appointment of a minimum number of directors as three and up to a maximum of seven. Currently the Group has three directors comprising two executive directors. The Constitution does not require a shareholding qualification for directors.

The Group recognises the importance of non-executive directors and the external perspective and advice that non-executive directors can offer. Mr Shervington is a Non-Executive Director and meets the following criteria for independence adopted by the Group.

An independent director:

- is a non-executive director and:
- is not a substantial shareholder of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- within the last three years has not been employed in an executive capacity by the Group or another group 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 Group or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Group or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Group or other group member other than as a Director of the Group;
- 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 Group; 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 Group.

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

Mr Pismiris is an executive director and also holds the position of Company Secretary. Mr Pismiris is responsible for the overall administration and financial management of the Group and therefore does not meet the Group's criteria for independence.

CORPORATE GOVERNANCE STATEMENT CONTINUED

1. BOARD OF DIRECTORS CONTINUED

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 Group. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Group.

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 Group and establishing codes that reflect the values of the Group 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 Group and ensuring that there are policies in place to govern the operation of the Group.
iii. Overseeing planning activities: overseeing the development of the Group'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 Group.
v. Monitoring, compliance and risk management: overseeing the Group's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Group.
vi. Group 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 Group'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 Group'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 Group's executives to ensure the effective day-to-day management of the Group 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 Group 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

1. BOARD OF DIRECTORS CONTINUED

1.4 BOARD POLICIES continued

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 Group.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors of the Group 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 Group 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 Group immediately notifies the ASX of information:

- Concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Group'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 Group's securities.

Upon confirmation of receipt from the ASX, the Group 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 Group. 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 Group;
- A synopsis of the current strategic direction of the Group including a copy of the current strategic plan and annual budget; and
- A copy of the Constitution of the Company.

CORPORATE GOVERNANCE STATEMENT CONTINUED

1. BOARD OF DIRECTORS CONTINUED

1.4 BOARD POLICIES continued

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Group'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 Group 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 Group respects the rights of its shareholders and to facilitate the effective exercise of those rights the Group 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 Group;
ii. Giving shareholders ready access to balanced and understandable information about the Group and corporate proposals;
iii. Making it easy for shareholders to participate in general meetings of the Group; 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 Group also makes available a telephone number for shareholders to make enquiries of the Group.

1.4.9 Trading in Company Shares

The Group has a Share Trading Policy under which Directors are required to discuss their intention to trade in the Group'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 Group.

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).

CORPORATE GOVERNANCE STATEMENT CONTINUED

1. BOARD OF DIRECTORS CONTINUED

1.4 BOARD POLICIES continued

1.4.9 Trading in Company Shares continued

In addition, consistent with the law, designated officers are prohibited from trading in the Group's securities while in the possession of unpublished price sensitive information concerning the Group. Unpublished price sensitive information is information regarding the Group 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 Group's securities.

Notice of an intention to trade must be given prior to trading in the Group'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 Group 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 Group's financial condition prior to the Board signing this Annual Report.

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 Group 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 Group management for shareholders and prospective shareholders;
- Evaluate the adequacy and effectiveness of 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

2. BOARD COMMITTEES CONTINUED

2.1 AUDIT & COMPLIANCE COMMITTEE continued

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 October 2002. 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 committee.

2.2 REMUNERATION COMMITTEE

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

It is the Group'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 Group's performance. The outcome of the remuneration structure is:

- Reward executives for group 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 Group; 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 16 of the Directors' Report.

The Group has taken into account the guidelines for non executive director remuneration as set out in Box 9.3 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 Group considers the issue of options to non executive directors is appropriate as the quantum of cash fees that the Group 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 Group to attract and keep Non Executive Directors of the requisite level of experience and qualifications to assist with the development of the Group. 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

2. BOARD COMMITTEES CONTINUED

2.3 NOMINATION COMMITTEE

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

2.4 COMPANY CODE OF CONDUCT

As part of its commitment to recognising the legitimate interests of stakeholders, the Group 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 Group complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Group has processes in place designed to ensure the truthful and factual presentation of the Group'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 Group's clients, customers and consumers. The Group for its part is committed to providing clients, customers and consumers with fair value.

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

Obligations Relative to Fair Trading and Dealing
The Group aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Group strives to deal fairly with the Group'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 Group 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

2. BOARD COMMITTEES CONTINUED

2.4 COMPANY CODE OF CONDUCT continued

Responsibility to the Individual
The Group 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 Group.

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

How the Group Monitors and Ensures Compliance with its Code
The Board, management and all employees of the Group 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 Group'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 Group during the financial year, changes in the state of affairs of the Group and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- Release of a Half-Yearly Report to the Australian Stock Exchange Limited; 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 Group'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 2008

for the year ended 30 June 2008

BALANCE SHEET AS AT 30 JUNE 2008

	Notes	CONSOLIDATED		PARENT	
ASSETS		**2008**	**2007**	**2008**	**2007**
Current Assets		**$**	**$**	**$**	**$**
Cash and cash equivalents	11	**8,044,976**	3,482,189	**8,044,876**	3,482,089
Trade and other receivables	12	**387,522**	223,262	**387,522**	223,262
Prepayments		**18,519**	14,742	**18,519**	14,742
Total Current Assets		**8,451,017**	3,720,193	**8,450,917**	3,720,093
Non-current Assets					
Plant and equipment	15	**580,139**	307,695	**580,139**	307,695
Trade and other receivables	13	**-**	-	**7,785,532**	3,437,432
Investment in subsidiaries	14	**-**	-	**1,685,000**	1,685,000
Exploration and evaluation	16	**9,145,766**	5,121,908	**-**	-
Total Non-current Assets		**9,725,905**	5,429,603	**10,050,671**	5,430,127
TOTAL ASSETS		**18,176,922**	9,149,796	**18,501,588**	9,150,220
LIABILITIES					
Current Liabilities					
Trade and other payables	17	**709,295**	297,599	**709,295**	297,599
Provisions	18	**36,702**	13,539	**36,702**	13,539
Total Current Liabilities		**745,997**	311,138	**745,997**	311,138
TOTAL LIABILITIES		**745,997**	311,138	**745,997**	311,138
NET ASSETS		**17,430,925**	8,838,658	**17,755,591**	8,839,082
EQUITY					
Contributed equity	19	**21,397,470**	10,904,625	**21,397,470**	10,904,625
Reserves	20	**1,142,137**	931,000	**1,142,137**	931,000
Accumulated losses	20	**(5,108,682)**	(2,996,967)	**(4,784,016)**	(2,996,543)
TOTAL EQUITY		**17,430,925**	8,838,658	**17,755,591**	8,839,082

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 2008

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$	$	$
Interest Income	6(a)	**304,404**	175,997	**304,404**	175,997
Other Income	6(b)	**780,000**	467,076	**780,000**	467,076
		1,084,404	643,073	**1,084,404**	643,073
Expenses					
Accounting and registry fees		**(140,705)**	(50,682)	**(140,705)**	(50,682)
ASX listing fees		**(51,808)**	(31,275)	**(51,808)**	(31,275)
Auditing Fees		**(48,837)**	(30,900)	**(48,837)**	(30,900)
Board expenses	7(e)	**(135,780)**	(984,970)	**(135,780)**	(984,970)
Company secretarial expenses		**(73,000)**	(33,000)	**(73,000)**	(33,000)
Consultants expenses	7(a)	**(348,510)**	(274,612)	**(348,510)**	(274,612)
Depreciation expenses	7(b)	**(94,438)**	(56,699)	**(94,438)**	(56,699)
Employment expenses	7(d)	**(1,326,196)**	(454,650)	**(1,326,196)**	(454,650)
Exploration expenditure written off	16	**(324,242)**	-	-	-
Insurance		**(27,412)**	(21,134)	**(27,412)**	(21,134)
IT expenses		**(59,647)**	(11,027)	**(59,647)**	(11,027)
Legal expenses		**(3,307)**	(48 ,724)	**(3,307)**	(48,724)
Office accommodation expenses		**(149,886)**	(89,741)	**(149,886)**	(89,741)
Public relations expenses		**(171,433)**	(41,862)	**(171,433)**	(41,862)
Travel and accommodation		**(114,880)**	(60,836)	**(114,880)**	(60,836)
Other expenses		**(126,038)**	(101,490)	**(126,038)**	(101,278)
Loss before income tax expense		**(2,111,715)**	(1,648,529)	**(1,787,473)**	(1,648,317)
Income tax expense	8	**-**	-	**-**	-
Nett loss for the period		**(2,111,715)**	(1,648,529)	**(1,787,473)**	(1,648,317)
Loss attributable to members of parent		**(2,111,715)**	(1,648,529)	**(1,787,473)**	(1,648,317)
Basic Loss Per Share	10	**(3.95)**	(3.97)		
Diluted Loss Per Share	10	**(3.95)**	(3.97)		

The above Balance Sheet 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 2008

CONSOLIDATED	Issued Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2006	8,159,399	-	(1,348,438)	6,810,961
Total income and expense recognised directly in equity	-	-	-	-
Loss for the year	-	-	(1,648,529)	(1,648,529)
Total recognised income and expense for the period	-	-	(1,648,529)	(1,648,529)
Share based payments	-	931,000	-	931,000
Shares issued during the year				
- Ordinary shares	2,919,103	-	-	2,919,103
- Costs of issue	(173,877)	-	-	(173,877)
Balance at 30 June 2007	10,904,625	931,000	(2,996,967)	8,838,658
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**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

CONTINUED

PARENT	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2006	8,159,399	-	(1,348,226)	6,811,173
Total income and expense recognised directly in equity	-	-	-	-
Loss for the year	-	-	(1,648,317)	(1,648,317)
Total recognised income and expense for the period	-	-	(1,648,317)	(1,648,317)
Share based payments	-	931,000	-	931,000
Shares issued during the year				
- Ordinary shares	2,919,103	-	-	2,919,103
- Costs of issue	(173,877)	-	-	(173,877)
Balance at 30 June 2007	10,904,625	931,000	(2,996,543)	8,839,082
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	**-**	**-**	**(1,787,473)**	**(1,787,473)**
Total recognised income and expense for the period	**-**	**-**	**-**	**-**
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**	**(4,784,016)**	**17,755,591**

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 2008

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$	$	$
Cash flows from operating activities					
Office services income received		**635,500**	356,000	**635,500**	356,000
Payments to suppliers and employees		**(2,139,940)**	(1,282,424)	**(2,139,940)**	(1,282,212)
Net cash (used in) operating activities	21(a)	**(1,504,440)**	(926,424)	**(1,504,440)**	(926,212)
Cash flows from investing activities					
Interest received		**289,364**	151,161	**289,364**	151,161
Payments for exploration & evaluation		**(4,348,100)**	(1,685,023)	**-**	-
Investment in subsidiary		**-**	-	**(4,348,100)**	(1,685,235)
Purchase of plant & equipment		**(366,882)**	(103,012)	**(366,882)**	(103,012)
Net cash (used in) investing activities		**(4,425,618)**	(1,636,874)	**(4,425,618)**	(1,637,086)
Cash flows from financing activities					
Proceeds from issue of shares		**5,460,000**	2,587,547	**5,460,000**	2,587,547
Proceeds from exercise of options		**5,305,845**	331,556	**5,305,845**	331,556
Transaction costs of issue of shares		**(273,000)**	(173,877)	**(273,000)**	(173,877)
Net cash from financing activities		**10,492,845**	2,745,226	**10,492,845**	2,745,226
Net increase in cash and cash equivalents		**4,562,787**	181,928	**4,562,787**	181,928
Cash and cash equivalents at the beginning of the period		**3,482,189**	3,300,261	**3,482,089**	3,300,161
Cash and cash equivalents at the end of the financial year	11	**8,044,976**	3,482,189	**8,044,876**	3,482,089

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 2008

1. CORPORATE INFORMATION

The financial report of the Group for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 30 September 2008.

Prairie Downs Metals Limited is a group 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 2008 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 2007. The adoption of these standards give rise to additional disclosure which did not have a material effect on the financial statements of the Group.

The Group has adopted AASB 7 Financial Instruments: Disclosures and AASB 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entitites and all consequential amendments which became applicable on 1 July 2007. The adoption of these standards has only affected the disclosure in these financial statements. There has been no affect on profit or loss or the financial position 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 2008. These are outlined in the table on page 42.

AASB Amendment	Title	Nature of change to accounting policy	Application date of standard"	Impact on Group financial report	Application date for Group
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.	01/01/09	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	01/07/09

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

B. STATEMENT OF COMPLIANCE continued

AASB Amendment	Title	Nature of change to accounting policy	Application date of standard	Impact on Group financial report	Application date for Group
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.	01/01/09	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	01/07/09
AASB 101 (Revised) and AASB 2007-8	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.	01/01/09	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	01/07/09
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	01/01/09	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	01/07/09
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities 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.	01/07/09	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	01/07/09

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

B. STATEMENT OF COMPLIANCE continued

AASB Amendment	Title	Nature of change to accounting policy	Application date of standard	Impact on Group financial report	Application date for Group
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	01/07/09	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction.	01/07/09
Amendments to International Financial Reporting Standards	Improvements to IFRSs	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 11 deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	01/01/09 except for amendments to IFRS 5, which are effective from 01/07/09	The Group has not yet determined the extent of the impact of the amendments, if any.	01/07/09

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.

During the prior year, Prairie 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 assets and liabilities acquired based on their relative fair values at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 provision 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 recognized 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 recognized 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 profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 until 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 utilized, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Q. INCOME TAX AND OTHER TAXES continued

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 profit or loss.

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 Group, 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 Group, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 25 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 other 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.

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.

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 subjected to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

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:

4.1 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
CONTINUED

C. SHARE-BASED PAYMENT TRANSACTION

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 binomial model, with the assumption detailed in note 24. 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.

5. SEGMENT INFORMATION

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

6. INTEREST INCOME AND OTHER INCOME

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
(A) FINANCE REVENUE				
Bank interest	**304,404**	175,997	**304,404**	175,997
	304,404	175,997	**304,404**	175,997
(B) OTHER INCOME				
Office Services Income from related parties	**780,000**	427,500	**780,000**	427,500
Other income	-	39,576	-	39,576
	780,000	467,076	**780,000**	467,076

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

7. EXPENSES

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
(A) CONSULTANTS EXPENSES				
Consulting - Related parties	**336,000**	274,612	**336,000**	274,612
Consulting - Others	**12,510**	-	**12,510**	-
	348,510	274,612	**348,510**	274,612
(B) DEPRECIATION EXPENSE	**94,438**	56,699	**94,438**	56,699
Depreciation	**94,438**	56,699	**94,438**	56,699
(C) LEASE PAYMENTS	**117,429**	83,312	**117,429**	83,312
Operating lease	**117,429**	83,312	**117,429**	83,312
(D) EMPLOYMENT EXPENSES				
Wages and salaries	**849,132**	241,409	**849,132**	241,409
Annual leave provision	**23,163**	13,539	**23,163**	13,539
Other employment costs	**149,819**	92,974	**149,819**	92,974
Share based payments	**211,137**	75,000	**211,137**	75,000
Staff amenities	**22,715**	10,175	**22,715**	10,175
Superannuation	**70,230**	21,553	**70,230**	21,553
	1,326,196	454,650	**1,326,196**	454,650
(E) BOARD EXPENSES				
Fees and salaries	**132,000**	126,000	**132,000**	126,000
Share based payments	**-**	856,000	**-**	856,000
Superannuation	**3,780**	2,970	**3,780**	2,970
	135,780	984,970	**135,780**	984,970

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

8. INCOME TAX

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
The major components of income tax expense are:				
INCOME STATEMENT				
Current Income Tax				
Current income tax charge	**(1,539,352)**	(718,782)	(234,923)	(265,851)
Current income tax benefit not recognised	**1,539,352**	718,782	234,923	265,851
Deferred Income Tax				
Relating to origination and reversal of temporary differences	**(1,258,021)**	489,167	(50,864)	36,299
Deferred income tax charge not recognised	**1,258,021**	(489,167)	50,864	(36,299)
Income tax expense reported in the income statement	-	-	-	-
STATEMENT OF CHANGES IN EQUITY				
Deferred Income Tax related to items charged or credited directly to equity				
Deferred tax on share issue costs	**239,362**		**239,362**	-
Deferred income tax charge not recognised	**(108,322)**	-	**(108,322)**	-
Deferred tax asset not recognised	**(131,040)**	-	**(131,040)**	-
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:

Accounting profit before tax from continuing operation				
Loss before tax from continued operations	**(2,111,715)**	(1,648,529)	(1,787,473)	(1,648,317)
Accounting profit before income tax	-	-	-	-
	(2,111,715)	(1,648,529)	(1,787,473)	(1,648,317)
At the statutory income tax rates of 30%	**(633,514)**	(494,559)	(536,242)	(494,495)
Other non-deductible expenses	**65,635**	296,436	65,635	296,436
Research & Development tax concession	**286,548**	-	286,548	-
Deductible capital raising	**(53,695)**	(31,492)	(53,695)	-
Deferred tax assets and liabilities not recognised	**(1,204,326)**	-	2,831	-
Tax losses not brought to account	**1,539,352**	229,615	234,923	198,059
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

8. INCOME TAX CONTINUED

	BALANCE SHEET		INCOME STATEMENT	
	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
CONSOLIDATED				
Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
Consolidated Deferred tax liabilities				
Receivables	**(11,976)**	(7,451)	**4,525**	(3,305)
Exploration tenements	**(2,243,376)**	(1,036,219)	**1,207,157**	452,868
Prepayments	**(2,291)**	-	**2,291**	-
	(2,257,643)	(1,043,670)		
Deferred tax assets				
Accrued audit fees	**6,000**	6,000	**-**	600
Accrued directors fees	**-**	2,400	**2,400**	(12,000)
Section 40-880 costs	**144,601**	65,694	**(78,907)**	(23,959)
Plant and equipment	**3,377**	-	**(3,377)**	-
Provision for annual leave	**11,011**	4,062	**(6,949)**	2,382
Other	**1,943**	-	**(1,943)**	(16)
Revenue tax losses	**3,479,235**	2,187,869	**(1,539,352)**	(718,782)
Revenue tax losses not recognised	**(1,388,524)**	(1,222,355)	**1,672,176**	718,782
	2,257,643	1,043,670		
Deferred tax (income) / expense			**1,258,021**	(416,570)
Net deferred tax asset / liability	**-**	-		
PARENT				
Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Receivables	(11,976)	(7,451)	4,525	(3,305)
Exploration tenements	(2,291)	-	2,291	-
	(14,267)	(7,451)		
Deferred tax assets				
Accrued audit fees	6,000	6,000	-	600
Accrued directors fees	-	2,400	2,400	(12,000)
Section 40-880 costs	144,601	65,694	(78,907)	(23,959)
Plant and equipment	3,377	-	(3,377)	-
Provision for annual leave	11,011	4,062	(6,949)	2,382
Other	1,943	-	(1,943)	(16)
Revenue tax losses	3,479,235	2,187,869	(234,923)	(718,782)
Revenue tax losses not recognised	(3,631,900)	(2,258,574)	367,747	718,782
	14,267	7,451		
Deferred tax (income)/expense			**50,864**	(36,298)
Net deferred tax asset / liability	-	-		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

8. INCOME TAX CONTINUED

The Group has tax losses that are available indefinitely for offset against future taxable profits of the Group. The recoupment of available tax losses as at the 30 June 2008 is contingent upon the following:

i. the Group 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 Group from realising the benefit from the losses.

TAX CONSOLIDATION

Prairie and its 100% owned Australian resident subsidiary have not yet elected to form a tax Consolidated Group.

9. DIVIDENDS PAID AND PROPOSED

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

10. LOSS PER SHARE

A. LOSS USED IN CALCULATING LOSS PER SHARE

	CONSOLIDATED	
	2008	**2008**
	$	**$**
Net loss attributable to members of Prairie Downs Metals Limited	**(2,111,715)**	(1,648,529)

B. WEIGHTED AVERAGE NUMBER OF SHARES

	CONSOLIDATED	
	2008	**2008**
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic loss per share	**(53,395,467)**	(41,504,638)
Weighted average number of ordinary shares used in calculating diluted loss per share	**(53,395,467)**	(41,504,638)

C. INFORMATION ON THE CLASSIFICATION OF SECURITIES

i. *Options*

Options granted to key management personnel as described in note 24 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 periods 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

10. LOSS PER SHARE CONTINUED

C. INFORMATION ON THE CLASSIFICATION OF SECURITIES continued

The total number of potential ordinary shares that are anti-dilutive is 5,500,000 (2007: 25,607,015).

There are no shares on issue considered to be anti-dilutive.

ii. ***Shares issued since Balance Date***
No shares have been issued since balance date

11. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Cash at bank and in hand	**306,825**	396,160	**306,725**	396,060
Term deposit	**36,345**	33,845	**36,345**	33,845
Other income				
Commercial bills	**7,701,806**	3,052,184	**7,701,806**	3,052,184
	8,044,976	3,482,189	**8,044,876**	3,482,089

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is $8,044,976 (2007: $3,482,189).

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.

12. TRADE AND OTHER RECEIVABLES - CURRENT

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Trade receivables (i)	**171,522**	198,886	**171,522**	198,886
Related party receivables (ii)	**216,000**	24,376	**216,000**	24,376
	387,522	223,262	**387,522**	223,262

i. Trade receivables are non-interest bearing and are generally on 30-90 days terms. The carrying amounts of trade and other receivables represents fair value.
ii. For terms and conditions relating to related party receivables refer to note 22.
iii. There were no past due or impaired receivables at the year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

13. TRADE AND OTHER RECEIVABLES - NON-CURRENT

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Related party receivables (i)				
Controlled entity	-	-	**7,785,532**	3,437,432
Other related parties – Western Uranium Limited	-	-	-	-
	-	-	**7,785,532**	3,437,432

i. For terms and conditions relating to related party receivables refer to note 22.

14. INVESTMENT IN SUBSIDIARIES

Investment in controlled entity (note 22) – at cost				
	-	-	**1,685,000**	1,685,000
	-	-	**1,685,000**	1,685,000

15. PLANT AND EQUIPMENT

	CONSOLIDATED	PARENT
	$	$
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 or fair value	**750,083**	**750,083**
Accumulated depreciation	**(169,944)**	**(169,944)**
Net carrying amount	**580,139**	**580,139**
YEAR ENDED 30 JUNE 2007		
At 1 July 2006, net of accumulated depreciation	**253,858**	253,858
Additions	**110,536**	110,536
Disposals	**-**	-
Depreciation charge for the year	**(56,699)**	(56,699)
As at 30 June 2007, net of accumulated depreciation	**307,695**	307,695
AT 30 JUNE 2007		
Cost or fair value	**383,201**	383,201
Accumulated depreciation	**(75,506)**	(75,506)
Net carrying amount	**307,695**	307,695

The useful life of plant and equipment for the year ended 30 June 2007 was estimated to be 5 to 15 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

16. EXPLORATION AND EVALUATION

	CONSOLIDATED	PARENT
	$	$
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, net of accumulated depreciation	**9,145,766**	-
YEAR ENDED 30 JUNE 2007		
At 1 July 2006	**3,612,348**	-
Expenditure incurred	**1,509,560**	-
As at 30 June 2007	**5,121,908**	-

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.

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, for 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.

17. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	$	$
Trade payables	**656,916**	241,895	**656,916**	241,895
Other payables	**52,379**	55,704	**52,379**	55,704
	709,295	297,599	**709,295**	297,599

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

Annual leave	**36,702**	13,539	**36,702**	13,539
	36,702	13,539	**36,702**	13,539

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

19. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Ordinary shares	**21,397,470**	10,904,625	**21,397,470**	10,904,625
	21,397,470	10,904,625	**21,397,470**	10,904,625
a. Ordinary shares -				
Issued and fully paid	**72,890,598**	45,827,496	**72,890,598**	45,827,496

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Group 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 2008 CONTINUED

19. CONTRIBUTED EQUITY CONTINUED

	NUMBER	$
MOVEMENT IN ORDINARY SHARES ON ISSUE		
At 1 July 2006	38,609,990	8,159,399
Issued on 18 September 2006 for cash on exercise of options	11,225	2,806
Issued on 4 December 2006 for cash on exercise of options	235,294	50,000
Issued on 8 January 2007 for cash on exercise of options	705,882	150,000
Issued on 29 January 2007 for cash	5,750,105	2,587,547
Issued on 20 June 2007 for cash on exercise of options	125,000	31,250
Issued on 28 June 2007 for cash on exercise of options	390,000	97,500
Transaction costs on share issue (i)	-	(173,877)
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 30 June 2008	72,890,598	21,397,470

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

20. ACCUMULATED LOSSES AND RESERVES

A. MOVEMENT IN RETAINED EARNINGS WERE AS FOLLOWS:

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Balance 1 July	**(2,996,967)**	(1,348,438)	**(2,996,543)**	(1,348,226)
Net loss	**(2,111,715)**	(1,648,529)	**(1,787,473)**	(1,648,317)
Balance 30 June	**(5,108,682)**	(2,996,967)	**(4,784,016)**	(2,996,543)

B. OTHER RESERVES

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	Option Issue Reserve	*Total*	*Option Issue Reserve*	*Total*
	$	$	$	$
At 1 July 2006	-	-	-	-
Share based payment	931,000	931,000	931,000	931,000
At 30 June 2007	-	-	-	-
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**

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 keymanagement personnel, as part of their remuneration. Refer to note 24(b) for further details of the Employee Share and Option Plan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

21. CASH FLOW RECONCILIATION

A. RECONCILIATION OF NET LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Net loss	**(2,111,715)**	(1,648,529)	**(1,787,473)**	(1,648,317)
Adjustments for:				
Depreciation	**94,438**	56,699	**94,438**	56,699
Share based payments	**211,137**	931,000	**211,137**	931,000
Non cash income	**-**	(39,350)	**-**	(39,350)
Interest classified as investing cash flow	**(289,364)**	(175,997)	**(289,364)**	(175,997)
Exploration expenditure written off	**324,242**	-	**-**	-
Changes in assets and liabilities				
(Increase) in trade and other receivables	**(164,260)**	(68,590)	**(164,260)**	(68,590)
Decrease/(increase) in prepayments	**(3,777)**	(3,379)	**(3,777)**	(3,379)
Increase in trade and other payables	**415,021**	24,079	**415,021**	23,654
Increase in provisions	**23,163**	7,939	**23,163**	7,939
Increase/(decrease) in other current liabilities	**(3,325)**	(10,296)	**(3,325)**	(10,083)
Net cash used in operating activities	**(1,504,440)**	(926,424)	**(1,504,440)**	(1,504,440)

B. NON-CASH FINANCING AND INVESTING ACTIVITIES

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Share based payments	**211,137**	75,000	**211,137**	75,000

22. 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 ($)**	
		2008	2007	2008	2007
Mineral Investments Pty Ltd	Australia	**100**	100	**1,685,000**	1,685,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

22. RELATED PARTY DISCLOSURE CONTINUED

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 23.

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	-	-	-	-
Parent				
Subsidiary:				
Mineral Investments Pty Ltd	-	-	7,785,532	-

During the financial year fees of $390,000 (2007: $275,000) was charged under normal terms and conditions to Western Uranium Limited, of which Messrs J D Shervington, M C Hansen and A C Pismiris are directors, for the provision of personnel, office accommodation and equipment services at normal commercial rates.

During the financial period fees of $390,000 (2007: $85,000)was charged under normal terms and conditions to Colonial Resources Limited, of which Messrs J D Shervington, M C Hansen and A C Pismiris are directors, for the provision of personnel, office accommodation and equipment services at normal commercial rates.

E. LOANS TO RELATED PARTIES

At Balance Date the Group had advanced $7,785,532 (2007: $3,437,432) 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.

At Balance Date the Group had advanced $1,092 (2007: $90)to Western Uranium Limited, of which Messrs J D Shervington, M C Hansen and A C Pismiris are directors representing payment of shared administration costs. The loan is non-interest bearing and made on 30 days terms.

At Balance Date the Group had advanced $75 (2007: $24,286)to Colonial Resources Limited, of which Messrs J D Shervington, M C Hansen and A C Pismiris are directors representing payment of shared administration costs. The loan is non-interest bearing and made on 30 days terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

23. KEY MANAGEMENT PERSONNEL

A. DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors

Jeremy David Shervington	Chairman (non-executive)
Alec Christopher Pismiris	Director (executive)
Mark Christian Hansen	Director (non-executive)

(ii) Executives

Gerrit Ian Karelse	Chief Operating Officer – resigned 28 April 2008
Luke Charles Kerr	Senior Project Geologist
Denise Gardiner	Office Manager
Darren Michael Bromley	Chief Financial Officer – appointed 14 January 2008
Mark Andrew Zucchi	Field Manager – resigned 28 November 2007
David Broomfiled	Geologist - resigned 30 June 2007
Christine Panetta	Assistant Company Secretary – resigned 5 May 2008

B. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short-term employee benefits	**1,109,134**	618,717	**1,109,134**	618,717
Post-employment benefits	**52,893**	20,865	**52,893**	20,865
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share-based payments	**194,698**	931,000	**194,698**	931,000
	1,356,725	1,570,582	**1,356,725**	1,570,582

C. OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL (CONSOLIDATED)

During the financial year there were 1,000,000 $1.00 options granted to executives under the Group's Employee Share and Option Plan as equity compensation benefits under the long-term incentive plan to key management personnel. 650,000 of the options of that class were forfeited under the terms of the options.

During the financial year 100,000 $0.65 options granted to Mrs C Panetta under the Group's Employee Share and Option Plan were exercised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

23. KEY MANAGEMENT PERSONNEL CONTINUED

C. OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL (CONSOLIDATED) continued

						VESTED AT 30 JUNE 2008		
30 June 2008	**Balance at beginning of period 01 Jul 07**	**Granted as Remuner-ation**	**Options Exercised**	**Net Change Other #**	**Balance at end of period 30 Jun 08**	**Total**	**Exercisable**	**Not Exercisable**
Directors								
J D Shervington	1,705,524	-	(205,524)	-	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	-
M C Hansen	3,280,000	-	(1,780,000)	-	1,500,000	1,500,000	1,500,000	-
Executives								
M Zucchi	100,000	-	-	(100,000)	-	-	-	-
L Kerr	250,000	-	-	-	250,000	250,000	250,000	-
C Panetta	100,000		(100,000)	-	-	-	-	-
GI Karelse	-	550,000	-	(550,000)	-	-	-	-
D Gardiner	-	100,000	-	-	100,000	100,000	-	100,000
D 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

						VESTED AT 30 JUNE 2007		
30 June 2007	**Balance at beginning of period 01 Jul 06**	**Granted as Remuner-ation**	**Options Exercised**	**Net Change Other #**	**Balance at end of period 30 Jun 07**	**Total**	**Exercisable**	**Not Exercisable**
Directors								
J D Shervington	440,818	1,500,000	(235,294)	-	1,705,524	1,705,524	1,705,524	-
A C Pismiris	338,821	1,000,000	(235,294)	-	1,103,527	1,103,527	1,103,527	-
M C Hansen	1,780,000	1,500,000	-	-	3,280,000	3,280,000	3,280,000	-
Executives								
M Zucchi	-	100,000	-	-	100,000	100,000	100,000	-
L Kerr	-	250,000	-	-	250,000	250,000	250,000	-
C Panetta	-	100,000	-	-	100,000	100,000	100,000	-
D Broomfield	-	300,000	-	(300,000)	-	-	-	-
Total	2,559,639	4,750,000	(470,588)	(300,000)	6,539,051	6,539,051	6,539,051	-

includes forfeitures

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

23. KEY MANAGEMENT PERSONNEL CONTINUED

D. SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL (CONSOLIDATED)

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

30 June 2007	Balance 01 Jul 06 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change Other	Balance 30 Jun 07
Directors					
J D Shervington	479,764	-	235,294	-	715,058
A C Pismiris	264,484	-	235,294	-	499,778
M C Hansen	7,120,000	-	-	-	7,120,000
Executives					
M Zucchi	-	-	-	-	-
L Kerr	-	-	-	-	-
C Panetta	-	-	-	-	-
D Broomfield	-	-	-	-	-
Total	7,864,248	-	470,588	-	8,334,836

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 2008
CONTINUED

23. KEY MANAGEMENT PERSONNEL CONTINUED

E. OTHER TRANSACTION AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Purchases

During the financial year fees of $336,000 (2007: $284,182) exclusive of GST were accrued 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 and marketing at normal commercial rates. The fees were included as part of the remuneration to Mr. M C Hansen.

During the financial year fees of $109,000 (2007: $69,000) exclusive of GST were accrued under normal terms and conditions to Capital Investment Partners Pty Ltd or Azure Capital Pty Ltd of which Mr A C Pismiris is a director and shareholder, for the provision of professional services (including company secretarial and accounting services) at commercial rates. . The fees were included as part of the remuneration to Mr. A C Pismiris.

During the financial year fees of $60,000 (2007: $60,000) exclusive of GST were accrued under normal terms and conditions to Jeremy David Shervington for the provision of legal services at commercial rates. These were included as part of Mr J D Shervington's remuneration.

The amount recognised at the reporting date as a trade payable from transactions with key management personnel and their related parties was $53,244 (2007: $nil)

24. SHARE BASED PAYMENT PLANS

A. RECOGNISED SHARE-BASED PAYMENT EXPENSES

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

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Expense arising from equity-settled share-based payment transactions	**211,137**	931,000	**211,137**	931,000
Total expense arising from share-based payment transactions	**211,137**	931,000	**211,137**	931,000

The share-based payment plan is described on page 69. There have been no modifications to the plan during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

24. SHARE BASED PAYMENT PLANS CONTINUED

B. TYPES OF SHARE-BASED PAYMENT PLANS EMPLOYEE SHARE AND OPTION PLAN ("ESOP")

The Group has established the ESOP to assist in the retention and motivation of employees by providing them with the opportunity to acquire Shares. Under the ESOP, options over unissued shares would be offered to eligible executives, employees and contractors of the Group. The principal terms of the ESOP are as follows:

a. The persons who are eligible to participate in the ESOP are employees and contractor of the Group (including the directors of the Group from time to time) ("Eligible Employee") or their nominee who have been selected by the Board to participate in the ESOP;
b. The ESOP Options will not be transferable or assignable to any person other than an Eligible Employee's nominee;
c. The ESOP Options may be exercised at any time after their issue;
d. The ESOP Options may be exercised wholly or in part, and if exercised in part multiples of 500 must be exercised on each occasion;
e. The ESOP Options may be exercised by notice in writing to the Group received at any time during the relevant exercise period together with a cheque for the exercise price and the option certificate (if any) for those ESOP Options for cancellation by the Group;
f. The Group shall allot the number of Shares the subject of any exercise notice and apply at its cost for listing of the Shares within 14 days of the allotment of the Shares;
g. The ESOP Options will be exercisable after admission of the Group to the ASX, at a price and with an exercise period to be determined in the absolute discretion of the Board;
h. Shares issued on the exercise of the ESOP Options will rank pari passu with all existing Shares of the Group from the date of issue;
i. The maximum number of ESOP Options that may be offered to participants under the ESOP is 10% of the issued capital at the time of the issue of the ESOP Options;
j. It will be a condition of the ESOP that no participant is entitled to more than 5% of the Group's securities as a result of the issue of any ESOP Options under the ESOP;
k. The holder will be permitted to participate in any new pro-rata issue of securities of the Group on prior exercise of the ESOP Options in which case the holder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the ESOP Options;
l. The ESOP Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the ESOP Options;
m. In the event of a reorganisation of the issued capital of the Group, the ESOP Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on holders which are not conferred on Shareholders;
n. The number of Shares to be issued pursuant to the exercise of ESOP Options will be adjusted for bonus issues made prior to exercise of the ESOP Options so that, upon exercise of the ESOP Options the number of Shares received by the option holder will include the number of bonus Shares that would have been issued if the ESOP Options had been exercised prior to the record date for the bonus issues. The exercise price of the ESOP Options shall not change as a result of any such bonus issues;
o. Quotation of ESOP options on the ASX will not be sought;
p. Subject to paragraph (n) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.
q. In the case of an employee who ceases to be an employee of the Group the ESOP Options will automatically expire 3 months after the cessation of such employment provided that nothing in this paragraph will prevent the holder of any such ESOP Options exercising any of those Options during that 3 month period.
r. In the case of an employee terminated with cause, any unvested ESOP Options will be immediately for feited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

24. SHARE BASED PAYMENT PLANS CONTINUED

C. SUMMARIES OF OPTIONS GRANTED UNDER THE EMPLOYEE SHARE AND OPTION PLAN

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

	2008 No.	**2008 WAEP**	2007 No	2007 WAEP
Outstanding at the beginning of the year	**4,450,000**	**0.47**	-	-
Granted and issued during the year	**1,700,000**	**0.99**	4,750,000	0.47
Forfeited during the year (750,000)	**(750,000)**	**0.93**	(300,000)	0.45
Exercised during the year (100,000)	**(100,000)**	**0.65**	-	-
Expired during the year	-	-	-	-
	5,300,000	**0.57**	4,450,000	0.47
Exercisable at the end of the year	**5,300,000**	**0.57**	4,450,000	0.47

The outstanding balance of options as at 30 June 2008 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;
- 1,050,000 options exercisable on or before 31 December 2011 at an exercise price of $1.00 each

D. WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average contractual life for the share options outstanding as at 30 June 2008 is 3.45 years (2007: 4.42 years).

E. RANGE OF EXERCISE PRICE

The range of exercise prices for options outstanding at the end of the year was $0.45 to $1.00 (2007: $0.45 to $0.65).

F. WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value for options granted and issued during the year was $0.303 (2007: $0.217).

G. OPTION PRICING MODEL

The fair value of the equity-settled share options granted under the ESOP is estimated as at the grant date using the Binomial 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 2008:

	GRANTED 30/06/08	**GRANTED 08/10/07**
Share price	$0.68	$1.05
Dividend yield	0.0%	0.0%
Expected volatility	85.0%	57.5%
Risk-free interest rate	7.25%	6.49%
Expected life	1.75 years	2.0 years
Estimated fair value of each option at grant date	20.9 cents	44.1 cents

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

25. FAIR VALUE AND INTEREST RATE RISK

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

	2008 FLOATING INTEREST RATE $	2007 FLOATING INTEREST RATE $
FINANCIAL ASSETS		
Cash assets	**8,044,976**	**3,482,189**

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The other financial instruments of the 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 the same for parent and consolidated entity for both the years.

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 2008**	**Equity 2008**	**Profit 2007**	**Equity 2007**
Interest Rate	+0.50%	40,224	40,224	17,411	17,411
	-0.50%	(40,224)	(40,224)	(17,411)	(17,411)

* 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. Historical rates indicate that for the past five financial years, there was a bias towards an increase in interest rate ranging between 0 to 50 basis points. 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 $709,295 (2007: $297,599) is contractually due in 30 days.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
CONTINUED

26. 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 includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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 includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2008 are as follows:

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Within one year	**83,850**	83,850	**83,850**	83,850
After one year but not more than five years	**128,787**	196,738	**128,787**	196,738
More than five years	**-**	-	**-**	-
Total minimum lease payments	**212,637**	280,588	**212,637**	280,588

(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	
	2008	2007	**2008**	2007
	$	$	**$**	$
Within one year	**948,656**	730,028	**948,656**	730,028
After one year but not more than five years	**-**	-	**-**	-
More than five years	**-**	-	**-**	-
Total	**948,656**	730,028	**948,656**	730,028

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in note 23 that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 CONTINUED

26. COMMITMENTS AND CONTINGENCIES CONTINUED

A. COMMITMENTS continued

(iii) Other expenditure commitments – Mineral leases

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

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Within one year	**237,000**	193,000	-	-
After one year but not more than five years	**1,185,000**	2,874,307	-	-
More than five years	**-**	-	-	-
Total	**1,422,000**	3,067,307	-	-

B. CONTINGENCIES

The Group has no contingent assets and liabilities.

27. EVENTS AFTER THE BALANCE SHEET DATE

On 18 August 2008, the Group announced that a Management Services Agreement with Market Capital Group Pty Ltd which provided the services of Mr Mark Hansen as the Group's Technical Director had been terminated. Mr Hansen remains as Non-executive Director of the Group.

No other matter or circumstance has arisen since 30 June 2008 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.

28. AUDITOR'S REMUNERATION

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

	CONSOLIDATED		PARENT	
	2008	2007	**2008**	2007
	$	$	**$**	$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated group	**48,837**	30,300	**48,837**	30,300
- other services in relation to the entity and any other entity in the consolidated group				
• tax compliance	**83,981**	8,240	**83,981**	8,240
	132,818	38,540	**132,818**	38,540

DIRECTORS' DECLARATION

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 Group 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 2008 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 Group 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 2008

On behalf of the Board

Jeremy Shervington
Director

Perth, Western Australia
30th day of September 2008

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF PRAIRIE DOWNS METALS LIMITED

ERNST & YOUNG

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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 2008, 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.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PRAIRIE DOWNS METALS LIMITED

CONTINUED

ERNST & YOUNG

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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 Down Metals Limited and the consolidated entity at 30 June 2008 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 page 15 to 21 of the directors' report for the year ended 30 June 2008. 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 year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

V W Tidy
Partner
Perth
30 September 2008

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 23 September 2008.

A. DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 72,890,598 fully paid ordinary shares held by 2,522 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 Group 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;
- 1,050,000 options exercisable on or before 01 December 2011 at an exercise price of $1.00 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	875	256,432
1,001 – 5,000	526	1,563,721
5,001 – 10,000	388	2,272,257
10,001 – 100,000	629	21,313,616
100,000 and over	104	46,484,572
Total Holders	2,522	72,890,598

There are 927 shareholders holding less than a marketable parcel of shares representing 317,775 shares in total.

B. SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Group in accordance with section 671B of the Corporations Act 2001 are:

	FULLY PAID	
Ordinary shareholders	**Number**	**Percentage %**
Mr Mark Christian Hansen	8,550,000	11.73
AMP Limited	3,902,622	5.35

ASX ADDITIONAL INFORMATION CONTINUED

C. TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Ordinary shareholders	FULLY PAID NUMBER	PERCENTAGE %
Mr Mark Christian Hansen	8,550,000	11.73
Merrill Lynch (Australia) Nominees Pty Limited	3,945,833	5.41
Cogent Nominees Pty Limited	2,760,191	3.79
UBS Nominees Pty Ltd	1,712,489	2.35
HSBC Custody Nominees (Australia) Limited	1,222,346	1.68
Hyflash Holdings Pty Ltd	1,148,467	1.58
Ross Langdon Divett + Linda Alison Divett	1,000,000	1.37
Mr Roy Kendall	1,000,000	1.37
Mr James Howard Nigel Smalley	1,000,000	1.37
Dr Salim Cassim	871,922	1.20
Panga Pty Ltd	832,077	1.14
Cogent Nominees Pty Limited	825,786	1.13
Mr Gordon Roger Barratt + Mrs Marylee Barratt	740,934	1.02
Frass Pty Ltd	597,000	0.82
Roy Kendall	550,000	0.75
Frass Pty Ltd	500,000	0.69
Golden Crest Pty Ltd	500,000	0.69
Mr William Gordon Martin + Mrs Beverley Michelle Martin	500,000	0.69
Mr Glenn Rodrick Styles	498,000	0.68
Alistair S McGregor + Alison J McGregor + Stephen P Lace	445,000	0.61
	29,200,045	40.07
Shares on Issue at 23 September 2008	72,890,598	

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