Interim Financial Report for the Half-Year Ended 31 December 2012

ABN 23 008 677 852

Prairie Downs Metals Limited | ASX: PDZ

CORPORATE DIRECTORY

DIRECTORS:	Mr Ian Middlemas – Chairman Mr Anastasios Arima – Executive Director Mr Mark Pearce – Non-Executive Director Mr John Welborn– Non-Executive Director
COMPANY SECRETARY:	Mr Dylan Browne
REGISTERED AND PRINCIPAL OFFICE:	Level 9, BGC Centre 28 The Esplanade Perth WA 6000 Tel: +61 8 9322 6322 Fax: +61 8 9322 6558
SHARE REGISTER:	Computershare Investor Services Pty Ltd Level 2 45 St Georges Terrace Perth WA 6000 Tel: 1300 557 010 Int: +61 8 9323 2000 Fax: +61 8 9323 2033
STOCK EXCHANGE LISTING:	Australian Securities Exchange Home Branch – Perth 2 The Esplanade Perth WA 6000
ASX CODE:	PDZ – Fully paid ordinary shares
BANKERS:	Australia and New Zealand Banking Group Limited Westpac Banking Corporation Limited
SOLICITORS:	Hardy Bowen Lawyers
AUDITOR:	BDO Audit (WA) Pty Ltd

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DIRECTORS' REPORT (Continued)

The Directors of Prairie Downs Metals Limited present their report on the Consolidated Entity consisting of Prairie Downs Metals Limited ("**Company**" or "**Prairie**") and the entities it controlled during the half-year ended 31 December 2012 ("**Consolidated Entity**" or "**Group**").

DIRECTORS

The names of the Directors of Prairie in office during the half-year and until the date of this report are:

Mr Ian Middlemas	Chairman
Mr Anastasios Arima	Executive Director (appointed 13 September 2012)
Mr Mark Pearce	Non-Executive Director
Mr John Welborn	Non-Executive Director

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

REVIEW AND RESULTS OF OPERATIONS

Review of Operations

Highlights during the half year and since the end of the half year include:

Lublin Coal Project ("LCP")

On 9 August 2012, the Company announced that it had successfully secured four coal concessions covering 182km^2 located in South East Poland in the Lublin Coal Basin (The Lublin Coal Project).

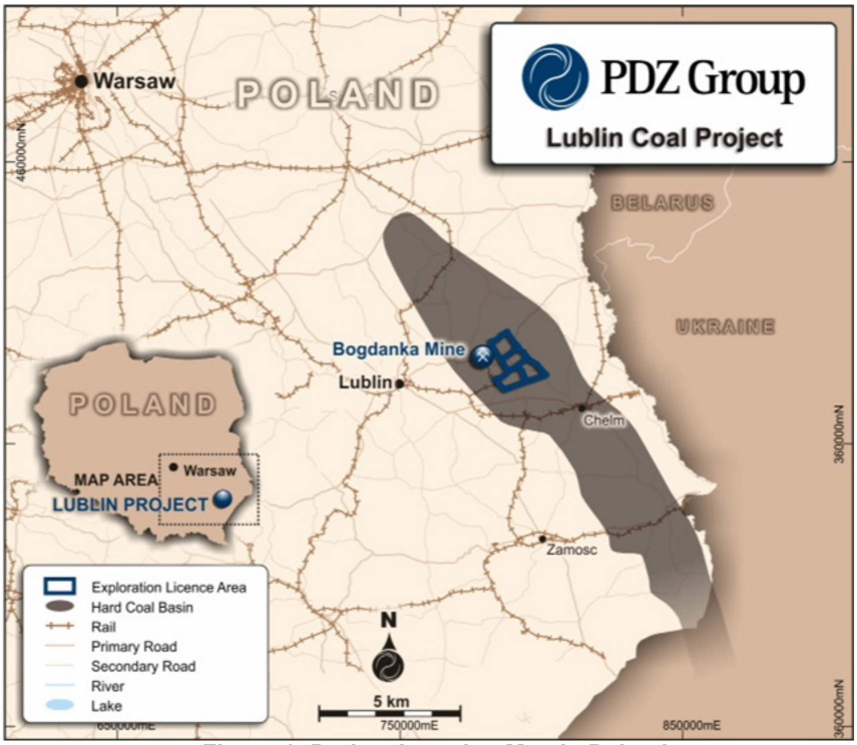

Figure 1: Project Location Map in Poland

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

Review of Operations (Continued)

Lublin Coal Project (Continued)

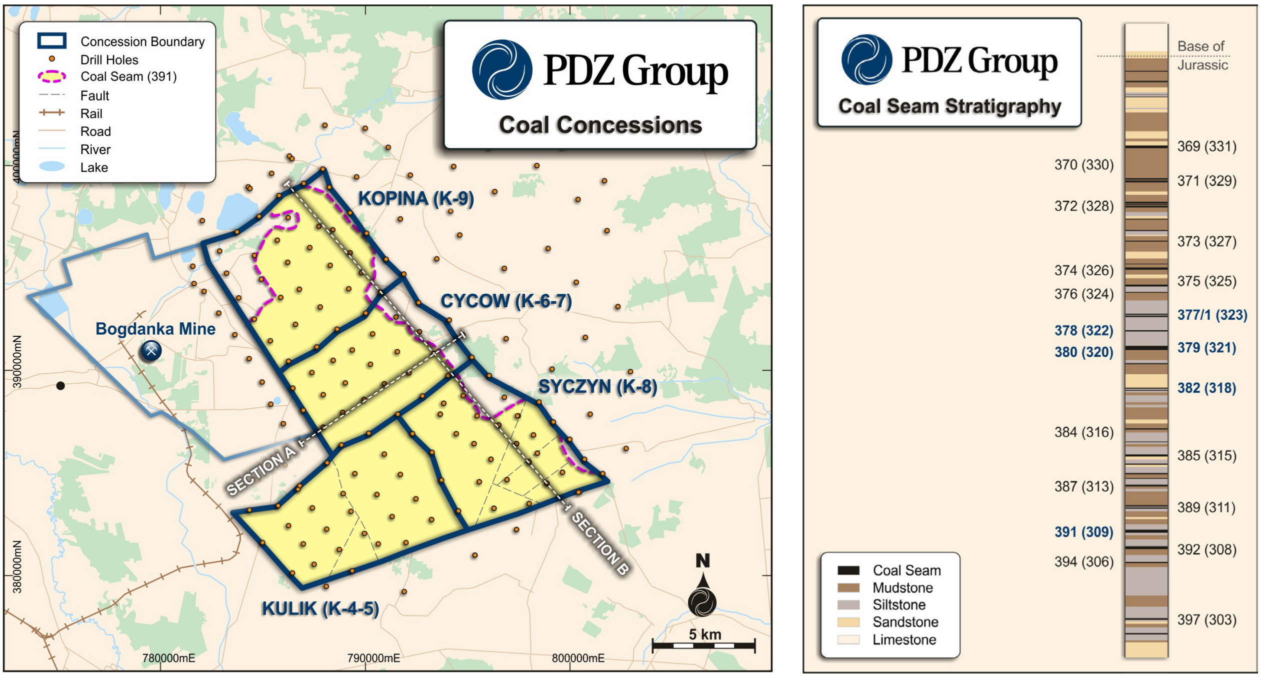

Figure 2: Coal Seam 391 Inferred Resource Area and Generalised Coal Stratigraphy

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.

The LCP 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 that the region is highly prospective and has the potential to host a large scale thermal coal deposit.

On 14 February 2013, Prairie announced a Maiden Inferred Coal Resource Estimate ("**MRE**") of 1.6 billion tonnes of high quality thermal coal estimated at the LCP. The MRE was completed by independent consultants Wardell Armstrong International Limited ("**WAI**") and was based on the review and modeling of over 200 boreholes in and around the Company's coal exploration concessions. Key points from work by WAI included the following:

- The total Coal Resource Estimate is 1.6 billion tonnes which is all classified as inferred at this point in time;
- The Coal Resource is defined from 20 coal seams found between 624 metres and 1,091 metres within the four coal exploration concessions;
- The average coal seam thickness is ~1.4 metres and range between 1.0 to 4.6 metres when averaging the borehole seam thicknesses which exceed 1.0 metre; and
- The Coal Quality of the area can generally be defined as a high calorific value coal with relatively low in-situ ash content which would potentially require minimal processing.

Table 1: LCP Inferred Coal Resource *(Gross Air Dried)*

Coal Seam	**391 Seam**	**379 Seam**	**382 Seam**	**Total All Seams**
Inferred Tonnage (*million t*)	**327**	**190**	**163**	**1,576**
Ash Content	8.4%	14.1%	13.3%	12.2%
Calorific Value	6,894 kcal/kg	6,307 kcal/kg	6,352 kcal/kg	6,484 kcal/kg

Review of Operations (Continued)

Lublin Coal Project (Continued)

Planned exploration activities at LCP include:

- Commence core drilling program of an initial seven holes;
- Update coal quality and washability database with results from the drilling program;
- Strengthen management team with appointment of in-country senior executives; and
- Commence scoping study to delineate potential size and economics of the LCP.

Prairie Downs Base Metals Project ("BMP")

Exploration and development activities continued at the BMP including the Company engaging consultants CSA Global ("**CSA**") to conduct a comprehensive review of all historical exploration data, including the recent drilling programs funded by Ivernia.

The CSA program of work included:

- Review of the status and results of recent exploration and resource definition drilling programs;
- Assessing the effectiveness of recent exploration in prioritising and testing targets;
- Identifying and prioritising inadequately tested targets and new targets arising from the data assessment; and
- Designing effective and appropriate drilling programs to test these targets and target definition programs to refine new targets.

During the half-year CSA completed their review and advised the following:

- Reinterpretation of recent exploration results demonstrates that the BMP is part of a very large alteration and mineralisation system within a major regional structure.
- The character of mineralisation is suggestive of a large intrusive-related metal-bearing hydrothermal fluid system;
- Past exploration has mostly focused on the Prairie Deposit itself and testing of a larger target area of the system is recommended;
- An effective targeting model should include better understanding of structural controls and alteration haloes and vectors;
- Further detailed geological and regolith mapping should be conducted to distinguish areas where surface geochemical sampling has been effective and ineffective;
- Where geochemistry has been ineffective, appropriate shallow drilling should be conducted; and
- Final definition and prioritisation of drill targets should be based on the results of this work and may incorporate additional 3-D modelling of targets from magnetic, gravity, and Induced Polarisation geophysical data.

The Company will continue to work with CSA to formulate a suitable strategy to further advance the exploration activities at the BMP.

Perenjori Project ("Perenjori")

Prairie engaged consultants Core Geophysics to begin and complete a ground magnetic survey which is intended to review the geology and better define the mineralisation and fault zone of the area. The Company will continue to assess its options as results of the survey are finalised.

REVIEW AND RESULTS OF OPERATIONS (Continued)

Operating Results

The Group recorded a consolidated operating loss before tax of $1,490,901 (Restated 31 December 2011 profit: $481,165) for the half-year ended 31 December 2012. This loss for the half-year was largely attributable to exploration and evaluation expenses which amounted to $971,027 (Restated 31 December 2011:$421,289).

A deferred income tax benefit of $2,130,000 (Restated 31 December 2011: nil) has been recognised for the half-year ended 31 December 2012 due to an unrealised gain in other financial assets of $7,100,000 (31 December: loss of $600,000).

Prairie had consolidated net assets of $20,866,011 (Restated 30 June 2012: $14,200,449) at the end of the half-year including cash assets of $2,430,751 (30 June 2012: $2,734,069).

Corporate

The following material corporate events occurred during the half-year ended 31 December 2012:

- On 9 August 2012, the Company announced that it had secured four coal concessions in South East Poland in the Lublin Coal Basin and in doing so exercised a call option to acquire an additional 40% of the share capital of PDZ-Holdings Pty Ltd ("**PDZ-H**") increasing its interest to 100%;

- On 12 September 2012, the Company undertook a Placement of three million fully paid ordinary shares at $0.30 each to raise $900,000 before costs to a nominee of Mr Anastasios Arima. Furthermore, a one for two attaching option exercisable at $0.40 and expiring 30 June 2016 was included in the placement;

- On 12 September 2012, the Company issued three million fully paid ordinary shares to key consultants and their nominees. Two million shares were consideration for the acquisition of the additional 40% interest in PDZ-H. One million shares were issued on the successful grant of licences in Poland; and

- On 13 September 2012, Mr Anastasios Arima commenced as an Executive Director.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 14 February 2012, the Company announced a Maiden Inferred Coal Resource Estimate at the Company's LCP, located in Poland. The inferred Coal resource was estimated at 1.6 billion tonnes of high quality thermal coal.

Other than as disclosed above, at the date of this report there were no significant events occurring after balance date requiring disclosure.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of Prairie Downs Metals Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 15 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

ANASTASIOS ARIMA
Executive Director

15 March 2013

Competent Person Statement
Information in this report that relates to the LCP results is based on information compiled by Mr Peter Dryburgh (an employee of independent consultant Wardell Armstrong International) who is a Fellow of the Geological Society of London. Mr Dryburgh 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 under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Dryburgh consents to the inclusion of the data in the form and context in which it appears.

Information in this report that relates to the BMP is based on information compiled by Dr Neal Reynolds (an employee of independent consultant CSA Global Pty Ltd) who is a Fellow of the Australian Institute of Mining and Metallurgy. Dr Reynolds 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 under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Reynolds consents to the inclusion of the data in the form and context in which it appears.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the attached financial statements and notes thereto for the period ended 31 December 2012 are in accordance with the Corporations Act 2001, including:

  (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and

  (ii) section 305 (true and fair view); 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

ANASTASIOS ARIMA
Executive Director

15 March 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Half-Year Ended 31 December 2012 $	Restated Half-Year Ended 31 December 2011 $
Revenue	4(a)	**62,892**	68,234
Other income	4(b)	**169,325**	1,280,758
Expenditure			
Exploration and evaluation expenses		**(971,027)**	(421,289)
Employment expenses		**(130,928)**	(82,596)
Administration and corporate expenses		**(263,133)**	(246,778)
Occupancy expenses		**(185,270)**	(70,194)
Business development expenses		**(172,760)**	(46,970)
Profit/(loss) before income tax		**(1,490,901)**	481,165
Income tax benefit	5(a)	**2,130,000**	-
Net Profit for the period		**639,099**	481,165
Net Profit attributable to members of the parent		**639,721**	481,165
Net loss attributable to non-controlling interests		**(622)**	-
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of available-for-sale financial assets		**4,970,000**	(600,000)
Exchange differences on translation of foreign operations		**(14,725)**	-
Total other comprehensive income/(loss) for the period		**4,955,275**	(600,000)
Total comprehensive income/(loss) for the period		**5,594,374**	(118,835)
Total comprehensive income/(loss) attributable to members of the parent		**5,594,452**	(118,835)
Total comprehensive loss attributable to non-controlling interests		**(78)**	-
Earnings per share			
Basic earnings per share (cents per share)		**0.63**	0.58
Diluted earnings per share (cents per share)		**0.56**	0.58

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31 December 2012 $	Restated 30 June 2012 $	Restated[1] 1 July 2011 $
ASSETS				
Current Assets				
Cash and cash equivalents		**2,430,751**	2,734,069	2,001,446
Trade and other receivables		**118,040**	194,516	184,067
Prepayments		**-**	-	8,438
Other financial assets		**22,000**	22,000	112,624
Total Current Assets		**2,570,791**	2,950,585	2,306,575
Non-Current Assets				
Other financial assets	6	**16,500,000**	9,400,000	4,773,500
Plant and equipment		**122,975**	263,327	576,445
Exploration and evaluation assets	7	**2,215,000**	1,685,000	1,685,000
Total Non-current Assets		**18,837,975**	11,348,327	7,034,945
TOTAL ASSETS		**21,408,766**	14,298,912	9,341,520
LIABILITIES				
Current Liabilities				
Trade and other payables		**542,755**	98,463	114,140
Provisions		**-**	-	10,158
Total Current Liabilities		**542,755**	98,463	124,298
TOTAL LIABILITIES		**542,755**	98,463	124,298
NET ASSETS		**20,866,011**	14,200,449	9,217,222
EQUITY				
Contributed equity	8(a)	**25,502,861**	23,551,897	21,702,470
Reserves		**8,999,835**	5,644,061	3,944,181
Accumulated losses		**(13,636,685)**	(14,948,986)	(16,429,430)
Equity attributable to owners of the Company		**20,866,011**	14,246,972	9,217,221
Non-controlling interest		**-**	(46,523)	-
TOTAL EQUITY		**20,866,011**	14,200,449	9,217,221

Notes:

[1] With effect 1 July 2011, the policy for accounting for exploration expenditure has changed from the policy applied in previous reporting periods (refer Note 2(c)). As such in accordance with AASB 101 *Presentation of Financial Statements* a third consolidated statement of financial position and notes to the restated amounts have been presented.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Ordinary Shares $	Available-for-Sale Reserve $	Share-based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-Controlling Interests $	Total Equity $
Balance at 1 July 2012 originally stated	**23,551,897**	**3,710,000**	**1,935,932**	**(1,871)**	**(4,919,767)**	**(46,523)**	**24,229,668**
Change in accounting policy opening balance adjustment	**-**	**-**	**-**	**-**	**(10,029,219)**	**-**	**(10,029,219)**
At 1 July 2012 restated	**23,551,897**	**3,710,000**	**1,935,932**	**(1,871)**	**(14,948,986)**	**(46,523)**	**14,200,449**
Net Profit/(loss) for the period	-	-	-	**-**	**639,721**	**(622)**	**639,099**
Other Comprehensive income for the half-year							
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(15,269)**	**-**	**544**	**(14,725)**
Changes in the fair value of available-for-sale financial assets	**-**	**7,100,000**	**-**	**-**	**-**	**-**	**7,100,000**
Deferred tax on available-for-sale financial assets	**-**	**(2,130,000)**	**-**	**-**	**-**	**-**	**(2,130,000)**
Total comprehensive income/(loss) for the period	**-**	**4,970,000**	**-**	**(15,269)**	**639,721**	**(78)**	**5,594,374**
Transactions with owners recorded directly in equity							
Share placements	**900,000**	**-**	**-**	**-**	**-**	**-**	**900,000**
Share issue costs	**(54,036)**	**-**	**-**	**-**	**-**	**-**	**(54,036)**
Issue of ordinary shares on grant of coal concessions	**130,000**	**-**	**-**	**-**	**-**	**-**	**130,000**
Acquisition of non-controlling interests (Note 10)	**975,000**	**-**	**-**	**-**	**(1,021,601)**	**46,601**	**-**
Recognition of share based payments	**-**	**-**	**95,224**	**-**	**-**	**-**	**95,224**
Adjustment for previously lapsed options	**-**	**-**	**(1,694,181)**	**-**	**1,694,181**	**-**	**-**
Balance at 31 December 2012	**25,502,861**	**8,680,000**	**336,975**	**(17,140)**	**(13,636,685)**	**-**	**20,866,011**
Balance at 1 July 2011 originally stated	21,702,470	2,250,000	1,694,181	-	(6,410,942)	-	19,235,709
Change in accounting policy opening balance adjustment	-	-	-	-	(10,018,488)	-	(10,018,488)
At 1 July 2011 restated	21,702,470	2,250,000	1,694,181	-	(16,429,430)	-	9,217,221
Net profit for the period	-	-	-	-	481,166	-	481,166
Other Comprehensive loss for the half-year							
Changes in the fair value of available-for-sale financial assets	-	(600,000)	-	-	-	-	(600,000)
Total comprehensive income/(loss) for the period	-	(600,000)	-	-	481,166	-	(118,834)
Transactions with owners recorded directly in equity							
Share placements	2,250,000	-	-	-	-	-	2,250,000
Share issue costs	(160,973)	-	-	-	-	-	(160,973)
Recognition of share based payments	(239,600)	-	239,600	-	-	-	-
Balance at 31 December 2011	23,551,897	1,650,000	1,933,781	-	(15,948,264)	-	11,187,414

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Half-Year Ended 31 December 2012 $	Restated Half-Year Ended 31 December 2011 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,344,514)**	(439,164)
Interest revenue from third parties		**70,111**	50,635
Geological services income received		**125,158**	343,110
Payments for exploration and evaluation subsequently on-charged		**-**	(326,479)
Rental income received		**194,606**	92,227
Other income		**-**	10,576
Net cash outflow from operating activities		**(954,639)**	(269,095)
Cash flows from investing activities			
Purchase of plant and equipment		**(1,401)**	-
Payments for exploration and evaluation assets		**(200,000)**	-
Proceeds on sale of plant and equipment		**4,610**	3,000
Payments for purchase of available-for-sale financial assets		**-**	(750,000)
Net cash outflow from investing activities		**(196,791)**	(747,000)
Cash flows from financing activities			
Proceeds from issue of shares		**900,000**	2,250,000
Payments for share issue costs		**(54,036)**	(145,333)
Net cash inflow from financing activities		**845,964**	2,104,667
Net increase/(decrease) in cash and cash equivalents		**(305,466)**	1,088,572
Net foreign exchange differences		**2,148**	-
Cash and cash equivalents at beginning of the period		**2,734,069**	2,001,446
Cash and cash equivalents at the end of the period		**2,430,751**	3,090,018

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

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 of Prairie Downs Metals Limited for the year ended 30 June 2012 and any public announcements made by Prairie Downs Metals Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

(a) Basis of Preparation of Half-Year Financial Report

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

(b) New Standards, interpretations and amendments thereof, adopted by the Group

The accounting policies and methods of computation adopted in the preparation of the consolidated half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2012, other than as detailed below.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012. The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

As a consequence of the adoption of AASB 2011-9 *Amendments to Australian Accounting Standards* and its associated amending standards, the Consolidated Entity now presents a Statement of Profit or Loss and other Comprehensive Income.

In addition to the changes in presentation, the Group has updated the classification of expenses to make the Statement of Profit or Loss and other Comprehensive Income more relevant to users of the financial report. This has resulted in the reclassification of some items in the prior period, however, has not impacted the reported loss for the period or earnings per share.

(c) Change in Accounting Policy

The policy for accounting for exploration and evaluation expenditure has changed from the policy applied in previous reporting periods.

In previous reporting periods, the costs incurred in connection with the exploration and evaluation of areas with current rights of tenure were capitalised to the Statement of Financial Position. The criteria for carrying forward the costs were:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

(c) Change in Accounting Policy (Continued)

Costs carried forward in respect of an area of interest that was abandoned were written off in the year in which the decision to abandon was made.

The policy has changed, and the new policy has been applied retrospectively (with comparative information restated accordingly). Under the new policy, except as noted below, exploration and evaluation expenditure is expensed to the Statement of Profit or Loss and other Comprehensive Income as and when it is incurred. Exploration and evaluation costs are only capitalised to the Statement of Financial Position if they result from an acquisition of a project. Exploration and evaluation costs, subsequent to the acquisition of the rights to explore, will now be expensed as incurred, up and until the preparation of a technical feasibility study.

The Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable information as the policy is more transparent and less subjective. The policy is common of smaller exploration companies as exploration and evaluation expenditure is viewed as an ongoing expense of discovery, until a technical feasibility study has been completed.

The impact of this change in accounting policy is reflected below:

For comparative purposes the accounts within the Consolidated Statement of Financial Position have changed by:

	31 December 2011 $	1 July 2011 $
Decrease in exploration and evaluation assets	(10,036,832)	(10,018,488)
Net decrease in equity	10,036,832	10,018,488

For comparative purposes the profit after tax has changed by:

	31 December 2011 $
Recognised exploration expenditure	(18,345)
Decrease in Profit	**(18,345)**

Basic and diluted earnings per share have also been restated. The amount of the impact on basic and diluted earnings per share for the new result for the half-year ended 31 December 2011 due to the change in accounting policy is a decrease in earnings per share of 0.02 cents.

The impact of the change in accounting policy has not been quantified for the current year as these accounting records have not been maintained.

3. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012
(Continued)

	Half-year ended 31 December 2012 $	Restated Half-Year Ended 31 December 2011 $
4. REVENUE AND OTHER INCOME		
(a) Revenue		
Interest Revenue	**62,892**	68,234
(b) Other Income		
Fair value gains on financial assets through profit and loss	**-**	826,500
Geological Services Income	**5,120**	360,031
Office services income	**164,205**	92,227
Other income	**-**	2,000
	169,325	1,280,758
5. INCOME TAX		
(a) Recognised in Profit or Loss		
Current income tax	**-**	-
Deferred income tax	**(2,130,000)**	-
Income Tax expense/(benefit) reported in Profit or Loss	**(2,130,000)**	-
(b) Recognised in other Comprehensive Income		
Unrealised gain on available-for-sale assets	**2,130,000**	-
Income Tax expense reported in other Comprehensive Income	**2,130,000**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012 (Continued)

5. INCOME TAX (Continued)

	31 December 2012 $	Restated 30 June 2012 $	Restated 1 July 2011 $
(c) Deferred Tax Assets and Liabilities			
Deferred Tax Liabilities			
Available-for-sale financial assets	**4,535,250**	2,405,250	675,000
Financial assets at fair value through profit or loss	**-**	-	567,300
Receivables	**2,935**	5,101	2,251
Prepayments	**-**	-	2,531
Deferred tax assets used to offset deferred tax liabilities	**(4,538,185)**	(2,410,351)	(1,247,082)
	-	-	-
Deferred Tax Assets			
Accrued expenditure	**17,261**	9,300	11,414
Capital Allowances	**105,384**	105,037	29,729
Provisions	**-**	-	3,047
Tax losses available to offset against future income	**5,572,502**	5,302,628	5,020,751
Deferred tax assets used to offset deferred tax liabilities	**(4,538,185)**	(2,410,351)	(1,247,082)
Deferred tax assets not brought to account	**(1,156,962)**	(3,006,614)	(3,817,859)
	-	-	-

	31 December 2012 $	30 June 2012 $
6. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS		
Available-for-sale financial assets:		
Australian listed equity securities[1]	**16,500,000**	9,400,000
	16,500,000	9,400,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012 (Continued)

	31 December 2012 $	Restated 30 June 2012 $	Restated 1 July 2011 $
7. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION			
(a) Areas of Interest			
Prairie Downs Metals Project	**1,685,000**	1,685,000	1,685,000
Lublin Coal Project	**530,000**	-	-
Carrying amount at end of the period[1]	**2,215,000**	1,685,000	1,685,000
(b) Reconciliation			
Opening net book amount	**1,685,000**	1,685,000	1,685,000
Acquisition costs incurred	**530,000**	-	-
Carrying amount at end of the period[1]	**2,215,000**	1,685,000	1,685,000

Notes:
[1] The ultimate recoupment of costs carried for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the respective areas.

	Note	31 December 2012	30 June 2012
8. CONTRIBUTED EQUITY			
(a) Issued and Unissued Capital			
104,440,598 (30 June 2012: 98,440,598) fully paid ordinary shares	8(b)	**24,787,861**	23,551,897
5,500,000 (30 June 2012: nil) unissued milestone shares[1]	10	**715,000**	-
Total contributed equity		**25,502,861**	23,551,897

Notes:
[1] As part consideration for the acquisition of the additional 40% interest in PDZ-H, the Company agreed to issue 5,500,000 ordinary shares to key consultants and their nominees upon the achievement of performance milestones. Refer to Note 10 for further details.

(b) Movements in fully paid ordinary shares during the past six months

Date	Details	Number of Shares	Issue Price $	$
1-Jul-12	**Opening Balance**	**98,440,598**	**-**	**23,551,897**
12-Sep-12	Share placement	3,000,000	0.30	900,000
12-Sep-12	Acquisition of non-controlling interest (Note 10)	2,000,000	-	260,000
12-Sep-12	Shares issued upon the grant of coal leases in Poland	1,000,000	-	130,000
1-Jul-12 to 31-Dec-12	Share Issue Costs	-	-	(54,036)
31-Dec-12	**Closing Balance**	**104,440,598**	**-**	**24,787,861**

8. CONTRIBUTED EQUITY (Continued)

(c) Movements in options during the past six months

Date	Details	Number of Unlisted Options	$
1-Jul-12	**Opening Balance**	**17,000,000**	**1,935,932**
12-Sep-12	Issue of $0.40 unlisted options	1,500,000	-
31-Dec-12	Share based payment expense for the period	-	95,224
31-Dec-12	Adjustment for previously lapsed options	-	(1,694,181)
31-Dec-12	**Closing Balance**	**18,500,000**	**336,975**

9. CONTINGENT ASSETS AND LIABILITIES

There have been no changes to contingent assets or liabilities since the date of the last annual report, except for the following:

AusIndustry Contingency Update

As previously reported the Company's subsidiary, Mineral Investments Pty Ltd, had been selected for statutory assessment for its research and development claims. These were being reviewed by AusIndustry.

During the period the Company received notice that these claims were made in accordance with the *Income Tax Assessment Act 1936* and that no further action was required.

At the date of this report, the Company had no contingent assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012
(Continued)

10. NON-CONTROLLING INTEREST

Acquisition of additional interest in PDZ Holdings Pty Ltd

During the half-year, the Company exercised its call option to acquire an additional 40% of the share capital of PDZ-Holdings Pty Ltd ("**PDZ-H**") increasing its interest to 100%. PDZ-H is the sole shareholder of PD Co Sp. z o.o. which is incorporated in Poland and holds the coal concessions at the Company's Lublin Coal Project. The total cost to exercise this option was $975,000 which comprised of an issue of equity instruments as follows:

(i) 2,000,000 Ordinary Shares with a fair value of $260,000; and

(ii) 5,500,000 milestone shares (with a fair value of $715,000[1]) to be issued to key consultants upon the achievement of performance milestones as follows:

- 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.

- 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.

The carrying value of the net asset deficiency of PDZ-H at the date of acquisition (being 14 August 2012), was $116,503, and the carrying value of the additional 40% interest acquired was $46,601. The difference of $1,021,601 between the consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

Notes:
[1] The acquisition date fair value of the milestone shares has been determined to be $715,000. Management believe that it is probable that both milestones will be satisfied based on the Company's previously announced MRE (refer ASX release dated 14 February 2013). As such a fair value has been applied to 100% of the milestone shares.

11. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (31 December 2011: nil).

12. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 14 February 2013, the Company announced a Maiden Inferred Coal Resource Estimate at the Company's LCP, located in Poland. The inferred Coal resource was estimated at 1.6 billion tonnes of high quality thermal coal.

Other than as disclosed above, at the date of this report there were no significant events occurring after balance date requiring disclosure.

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 2013

The Directors
Prairie Downs Metals Limited
Level 9, BGC Centre, 28 The Esplanade
PERTH WA 6000

Dear Sirs,

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

As lead auditor for the review of Prairie Downs Metals Limited for the half-year ended 31 December 2012, 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
- no contraventions of any applicable code of professional conduct in relation to the review.

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

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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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 consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities 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 internal 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 half-year 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 2012 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 review 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 2012 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 2013