ASX RELEASE **9 August 2012**

PRAIRIE DOWNS SECURES A LARGE COAL PROJECT IN POLAND

*Prairie Downs Metals Limited (**"Prairie" or "Company"**) is pleased to advise that the Company has secured a highly prospective and potentially large scale thermal coal project (**"Project"**) located in Poland.*

Highlights:

- *The Project is comprised of four (4) coal licenses covering 182km^2 (18,200Ha) located in South East Poland in the Lublin Coal Basin, which have been granted by the Ministry of the Environment in Poland to a locally registered subsidiary of Prairie.*

- *The Lublin Coal Basin is an established coal province with coal mining activities dating back to 1982 and established infrastructure, including power and rail.*

- *The Project is situated adjacent to the Bogdanka coal mine operated by Lubelski Węgiel Bogdanka S.A. ("**LWB**").*

- *LWB is listed on the Warsaw Stock Exchange (WSX Code: LWB) and has a market capitalisation of approximately A$1.2 billion.*

- *LWB has successfully demonstrated that the Lublin Coal Basin has the potential to host a new generation of large scale coal projects and has recently expanded its production levels to approximately 8 million tonnes per annum (targeting production of 11.5 million tonnes per annum by 2014) of high quality thermal coal with an average calorific value of approximately 6,200kcal/kg.*

- *Historical exploration and technical data indicates that the Project has the potential to host a large scale thermal coal deposit.*

- *Prairie will now focus on evaluating the large amount of data available from exploration activities undertaken by the Polish Government and its agencies during the 1970's and 1980's.*

- *Once the available data has been reviewed over the coming months, the Company will look to undertake further exploration activities, including a drilling program.*

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Figure 1: Project Location Map

As previously advised, the Board of Prairie has been pursuing new opportunities in the resources sector to build on the Company's existing resource assets and that have the potential to be large scale projects and the potential to add substantial value to both the Company and its shareholders. The Board is excited by this this new Project in Poland and looks forward to making further announcements to the market as the Project develops.

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Overview of the Project

The Project covers 182km^2 and is located adjacent to the current Bogdanka coal mine in the Lublin Coal Basin, Poland, which is owned and operated by LWB.

The Project is comprised of four (4) concession blocks, being:

- Kulik (Lublin K-4-5);
- Cycow (Lublin K-6-7);
- Syczyn (Lublin K-8); and
- Kopina (Lublin K-9).

Refer to Figure 2 below for locations of the concessions.

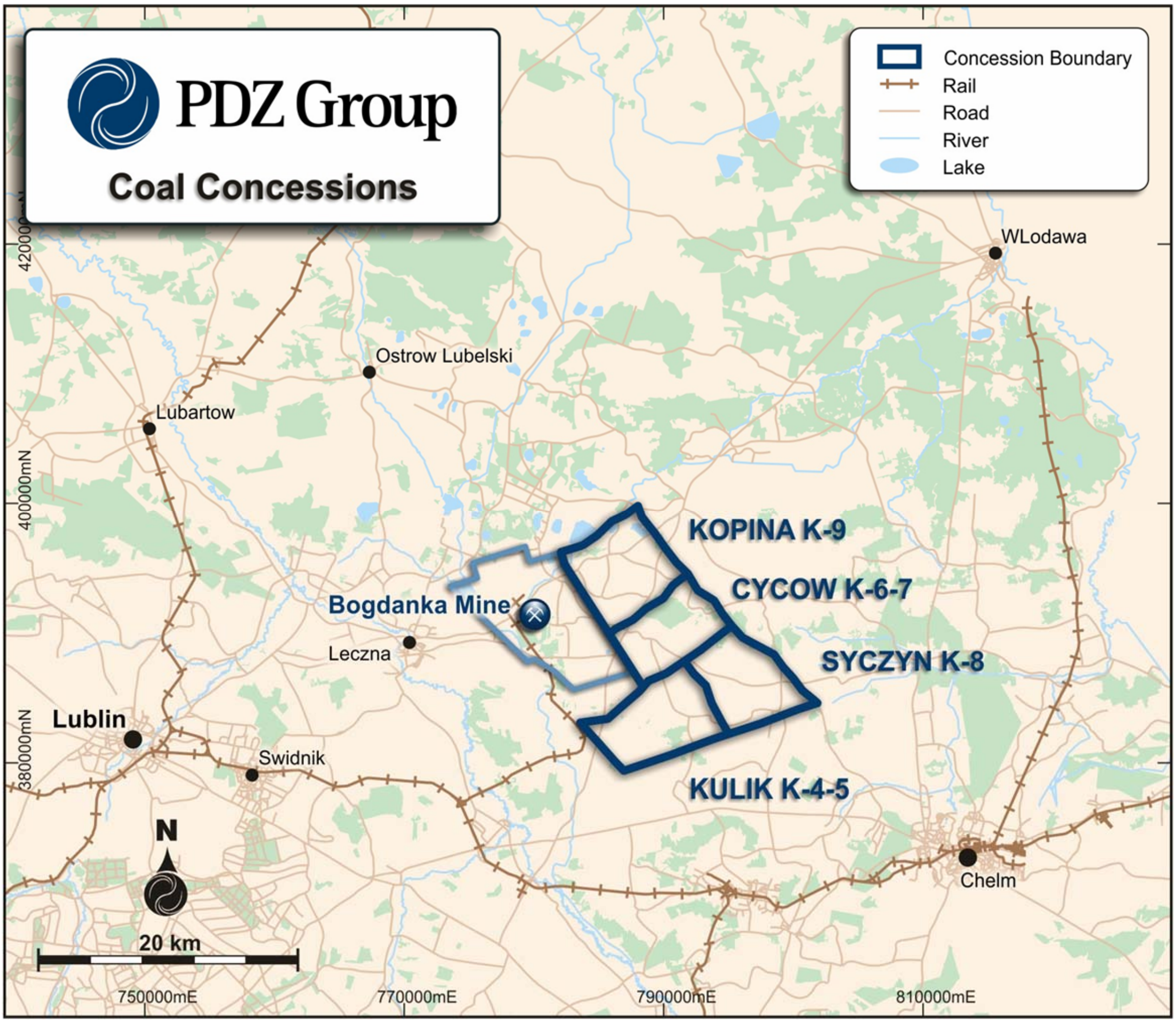

Figure 2: Polish Coal Concession Location

The Project area was subject to exploration activities undertaken by the Polish Government and its agencies during the 1970's and 1980's. These activities consisted of regional geological mapping and drilling programs which demonstrated the region is highly prospective.

The first priority of the Company will be to undertake an exploration program including the acquisition and review of historic exploration, geophysical survey, drilling and development data. If results of this are positive, geological mapping and core drilling will be undertaken which, if successful, may result in the delineation of a JORC compliant resource.

About Lubelski Węgiel Bogdanka S.A. ("LWB")

LWB operates the Bogdanka coal mine in the Lublin Coal Basin, which produces a high quality thermal coal. The Bogdanka coal mine is currently the only operation in the area. LWB is listed on the Warsaw Stock Exchange (WSE: LWB) with a market capitalisation of approximately A$1.2 billion (Polish Zloty 4.1 billion).

LWB is one of the leading suppliers in the thermal coal (locally called "hard coal") market in Poland. LWB has achieved this position through the development of an efficient longwall mining operation particularly suited to the local coal seam conditions.

On average the LWB plough system achieves production of 17,000 tonnes of coal per day and is expected to increase the current production rate of the mine.

In February 2012, following the implementation of an automated longwall plough system, LWB broke the world record for daily production of coal with an output of 24,400 tonnes of coal from a single face.

The coal sold by LWB is used mainly for the generation of electricity. LWB announced on 12 July 2012 that it had signed a Polish Zloty 2.857 billion (A$829 million) six-year contract to supply feedstock to the Elektrownia Polaniec power plant in southeast Poland, with coal supplies to start next year and run through till the end of 2018.

In the late 1990's the government undertook a major restructure of the Bogdanka mine including the full privatisation and listing on the Warsaw Stock Exchange in 2008. Since then LWB has been the most profitable hard coal producer in Poland.

Actual production of coal in the periods 2008 to 2011 and the six months from January to June 2012 for LWB are as follows:

Period	Coal Production of (thousand tonnes)
2012 (estimated)	8,000
January – June 2012	4,175
2011	5,838
2010	5,800
2009	5,236
2008	5,576

Coal Quality

LWB produces a high quality thermal coal. The primary LWB coal deposit has the following coal quality characteristics[1]:

- Ash content average of 8.37%;
- Calorific value average of 6,202kcal/kg; and
- Total sulphur content average of 1.11%.

The Polish Coal Market

Production of Hard Coal by Poland

Historically, Poland has been an important producer and exporter of coal. In the 1970s, Poland became the largest coal producer in Europe and also the second largest coal exporter globally, after the USA. In 1979 Poland exported approximately 41.4 million tonnes of hard coal (thermal and metallurgical coal).

Significant production of Coal continued up and until the 1990s but the political turnaround in the Eastern European bloc and the movement to a market economic system resulted in a major restructure of the Polish coal industry which led to the early closure of many coal mines and a decrease in production output.

Since the mid 1980's coal production in Poland has more than halved. However, since the year 2000, the consumption of coal has remained relatively stable, which has resulted in the reduction of coal exports and port utilisation in Poland. As a result, Poland has now become a net importer of coal in order to meet its demand for coal.

Poland's coal industry is still considered amongst the most competitive in the world and plays a major role in Poland's economy, contributing 55% to the country's energy supply and employing a workforce in excess of 110,000 people. Poland is now the ninth largest hard coal producer in the world and the largest coal producer in the European Union.

In 2011, the Polish coal industry extracted approximately 77 million tonnes of hard coal of which approximately five million tonnes were exported. At the same time about 13 million tonnes of coal were imported.

Consumption of Hard Coal in Poland

Poland's consumption of over 85 million tonnes of coal per year makes it the eigth largest coal consumer in the world and the second largest in the European Union.

Over 90% (estimates range from 92% to 96%) of electricity and 89% of heat in Poland is generated from coal with the Polish Government stating that coal will remain the key element of the country's energy security until at least 2030.

With a large internal market for coal in Poland, and the potential for increased export markets, Poland's coal industry is expected to expand in the coming years.

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[1] Based on deposit 385/2

Polish Licence Applications

Prairie's subsidiary, PD Co spółka z ograniczoną odpowiedzialnośc ("**PD Co**"), applied for the four (4) exploration licences from the Ministry of Environment in Poland, which have now been granted.

The licences are valid for three (3) years with the right to obtain further extensions upon satisfying a drilling program as outlined by the Polish Ministry of Environment.

The successful grant of the licences occurred after detailed research and investigations, followed by a lengthy and comprehensive application process. As a result of the successful grant Prairie will issue to key consultants and their nominees 3,000,000 fully paid ordinary shares in Prairie. In addition, Prairie will issue the following securities to these parties upon the achievement of further milestones:

(a) 2,500,000 fully paid ordinary shares after Prairie makes an announcement to the ASX of an independently prepared measured and/or indicated coal resource of at least 500 million tonnes on the coal leases that is attributable to the Company and reported in accordance with the JORC Code (2004) on or before 31 December 2014.

(b) 3,000,000 fully paid ordinary shares after Prairie makes an announcement to the ASX of an independently prepared measured and/or indicated coal resource of at least 1,000 million tonnes on the coal leases that is attributable to the Company and reported in accordance with the JORC Code (2004) on or before 31 December 2015.

It should be noted that there are usual risks associated with exploration and development activities of projects in the coal sector. A number of additional risk factors specific to the Project have also been identified, including, but not limited to:

(a) Exploration work undertaken on the Projects to-date consists of regional geological mapping and drilling. The Company plans to implement a planned exploration program as discussed above however there can be no assurances that the Company will identify coal resources or established economic qualities of coal reserves at the Project.

(b) The Project is located in Poland and, as such, the operations of the Company will be exposed to related risks and uncertainties associated with that jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitude in Poland, in particular to the mining and/or use of coal, may adversely affect the operations or profitability of Prairie.

(c) The Company's mining exploration activities are dependent upon the maintenance of the appropriate licences, concessions, leases, claims, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licenses, concessions, leases, claims, permits or consents it holds will be renewed when required. There is no assurance that such renewals will be granted or that such renewals, rights and title interests will not be revoked or significantly altered to the detriment of the Company.

Shareholders should note that some of the additional risks may be mitigated by the use of the appropriate safeguards and systems, whilst others are outside the control of the Company and cannot be mitigated. Should any of the risks eventuate, then it may have a material adverse impact on the financial performance of the Project, the Company and the value of the Company's securities.

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.