Prairie Downs Metals Limited | ASX: PDZ
ABN 23 008 677 852

ASX RELEASE **25 October 2012**

Quarterly Activities Report

for the Period Ended 30 September 2012

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

HIGHLIGHTS

- *Prairie successfully secured a highly prospective and potentially large scale thermal coal project located in Poland. The Lublin Coal Project is comprised of four (4) coal licenses covering 182km^2 (18,200Ha) located in South East Poland in the Lublin Coal Basin.*

- *The Company has appointed CSA Global to conduct a review of all exploration data for the Prairie Downs Metals Project and is investigating various options for future exploration.*

- *Prairie appointed Executive Director Anastasios (Taso) Arima during the quarter. Mr Arima was a founder and former Executive Director of Coalspur Mines Limited (ASX: CPL, TSX: CPT – "**Coalspur**"), having been instrumental in the identification and acquisition of Coalpsur's coal projects, as well as the corporate strategy and marketing of the company.*

- *The Company appointed UK based Wardell Armstrong International Limited (**"WAI"**) to review existing geological data and to undertake the preparation of an Exploration Target at the Company's Lublin Coal Project during the December 2012 quarter. WAI will also, if appropriate, prepare an initial estimate of the Coal Resources (in accordance with the JORC Code) associated with the Lublin Coal Project.*

- *Prairie continues to hold 10,000,000 fully paid ordinary shares in Papillon Resources Limited (ASX: PIR)("Papillion"). The Company notes the recent announcements of Papillon's increase to 90% ownership and completion of a scoping study confirming economic viability at its Fekola Project.*

In August 2012, Prairie successfully secured four (4) coal licenses covering 182km^2 (18,200Ha) located in South East Poland in the Lublin Coal Basin (refer to figure 1 below):

Figure 1: Project Location Map in Poland

The Lublin Coal Basin is an established coal province with coal mining activities dating back to 1982 with established infrastructure, including power and rail. The Project is situated adjacent to the Bogdanka coal mine which is operated by Lubelski Węgiel Bogdanka S.A. (“LWB”).

LWB has successfully been able to demonstrate 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.

Prairie's Coal 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).

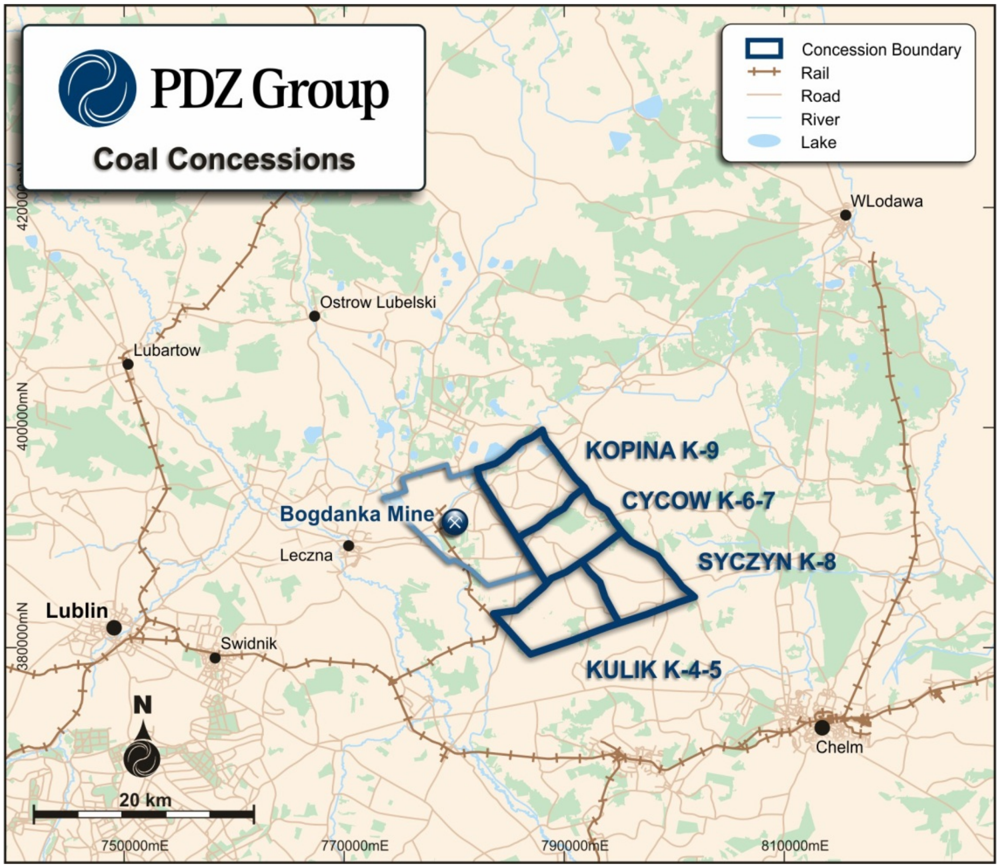

Figure 2: Polish Coal Concession Location

The Coal 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 and has the potential to host a large scale thermal coal deposit.

The Company has appointed UK based Wardell Armstrong International Limited ("WAI") to review existing geological data and to undertake the preparation of an Exploration Target at the Lublin Coal Project. WAI will also, if appropriate, prepare an initial estimate of the Coal Resources (in accordance with the JORC Code) associated with the Lublin Coal Project.

Importantly for the Lublin Coal Project, WAI's specialist coal sector team has substantial experience in coal basins located in Poland and other Central and Eastern Europe countries. Most recently, WAI was appointed as the mineral expert for the estimation of Coal Resources and Coal Reserves (in accordance with the JORC Code) for the Initial Public Offering ("**IPO**") of Jastrzębska Spółka Węglowa SA (**"JSW"**) in 2011; Poland's largest ever IPO of a coal company on the Warsaw Stock Exchange.

WAI was also recently involved in the geological modelling, JORC Code Resource estimation and completion of a full feasibility study for an underground hard coking coal project in Western Ukraine.

WAI's experience will be crucial in expediting the initial review of the available geological data on the Project.

WAI will be working towards the following milestones which are expected to be completed by the end of the first quarter 2013;

- Initial review of existing geological data;
- Preparation of an exploration target for release to the market during the December 2012 quarter;
- Geological modelling of existing core holes and other data;
- If appropriate, the preparation of an initial Coal Resource Estimate in accordance with the JORC Code; and
- Development of an exploration programme to update and expand on the existing geological data.

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.

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 Lublin Coal Project have also been identified, including, but not limited to:

(a) Exploration work undertaken on the Lublin Coal Project 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 Lublin Coal 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, laws or regulations (or the application thereof) or shifts in political attitude in Poland, in particular to the mining and/or use of coal, may adversely affect the operation or profitability of Prairie.

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

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 Lublin Coal Project, the Company and the value of the Company's securities.

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 3). These tenements host a zinc, lead and silver deposit that is located in zones adjacent to the Prairie Downs regional fault.

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. The Company has therefore appointed expert consultants CSA Global ("**CSA**") to conduct a comprehensive review of exploration data, including the work funded by Ivernia, to develop a strategy to advance the Project. The CSA program of work comprises of the following:

- Review the status and results of the recent exploration and resource definition programs;
- Assess the effectiveness of recent exploration and ensure that all targets recognised previously have been adequately tested with a number of locations being assessed on where additional exploration may be warranted; and
- Review these targets, including structural and geochemical targeting, to develop effective and appropriate drilling programs.

The Company will continue to assess its options as results of the CSA review are finalised.

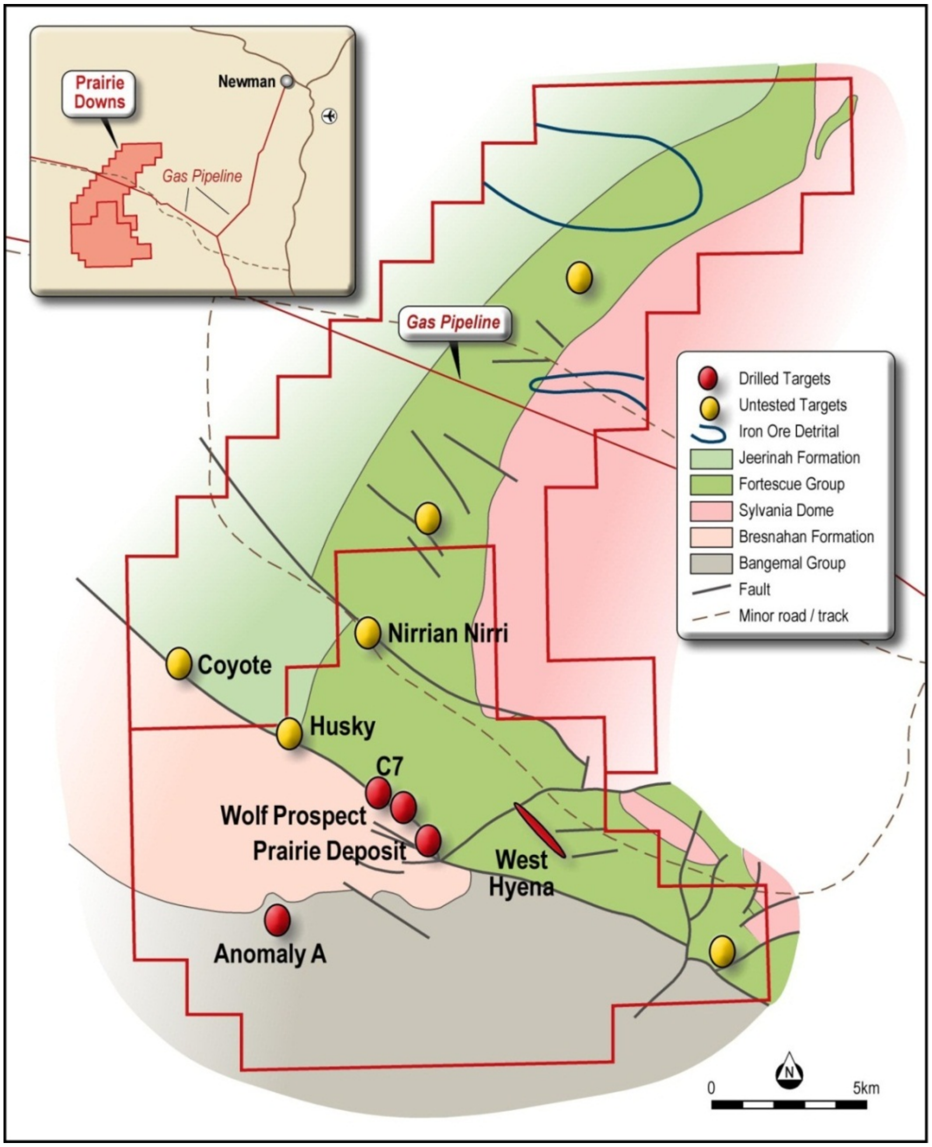

Figure 3: Location map of the Prairie Downs Base Metal Project with prospect locations

CORPORATE

Appointment of an Executive Director

During the quarter, Prairie announced the appointment of Anastasios (Taso) Arima as an Executive Director of the Company.

Mr Arima has a strong combination of technical, financial and managerial skills and has extensive experience in the formulation and development of large scale bulk commodity projects.

Mr Arima was a founder and former Executive Director of Coalspur Mines Limited (ASX: CPL, TSX: CPT – "**Coalspur**"), having been instrumental in the identification and acquisition of Coalpsur's coal projects, as well as the corporate strategy and marketing of the company. At the time of his resignation from the Board, Coalspur's fully diluted market capitalisation was approximately A$1.2 billion.

Mr Arima has previously worked in the hydrocarbon division at WorleyParsons Limited, and was also an analyst for an investment banking firm, where he specialised in the technical and financial requirements of bulk commodity and other resource projects.

Utilising his experience, Mr Arima's primary initial role will be to formulate and manage the exploration and development activities for Prairie's various projects, as well as to focus on investor relation activities.

Prairie also made a placement to Mr Arima's nominees during the quarter, issuing 3 million fully paid ordinary shares to raise $900,000 before costs. The placement also included a one for two attaching option exercisable at $0.40 and expiring 30 June 2016. These funds are being used to progress the development and exploration of the Company's Prairie Downs Base Metals and Lublin Coal Projects, while also providing general working capital.

Change of Company Secretary

Mr Dylan Browne has been appointed Company Secretary following the resignation of Mr Mark Pearce as Company Secretary. Mr Pearce remains as a Director of the Company.

Mr Browne is a Chartered Accountant who commenced his career at a large international accounting firm and has since worked in the corporate office of a number of listed companies that operate in the resources sector.

Shareholding in Papillon

The Company holds 10,000,000 fully paid ordinary shares in Papillon Resources Limited (ASX: PIR).

Papillion moved to a 90% ownership of its Fekola Project during the quarter and recently announced the completion a scoping study for Fekola which confirmed economic viability of the project.

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, were being reviewed by AusIndustry.

Prairie has now received notice that these claims were made in accordance with *Income Tax Assessment Act 1936* and that no further action is required.

General

The Company's cash balance at 30 September 2012 was $3.28 million and combined with its shareholding in Papillon, Prairie is in a strong financial position to progress with its existing projects.

For further information contact:

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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 September 2012

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 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	(330)	(330)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(190)	(190)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	36	36
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	176	176
	Net Operating Cash Flows	(308)	(308)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	5	5
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	5	5
1.13	Total operating and investing cash flows (carried forward)	(303)	(303)

1.13	Total operating and investing cash flows (brought forward)	(303)	(303)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	900	900
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	(54)	(54)
	Net financing cash flows	846	846
	Net increase (decrease) in cash held	543	543
1.20	Cash at beginning of quarter/year to date	2,734	2,734
1.21	Exchange rate adjustments to item 1.20	1	1
1.22	**Cash at end of quarter**	**3,278**	**3,278**

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	94
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

On 9 August 2012 the Company secured a highly prospective and potentially large scale thermal coal project in Poland. The project is comprised of four coal licenses covering 182km^2. On the 12 September 2012, 3,000,000 fully paid ordinary shares were issued to key consultants on the successful grant of these coal licences in Poland for nil cash consideration.

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	350
4.2	Development	-
4.3	Production	-
4.4	Administration	160
	Total	**510**

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	663	351
5.2	Deposits at call	2,615	2,383
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**3,278**	**2,734**

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	**Lublin Coal Project** • Kulik (K-4-5) • Cycow (K-6-7) • Syczyn (K-8) • Kopina (K-9)	 Direct Direct Direct Direct	 Nil Nil Nil Nil	 100% 100% 100% 100%

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**	104,440,598	104,440,598		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,000,000	6,000,000	-	-
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 1,500,000	- - -	*Exercise price* 15 cents 25 cents 40 cents	*Expiry date* 30 June 2015 30 June 2016 30 June 2016
7.8	Issued during quarter	1,500,000	-	40 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: **25 October 2012**
(~~Director~~/Company secretary)

Print name: **Dylan Browne**

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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