ASX RELEASE 29 October 2010

Quarterly Activities Report

for the Period Ended 30 September 2010

HIGHLIGHTS

- **Exploration program commenced by Ivernia Australia Exploration Pty Ltd ("Ivernia") at Prairie Downs under the terms of the agreement signed between Prairie Downs Metals Ltd ("Prairie") and Ivernia in June 2010.**
- **Application for Exemption from Compulsory Surrender approved for tenement E52/1926.**
- **Formal Joint Venture Agreement signed with Ivernia confirming the terms disclosed to the market in Prairie's previous announcement dated 15 June 2010.**
- **Heritage Agreement signed between Prairie Downs Metals Limited and The Yamatji Marlpa Aboriginal Corporation ("YMAC") as agent for the Ngarlawanngga (WC05/03) ("The Claimant Group") over tenement E52/1758 as part of the Prairie Downs Base Metal Project ("Project").**
- **All necessary approvals received for the commencement of the current drilling campaign which is being funded by Ivernia under the direction of Prairie's Senior Exploration Geologist.**

EXPLORATION UPDATE

Since the execution of the formal Heads of Agreement in June, the terms of which were announced to the market on 15 June 2010, Ivernia has embarked on a program of geological mapping and interpretation along with extensive infill geochemical surveys using portable XRF. The geochemical surveys have resulted in the collection of more than 8,000 samples, primarily aimed at confirming and defining base metal anomalies identified and reported by Prairie in March 2010.

More than 12km of potential strike has now been covered by XRF sampling on a 25m x 100m grid with local tighter spaced grids as close as 10m x 10m sampling over areas of recognised anomalism. The Wolf anomaly remains the largest base metal anomaly identified by the program.

As announced to the market on 19th October 2010 drilling has now commenced and results will be reported when received. The current drilling will focus on high priority base metal targets with the aim of identifying new mineralised positions.

HERITAGE AGREEMENT

The Project covers two exploration licences in the Ashburton region of WA whereby the main project area on tenement EL 52/1758 overlaps the Ngarlawangga Native Title Claim (WAG 0078/05).

The Company conducted an internal review of all native title and Aboriginal heritage issues associated with the Project and subsequently instigated negotiations with The Claimant Group to reach an agreement over the grant of titles and mine development.

The Claimant Group is represented by the Pilbara Native Title Service (PNTS) with the claim area subject to an Indigenous Land Use Agreement (ILUA) which, amongst other things, covers the grant of exploration and mining tenements.

Smaller overlaps with the Nharnuwangga Wadjarri Ngarlawangga (NWN) native title determination area (WAG 0072/98) and the Nyiyaparli Native Title Claim (WAG 6280/98) exist however current exploration activity is proposed only on the Ngarlawangga claim area.

The native title negotiations commenced in May 2010 and resulted in the Heritage Agreement being duly signed by both parties on 4th August 2010.

EXEMPTION GRANTED FROM COMPULSORY REDUCTION OF E52/1926

On the 25th August 2010 the Department of Mines and Petroleum granted Prairie official exemption from the 50% compulsory reduction in area of tenement E52/1926.

CORPORATE

The Company's cash balance as at 30 September 2010 was $2.1 million.

As at 30 September 2010 the Company had 2,333 shareholders and 72,890,598 ordinary fully paid shares on issue with the top 20 shareholders holding 30.35% of the total issued capital.

The Board of Prairie is enthusiastic about the opportunity that partnering with Ivernia provides to accelerate the Project while remaining committed to pursuing a strategy to deliver long-term growth to shareholders through the review of potential investments that could complement the Group's existing operations.

For further information contact:

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Information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr David Kelly who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Kelly has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kelly consents to the inclusion in this report of the statements based on their information in the form and context in which it appears.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Prairie Downs Metals Limited

ABN	Quarter ended ("current quarter")
23 008 677 852	30 September 2010

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(153)	(153)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(408)	(408)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	22	22
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - Office Rental Income, fee income for provision of geological, camp hire, administration and personnel services	38	38
	Other - R&D Tax Concession	43	43
	Net Operating Cash Flows	(458)	(458)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(21)	(21)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	(12)	(12)
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(491)	(491)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(491)	(491)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(491)	(491)
1.20	Cash at beginning of quarter/year to date	2,603	2,603
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	2,112	2,112

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	87
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Not Applicable

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	100
4.2	Development	-
4.3	Production	-
4.4	Administration	100
	Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	90	280
5.2	Deposits at call	2,022	2,323
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	2,112	2,603

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	72,890,598	72,890,598		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options *(description and conversion factor)*	4,000,000 100,000 3,050,000	- - -	*Exercise price* 45 cents $1.00 10 cents	*Expiry date* 05 Dec 2011 31 Dec 2011 29 July 2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	1,375,000	-	10 cents	29 July 2014
7.11	Debentures *(totals only)*				
7.12	Unsecured notes *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 29 October 2010
(Company secretary)

Print name: Dennis Wilkins

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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