



Prairie Downs

Metals Limited

ASX: PDZ

ABN 23 008 677 852

ASX RELEASE

21 July 2011

Quarterly Activities Report

for the Period Ended 30 June 2011

HIGHLIGHTS

- Phase Two drilling program completed at the Company's flagship Prairie Downs Base Metals Project ("the Project") as part of the Joint Venture Agreement ("Agreement") signed between Prairie Downs Metals Ltd ("Prairie") and Ivernia Australia Exploration Pty Ltd ("Ivernia) in June 2010. The results of Phase Two have confirmed the presence of a zone of high grade mineralisation at the Wolf Prospect, within a broad Zn-Pb-Ag system.
- Ivernia has completed the Minimum Obligation expenditure of \$2 million at the Project within 12 months from the Commencement Date as per the terms of the Agreement.
- Ivernia has indicated its intention to spend a further \$1 million in exploration over the next 6 months (the First Funding amount) which, if achieved, will enable Ivernia to earn an option to acquire a 60% interest in the Project for a payment to Prairie of \$10 million in cash or shares of Ivernia.
- Prairie continues to review the potential for the Company to realise value from its holdings in Papillon Resources Limited ("Papillon") as well as exploring new opportunities to build shareholder value.

EXPLORATION UPDATE

The second drilling program conducted by Ivernia consisted of 20 holes at the Project and included four diamond drill holes for 1,282 m and 16 reverse circulation ("RC") drill holes for 2,457 m (see Company ASX announcements dated 15 June 2011). The drill program was completed by Ivernia under supervision by Prairie's Senior Exploration Geologist under the terms of the joint venture agreement between Prairie and Ivernia signed in June 2010.

A combination of diamond and RC drilling was completed at the Wolf prospect in association with downhole geophysics to understand the nature and scope of the previously encountered mineralization (Figure 1). Hole PDP404 drilled at the northwestern end of the Wolf prospect to follow up PDP379 from the south (scissor hole) reported 13 m @ 6.5 % Zn, 6.1 % Pb and 162 g/t Ag from 100 m depth downhole within a broader zone of 97 m @ 1.3 % Zn, 1.2 % Pb and 33 g/t Ag. This confirms a broadly vertical system associated with silicification on the margins of a shale horizon with at least 7 m true thickness. All intercepts are quoted as downhole distances and the true thickness is not known. A deeper diamond hole PDP422 drilled from the north remained in the shale horizon and failed to test the mineralisation at depth.

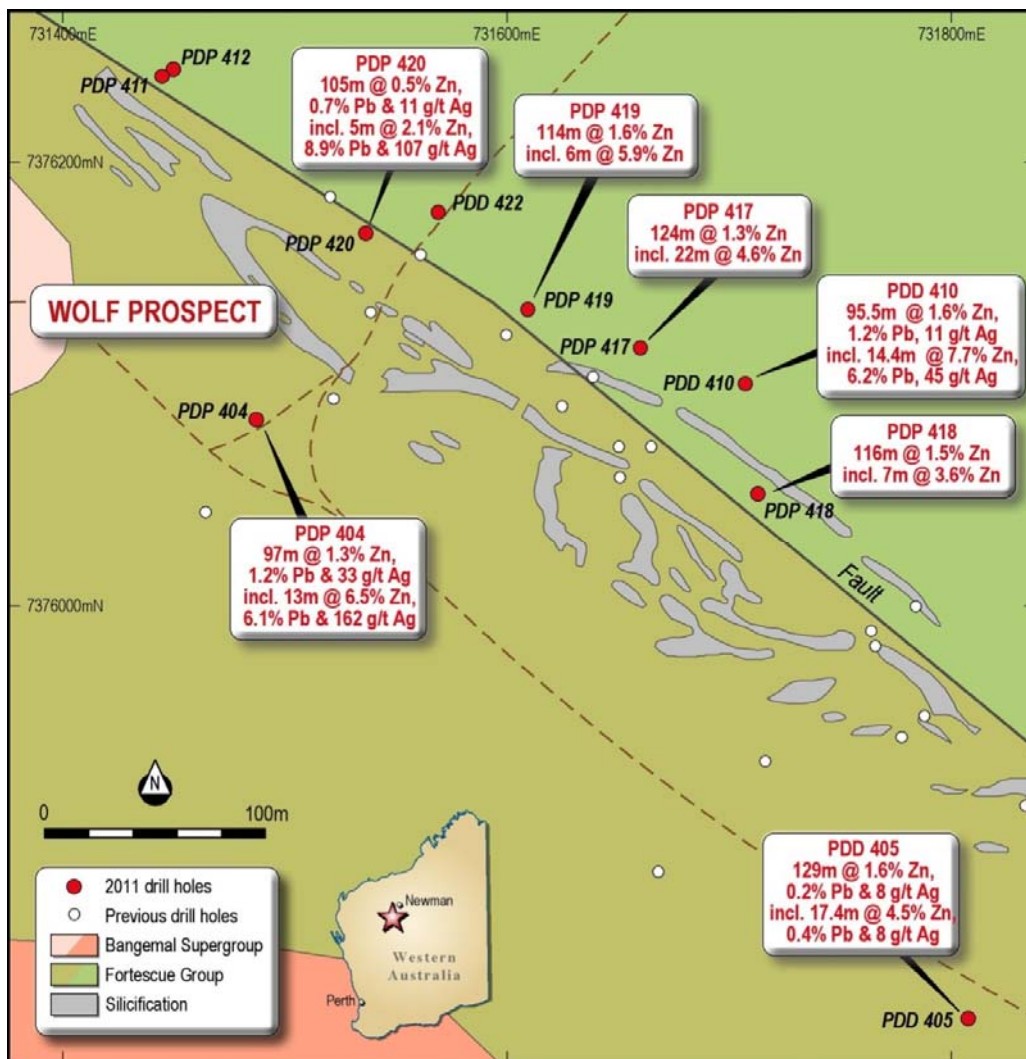


Figure 1: Drill Hole Locations – Phase Two Drilling Program

The diamond hole PDD410 was drilled some 150 m southeast of the hole PDP404 and also intersected a broad mineralized horizon of at least 95 m @ 1.6% Zn, 1.2 % Pb including a high grade downhole intercept thickness of 14.4 m @ 7.7 % Zn, 6.2 % Pb and 45 g/t Ag from 180 m depth downhole (Figure 1).

Further RC drilling in the northwestern portion of the prospect intersected large low grade intercepts including:

- 129 m @ 1.6 % Zn including 17.4 m @ 4.5 % Zn in PDD405;
- 124 m @ 1.3 % Zn including 22 m @ 4.6 % Zn in PDP417;
- 116 m @ 1.5 % Zn including 7 m @ 3.6 % Zn in PDP418; and
- 114 m @ 1.6 % Zn including 6 m @ 5.9 % Zn in PDP419.

Diamond hole PDD405 was drilled 420 m southeast of PDP404 and intercepted a broad mineralized horizon of 129 m @ 1.6 % Zn including a high grade intercept of 17.4 m @ 4.5 % Zn, 0.4 % Pb and 8 g/t Ag from 113 m depth. These drill holes confirm the size and strike extent of the Zn mineralization at the Wolf prospect extending over one kilometre with widths of ~ 100 m.



Detailed interpretation of the drilling results and diamond core continues to help define further drilling targets at the Wolf prospect for further drill programs.

Regional geochemical sampling using the portable XRF was re-commenced. Sampling was focused in targeting for both structurally controlled mineralization at the Husky and Coyote prospects to the northwest and on sedimentary hosted style mineralization along strike to the north of the West Hyena prospect.

IVERNIA EARN-IN

Under the terms of the Agreement announced on 14 June 2010, Ivernia committed to spend a minimum of \$2 million on exploration within 12 months (Minimum Obligation) as part of an earnin arrangement whereby Ivernia may eventually acquire up to 80% interest in the Project from Prairie.

The key terms of the Agreement are as follows:

- By investing a minimum of \$3 million dollars in exploration over 18 months (Minimum Obligation of \$2 million plus the First Funding amount of \$1 million), or \$5 million within 36 months, Ivernia will earn the option to acquire a 60% interest in the Project for a **payment to Prairie of \$10 million in cash or shares** of Ivernia; and
- Upon Ivernia acquiring a 60% interest in the Project, Ivernia and Prairie would then form an unincorporated Joint Venture, with Ivernia having the right to invest a further \$5 million over 24 months to earn an 80% interest in the Project.
- Prairie would then retain a 20% interest in the Project. Should Prairie not contribute its proportion of costs, its interest in the joint venture would dilute proportionally until it is 2.5%, at which point the joint venture interest will convert to a free carried interest and will not dilute further.

Ivernia has now completed the Minimum Obligation expenditure of \$2 million at the Project within 12 months from the Commencement Date as per the terms of the Agreement.

Ivernia has indicated their intention to spend a further \$1 million in exploration over the next 6 months (the First Funding amount) which will enable Ivernia to earn the option to acquire a 60% interest in the Project for a payment to Prairie of \$10 million in cash or shares of Ivernia.

CORPORATE

During the quarter Prairie was advised by the Western Australian Department of Mines and Petroleum that the Company's application for an Exemption from Compulsory Drop-off for exploration License E52/1926 has been successful. Consequently Prairie will not be required to compulsorily surrender 50% of the tenement on the 4th anniversary of the grant of the tenement, which fell on May 28th 2011, as would normally be required. E52/1926 is the northern tenement of the two licenses that make up the Company's holdings at Prairie Downs and lies immediately east of Dynasty Metals Australia Limited's 1.4 billion tonne JORC Compliant Resource at the Spearhole Detrital Channel Iron Deposit.

The Board continues to evaluate the Company's holdings in Papillion. During the last quarter Papillon announced a number of highly encouraging drill intersections from the Medinandi Project in Mali, indicating that a significant discovery had been confirmed at the Fekola prospect.

The Company remains in a strong financial position. As at 30 June 2011 Prairie's cash balance was \$2.0 million and the Company's security holdings in Papillion were valued at \$4.75 million.

As at 30 June 2011 the Company had 2,027 shareholders and 75,940,598 ordinary fully paid shares on issue with the top 20 shareholders holding 38.06% of the total issued capital.



The Board of Prairie remains enthusiastic about the Project and the opportunity its relationship with Ivernia provides to accelerate exploration and development of this asset. In addition the Board continues to review potential opportunities that could complement the Group's existing operations and build shareholder value.

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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.

Appendix 1: Drill Hole Results – Phase Two Drilling Program

Hole Name	Prospect	Easting	Northing	Dip	Azimuth	Hole Depth m Dia	Hole Depth m RC	From m	To m	Interval m	Zinc %	Lead %	Silver g/t	
PDD216	Anomaly A	727920	7372567	-90		605.9	332.5	No significant intercept						
PDP404	Wolf	731489	7376084	-61	47		174	31	43	12	0.4	0.0	2	
								52	59	7	0.2	0.0	2	
								65	162	97	1.3	1.2	33	
							includes	100	113	13	6.5	6.1	162	
PDD405	Wolf	731809	7375814	-70	46	343.7		51	57	6	0.5	0.1	2	
								79	93	14	0.5	0	2	
								113	242	129	1.6	0.2	8	
							includes	190.6	208	17.4	4.5	0.4	8	
								253	293.5	40.5	0.6	0.3	2	
PDP406	West Hyena	736411	7376505	-60	93		144	No significant intercept						
PDP407	West Hyena	736520	7376504	-57	95		168	No significant intercept						
PDP408	West Hyena	737723	7374565	-57	100		120	No significant intercept						
PDP409	West Hyena	736438	7375891	-59	101		168	No significant intercept						
PDD410	Wolf	731708	7376100	-60	228	333.5		109	115	6	0.1	0.5	44	
								118	213.5	95.5	1.6	1.2	11	
							includes	180	194.4	14.4	7.7	6.2	45	
								213.5	233.6	Results pending				
								233.6	248.3	14.7	1.2	0.1	2	
								248.3	333.5	Results pending				
PDP411	Wolf	731446	7376238				100	60	80	20	0.4	0.0	2	
								88	95	7	0.6	0.0	2	
PDP412	Wolf	731455	7376244	-59	219		156	78	85	7	0.3	0.0	2	
								101	115	14	0.4	0.0	2	
PDP413	C7	730948	7376617	-59	225		180	130	159	29	0.1	0.2	2	
PDP414	West Hyena	736843	7375473	-59	104		132	No significant intercept						
PDP415	West Hyena	738486	7373343	-59	100		102	No significant intercept						
PDP416	West Hyena	738113	7373989	-59	100		66	No significant intercept						
PDP417	Wolf	731661	7376117	-60	217		204	80	204	124	1.3	0.3	12	
							includes	144	166	22	4.6	0.1	2	
PDP418	Wolf	731715	7376052	-58	219		221	7	40	33	0.1	0.3	2	
								105	221	116	1.5	0.2	6	
							includes	183	190	7	3.6	0.1	6	
PDP419	Wolf	731612	7376135	-58	223		228	15	20	5	0.2	0.2	2	
								75	104	29	0.1	0.5	2	
								111	225	114	1.6	0.1	7	
							includes	128	134	6	5.9	0.1	2	
PDP420	Wolf	731539	7376168	-59	220		186	10	115	105	0.5	0.7	11	
							includes	103	108	5	2.1	8.9	107	
								130	186	56	0.1	0.8	2	
PDP421	West Hyena	737992	7373988	-59	98		108	No significant intercept						
PDD422	Wolf	731571	7376177	-70	224	331.5		No significant intercept						
						1282.1	2457							

Main intercept calculated using a 0.2 % Zn+Pb cut-off.
 Higher grade intercept calculated using a 3 % Zn+Pb cut-off.
 Intercepts contain up to 6m consecutive waste downhole.

Quality Assurance/Quality Control

The drill holes reported in this release were drilled by RC and Diamond methods. The majority of RC samples were collected dry; occasional deeper zones could not be kept dry and samples were collected and recorded as being wet. Samples were split by a riffle splitter on a cyclone, with both a 1 m sample and an approximately 5 kilogram split collected. Subsequently, 5 m composite samples were collected over the length of the holes by spearing. The Diamond core was logged, photographed and cut in half on site. Core recovery was excellent throughout the program and was close to 100% recovery. All 1 m samples were tested by XRF at the drill sites; 1 m samples that returned over 0.2% Zn by XRF were submitted to Genalysis Ltd ("Genalysis") for laboratory analysis. Perth, Australia-based Genalysis is an International Organisation of Standardisation ("ISO") Standard 9001:2000 and ISO Standard 17025 accredited laboratory and member of the Intertek Group. Genalysis is independent of Ivernia. The 1 m samples submitted to Genalysis were prepared with a four acid digest and assayed by atomic absorption spectroscopy for ore grade analysis of copper, Pb, Zn and Ag. All 5 m composite samples (1 in 5 diamond core samples) were analysed by Genalysis for 34 elements, including Zn, Pb and Ag, with a four acid digestion and inductively coupled plasma optical emission spectrometry, and for gold by fire assay/atomic absorption using a 25 gram aliquot. All 1 m and 5 m samples submitted to Genalysis were transported by road using couriers. Quality Assurance/Quality Control procedures include the submission by Ivernia of systematic duplicate and blank samples within the sample batches submitted to Genalysis. In addition, Genalysis inserts its own blanks and standards into each sample batch. The results from these control samples indicate acceptable consistency of analysis. Selected representative pulverized sample duplicates are submitted for referee analyses.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Prairie Downs Metals Limited

ABN

23 008 677 852

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(97)	(406)
(b) development	-	-
(c) production	-	-
(d) administration	(301)	(1,318)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	47	142
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	252	720
Other - R&D Tax Concession	-	43
Net Operating Cash Flows	(99)	(819)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(79)
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)
Net investing cash flows	-	(91)
1.13 Total operating and investing cash flows (carried forward)	(99)	(910)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(99)	(910)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	305
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) Share issue transaction costs	-	-
	Net financing cash flows	-	305
	Net increase (decrease) in cash held	(99)	(605)
1.20	Cash at beginning of quarter/year to date	2,097	2,603
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,998	1,998

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	42
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

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	100
4.2	Development	-
4.3	Production	-
4.4	Administration	200
Total		300

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	867	716
5.2 Deposits at call	1,131	1,381
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,998	2,097

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		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

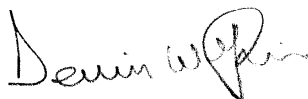
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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 (<i>description</i>)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	75,940,598	75,940,598		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (<i>description</i>)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (<i>description and conversion factor</i>)	4,000,000	-	<i>Exercise price</i> 45 cents	<i>Expiry date</i> 05 Dec 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (<i>totals only</i>)				
7.12 Unsecured notes (<i>totals only</i>)				

+ 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 5).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: **21 July 2011**

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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