ASX RELEASE **31 July 2012**

Quarterly Activities Report

for the Period Ended 30 June 2012

The Board of Prairie Downs Metals Limited ("**Prairie**" or "**the Company**") is pleased to present its June 2012 quarterly report.

HIGHLIGHTS

- *Prairie assumed 100% ownership and control of the Prairie Downs Base Metal Project ("**the Project**") following the election during the quarter by Ivernia Australia Exploration Pty Ltd (**"Ivernia"**), a wholly-owned subsidiary of Ivernia Inc. (TSX: IVW), to withdraw from the earn-in joint venture agreement.*

- *The Company has commenced a review of all exploration data for the Project and is investigating various options for future exploration.*

- *Prairie continues to hold 10,000,000 fully paid ordinary shares in Papillon Resources Ltd (ASX: PIR)("Papillion") and notes the recent announcement of a maiden resource at Papillion's Fekola Project.*

- *The Company continues to seek new investment opportunities designed to complement existing assets and deliver long-term growth to shareholders.*

PRAIRIE DOWNS BASE METALS PROJECT

The Project is 100% owned by Prairie and is comprised of two tenements covering an area of 550km^2, located approximately 60 kilometres southwest of Newman in the Pilbara region of Western Australia (see Figure 1). These tenements host a zinc, lead and silver deposit that is located in zones adjacent to the Prairie Downs regional fault.

In June 2010, Prairie and Ivernia entered into a Joint Venture Agreement ("**JVA**") which resulted in Ivernia investing in excess of $3 million in exploration at the Project including extensive geochemical sampling and the completion of two drilling programs. Having satisfied the funding terms of the Farm-In period of the JVA, Ivernia would have had the option of acquiring a 60% interest in the Project for a payment to Prairie of $10 million. In

June 2012 Ivernia elected to withdraw from the JVA and as a result the Project remains wholly owned by Prairie.

A comprehensive review of exploration data, including the work funded by Ivernia, is now being undertaken to determine the best options for the Project, including undertaking additional exploration activities and/or entering into joint venture arrangements. The Ivernia work program has provided further evidence that the current Prairie Downs zinc, lead, silver deposit demonstrates the potential for a larger Sedex-style lead-zinc deposit to be hosted in sedimentary rocks south of the Prairie Downs Fault.

Prairie considers the Project and the region have substantial exploration potential and, with more than $12 million in cash and listed securities, the Company is in a strong financial position to add further value to the Project.

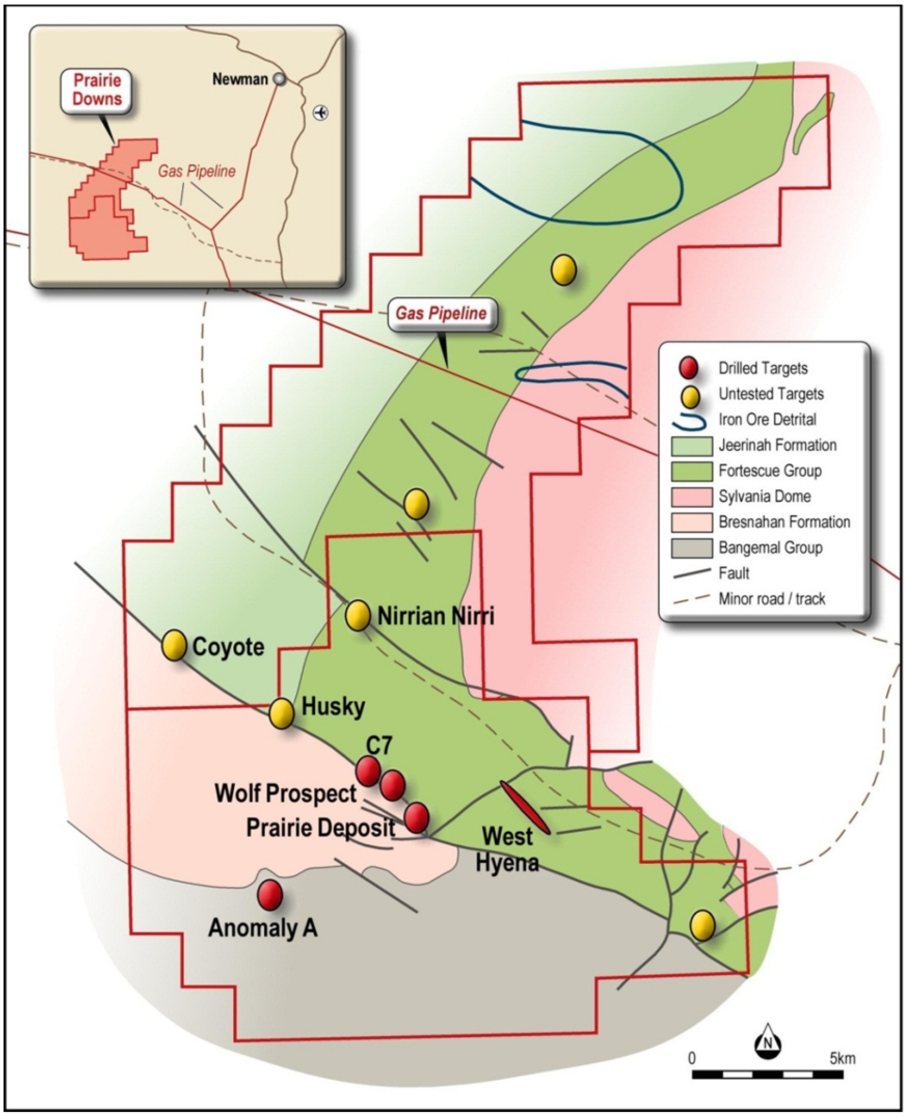

Figure 1: Location map of the Prairie Downs Base Metal Project with prospect locations

CORPORATE

Shareholding in Papillon

The Company holds 10,000,000 fully paid ordinary shares in Papillon Resources Ltd (ASX: PIR) which currently represents a 4.1% interest in the issued capital of Papillion. The market value of Prairie's holding in Papillion as at the close of trading on 29 June 2012 was $10 million.

Papillion recently announced a maiden gold resource for the Fekola Project and is anticipating completion of a scoping study for Fekola in the December quarter of 2012. Prairie recognises Papillon's strong strategic position to advance the significant potential of its West African gold assets and looks forward to further progress

Review of R&D Claims

As previously advised, the Company's research and development claims, which have resulted in the Company receiving $842,031 during the years ended 30 June 2007 to 2010, are being reviewed by AusIndustry. The review process commenced in November 2011, and the Company will make further announcements of any material issues.

Business Development

Prairie continues to actively pursue new opportunities to acquire resource projects to complement the current portfolio and capabilities and deliver long-term growth to shareholders. The Company is actively seeking new projects, both within Australia and internationally, with a preference for assets which have the potential to be large scale projects and add substantial value to the Company.

General

Alec Pismiris resigned as a Non-Executive Director during the quarter.

The Company remains in a strong financial position. As at 30 June 2012 Prairie's cash balance was $2.7 million and the Company's holding in Papillion was valued at $10.0 million.

As at 30 June 2012 the Company had 1,890 shareholders and 98,440,598 ordinary fully paid shares on issue with the top 20 shareholders holding 47.7% of the total issued capital.

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Peter Woodman, who is a member of the Australian Institute of Mining and Metallurgy. Mr Woodman is a consultant of Prairie Downs Metals Limited. Mr Woodman has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Woodman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Rule 5.3

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	Quarter ended ("current quarter")
23 008 677 852	30 June 2012

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(217)	(744)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(200)	(833)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	55	136
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other –		
	(a) Office Rental Income, fee income for provision of geological, camp hire, administration and personnel services	201	832
	Net Operating Cash Flows	(161)	(609)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b)equity investments	-	(750)
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c)other fixed assets	-	3
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	(747)
1.13	Total operating and investing cash flows (carried forward)	(161)	(1,356)

1.13	Total operating and investing cash flows (brought forward)	(161)	(1,356)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,250
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)		
	(a) Share issue transaction costs	-	(160)
	Net financing cash flows	-	2,090
	Net increase (decrease) in cash held	(161)	734
1.20	Cash at beginning of quarter/year to date	2,896	2,001
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	**Cash at end of quarter**	**2,734**	**2,734**

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	113
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

Payments include director fees, superannuation and provision of a fully serviced office.

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

Not applicable

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	300
4.2	Development	-
4.3	Production	-
4.4	Administration	120
	Total	**420**

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	351	544
5.2	Deposits at call	2,383	2,352
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**2,734**	**2,896**

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	Refer to note below			
6.2	Interests in mining tenements acquired or increased				

*During the quarter Ivernia elected to withdraw from the Prairie Downs Base Metals Joint Venture.

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**	98,440,598	98,440,598		
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)*	 15,750,000 1,250,000	 - -	*Exercise price* 15 cents 25 cents	*Expiry date* 30 June 2015 30 June 2016
7.8	Issued during quarter	1,250,000	-	25 cents	30 June 2016
7.9	Exercised during quarter				
7.10	Expired during quarter				
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 5).

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

Sign here: Date: **31 July 2012**
(Director & Company secretary)

Print name: **Mark Pearce**

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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