

ANNUAL FINANCIAL REPORT

30 JUNE 2013

ABN 23 008 677 852

CORPORATE DIRECTORY

DIRECTORS:	Mr Ian Middlemas – Chairman Mr Benjamin Stoikovich – Chief Executive Officer Mr Anastasios (Taso) Arima – Executive Director Mr John Welborn – Non-Executive Director Mr Mark Pearce – Non-Executive Director
COMPANY SECRETARY:	Mr Dylan Browne
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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
SOLICITORS:	Hardy Bowen Lawyers
AUDITOR:	BDO Audit (WA) Pty Ltd

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DIRECTORS REPORT

The Directors of Prairie Downs Metals Limited present their report on the Consolidated Entity consisting of Prairie Downs Metals Limited ("**Company**" or "**Prairie Downs**" or "**Prairie**") and the entities it controlled at the end of, or during, the year ended 30 June 2013 ("**Consolidated Entity**" or "**Group**").

DIRECTORS

The names and details of the Group's Directors in office at any time during the financial year or since the end of the financial year are:

Current Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO (appointed 17 June 2013)
Mr Anastasios (Taso) Arima	Executive Director (appointed 13 September 2012)
Mr John Welborn	Non-Executive Director
Mr Mark Pearce	Non-Executive Director

Unless otherwise stated, Directors held their office from 1 July 2012 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas *B.Com, CA* *Chairman (non-executive)*

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a Director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Berkeley Resources Limited (April 2012 – present), Papillon Resources Limited (May 2011 – present), Pacific Ore Limited (April 2010 – present), Wildhorse Energy Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Sierra Mining Limited (January 2006 – present), Odyssey Energy Limited (September 2005 – present), Global Petroleum Limited (April 2007 – December 2011), Coalspur Mines Limited (March 2007 – October 2011) and Mantra Resources Limited (September 2005 – June 2011).

Mr Benjamin Stoikovich *B.Eng, M.Eng, M.Sc, CEng, CEnv* *Director and CEO*

Mr Stoikovich is a mining engineer and professional corporate finance executive. He has extensive experience in the resources sector gained initially as an underground Longwall Coal Mining Engineer with BHP Billiton where he was responsible for underground longwall mine operations and permitting, and more recently as a senior executive within the investment banking sector in London where he gained experience in mergers and acquisitions, debt and off take financing.

He has Bachelor of Mining Engineering from the University of NSW; a Master of Environmental Engineering from the University of Wollongong; and a M.Sc in Mineral Economics from Curtin University. Mr Stoikovich also holds a 1st Class Coal Mine Managers Ticket from the Coal Mine Qualifications Board (NSW, Australia) and is a registered Chartered Engineer (CEng) and Chartered Environmentalist (CEnv) in the United Kingdom.

Mr Stoikovich was appointed a Director of the Company on 17 June 2013. During the three year period to the end of the financial year, Mr Stoikovich has not held any other directorships in listed companies.

DIRECTORS REPORT

(Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Anastasios (Taso) Arima

Executive Director

Mr Arima was a founder and former Executive Director of Coalspur Mines Limited (“**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.

Mr Arima was appointed a Director of the Company on 13 September 2012. During the three year period to the end of the financial year, Mr Arima held a directorship in Coalspur Mines Limited (June 2009 – May 2011).

Mr John Welborn B.Com, CA, FFin, FAICD

Director (non-executive)

Mr Welborn is a Chartered Accountant with a Bachelor of Commerce degree from the University of Western Australia and holds memberships of the Institute of Chartered Accountants in Australia, the Financial Services Institute of Australasia, and the Australian Institute of Company Directors.

Mr Welborn has extensive experience in the resources sector as a senior executive and in corporate management, finance and investment banking. Mr Welborn was the Head of Specialised Lending in Western Australia for Investec Bank (Australia) Ltd and has more than 15 years of commercial experience in national and international professional services and management consulting firms.

Mr Welborn was appointed a Director of the Company on 4 February 2009. During the three year period to the end of the financial year, Mr Welborn has held directorships in Noble Mineral Resources Limited (March 2013 – present) and Equatorial Resources Limited (August 2010 – present).

Mr Mark Pearce B.Bus, CA, FCIS, FFin

Director (non-executive)

Mr Pearce is a Chartered Accountant and is currently a Director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Pearce has held directorships in Pacific Ore Limited (April 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Coalspur Mines Limited (March 2007 – October 2011) and Agua Resources Limited (September 2008 – October 2010).

Mr Dylan Browne B.Com, CA

Company Secretary

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. Mr Browne was appointed Company Secretary of the Company on 25 October 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of the exploration and development of resource projects. No significant change in nature of these activities occurred during the year.

OPERATING AND FINANCIAL REVIEW

Operations

Highlights during, and subsequent to, the financial year end include:

(i) Securing Lublin Coal Project ("LCP")

The Company secured four coal licences covering 182 Km² located in South East Poland in the Lublin Coal Basin (collectively the Lublin Coal Project);

(ii) Maiden Coal Resource ("MRE") of 1.6 billion tonnes at LCP

The MRE of 1.6 billion tonnes was completed by independent consultants Wardell Armstrong International Limited ("WAI") and was based on the review and modelling of over 200 boreholes in and around the LCP;

(iii) Commencement of Scoping Study on LCP

A Scoping Study on the LCP commenced with WAI engaged as the Study Manager. The Scoping Study will examine key areas including geology, mining, coal handling and incorporate and revise the maiden JORC MRE. The study will also evaluate the operating and capital cost of the LCP;

(iv) Drilling Program commenced at the LCP

An aggressive seven hole drill program commenced at the LCP which is expected to provide additional data to assist in updating the coal quality and washability database. Furthermore, the results are expected to be progressively incorporated into the Scoping Study; and

(v) Appointment of Chief Executive Officer

Mr Benjamin Stoikovich was appointed as a Director and CEO on 17 June 2013. Mr Stoikovich is an experienced mining engineer and most recently has been a Director of the Mining and Metals Corporate Finance Division of Standard Chartered Bank in London. Mr Stoikovich has highly relevant skills and knowledge gained from a unique career in resources which combines expertise gained as an underground Longwall Coal Mining Engineer with BHP Billiton and more recently as a senior executive within the investment banking sector in London.

The Lublin Coal Project

Prairie's work program is aimed at progressing the exploration and evaluation of the MRE identified at the LCP to enable the Company to fulfil its objective of becoming Europe's next strategic thermal coal supplier.

Maiden Coal Resource

During the year, the Company released a maiden MRE for the LCP (refer ASX Announcement dated 14 February 2013). The MRE was estimated at 1.6 billion tonnes of high quality thermal coal with key points including the following:

- The total MRE is 1.6 billion tonnes which is all classified as inferred;
- 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.

DIRECTORS REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

The Lublin Coal Project (Continued)

Maiden Coal Resource (Continued)

The MRE was prepared by independent consultants, WAI, and is reported in accordance with the JORC Code (2004). The MRE is based on a total of 200 historical drill holes totalling some 200,000 metres of drilling and having been completed by various government agencies over the period from late 1960 to the 1980's.

WAI is a leading geological and mining consulting firm and is highly regarded in the international coal sector, having been involved in the sector for 175 years. Its dedicated coal sector team has operated in all major coal producing countries.

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

Scoping Study on LCP

The Scoping Study ("Study") commenced on the LCP subsequent to year end with WAI appointed as the Study Manager. The Study will examine key areas on the LCP including the following:

- Revised JORC Coal Resource Estimate;
- Mine production scenarios and scheduling;
- Mine access;
- Coal handling, processing and surface infrastructure requirements;
- Environmental and Social assessment; and
- Operating and capital cost evaluation.

Given WAI's expertise in the region, and the significant data available to the Company, including immense industry knowledge gained from thirty years of operating history at the neighbouring Bogdanka coal mine, the timely completion of the Study is expected during the March 2014 quarter.

Upon completion and review of the Study, the Company will look to progress towards a pre-feasibility study, and initiate discussions with potential offtake partners from the region.

Drilling Program

The drilling program involves the completion of an initial seven holes which will provide additional data to assist in updating the coal quality and washability database at the LCP. The results from the program will also be progressively incorporated into the Scoping Study.

The drilling program was designed by Prairie's in-country Polish team together with local consultants working in close collaboration with WAI. WAI have developed an exploration manual for the seven hole campaign and have visited the drilling site and laboratories to make relevant QA/QC checks, and will continue to do so until completion.

Following analysis from this seven hole drilling campaign, completion of the Scoping Study and an updated JORC resource estimate, the project team will designate any areas that require infill drilling in order to progress to a pre-feasibility study, which is expected to commence in 2014.

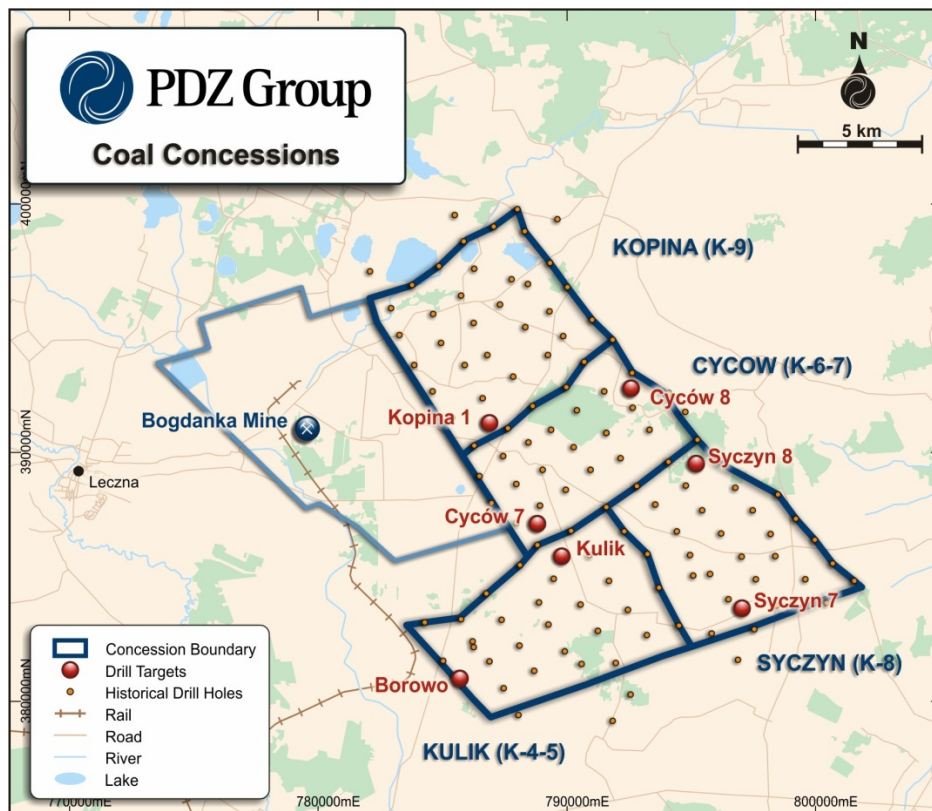


Figure 1: LCP Concessions and Drill Hole Target Locations

Prairie Downs Base Metals Project

The BMP is 100% owned by Prairie and is comprised of two tenements covering an area of 550 Km², located approximately 60 kilometres southwest of Newman in the Pilbara region of Western Australia.

The current BMP zinc, lead, silver deposit and the extensive mineralisation and alteration along the Prairie Downs fault demonstrates the potential for the project to host a much larger lead-zinc deposit.

The Company appointed consultants CSA Global (“CSA”) to conduct a review of all historical exploration data, including the drilling programs funded by Ivernia, to evaluate the effectiveness of exploration to date and to develop a strategy to advance the BMP.

Perenjori Project

The Perenjori Project is located in the Gullewa Greenstone belt, 270 kilometres northeast of Perth and 65 Km from the Golden Grove zinc-copper-gold deposits. Mineralisation occurs in a felsic volcanic unit which is the same unit that hosts the Golden Grove mine. Perenjori covers a 2 Km long gossan anomalous in base metals and gold.

The Company received a logistical report for the ground magnetic survey completed at Perenjori during the year. The survey was designed to better define the mineralisation and fault zones of the area.

At the Stephens’ Prospect an extensive ferruginous gossan lies on the contact between the mafic and rhyolitic sequence with the potential for massive sulphides typical of the Archaean VHMS deposits. Mineralisation is associated with a strongly foliated and sheared BIF horizon.

The survey, completed by Modern Mag, has better delineated the mineralisation and a fault that bisects the mineralised formations. The Company expects to review the geophysical results over the coming months.

DIRECTORS REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2013 was \$5,954,352 (2012 restated: profit \$1,575,378). This loss is mainly attributable to:

- Exploration and Evaluation expenses of \$2,335,377 (2012 restated: \$892,894), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of rights to explore and up to the commencement of a bankable feasibility study for each separate area of interest; and
- An impairment loss of \$1,685,000 (2012: nil) recognised in respect of the Group's exploration and evaluation assets. Based on current market conditions and best available information, a decision was made during the year to fully impair the carrying value of the Prairie Downs Base Metals Project.

Financial Position

At 30 June 2013, the Company had cash reserves of \$6,170,841 (2012: \$2,734,069), no debt and available-for-sale financial assets of \$6,650,000 (2012: \$9,400,000). Placing the Company in a strong financial position to conduct its current and planned exploration activities.

At 30 June 2013, the Company had net assets of \$13,012,752 (2012 restated: \$14,200,449), a decrease of 8% compared with the previous year. This is consistent with and largely attributable to: (i) the current year's net loss after tax, (ii) the completion of share placements during the year, and (iii) the decrease in available-for-sale financial assets.

Business Strategies and Prospects for Future Financial Years

The objective of the Group is to create long-term shareholder value through the discovery, exploration and development of its projects.

To date, the Group has not commenced production of any minerals. To achieve its objective, the Group currently has the following business strategies and prospects:

- Advance the development of the LCP by:
 - completing current drilling activities and updating the MRE and coal quality and washability database;
 - completing technical studies;
 - commencing environmental and social impact studies;
 - advancing permitting and other regulatory requirements; and
- Identify a suitable strategy for the Company's BMP and Perenjori projects, including possible farm in and joint venture opportunities.

All of these activities are inherently risky and the Board is unable to provide certainty of the expected results of these activities, or that any or all of these likely activities will be achieved. The material business risks faced by the Group that could have an effect on the Group's future prospects, and how the Group manages these risks, include:

- **The Company's projects are not yet in production** – The exploration for, and development of, mineral deposits involves a high degree of risk. To mitigate this risk, the Company will undertake systematic and staged exploration and testing programs on its mineral properties and, subject to the results of these exploration programs, the Company will then progressively undertake a number of technical and economic studies with respect to its projects prior to making a decision to mine. However there can be no guarantee that the studies will confirm the technical and economic viability of the Company's mineral properties;

- **The Company may be adversely affected by fluctuations in commodity prices – The price of coal and base metals** fluctuates widely and is affected by numerous factors beyond the control of the Company. Future production, if any, from the Company's mineral properties and its profitability will be dependent upon the price of coal and/or base metals being adequate to make these properties economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, this policy will be reviewed periodically going forward;
- **Operations conducted in an emerging market** – The Company's operations are located in Poland and will be exposed to related risks and uncertainties associated with this jurisdiction. Changes in mining or investment policies, laws or regulations (or the application thereof) or shifts in political attitude in Poland, in particular to mining, use of coal, and foreign ownership of coal projects may adversely affect the operation or profitability of the Company. The Company continues to consult with the various levels of Government but there can be no assurances that the future political developments in Poland will not directly impact the Company's operations or its ability to attract funding for its operations. The Company also competes with many other companies in Poland, including companies with established mining operations. Some of these companies have greater financial resources and political influence than the Company and, as a result, may be in a better position to compete with or impede the Company's current or future activities;
- **Regulations** - 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, environmental decisions, planning consents and other regulatory consents which may be withdrawn or made subject to new limitations. The maintaining or obtaining of renewals or attainment and grant of title interests often depends on the Company being successful in obtaining and maintaining required statutory and regulatory approvals, for its activities and that the title interests, licenses, concessions, leases, claims, permits, decisions or consents it holds will be maintained and when required renewed. The Company monitors the status of its mining permits and licences and consults with the relevant Government departments in Poland to ensure the various licences held are maintained and renewed when required. However, there is no assurance that such statutory and regulatory approvals, title interests, licenses, concessions, leases, claims, permits, decisions or consents will not be revoked, significantly altered or renewed to the detriment of the Company or that the renewals thereof will be successful; and
- **Global financial conditions may adversely affect the Company's growth and profitability** – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. The exploration and any development of the Company's exploration properties will require substantial funding. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth, or rate of growth, and ability to fund its activities. If these increased levels of volatility and market turmoil continue, the Company's activities could be adversely impacted and the trading price of the Company's shares could be adversely affected.

EARNINGS PER SHARE

	2013 Cents	Restated 2012 Cents
Basic and diluted earnings/(loss) per share	(5.62)	1.79

ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration tenements held by the Group contain environmental requirements and conditions that the entities must comply with in the course of normal operations. There have been no significant known breaches of the Group's environmental regulations.

The Directors have considered the National Greenhouse and Energy Reporting Act 2007 ("the NGER Act") which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent financial year. The Directors will reassess this position as and when the need arises.

DIRECTORS REPORT

(Continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year other than the following:

- On 9 August 2012, the Company announced that it had secured the highly prospective and large scale thermal LCP in Poland;
- On 12 September 2012, the Company undertook a placement to raise \$900,000 before costs from the issue of 3,000,000 Ordinary Shares 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 3,000,000 Ordinary Shares to key consultants and their nominees, on the successful grant of licences at the LCP;
- On 13 September 2012, Mr Anastasios Arima was appointed as an Executive Director of the Company;
- On 10 April 2013, the Company completed a placement to raise \$6,000,000 before costs from the issue of 12,000,000 Ordinary Shares to institutional and sophisticated investors in Australia, Europe and Asia; and
- On 17 June 2013, Mr Benjamin Stoikovich was appointed as a Director and CEO of the Company.

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2013, of the Consolidated Entity.

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in securities at the date of this report	
	Ordinary Shares ¹	Options ²
Mr Ian Middlemas	5,000,000	5,000,000
Mr Benjamin Stoikovich	-	4,500,000
Mr Anastasios (Taso) Arima	5,400,000	1,600,000
Mr John Welborn	3,750,000	-
Mr Mark Pearce	3,000,000	1,500,000

Notes:

¹ "Ordinary Shares" means fully paid Ordinary Shares in the capital of the Company.

² "Options" means an option to subscribe for one Ordinary Share in the capital of the Company.

SHARE OPTIONS

At the date of this report the following options have been issued over unissued Ordinary Shares of the Company:

- 14,007,133 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
- 1,250,000 Unlisted Options exercisable at \$0.25 each on or before 30 June 2016;
- 1,500,000 Unlisted Options exercisable at \$0.40 each on or before 30 June 2016;
- 1,500,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
- 1,500,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
- 1,500,000 Unlisted Options exercisable \$0.60 each on or before 30 June 2017.

During the year ended 30 June 2013, 367,867 Ordinary Shares have been issued as a result of the exercise of 367,867 Unlisted Options.

Subsequent to year end and up until the date of this report, 1,375,000 Ordinary Shares have been issued as a result of the exercise of 1,375,000 Unlisted Options.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a Director or officer of the Company or Group for any liability caused as such a Director or officer and any legal costs incurred by a Director or officer in defending an action for any liability caused as such a Director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During the financial year, an annualised insurance premium was paid to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO (appointed 17 June 2013)
Mr Anastasios (Taso) Arima	Executive Director (appointed 13 September 2012)
Mr John Welborn	Non-Executive Director
Mr Mark Pearce	Non-Executive Director

Other KMP

Mr Janusz Jakimowicz	President PD Co sp z o.o. (appointed 4 February 2013)
Mr Dylan Browne	Company Secretary (appointed 25 October 2012)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

DIRECTORS REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Remuneration Policy (Continued)

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- the Group is currently focused on undertaking exploration, appraisal and development activities;
- risks associated with small cap resource companies whilst exploring and developing projects; and
- other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and health care benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive (“STI”)

Some executives are entitled to an annual cash bonus upon achieving various key performance indicators (“KPI's”), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as successful commencement and/or completion of exploration activities (e.g. commencement/completion of exploration programs within budgeted timeframes and costs), establishment of government relationship (e.g. establish and maintain sound working relationships with government and officialdom), development activities (e.g. completion of infrastructure studies and commercial agreements), corporate activities (e.g. recruitment of key personnel and representation of the company at international conferences) and business development activities (e.g. corporate transactions and capital raisings).

These measures were chosen as the Board believes these represent the key drivers in the short and medium term success of the projects development. On an annual basis, on the anniversary of the executives start date, the board assesses performance against each individual executive's KPI criteria.

No bonuses were paid during the year.

Performance Based Remuneration – Long Term Incentive

The Board may issue incentive unlisted options (“**Unlisted Options**”)(where appropriate) to some executives as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the executives and to provide an incentive linked to the performance of the Company. The Board considers that for each executive who may receive options in the future, their experience in the resources industry will greatly assist the Company in progressing its projects to the next stage of development. As such, the Board believes that the number of Unlisted Options to be granted to executives is commensurate to their value to the Company.

The Board has a policy of granting Unlisted Options to executives with exercise prices at and/or above market share price. As such, Unlisted Options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Unlisted Options granted.

Other than service-based vesting conditions, if any, there is no expected additional performance criteria relating to the Unlisted Options that may be granted to executives. Given the speculative nature of the Company's activities and the small management team responsible for its running, the Company considers that the performance of the executives and the performance and value of the Company are closely related.

The Company prohibits executives entering into arrangements to limit their exposure to Unlisted Options granted as part of their remuneration package.

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Unlisted Options may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Unlisted Options in order to secure and retain their services.

Fees for the Chairman are presently \$36,000 per annum (2012: \$36,000) and fees for Non-Executive Directors' are presently set at \$33,000 per annum (2012: \$33,000). These fees cover main board activities only. Only Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

The Company prohibits executives entering into arrangements to limit their exposure to Unlisted Options granted as part of their remuneration package.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP may receive Unlisted Options in the future which generally will be of greater value to KMP if the value of the Company's shares increases sufficiently to warrant exercising the Unlisted Options.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

DIRECTORS REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director and KMP of Prairie Downs Metals Limited are as follows:

		Short-term benefits			Post-employment benefits \$	Share-based payments \$	Total \$	Performance related %
		Salary & fees \$	Cash Bonus \$	Other \$				
Directors								
Mr Ian Middlemas ¹	2013	36,000	-	-	3,240	-	39,250	-
	2012	30,000	-	-	2,700	-	32,700	-
Mr Benjamin Stoikovich ²	2013	14,477	-	-	-	15,380	29,857	51.5%
	2012	-	-	-	-	-	-	-
Mr Anastasios Arima ³	2013	125,000	-	-	11,250	-	136,250	-
	2012	-	-	-	-	-	-	-
Mr John Welborn	2013	33,028	-	-	2,973	-	36,000	-
	2012	33,028	-	-	2,973	-	36,000	-
Mr Mark Pearce ¹	2013	33,007	-	-	2,971	-	35,978	-
	2012	27,523	-	-	2,477	-	30,000	-
Mr Alec Pismiris ⁴	2013	-	-	-	-	-	-	-
	2012	35,200	-	-	-	-	35,200	-
Mr Jeremy Shervington ⁵	2013	-	-	-	-	-	-	-
	2012	10,000	-	-	-	-	10,000	-
Mr Stuart Hall ⁵	2013	-	-	-	-	-	-	-
	2012	5,500	-	-	-	-	5,500	-
Other KMP								
Mr Janusz Jakimowicz ⁶	2013	147,057	-	17,566	-	-	164,623	-
	2012	-	-	-	-	-	-	-
Mr Dylan Browne ⁷	2013	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-
Mr Dennis Wilkins ⁵	2013	-	-	-	-	-	-	-
	2012	33,992	-	-	-	-	33,992	-
Total	2013	388,569	-	17,566	20,434	15,380	441,949	
	2012	175,243	-	-	8,150	-	183,393	

Notes:

¹ Mr Middlemas and Mr Pearce were appointed 25 August 2011

² Mr Stoikovich was appointed 17 June 2013

³ Mr Arima was appointed 13 September 2012

⁴ Mr Pismiris resigned 22 June 2012

⁵ Mr Shervington, Mr Hall and Mr Wilkins resigned 25 August 2011

⁶ Mr Jakimowicz was appointed 4 February 2013

⁷ Mr Browne was appointed 25 October 2012. Mr Browne provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd ('Apollo'). During the year, Apollo was paid, or is payable, \$277,000 for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group

Options Granted to KMP

Details of Unlisted Options granted as part of remuneration by the Company to each KMP of the Group during the financial year is as follows:

2013	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value ¹ \$	Number Granted	Number Vested
Directors						
Mr Benjamin Stoikovich	17-Jun-13 ⁴	30-Jun-17	0.35	0.1276	1,500,000	-
Mr Benjamin Stoikovich	17-Jun-13 ⁴	30-Jun-17	0.45	0.1395	1,500,000	-
Mr Benjamin Stoikovich	17-Jun-13 ⁴	30-Jun-17	0.60	0.1512	1,500,000	-

Notes:

¹ For details on the valuation of the Unlisted Options, including models and assumptions used, please refer to Note 21 to the financial statements.

² Each Unlisted Option converts into one Ordinary Share of Prairie Downs Metals Limited.

³ No Unlisted Options were forfeited during the year by KMP.

⁴ The Unlisted Options were issued as part of Mr Stoikovich's consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

Details of the values of Unlisted Options granted, exercised or lapsed for each KMP of the Group during the 2013 financial year are as follows:

2013	Value of Options Granted during the Year ¹ \$	Value of Options exercised during the year \$	Value of Options lapsed during the year \$	Value of Options included in remuneration report for the year \$	Remuneration for the year that consists of options %
Directors					
Mr Benjamin Stoikovich	627,450	-	-	15,380	51.5%
Total	627,450	-	-	15,380	

Notes:

¹ For details on the valuation of the Unlisted Options, including models and assumptions used, please refer to Note 21 to the financial statements.

Employment Contracts with Directors and KMP

Mr Stoikovich, Director and CEO, has a consultancy agreement with the Company effective 17 June 2013. The agreement specifies the duties and obligations to be fulfilled by a Chief Executive Officer. The contract may be terminated by either party by giving six months' notice. No amount is payable in the event of termination for negligence or incompetence in regard to the performance of duties. Mr Stoikovich receives a fixed remuneration component of £225,000 per annum and an annual bonus of up to £80,000 to be paid upon the successful completion of key performance indicators as determined by the Board. In addition, Mr Stoikovich will be entitled to receive a bonus of £112,500 in the event of a change of control occurring with the Company. On 12 July 2013, pursuant to shareholder approval, Cordeaux Capital, a company associated with Mr Stoikovich, was granted 1,500,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017, 1,500,000 Unlisted Options exercisable at \$0.55 each on or before 30 June 2017 and 1,500,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017 in accordance with his consultancy agreement.

Mr Arima, Executive Director, has an employment contract with the Company dated 13 September 2012. The contract specifies the duties and obligations to be fulfilled by an Executive Director. The contract may be terminated by either party by giving one month's notice. Effective 1 July 2013, Mr Arima receives a fixed remuneration component of \$100,000 per annum.

DIRECTORS REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Employment Contracts with Directors and KMP (Continued)

Mr Jakimowicz, President PD Co sp z o.o., has a consultancy agreement with the company dated 4 February 2013. The contract specifies the duties and obligations to be fulfilled by the President of PD Co sp z o.o.. The contract may be terminated by either party by giving three months' notice. Mr Jakimowicz receives an amount of \$26,150 and PLN16,030 per month.

Mr Pearce is a Director and beneficial shareholder of Apollo Group Pty Ltd, which provided a fully serviced office, administration services (including company secretarial) and other services for a monthly retainer of \$24,000 (2012: \$17,500). This arrangement is able to be terminated by one month's notice by either party.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Board Meetings	
	Number eligible to attend	Number attended
Mr Ian Middlemas	3	3
Mr Benjamin Stoikovich	-	-
Mr Anastasios Arima	3	3
Mr John Welborn	3	3
Mr Mark Pearce	3	3

There were no Board committees during the financial year.

NON-AUDIT SERVICES

Non-audit services provided by our auditors, BDO, and related entities, are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO received or are due to receive the following amounts for the provision of non-audit services:

	2013 \$	2012 \$
R & D Tax Concession Services	-	12,900
Preparation of income tax return	10,523	4,845
	10,523	17,745

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 16 of the Directors' Report.

Signed in accordance with a resolution of the Directors.



Benjamin Stoikovich
Director

20 September 2013

Competent Person Statements

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and any references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.

Information in this announcement that relates to Exploration results is based on information compiled by Mr Peter Dryburgh (an employee of independent consultant WAI) 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 appear.

Auditor's Independence Declaration



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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

20 September 2013

The Board of 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 of Prairie Downs Metals Limited for the year ended 30 June 2013, 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 audit;
And
- any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'BMcV', is written over a light blue horizontal line.

BRAD MCVEIGH
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

**CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2013



	Notes	2013 \$	Restated 2012 \$
CONTINUING OPERATIONS			
Revenue	2(a)	141,428	146,802
Other income	2(b)	166,525	1,469,457
Exploration and evaluation expenses		(2,335,377)	(892,894)
Employment expenses	3(c)	(396,716)	(210,163)
Administration and corporate expenses		(289,422)	(247,540)
Occupancy expenses		(436,324)	(337,089)
Business development expenses		(294,466)	(83,445)
Other expenses	3(a)	(1,685,000)	-
Loss before income tax		(5,129,352)	(154,872)
Income tax benefit/(expense)	4	(825,000)	1,730,250
Net profit/(loss) for the period		(5,954,352)	1,575,378
Net profit/(loss) attributable to members of the Prairie Downs Metals Limited		(5,953,730)	1,620,693
Net loss attributable to non-controlling interests		(622)	(45,315)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of available-for-sale financial assets		(2,750,000)	3,050,000
Deferred tax on available-for-sale financial assets	4	825,000	(1,730,250)
Exchange differences on translation of foreign operations		(58,448)	(3,079)
Total other comprehensive income/(loss) for the year, net of tax		(1,983,448)	1,316,671
Total comprehensive income/(loss) for the year, net of tax		(7,937,800)	2,892,049
Total comprehensive profit/(loss) attributable to members of Prairie Downs Metals Limited		(7,937,722)	2,938,572
Total comprehensive profit/(loss) attributable to non-controlling interests		(78)	(46,523)
Basic and diluted earnings/(loss) per share from continuing operations (cents per share)	17	(5.62)	1.79

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 30 JUNE 2013

	Notes	30 June 2013 \$	Restated 30 June 2012 \$	Restated ¹ 1 July 2011 \$
ASSETS				
Current Assets				
Cash and cash equivalents	16(b)	6,170,841	2,734,069	2,001,446
Trade and other receivables	6	393,440	194,516	184,067
Prepayments		-	-	8,438
Other financial assets	7	22,000	22,000	112,624
Total Current Assets		6,586,281	2,950,585	2,306,575
Non-current Assets				
Other financial assets	8	6,650,000	9,400,000	4,773,500
Property, plant and equipment	9	47,606	263,327	576,445
Exploration and evaluation assets	10	530,000	1,685,000	1,685,000
Total Non-current Assets		7,227,606	11,348,327	7,034,945
TOTAL ASSETS		13,813,887	14,298,912	9,341,520
LIABILITIES				
Current Liabilities				
Trade and other payables	11	801,135	98,463	114,140
Provisions		-	-	10,158
Total Current Liabilities		801,135	98,463	124,298
TOTAL LIABILITIES		801,135	98,463	124,298
NET ASSETS		13,012,752	14,200,449	9,217,222
EQUITY				
Contributed equity	12	30,820,466	23,551,897	21,702,470
Reserves	13	1,892,172	5,503,811	3,944,181
Accumulated losses	14	(19,699,886)	(14,808,736)	(16,429,430)
Equity attributable to members of the Prairie Downs Metals Limited		13,012,752	14,246,972	9,217,221
Non-controlling interest	15	-	(46,523)	-
TOTAL EQUITY		13,012,752	14,200,449	9,217,221

Notes:

¹ With effect 1 July 2012, the policy for accounting for exploration expenditure has changed from the policy applied in previous reporting periods (refer Note 1(y)). 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 YEAR ENDED 30 JUNE 2013



	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	-	(140,250)	-	-	(9,888,969)	-	(10,029,219)
At 1 July 2012 restated	23,551,897	3,569,750	1,935,932	(1,871)	(14,808,736)	(46,523)	14,200,449
Net Loss for the year	-	-	-	-	(5,953,730)	(622)	(5,954,352)
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	(58,992)	-	544	(58,448)
Changes in fair value of available-for-sale financial assets	-	(2,750,000)	-	-	-	-	(2,750,000)
Deferred tax on available-for-sale financial assets	-	825,000	-	-	-	-	825,000
Total comprehensive income/(loss) for the year	-	(1,925,000)	-	(58,992)	(5,953,730)	(78)	(7,937,800)
Transactions with owners recorded directly in equity							
Issue of ordinary shares	7,085,180	-	-	-	-	-	7,085,180
Share issue costs	(445,681)	-	-	-	-	-	(445,681)
Exercise of Unlisted Options	44,070	-	(44,070)	-	-	-	-
Acquisition of non-controlling interests (Note 15)	585,000	-	-	-	(631,601)	46,601	-
Recognition of share-based payments	-	-	110,604	-	-	-	110,604
Adjustment for previously expired options	-	-	(1,694,181)	-	1,694,181	-	-
Balance at 30 June 2013	30,820,466	1,644,750	308,285	(60,863)	(19,699,886)	-	13,012,752
Balance at 1 July 2011	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/(loss) for the year	-	-	-	-	1,620,694	(45,315)	1,575,379
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	(1,871)	-	(1,208)	(3,079)
Change in the fair value of available-for sale financial assets	-	3,050,000	-	-	-	-	3,050,000
Deferred tax on available-for-sale financial assets	-	(1,730,250)	-	-	-	-	(1,730,250)
Total comprehensive income/(loss) for the period	-	1,319,750	-	(1,871)	1,620,694	(46,523)	2,892,050
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)	-	241,751	-	-	-	2,151
Balance at 30 June 2012 restated	23,551,897	3,569,750	1,935,932	(1,871)	(14,808,736)	(46,523)	14,200,449

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 \$	Restated 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,292,374)	(1,505,697)
Interest received from third parties		119,313	137,303
Geological services revenue received		125,158	494,462
Office services income received		194,606	183,428
Other income received		-	82,290
NET CASH FLOWS USED IN OPERATING ACTIVITIES	16(a)	(2,853,297)	(608,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(24,175)	-
Payments for exploration and evaluation assets		(200,000)	-
Receipts from disposal of plant and equipment		4,610	3,000
Payments for purchase of equity instruments		-	(750,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(219,565)	(747,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,955,180	2,250,000
Payments for share issue costs		(445,679)	(160,973)
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,509,501	2,089,027
Net increase in cash and cash equivalents		3,436,639	733,813
Net foreign exchange differences		133	(1,190)
Cash and cash equivalents at beginning of year		2,734,069	2,001,446
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16(b)	6,170,841	2,734,069

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**



1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Prairie Downs Metals Limited ("**Prairie Downs**" or "**Company**") and its consolidated entities ("**Consolidated Entity**" or "**Group**") for the year ended 30 June 2013 are stated to assist in a general understanding of the financial report.

Prairie Downs is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("**ASX**").

The financial report of the Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 18 September 2013.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("**AASBs**") and other authoritative pronouncements of the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. The financial report is presented in Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes to follow.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2013. These are outlined in the table overleaf:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: a. The change attributable to changes in credit risk are presented in other comprehensive income (OCI) b. The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when offsetting the criteria of AASB 132 are not all met.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: - Repeat application of AASB 1 is permitted (AASB 1) - Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to <i>Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2013-3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 makes amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The intention of this amendment is to harmonise the disclosure requirements for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2013 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(f) Investments and Other Financial Assets

(i) Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

(ii) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the Statement of Profit or Loss and other Comprehensive Income as gains and losses on disposal of investment securities.

(iv) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Profit or loss – is transferred from equity to the Statement of Profit or Loss and other Comprehensive Income. Impairment losses recognised in the Statement of Profit or Loss and other Comprehensive Income on equity instruments classified as held for sale are not reversed through the Statement of Profit or Loss and other Comprehensive Income.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Property, Plant and Equipment

(i) Cost and valuation

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, Plant and Equipment (Continued)

(ii) Depreciation and Amortisation

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2013	2012
Major depreciation and amortisation periods are:		
Leasehold Land:	7% - 20%	7% - 20%
Buildings:	22%- 40%	22%- 40%
Plant and equipment:	22%- 40%	22%- 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Exploration and Development Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date 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 of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

(i) Impairment

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Revenue Recognition*R&D tax concession income*

The Research and Development tax concession is recognised in the period that the claim is accepted by the ATO.

Geological services income

Income for the provision of geological services is recognised in the accounting period in which the services are rendered.

Office services income

Income for the provision of personnel, office accommodation and equipment services is recognised in income on a straight line basis over the term of the agreement. Contingent income is recognised in the periods in which it is earned.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(m) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income Tax (Continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Prairie Downs Metals Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(n) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(s) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(t) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(u) Issued and Unissued Capital

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Foreign Currencies

(i) *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement Profit or Loss and other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the other Comprehensive Income.

(iii) *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

(w) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 21.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(x) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets (Note 10)
- Share-Based Payments (Note 21)

(y) 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.

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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Change in Accounting Policy (Continued)

	30 June 2012 \$	1 July 2011 \$
Decrease in exploration and evaluation assets	(10,039,644)	(10,018,488)
Decrease in deferred tax liability	10,425	-
Increase in deferred tax on available-for-sale assets	140,250	-
Increase in accumulated losses	(140,250)	-
Net decrease in equity	(10,029,219)	(10,018,488)

For comparative purposes the profit after tax has changed by:

	30 June 2012 \$
Recognised exploration and evaluation expenditure	(21,157)
Income tax benefit decreased	140,250
Decrease in deferred tax liability	10,425
Decrease in Profit or Loss	129,518

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 year ended 30 June 2012 due to the change in accounting policy is an increase in earnings per share of 0.15 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.

2. REVENUE AND OTHER INCOME

	Note	2013 \$	2012 \$
(a) Revenue			
Interest income		141,428	146,802
		141,428	146,802
(b) Other Income			
Fair value gains on financial assets at fair value through profit or loss		-	826,500
Geological services income		5,120	457,529
Office services income from unrelated parties		161,405	183,428
Other income		-	2,000
		166,525	1,469,457

3. EXPENSES

	Note	2013 \$	2012 \$
(a) Other expenses			
Impairment of exploration and evaluation assets	10(b)	(1,685,000)	-
(b) Depreciation included in statement of comprehensive income			
Depreciation of plant and equipment	9	(241,266)	(263,682)
(c) Employee benefits expense (including KMP)			
Salaries and wages		(241,512)	(141,251)
Superannuation expense		(20,434)	(8,149)
Share-based payment expense		(110,604)	(2,151)
Other employee expenses		(24,166)	(58,612)
Employment expenses included in profit or loss		(396,716)	(210,163)
Employment expenses capitalised as exploration and evaluation expenses		(164,623)	-
Total Employment expenses included in profit or loss		(561,339)	(210,163)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

4. INCOME TAX

	2013	Restated 2012
Note	\$	\$
(a) Recognised in the statement of comprehensive income		
Current income tax		
Current income tax benefit in respect of the current year	-	-
Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	(862,560)	(919,006)
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period	115,786	-
Deferred tax assets not brought to account	1,571,774	-
Adjustments in respect of deferred income tax of previous years	-	(811,244)
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	825,000	(1,730,250)
(b) Recognised in the statement of changes in equity		
Deferred income tax		
Unrealised gain/(loss) on available-for-sale investments	(825,000)	1,730,250
Income tax expense/(benefit) reported in equity	(825,000)	1,730,250
(c) Reconciliation between tax expense and accounting profit/(loss) before income tax		
Accounting profit/(loss) before income tax	(5,129,352)	(154,872)
At the domestic income tax rate of 30% (2012: 30%)	(1,538,806)	(46,462)
Expenditure not allowable for income tax purposes	757,041	62,879
Capital allowances	(133,704)	(120,173)
Deferred tax assets previously not brought to account	-	(815,250)
Deferred tax assets not brought to account	1,571,774	(811,244)
(Benefit)/expense arising from previously unrecognised temporary differences of a prior period	115,786	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	52,909	-
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	825,000	(1,730,250)

	30 June 2013	Restated 30 June 2012	Restated 1 July 2011
Note	\$	\$	\$
(d) Deferred Tax Assets and Liabilities			
Deferred income tax at 30 June relates to the following:			
Deferred Tax Liabilities			
Financial assets at fair value through profit or loss	-	-	567,300
Available-for-sale financial assets	1,580,250	2,405,250	675,000
Receivables	11,735	5,101	2,251
Prepayments	-	-	2,531
Deferred tax assets used to offset deferred tax liabilities	(1,591,985)	(2,410,351)	(1,247,082)
	-	-	-
Deferred Tax Assets			
Accrued expenditure	11,850	9,300	11,414
Capital allowances	140,424	47,581	29,729
Property, plant and equipment	22,251	25,887	34,190
Provisions	-	-	3,047
Tax losses available offset against future taxable income	5,995,848	5,218,411	5,020,751
Deferred tax assets used to offset deferred tax liabilities	(1,591,985)	(2,410,351)	(1,247,082)
Deferred tax assets not brought to account	(4,578,388)	(2,890,828)	(3,852,049)
	-	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(e) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Prairie Downs Metals Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or proposed for the year ended 30 June 2013 (2012: Nil).

	Note	2013 \$	2012 \$
(a) Franking Credit Balance			
Franking credits available to shareholders of Prairie Downs Metals Limited for subsequent financial years		-	-

6. TRADE AND OTHER RECEIVABLES

	Note	2013 \$	2012 \$
Trade receivables		8,477	158,629
Accrued interest		39,117	17,003
GST and other receivables		345,846	18,884
Trade and Other Receivables		393,440	194,516

7. CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Note	2013 \$	2012 \$
Bond – Performance guarantee ¹		22,000	22,000
		22,000	22,000

Notes:

¹ Performance guarantees of \$22,000 (2012: \$22,000) relate to environmental performance bonds on tenements.

8. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Note	2013 \$	2012 \$
<i>Available-for-sale financial assets</i>			
Australian listed equity securities ¹		6,650,000	9,400,000
		6,650,000	9,400,000

Notes:

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

9. PROPERTY, PLANT AND EQUIPMENT

	Note	2013 \$	2012 \$
Plant and Equipment			
At cost		924,658	899,113
Accumulated depreciation and impairment		(877,052)	(635,786)
Carrying amount at end of year, net of accumulated depreciation and impairment		47,606	263,327
Reconciliation			
Carrying amount at beginning of year, net of accumulated depreciation and impairment		263,327	576,445
Additions		24,175	-
Disposals		-	(49,436)
Depreciation charge		(241,266)	(263,682)
Exchange differences on translation of foreign operations		1,370	-
Carrying amount at end of year, net of accumulated depreciation and impairment		47,606	263,327

10. EXPLORATION AND EVALUATION ASSETS

	Note	30 June 2013 \$	Restated 30 June 2012 \$	Restated 1 July 2011 \$
(a) Areas of Interest				
Prairie Downs Base Metals Project		-	1,685,000	1,685,000
Lublin Coal Project		530,000	-	-
Carrying amount at end of year, net of impairment¹		530,000	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	-	-
Impairment losses ²	3(a)	(1,685,000)	-	-
Carrying amount at end of year net of impairment¹		530,000	1,685,000	1,685,000

Notes:

¹ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

² Based on current market conditions and best available information, a decision was made during the year to fully impair the carrying value of the Prairie Downs Base Metals Project.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

11. TRADE AND OTHER PAYABLES

	Note	2013 \$	2012 \$
Trade creditors		744,881	67,463
Accrued expenses		56,254	31,000
		801,135	98,463

12. CONTRIBUTED EQUITY

	Note	2013 \$	2012 \$
(a) Issued and Unissued Capital			
116,808,465 (2012: 98,440,598) fully paid Ordinary Shares	12(b)	30,495,466	23,551,897
5,500,000 (30 June 2012: nil) unissued milestone shares	15	325,000	-
		30,820,466	23,551,897

(b) Movements in Ordinary Shares During the Past Two Years Were as Follows:

Date	Details	Note	Number of Ordinary Shares	Issue Price \$	\$
01-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 15)		2,000,000	-	260,000
12-Sep-12	Shares issued upon the grant of coal leases in Poland		1,000,000	-	130,000
10-Apr-13	Share Placement		12,000,000	0.50	6,000,000
Jul-12 to Jun-13	Exercise of Unlisted Options		367,867	0.15	55,180
Jul-12 to Jun-13	Share issue costs		-	-	(445,681)
30-Jun-13	Transfer from share-based payments reserve		-	-	44,070
30-Jun-13	Closing balance	12(a)	116,808,465	-	30,495,466
01-Jul-11	Opening balance		75,940,598		21,702,470
24-Aug-11	Share placement		5,000,000	0.10	500,000
24-Nov-11	Share placement		17,500,000	0.10	1,750,000
24-Nov-11	Share issue costs		-	-	(400,573) ¹
30-Jun-12	Closing balance	12(a)	98,440,598	-	23,551,897

Notes:

¹ Includes share-based payment of \$239,600

(c) Rights Attaching to Ordinary Shares:

The rights attaching to fully paid Ordinary Shares (“Ordinary Shares”) arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Unlisted Options in accordance with Note 13(c) will rank equally in all respects with the Company's existing Ordinary Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) Voting

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) Listing Rules

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

13. RESERVES

	Note	2013 \$	Restated 2012 \$
Share-based-payments reserve	13(b)	308,285	1,935,932
Available-for-sale reserve	13(d)	1,644,750	3,569,750
Foreign currency translation reserve		(60,863)	(1,871)
		1,892,172	5,503,811

(a) Nature and Purpose of Reserves

(i) Share-based payments reserve

The share-based payments reserve is used to record the fair value of Unlisted Options issued by the Group.

(ii) Available-For-Sale Reserve

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the available-for-sale-reserve as described in Note 1(f). Amounts are recognised in the Statement of Profit or Loss and other Comprehensive Income when the associated assets are sold or impaired.

(iii) Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(v). The reserve is recognised in the Statement of Profit or Loss and other Comprehensive Income when the net investment is disposed of.

(b) Movements in share-based payments reserve during the past two years were as follows:

Date	Details	Number of Unlisted Options	\$
01-Jul-12	Opening balance	3,250,000	1,935,932
Jul-12 to Jun-13	Exercise of \$0.15 Unlisted Options	(367,867)	(44,070)
17-Jun-13	Issue of \$0.35 Unlisted Options ¹	1,500,000	-
17-Jun-13	Issue of \$0.45 Unlisted Options ¹	1,500,000	-
17-Jun-13	Issue of \$0.60 Unlisted Options ¹	1,500,000	-
30-Jun-13	Adjustment for previously expired options	-	(1,694,181)
30-Jun-13	Share-based payment expense for the year	-	110,604
30-Jun-13	Closing balance	7,382,133	308,285
01-Jul-11	Opening balance	4,000,000	1,694,181
24-Nov-11	Issue of \$0.15 Unlisted Options in lieu of capital raising costs (refer note 12(b))	2,000,000	239,600
05-Dec-11	Expiration of \$0.45 Unlisted Options, 31 December 2011	(4,000,000)	-
28-May-12	Issue of \$0.25 Unlisted Options, 30 June 2016	1,250,000	-
30-Jun-12	Share-based payment expense for the year	-	2,151
30-Jun-12	Closing balance	3,250,000	1,935,932

Notes:

¹ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

(c) Terms and Conditions of Share-based payment Unlisted Options

The Unlisted Options are granted based upon the following terms and conditions:

- Each Unlisted Option entitles the holder the right to subscribe for one Ordinary Share upon the exercise of each Unlisted Option;
- The Unlisted Options have the following exercise prices and expiry dates:
 - 1,632,133 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
 - 1,250,000 Unlisted Options exercisable at \$0.25 each on or before 30 June 2016;
 - 1,500,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
 - 1,500,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
 - 1,500,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017
- The Unlisted Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Unlisted Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Unlisted Options will be made by the Company.

(d) Movements in the Available-for-Sale Reserve During the Past Two Years were as Follows:

	Note	2013 \$	Restated 2012 \$
Available-for-Sale Reserve			
Balance at 1 July originally stated		3,710,000	2,250,000
Change in accounting policy opening balance adjustment		(140,250)	-
At 1 July restated		3,569,750	2,250,000
Change in fair value		(2,750,000)	3,050,000
Deferred tax	4	825,000	(1,730,250)
Balance at 30 June		1,644,750	3,569,750

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

14. ACCUMULATED LOSSES

	Note	2013 \$	Restated 2012 \$
Balance at 1 July originally stated		(4,919,767)	(6,410,942)
Change in accounting policy opening balance adjustment		(9,888,969)	(10,018,488)
At 1 July restated		(14,808,736)	(16,429,430)
Acquisition of non-controlling interests (Note 15)		(631,601)	-
Adjustment for previously expired options		1,694,181	-
Net profit/(loss) for the year attributable to members of Prairie Downs Metals Limited		(5,953,730)	1,620,694
Balance at 30 June		(19,699,886)	(14,808,736)

15. NON-CONTROLLING INTERESTS

	Note	2013 \$	2012 \$
Balance at 1 July		(46,523)	-
Share of loss for the year		(622)	(45,315)
Share of foreign currency translation reserve for the year		544	(1,208)
Acquisition of non-controlling interest		46,601	
Balance at 30 June		-	(46,523)

Acquisition of additional interest in PDZ Holdings Pty Ltd

During the 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 \$585,000 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 \$325,000¹) to be issued to key consultants upon the achievement of performance milestones.

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 \$631,601 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 \$325,000, based on Management's assessment of the probability that the milestone shares will be met and the performance shares will be converted into fully paid ordinary shares.

16. STATEMENT OF CASH FLOWS

(a) Reconciliation of the Profit after Tax to the Net Cash Flows from Operations

	Note	2013 \$	Restated 2012 \$
Net profit/(loss) for the year		(5,954,352)	1,575,378
Adjustment for non-cash income and expense items			
Depreciation of plant and equipment		241,266	263,682
Loss on disposal of plant and equipment		-	39,937
Fair value gains on financial assets at fair value through profit or loss		-	(826,500)
Share based payment expense		110,604	2,151
Unrealised foreign exchange gain		(64,563)	
Impairment losses		1,685,000	-
Income tax (benefit)/expense		825,000	(1,730,250)
Change in operating assets and liabilities			
(Increase) in trade and other receivables		(198,924)	(5,839)
Decrease in prepayments		-	8,438
Decrease in other financial assets		-	90,624
Increase/(decrease) in trade and other payables		502,672	(15,677)
(Decrease) in provisions		-	(10,158)
Net cash outflow from operating activities		(2,853,297)	(608,214)
(b) Reconciliation of Cash			
Cash at bank and on hand		1,206,837	351,349
Deposits at call		4,964,004	2,382,720
		6,170,841	2,734,069

(c) Non-cash Financing and Investing Activities

30 June 2013

Refer to note 15 for non-cash financing and investing activities that have occurred during the year ended 30 June 2013.

30 June 2012

A share-based payment of \$239,600 in respect to capital raising costs has been recognised directly in equity as a share-based payment (refer to note 12(b) and note 21).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

17. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2013 \$	Restated 2012 \$
The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Net loss attributable to members of the Parent used in calculating basic and diluted earnings per share	(5,953,730)	(1,620,693)

	Number of Ordinary Shares 2013	Number of Ordinary Shares 2012
Weighted average number of Ordinary Shares	106,016,224	90,722,019
Adjustment for calculation of diluted earnings per share for options	-	1,207
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	106,016,224	90,723,226

(a) Non-Dilutive Securities

As at balance date, 18,132,133 Unlisted Options (which represent 18,132,133 potential Ordinary Shares) were considered non-dilutive as they would increase the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2013

Since 30 June 2013, the Company has issued the following securities:

- 1,375,000 Ordinary Shares following the exercise of 1,375,000 \$0.15 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
- 652,414 Ordinary Shares to key consultants of the Company in lieu of cash;
- 1,500,000 Unlisted Options exercisable at \$0.35 on or before 30 June 2017;
- 1,500,000 Unlisted Options exercisable at \$0.45 on or before 30 June 2017; and
- 1,500,000 Unlisted Options exercisable at \$0.60 on or before 30 June 2017.

Other than as outlined above, there have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

18. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest	
		2013 %	2012 %
Mineral Investments Pty Ltd	Australia	100	100
PDZ Holdings Pty Ltd	Australia	100	60
PDZ (UK) Limited	UK	100	-
PD CO Holdings (UK) Limited	UK	100	-
PD Co spółka z ograniczoną odpowiedzialność	Poland	100	100

(b) Ultimate Parent

Prairie Downs Metals Limited is the ultimate parent of the Group.

(c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included at Note 19.

(d) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Key Management Personnel, including remuneration and equity holdings, are included at Note 19.

19. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO (appointed 17 June 2013)
Mr Anastasios (Taso) Arima	Executive Director (appointed 13 September 2012)
Mr John Welborn	Non-Executive Director
Mr Mark Pearce	Non-Executive Director

Other KMP

Mr Janusz Jakimowicz	President PD Co sp z o.o. (appointed 4 February 2013)
Mr Dylan Browne	Company Secretary (appointed 25 October 2012)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

	Note	2013 \$	2012 \$
Short-term employee benefits		406,135	175,243
Post-employment benefits		20,434	8,150
Share-based payments		15,380	-
Total compensation		441,949	183,393

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

19. KEY MANAGEMENT PERSONNEL (Continued)

(b) Option holdings of Key Management Personnel

2013	Held at 1 July 2012	Granted as Remuner- ation	Options Exercised	Net Other Change	Place- ment	Held at 30 June 2013	Vested and exercise- able at 30 June 2013
Directors							
Mr Ian Middlemas	5,000,000	-	-	-	-	5,000,000	5,000,000
Mr Benjamin Stoikovich	- ¹	4,500,000 ²	-	-	-	4,500,000 ²	-
Mr Anastasios Arima	1,600,000 ¹	-	-	-	-	1,600,000	1,600,000
Mr John Welborn	-	-	-	-	-	-	-
Mr Mark Pearce	1,500,000	-	-	-	-	1,500,000	1,500,000
Other KMP							
Mr Janusz Jakimowicz	- ¹	-	-	-	-	-	-
Mr Dylan Browne	250,000 ¹	-	-	-	-	250,000	250,000
	8,350,000	4,500,000	-	-	-	12,850,000	8,350,000

Notes:

¹ As at date of appointment

² The Unlisted Options were issued as part of Mr Stoikovich's consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

2012	Held at 1 July 2011	Granted as Remuner- ation	Options Exercised	Net Other Change	Place- ment	Held at 30 June 2012	Vested and exercise- able at 30 June 2012
Directors							
Mr Ian Middlemas	5,000,000 ¹	-	-	-	-	5,000,000	5,000,000
Mr John Welborn	-	-	-	-	-	-	-
Mr Alec Pismiris	1,000,000	-	-	(1,000,000) ³	-	- ²	- ²
Mr Mark Pearce	- ¹	-	-	-	1,500,000	1,500,000	1,500,000
Mr Jeremy Shervington	1,500,000	-	-	(1,500,000) ³	-	- ²	- ²
Mr Stuart Hall	-	-	-	-	-	- ²	- ²
Other KMP							
Mr Dennis Wilkins	-	-	-	-	-	- ²	- ²
	7,500,000	-	-	(2,500,000)	1,500,000	6,500,000	6,500,000

Notes:

¹ As at date of appointment

² As at date of resignation

³ \$0.45 Unlisted Options expired 5 December 2011

(c) Shareholdings of Key Management Personnel

2013	Held at 1 July 2012	Granted as Remuneration	Share Placement	On Market Purchases	Held at 30 June 2013
Directors					
Mr Ian Middlemas	5,000,000	-	-	-	5,000,000
Mr Benjamin Stoikovich	- ¹	-	-	-	-
Mr Anastasios Arima	4,921,400 ¹	-	-	458,600	5,380,000
Mr John Welborn	3,750,000	-	-	-	3,750,000
Mr Mark Pearce	3,000,000	-	-	-	3,000,000
Othe KMP					
Mr Janusz Jakimowicz	1,600,000 ¹	-	-	-	1,600,000
Mr Dylan Browne	- ¹	-	-	-	-
	18,271,400	-	-	458,600	18,730,000

Notes:
¹ As at date of appointment

2012	Held at 1 July 2011	Granted as Remuneration	Share Placement	Other Changes	Held at 30 June 2012
Directors					
Mr Ian Middlemas	5,000,000 ¹	-	-	-	5,000,000
Mr John Welborn	3,750,000	-	-	-	3,750,000
Mr Alec Pismiris	603,305	-	-	-	603,305 ²
Mr Mark Pearce	- ¹	-	3,000,000	-	3,000,000
Mr Jeremy Shervington	920,582	-	-	-	920,582 ²
Mr Stuart Hall	-	-	-	-	- ²
Executives					
Mr Dennis Wilkins	-	-	-	-	- ²
	10,273,887	-	3,000,000	-	13,273,887

Notes:
¹ As at date of appointment

² As at date of resignation

(d) Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2013 (2012: Nil).

(e) Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$277,000 (2012: \$157,500) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in arrears, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and Comprehensive Income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

20. PARENT ENTITY DISCLOSURES

	Notes	2013 \$	Restated 2012 \$
(a) Financial Position			
Assets			
Current assets		6,195,490	2,917,342
Non-current assets		7,190,540	21,484,746
Total assets		13,386,030	24,402,088
Liabilities			
Current liabilities		373,278	95,584
Total liabilities		373,278	95,584
Equity			
Contributed equity		30,820,466	23,551,896
Accumulated losses		(19,760,748)	(4,751,074)
Reserves		1,953,034	5,505,682
Total equity		13,012,752	24,306,504
(b) Financial Performance			
Profit/(loss) for the year		(17,093,855)	1,759,558
Other comprehensive income/(loss)		(1,925,000)	1,319,750
Total comprehensive income/(loss)		(19,018,855)	3,079,308

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 25 for details of contingent assets and liabilities.

21. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

From time to time, the Group provides incentive Unlisted Options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	2013 \$	2012 \$
Expense arising from equity-settled share-based payment transactions	110,604	241,751

(b) Summary of Unlisted Options Granted as Share-based Payments

The following Unlisted Options were granted as share-based payments during the past two years:

Option Series	Issuing Entity	Number	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	Prairie Downs Metals Limited	2,000,000	22-Nov-12	30-Jun-15	0.15	0.1198
Series 2	Prairie Downs Metals Limited	1,250,000	28-May-12	30-Jun-16	0.25	0.0779
Series 3 ⁵	Prairie Downs Metals Limited	1,500,000	12-Jul-13	30-Jun-17	0.35	0.1276
Series 4 ⁵	Prairie Downs Metals Limited	1,500,000	12-Jul-13	30-Jun-17	0.45	0.1395
Series 5 ⁵	Prairie Downs Metals Limited	1,500,000	12-Jul-13	30-Jun-17	0.60	0.1512

The following table illustrates the number and weighted average exercise prices (WAEP) of Unlisted Options granted as share-based payments at the beginning and end of the financial year:

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding at beginning of year	3,250,000	\$0.1885	4,000,000	\$0.4500
Granted by the Company during the year	4,500,000⁵	\$0.4667	3,250,000	\$0.1885
Forfeited/cancelled/lapsed/expired	-	-	(4,000,000)	\$0.4500
Exercised during the year	(367,867)	\$0.1500	-	-
Outstanding at end of year	7,382,133	\$0.3600	3,250,000	\$0.1885

The outstanding balance of options as at 30 June 2013 is represented by:

- 1,632,133 Unlisted Options exercisable at \$0.15 each on or before 30 June 2015;
- 1,250,000 Unlisted Options exercisable at \$0.25 each on or before 30 June 2016;
- 1,500,000 Unlisted Options exercisable at \$0.35 each on or before 30 June 2017;
- 1,500,000 Unlisted Options exercisable at \$0.45 each on or before 30 June 2017; and
- 1,500,000 Unlisted Options exercisable at \$0.60 each on or before 30 June 2017.

(c) Weighted Average Remaining Contractual Life

At 30 June 2013, the weighted average remaining contractual life of Unlisted Options on issue that had been granted as share-based payments was 3.39 years (2012: 3.39 years).

(d) Range of Exercise Prices

At 30 June 2013, the range of exercise prices of Unlisted Options on issue that had been granted as share-based payments was \$0.15 to \$0.60 (2012: \$0.15 to \$0.25).

(e) Weighted Average Fair Value

The weighted average fair value of Unlisted Options granted as share-based payments by the Group during the year ended 30 June 2013 was \$0.1247 (2012: \$0.1037).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(Continued)

21. SHARE-BASED PAYMENTS (Continued)

(f) Option Pricing Model

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The table below lists the inputs to the valuation model used for share options granted by the Group during the last two years:

Inputs	Series 1	Series 2	Series 3 ⁵	Series 4 ⁵	Series 5 ⁵
Exercise price	\$0.15	\$0.25	\$0.35	\$0.45	\$0.60
Grant date share price	\$0.16	\$0.13	\$0.31	\$0.31	\$0.31
Dividend yield ¹	-	-	-	-	-
Volatility ²	115%	100%	90%	90%	90%
Risk-free interest rate	3.23%	2.65%	3.76%	3.76%	3.76%
Grant date	22-Nov-11	28-May-12	17-Jun-13	17-Jun-13	17-Jun-13
Issue date	22-Nov-11	28-May-12	12-Jul-13	12-Jul-13	12-Jul-13
Expiry date	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-17	30-Jun-17
Expected life of option ³	3.6 years	4.1 years	3.97 years	3.97 years	3.97 years
Exercise Multiple ⁴	-	-	2.0	2.0	2.0
Fair value at grant date	\$0.1198	\$0.0779	\$0.1276	\$0.1395	\$0.1512

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

⁴ The exercise multiple determines the conditions under which option holders are expected to exercise their options. It is defined as a multiple of the exercise price, with the lower the multiple reflecting an assumption that holders are more likely to exercise their options as early as possible. Research undertaken by academics Huddart & Lang, and Carpenter suggest that senior executives and institutional investors are more likely to wait longer to exercise their options compared to lower level employees and that a multiple in the region of 2.0 is appropriate when valuing options granted to board members, senior executives and institutional investors.

⁵ The Unlisted Options were issued as part of a consultancy agreement (effective 17 June 2013) requiring the grant of Unlisted Options pursuant to shareholder approval. Shareholder approval was received on 12 July 2013 at a General Meeting of Shareholders.

22. AUDITORS' REMUNERATION

The auditor of Prairie Downs Metals Limited is BDO Audit (WA) Pty Ltd.

	2013 \$	2012 \$
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	32,990	29,378
• R & D tax concession services	-	12,900
• Preparation of income tax return	10,523	4,845
	43,513	47,123

23. 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2013	2012
	\$	\$
Cash and cash equivalents	6,170,841	2,734,069
Trade and other receivables	393,440	194,516
	6,564,281	2,928,585

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit Risk (Continued)

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Group's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2013, none (2012: none) of the Group's receivables are past due.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2013 and 2012, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months	6-12 Months	1-5 Years	≥5 Years	Total
	\$	\$	\$	\$	\$
2013 Group					
Financial Assets					
Cash and cash equivalents	6,170,841	-	-	-	6,170,841
Trade and other receivables	393,440	-	-	-	393,440
Other financial assets	22,000	-	-	-	22,000
Available-for-sale financial assets	-	-	-	6,650,000	6,650,000
	6,586,281	-	-	6,650,000	13,236,281
Financial Liabilities					
Trade and other payables	801,135	-	-	-	801,135
	801,135	-	-	-	801,135

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2013	2012
	\$	\$
Interest-bearing financial instruments		
Cash at bank and on hand	1,206,837	351,349
Deposits at Call	4,964,004	2,382,720
	6,170,841	2,734,069

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 3.95% (2012: 4.94%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) Profit or Loss and Other Comprehensive Income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss		Other Comprehensive Income	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
2013				
Group				
Cash and cash equivalents	61,708	(61,708)	61,708	(61,708)
2012				
Group				
Cash and cash equivalents	27,341	(27,341)	27,341	(27,341)

(e) Equity Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the Statement of Financial Position as available-for-sale financial assets. At the reporting date the Group has investments in the listed equity securities of one ASX listed entity, refer note 8.

Equity price sensitivity

A sensitivity of 20% has been selected as this is considered reasonable given the current volatility of global equity markets. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. This analysis assumes that all other variables remain constant.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity Price Risk (Continued)

Equity price sensitivity (Continued)

	Profit or loss		Other Comprehensive Income	
	20% increase	20% decrease	20% increase	20% decrease
2013				
Group				
Available-for-sale financial assets	-	-	1,330,000	(1,330,000)
2012				
Group				
Available-for-sale financial assets	-	-	1,880,000	(1,880,000)

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) Capital Management

The Group defines its Capital as total equity of the Group, being \$13,012,752 for the year ended 30 June 2013 (2012 restated: \$14,200,449). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(h) Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in following table:

	Quoted Market Price (Level 1)	Valuation Technique (Level 2)	Valuation Technique (Level 3)	Total
2013				
Available-for-sale investments:				
Australian listed equity security	6,650,000	-	-	6,650,000
2012				
Available-for-sale investments:				
Australian listed equity security	9,400,000	-	-	9,400,000

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

(i) Foreign Currency Risk

As a result of activities overseas, the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income can be affected by movements in exchange rates. The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is the Polish Zloty ("PLN"). Foreign currency risk arises on translation of the net assets of a controlled entity to Australian dollars. In the Group accounts, the foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

It is the Group's policy not to enter into any hedging or derivative transactions to manage foreign currency risk. However the Group does hold some PLN cash and cash equivalents to fund its planned Polish operations over the next 12 months, given the majority of the Group's expenditure over this period is expected to be in PLN.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies was:

	2013		Total Equivalent AUD
	PLN	AUD	
Financial assets			
Cash and cash equivalents	47,896	6,155,093	6,170,841
Trade and other receivables	876,444	105,278	393,440
Other financial assets	-	22,000	22,000
Available-for-sale financial assets	-	6,650,000	6,650,000
	924,340	12,932,371	13,236,281
Financial liabilities			
Trade and other payables	(1,301,327)	(373,278)	(801,135)
	(1,301,327)	(373,278)	(801,135)
Net exposure	(376,987)	12,559,093	12,435,146

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013
(Continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(i) Foreign Currency Risk (Continued)

Foreign exchange rate sensitivity

At the reporting date, had the Australian Dollar appreciated or depreciated against the PLN, as illustrated in the table below, Profit or Loss and other Comprehensive Income would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2013				
Group				
AUD to PLN	12,395	(12,395)	12,395	(12,395)

25. CONTINGENT ASSETS AND LIABILITIES

(i) Contingent Assets

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2013 financial year.

(ii) Contingent Liability

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2013 financial year.

26. COMMITMENTS

Management have identified the following material commitments for the consolidated group as at 30 June 2013 and 30 June 2012;

2013	Note	Payable within 1 year \$	Payable within 1 year less than 5 years \$	Total \$
Operating commitments				
Drilling contract	26(a)	1,848,790	-	-
Lease commitments				
Operating lease	26(b)	-	-	-
Total Commitments		1,848,790	-	-

2012	Note	Payable within 1 year \$	Payable within 1 year less than 5 years \$	Total \$
Lease commitments				
Operating lease	26(b)	164,768	233,835	398,603
Total Commitments		164,768	233,835	398,603

(a) Drilling commitments

The commitment disclosed represents the Group's estimate of its contracted commitment with its drilling contractor for the Lublin Coal Project drilling program.

(b) Lease commitments

During the 2010 financial year the Group entered into a commercial lease on its office premises. The lease had an initial term of 5 years and expired on 30 November 2014. During the current year, the lease agreement was terminated.

27. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2013, of the Consolidated Entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Prairie Downs Metals Limited:

1. In the opinion of the Directors:
 - (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
 - (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group); 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.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(b) to the financial statements.
3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the Board



Benjamin Stoikovich
Director

20 September 2013



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRAIRIE DOWNS METALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Prairie Downs Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

INDEPENDENT AUDITORS REPORT (Continued)



Opinion

In our opinion:

- (a) the financial report of Prairie Downs Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Prairie Downs Metals Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' followed by a stylized signature, likely 'Brad McVeigh'.

Brad McVeigh
Director

Perth, Western Australia
Dated this 20th day of September 2013