INTERIM FINANCIAL REPORT

FOR THE
HALF-YEAR ENDED

31 DECEMBER 2010

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by Prairie Downs Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate information

Directors
Jeremy David Shervington (Non Executive Chairman)
John Paul Welborn
Alec Christopher Pismiris
Stuart John Hall

Company Secretary
Dennis Wilkins

Registered Office and Principal Place of Business
Level 21, Allendale Square
77 St George's Terrace
Perth WA 6000
Telephone: +61 8 9225 5755
Facsimile: +61 8 9225 4599

Solicitor
Jeremy Shervington
52 Ord Street
West Perth WA 6005
Telephone: +618 9481 8760

Bankers
Westpac Banking Corporation Limited
109 St George's Terrace
Perth WA 6000

Share Register
Computershare Investor Services Pty Ltd
Level 2, RBA Building
45 St George's Terrace
Perth WA 6000
Telephone: +61 8 9323 2000

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Telephone: +61 8 6382 4600

Stock Exchange Listing
The Company is listed on the Australian Securities Exchange
ASX Code: PDZ

Website
www.prairiedownsmetals.com.au

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DIRECTORS' REPORT

The Directors present their interim financial report of Prairie Downs Metals Limited ("**Prairie**"or"**the Company**") and its controlled entity ("**Consolidated Entity**" or "**Group**") for the half-year ended 31 December 2010 ("**Balance Date**").

DIRECTORS

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

Jeremy David Shervington	Non Executive Chairman
John Paul Welborn	Non Executive Director
Alec Christopher Pismiris	Non Executive Director
Stuart John Hall	Non Executive Director
Gordon Roger Barratt	Non Executive Director, appointed 7 July 2010, resigned 22 February 2011

REVIEW OF OPERATIONS

Prairie's primary focus during the six month period has been the continuation of exploration and development activities at the Company's namesake tenements in the Pilbara region of Western Australia. In addition the Group has developed a project generation function designed to identify new investment opportunities that compliment the Group's existing operations and that will deliver long-term growth for shareholders.

Financial Summary

The Group realised a net profit for the period of $1,606,148 (2009: $699,809 loss). The profit for the half-year was a direct result of gains made on available-for-sale financial assets, offset by employment and general administration costs of the Group.

The Group's cash balance at 31 December 2010 was $1,911,844 (30 June 2010: $3,460,473). There are no plans to raise further capital at this time.

EXPLORATION ACTIVITIES

Prairie Downs Base Metal Project ("the Project")

An exploration program was commenced by Ivernia Australia Exploration Pty Ltd ("**Ivernia**") at the Project under the terms of the agreement signed between the Company and Ivernia in June 2010. As part of that exploration program, Phase One of a drilling campaign was funded by Ivernia under the direction of the Company's Senior Exploration Geologist, which returned encouraging drill results.

The Company continued to assess the most appropriate path to allow it to unlock the iron ore potential of the Project. To that end, the Company continued to monitor Dynasty Metals Australia Limited's exploration and development activities on tenements adjacent to the Project with an ongoing agreement in place with respect to the sharing of resources.

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the directors and on behalf of the Board by:

JPWelborn

John Welborn
Director

Dated this 15th day of March 2011, Perth, WA

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.

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

15 March 2011

The Directors
Prairie Downs Metals Limited
Level 21, Allendale Square
77 St George's Terrace
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF PRAIRIE DOWNS METALS LIMITED

As lead auditor of Prairie Downs Metals Limited for the year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Prairie Downs Metals Limited and the entity it controlled during the period.

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	CONSOLIDATED Dec 2010 $	*CONSOLIDATED Dec 2009 $*
Revenue	74,302	81,309
Other income	2,421,598	302,872
Expenditure		
Administration and corporate expenses	(225,125)	(255,841)
Depreciation expense	(70,816)	(77,337)
Employment expenses	(340,553)	(640,677)
Exploration expenditure	(157,581)	-
Office expenses	(95,677)	(110,135)
Profit/(loss) before income tax	1,606,148	(699,809)
Income tax	-	-
Net profit/(loss) for the period	1,606,148	(699,809)
Other comprehensive income		
Available-for-sale financial assets	2,200,000	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF PRAIRIE DOWNS METALS LIMITED	3,806,148	(699,809)
Earnings/(loss) per share (cents per share)		
- Basic for profit/(loss) for the half-year	**2.20**	**(0.96)**
- Diluted for profit/(loss) for the half-year	**2.17**	**(0.96)**

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	***CONSOLIDATED As at 31 December 2010 $***	*CONSOLIDATED As at 30 June 2010 $*
ASSETS			
Current Assets			
Cash and cash equivalents		**1,911,844**	2,603,247
Trade and other receivables		**168,904**	52,877
Prepayments		**30,435**	10,290
Other financial assets		**112,624**	100,624
Total Current Assets		**2,223,807**	2,767,038
Non-current Assets			
Other financial assets		**5,118,000**	932,000
Plant and equipment		**649,023**	669,483
Exploration and evaluation	4	**11,701,859**	11,630,405
Total Non-current Assets		**17,468,882**	13,231,888
TOTAL ASSETS		**19,692,689**	15,998,926
LIABILITIES			
Current Liabilities			
Trade and other payables		**116,896**	226,487
Provisions		**11,565**	14,359
Total Current Liabilities		**128,461**	240,846
TOTAL LIABILITIES		**128,461**	240,846
NET ASSETS		**19,564,228**	15,758,080
EQUITY			
Contributed equity	5	**21,397,470**	21,397,470
Reserves		**4,094,181**	1,894,181
Accumulated losses		**(5,927,423)**	(7,533,571)
TOTAL EQUITY		**19,564,228**	15,758,080

The Statement of Financial Positionshould be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED	*Ordinary Shares* $	*Employee Equity Benefits Reserve* $	*Available-For-Sale Reserve* $	*Accumulated Losses* $	*Total* $
At 1 July 2010	**21,397,470**	**1,694,181**	**200,000**	**(7,533,571)**	**15,758,080**
Profit for the period	-	-	-	1,606,148	1,606,148
Other Comprehensive Income for the half year Available-for-sale financial assets	-	-	2,200,000	-	2,200,000
Total Comprehensive Income for thehalf year	**-**	**-**	**2,200,000**	**1,606,148**	**3,806,148**
At 31 December 2010	**21,397,470**	**1,694,181**	**2,400,000**	**(5,927,423)**	**19,564,228**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED	*Ordinary Shares* $	*Employee Equity Benefits Reserve* $	*Accumulated Losses* $	*Total* $
At 1 July 2009	21,397,470	1,546,607	(6,648,974)	16,295,103
Loss for the period	-	-	(699,809)	(699,809)
Total Comprehensive Loss for the half year	-	-	(699,809)	(699,809)
Transaction with owners in their capacity as owners Share- based payments	-	99,823	-	99,823
At 31 December 2009	21,397,470	1,646,430	(7,348,783)	15,695,117

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	CONSOLIDATED Dec 2010 $	CONSOLIDATED Dec 2009 $
Cash flows from operating activities		
Payments to suppliers and employees	**(759,259)**	(745,003)
Interest revenue from third parties	**72,996**	76,609
Geological services revenue received	**184,704**	12,021
Payments for exploration and evaluation subsequently on-charged	**(129,705)**	-
Rental revenue received	**75,277**	61,350
Other Income	**42,879**	255,774
Net cash flows used in operating activities	**(513,108)**	(339,249)
Cash flows from investing activities		
Payments for capitalised exploration and evaluation	**(89,814)**	(135,707)
Purchase of plant and equipment	**(76,481)**	(22,025)
Payments for bonds	**(12,000)**	-
Net cash flows used in investing activities	**(178,295)**	(157,731)
Net (decrease) in cash and cash equivalents	**(691,403)**	(496,980)
Cash and cash equivalents at beginning of period	**2,603,247**	3,957,453
Cash and cash equivalents at end of period	**1,911,844**	3,460,473

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Prairie Downs Metals Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Impairment of capitalised exploration and evaluation expenditure

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

3. SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment, which involves the exploration of minerals in Australia. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

Given the current level of operations of the Group, there is presently no revenue derived from customers, and all operations are within Australia.

4. EXPLORATION AND EVALUATION

Costs carried forward in respect of areas of interest in the following phase:

	CONSOLIDATED Dec 2010 $	*CONSOLIDATED June 2010 $*
Exploration and evaluation phase – at cost		
Balance at beginning of the period	**11,630,405**	11,328,971
Expenditure incurred	**75,301**	301,434
Impairment of deferred exploration expenditure	**(3,847)**	-
Balance at end of the period	**11,701,859**	11,630,405

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

During June 2010 the Group signed a binding Heads of Agreement with Ivernia Inc designed to accelerate exploration and development of the Company's flagship Prairie Downs Base Metals Project. Key terms of the Heads of Agreement are as follows:

- Prairie to retain 100% ownership of the Project prior to Ivernia exercising any option to acquire an interest;
- Ivernia to invest a minimum of $2 million in exploration within 12 months;
- Ivernia earns the right to acquire a 60% interest in the Project by funding exploration expenditure of $3 million within 18 months;
- At the conclusion of this 18 month period, Ivernia can elect to:
  - Complete its acquisition of a 60% interest by payment to Prairie of $10 million in cash or Ivernia shares (at Ivernia's election); or
  - Undertake a further 18 months of exploration, with a minimum expenditure of a further $2 million, at the conclusion of which Ivernia will have a final opportunity to complete its acquisition of 60% by payment of $10 million in cash or Ivernia shares.
- Ivernia to have the option to earn an extra 20% interest (to attain 80% interest) in the Project by sole funding expenditure of an additional $5 million over the following two years subsequent to exercising Ivernia's rights to acquire a 60% interest.
- Ivernia will act as the manager of any farm-in and Joint Venture activities. During the farm-in stage, any expenditure on the project incurred by the Group is on-charged to Ivernia with a 15% administration charge added. The expenditure is expensed as incurred, and the amounts on-charged are recorded as income once Ivernia have recognised the claim.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

5. CHANGES IN EQUITY SECURITIES ON ISSUE

(a) Movements in ordinary shares on issue

There were no movements in ordinary shares on issue during the half-years ended 31 December 2010 and 31 December 2009.

(b) Movements in options

	Dec 2010 Number of Options	*Dec 2009 Number of Options*
Lapsed, exercisable at 10 cents on or before 29 July 2014	**(1,375,000)**	-
Issued, exercisable at 10 cents on or before 29 July 2014	**-**	5,050,000
	(1,375,000)	5,050,000

6. DIRECTORS' REMUNERATION

Gordon Roger Barratt, appointed 7 July 2010 as non executive director of Prairie Downs Metals Limited, has been remunerated in line with the Group's remuneration policy which was detailed in the 30 June 2010 annual report.

7. CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

8. RELATED PARTIES

Related parties and related party transactions are consistent with those at 30 June 2010 which were detailed in the annual report.

9. EVENTS AFTER THE BALANCE DATE

Subsequent to balance date a total of 3,050,000 ordinary shares have been issued upon conversion of 10 cent options (expiry 29 July 2014). Additionally, 100,000 options with an exercise price of $1 and expiry date of 31 December 2011 lapsed following the resignation of an employee.

No other matter or circumstance has arisen since 31 December 2010, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated Group are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated Group; and
- (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

JPWelborn

John Welborn
Director

Dated this 15th day of March 2011, Perth, WA

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PRAIRIE DOWNS METALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prairie Downs Metals Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entity it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prairie Downs Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Prairie Downs Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prairie Downs Metals Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia.
Dated this 15th day of March 2011