

Quarterly Activities Report

for the Period Ended 30 September 2009

HIGHLIGHTS

- **Prairie Downs Metals Limited (“the Company”)** has developed a refined Base Metal exploration strategy. This strategy has two primary elements. The first is the completion of further geophysical and geochemical surveys to identify new potential ore positions along strike from the known deposit. The second is the drilling of deep, targeted holes to identify the possible source of the vein style near surface mineralisation.
- The Company has completed a highly encouraging drilling campaign, which has identified detrital iron of up to 34.94%Fe. While the results are not yet economically significant, they provide confirmation of the potential for large Channel Iron Ore Deposits (“CID”) associated with tertiary drainage systems to the north of the current drilling. Surface mapping has also confirmed the presence of CID style mineralisation.
- Agreement for the sharing of facilities, including the Prairie Downs Metals Ltd camp, has been reached between the Company and adjoining tenement holder Dynasty Metals Ltd. The agreement contributes further cost savings for both parties to the agreement, and discussions are currently underway examining the potential for further co-operation between the companies in Iron Ore Exploration and project development.
- A number of new investment opportunities designed to complement existing assets and deliver long-term growth to shareholders continue to be evaluated. The Company remains in a strong financial position with significant cash reserves and no debt.

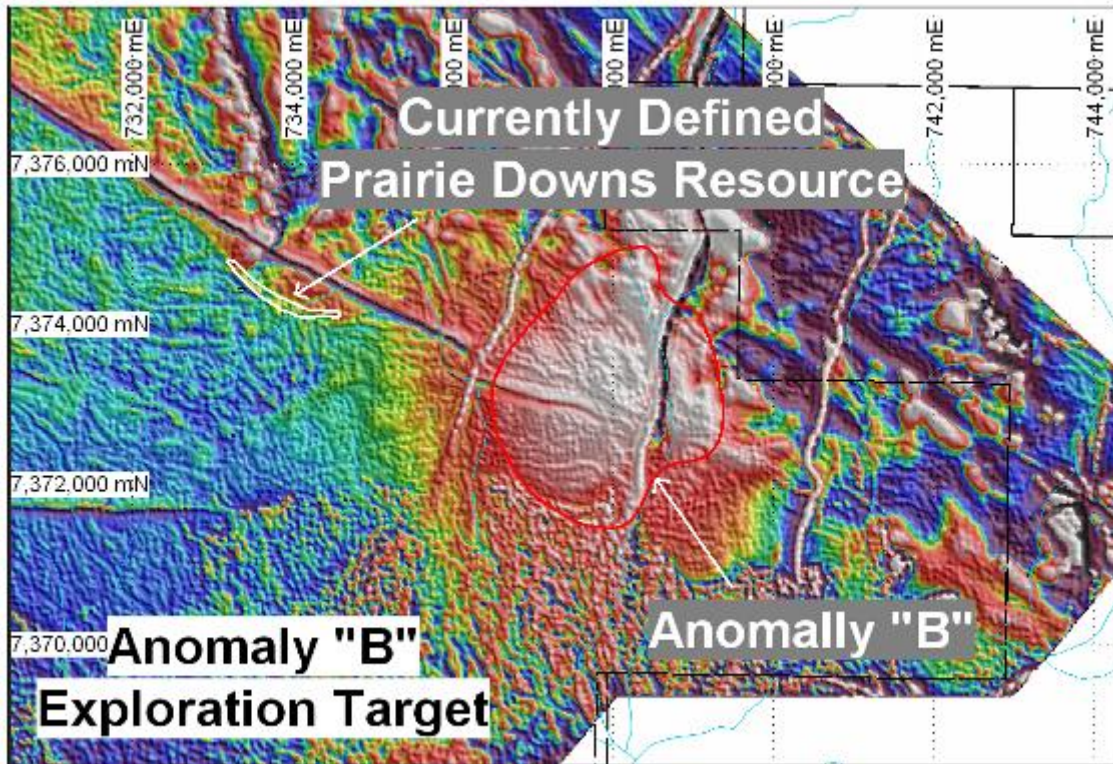
PRAIRIE DOWNS BASE METALS PROJECT

To date only 1.2km of the 17km strike of the Prairie Downs Fault which is present in the Company’s tenement has been drill tested. The company has refined the geological model targeting base metals to develop target opportunities along the full 17 kilometres of strike length. Historic surface sampling along strike highlights zones of strongly anomalous base metals coincident with geological interpretations and which require infill surface sampling. Ground geophysics will also be required followed by drill testing of refined targets.

In addition, three dimensional geophysical modelling of the anomaly “B” intrusive target has been undertaken with a view to refining the target model. Anomaly “B” is postulated as the most likely “heat engine” for the mineralisation defined in the Prairie Downs base metals resource. On completion of the model a drill programme will be designed to assess the potential for Pb-Zn or Ag-Au vein hosted deposits in the zoned alteration halo around the intrusive. Other potential mineralisation styles may include porphyry style Cu-Au deposits and endo-skarn/exo-skarn style.

The anomaly is very large (approximately 2km in diameter - Figure 1 below) with initial modelling suggestive of 500 metres to the top of the intrusive body.

Figure 1 – Anomaly “B” Location Plan

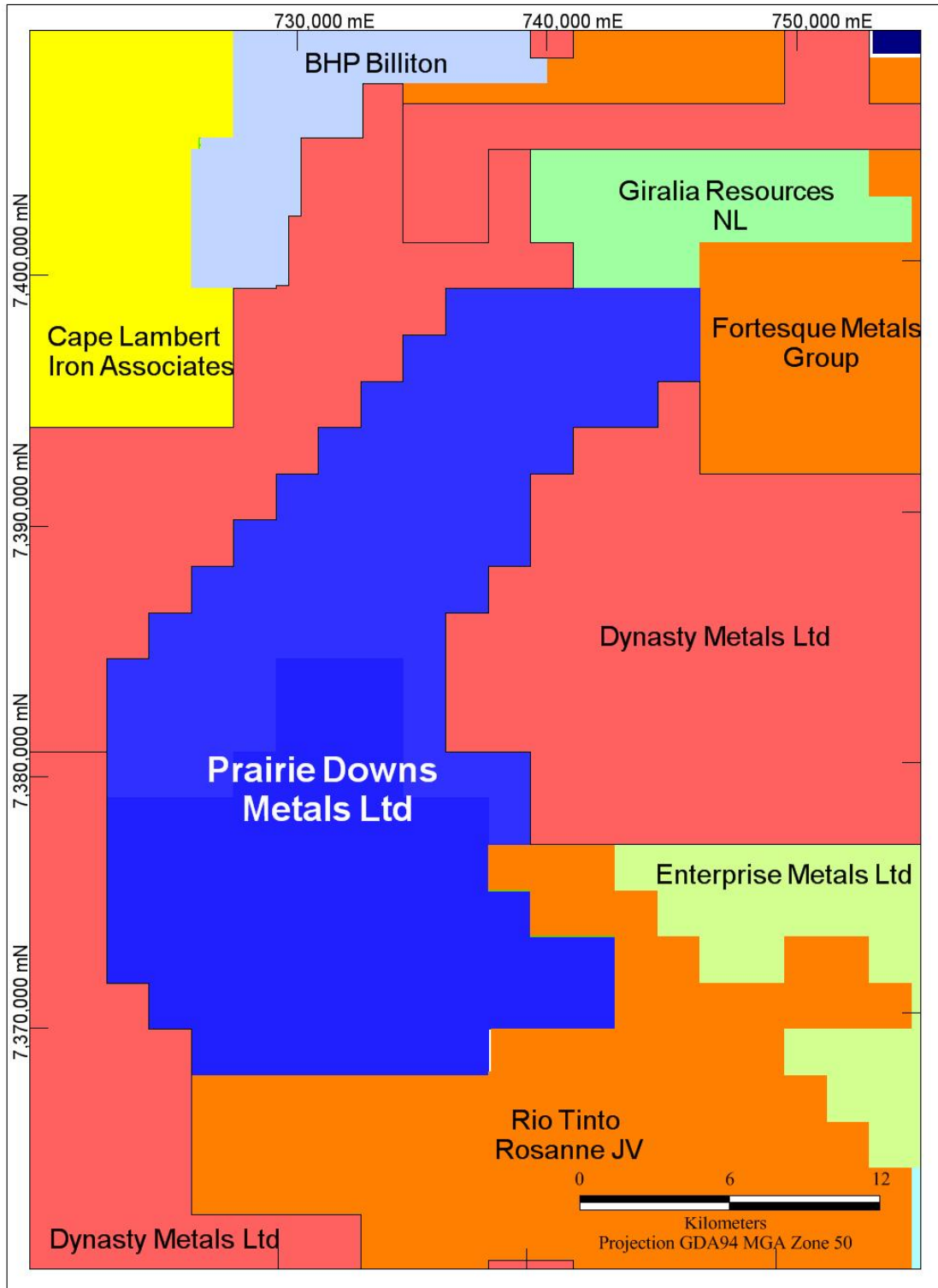


PRAIRIE DOWNS CHANNEL IRON ORE EXPLORATION

Prairie Downs Metals Ltd (“the Company”) is pleased to announce, that drilling commenced in September to identify near surface iron ore mineralisation, has confirmed the occurrence of Detrital Iron Deposit (“DID”) mineralisation at Prairie Downs. Furthermore, on ground evaluation of the iron prospects, especially in relation to the recently announced results by neighbouring Dynasty Metals Ltd, suggest a greatly enhanced potential for additional secondary iron ore deposits, classified as Channel Iron Deposits (“CID”) or DID extending through Prairie tenements. This includes extensions to the Brockman and Spearhole channel iron prospects described recently by Dynasty Metals Ltd.

On 24 September 2009 Dynasty Metals Ltd announced the discovery of tertiary CID and more recent DID iron deposits, in addition to Marra Mamba Formation in-situ ore. Marra Mamba Formation is an important source of iron in the CIDs of the Pilbara and represent excellent foundation material for iron concentration in fluvial systems draining from them as illustrated in figured 2 and 3 overleaf.

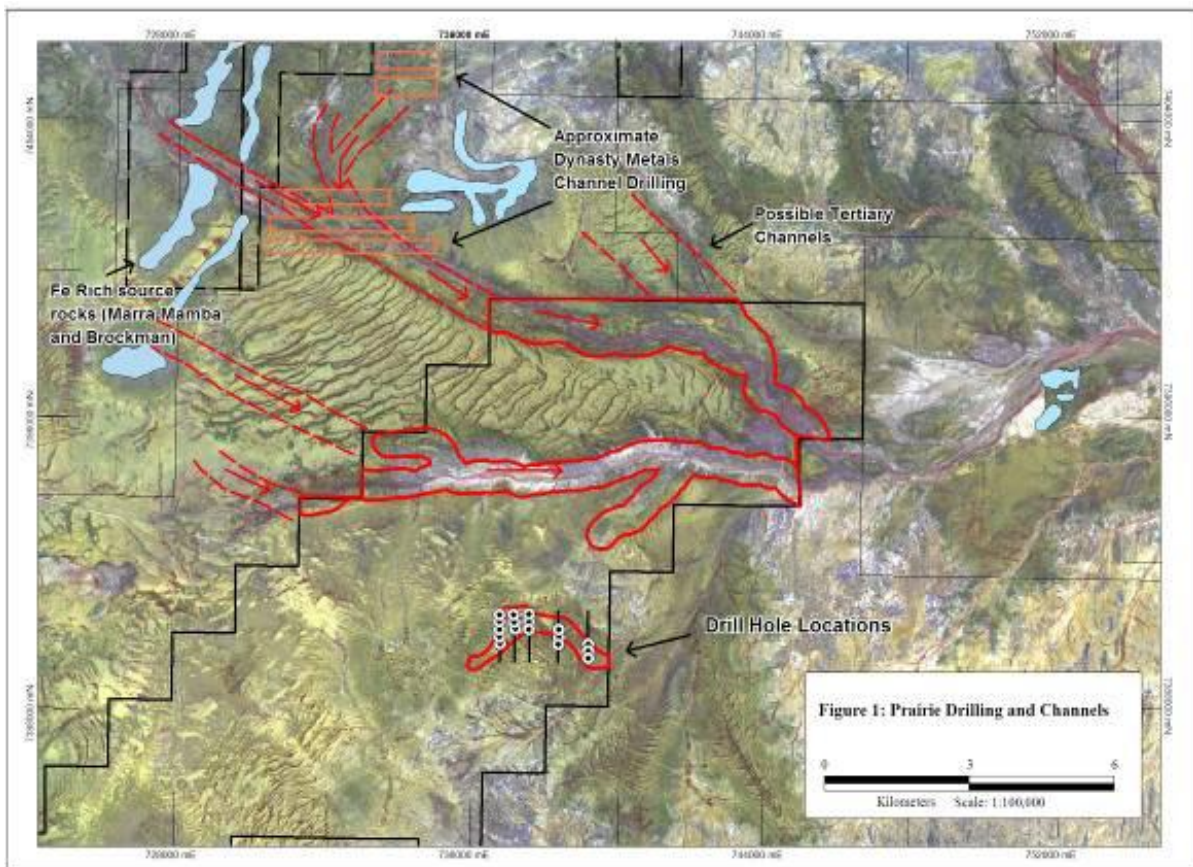
Figure 2 – Tenement Location Plan



Drilling Results

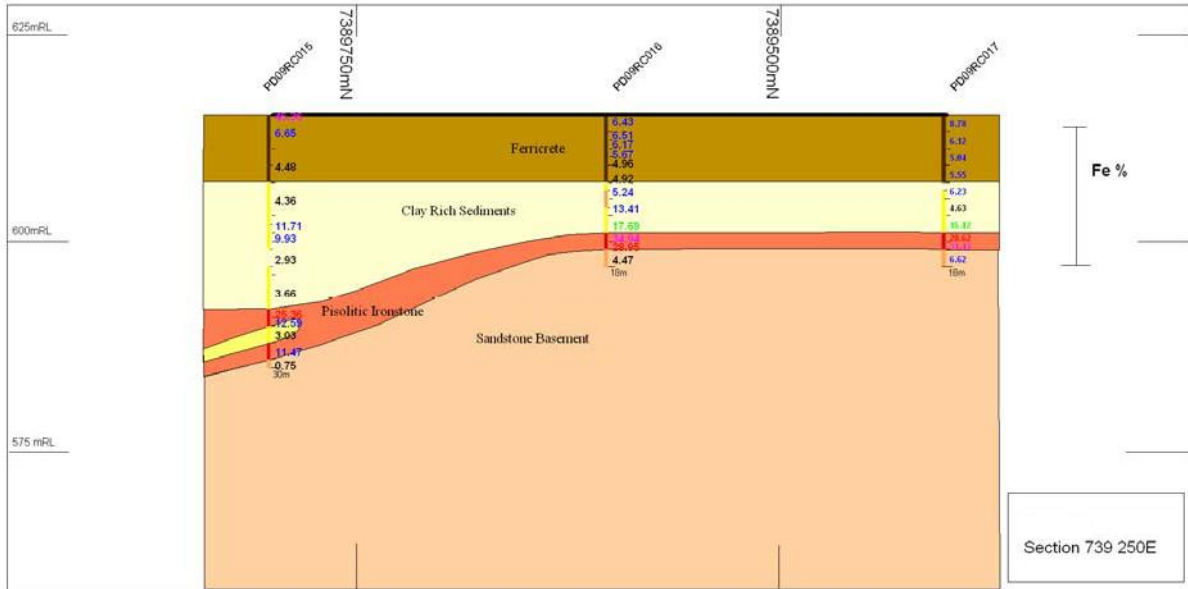
The Company has successfully drilled a paleo-channel system for further initial evaluation as illustrated in Figure 3. A total of RC 17 holes were drilled for approximately 400m. Geological interpretations suggest the company has only drill tested the margin of one mineralised channel, which is relatively clay rich, and similarly to Yandicoogina (Rio Tinto) may increase in grade and width towards the centre of the channel. Drill hole locations and results are described in Table 2 and 3 included as Annexure 1.

Figure 3 – Drill hole location plan



Analysis of the drill assay results and down hole geology in cross sections, suggests that the drilling has tested the margins of the channel and that it deepens to the north. Figure 4 overleaf illustrates this deepening.

Figure 4 – Schematic Geological Cross Section



Paleo-channel deposits comprised of pisolitic limonite (CID and DID) are prized for their low impurities such as phosphorus. They are typically not as rich in iron as the Banded Iron Formation (BIF) enrichment ores. Detrital iron ore deposits are found downstream of the BIF enrichment deposits from which they have been eroded as at Prairie Downs. They are usually easily recovered.

Prairie Downs intends to pursue extensions of the discovered mineralisation with a view to defining higher grade lag traps of detrital ore and, concentrations of CID in the older (tertiary) parts of the channel system. Prairie Downs has identified surface subcrop of CID as illustrated below (figures 5,6 and 7) and in addition has drill tested the margins of the paleo-channel system which hosts significant potential for detrital iron ore.

Figure 5 – Detrital CID at surface



Figure 6 – Detrital CID at surface



Figure 7 – Detrital CID at Surface





CORPORATE

The Company continued to evaluate corporate opportunities during the quarter. Prairie Downs is actively seeking new assets which complement our current portfolio and capabilities. The Company has made progress over the last quarter with 2 possible projects and if due diligence is positive, hopes to conclude negotiations in the next 3 months.

The Annual General Meeting is set for 30 November 2009 and the Notice of Meeting was forwarded to shareholders on 28 October 2009.

The Company's cash balance as at 30 September 2009 was \$4.0 million. Estimated expenditure in relation to exploration and evaluation activities for the next quarter has been estimated at \$200,000.

The Company was cash flow positive for the quarter mostly due to the receipt of the Federal Government's Research and Development Tax Offset Rebate. Prairie Downs is seeing the benefits of a focus on cost efficiencies and remains committed to retaining a strong financial position in the current economic climate.

As at 20 October 2009 the Company had 2,417 shareholders and 72,890,598 ordinary fully paid shares on issue with the top 20 shareholders holding 27.1% of the total issued capital.

Prairie Downs Metals limited continues to explore potential joint ventures and new investment opportunities designed to deliver long-term growth to shareholders.

A handwritten signature in blue ink that reads "John Welborn".

John Welborn
Managing Director

For further information contact:

John Welborn
Managing Director
Prairie Downs Metals Limited
Tel: (+6 18) 9225 5755

Information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Luke Kerr who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Kerr has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kerr consents to the inclusion in this report of the statements based on their information in the form and context in which it appears.

PRAIRIE DOWNS BASE METALS PROJECT OVERVIEW

Currently the Project hosts a total global inferred and indicated resource of 4.7 million tonnes at a grade of 6.3% zinc, 18g/t silver and 1.8% lead at a nominal lower cut off grade of 1% zinc (refer to Table 1.0 attached). This resource contains 295,000 tonnes of zinc, 2.6 million ounces of silver and 83,000 tonnes of lead. Included is a high grade indicated and inferred resource of 1.6 million tonnes at a grade of 12.3% zinc, 36g/t silver and 3.7% lead.

The Project is located approximately 60 kilometres southwest of Newman in the Eastern Pilbara region of Western Australia and is therefore proximal to significant infrastructure including rail, road and gas pipeline. Furthermore, Newman is a hub for mining activity providing expertise and supplies to many significant operations.

The Prairie Downs Base Metals Project is surrounded by actively explored prospects held by, amongst others, Rio Tinto Ltd, BHP Billiton Ltd, Fortescue Metals Group Ltd, Ausquest Ltd, U₃O₈ Ltd, Warwick Resources Ltd, Independence Group NL and Dynasty Metals Australia Ltd. Exploration activity of these companies is focused upon iron ore, gold, uranium and base metals.

Prairie Downs Project Location Plan

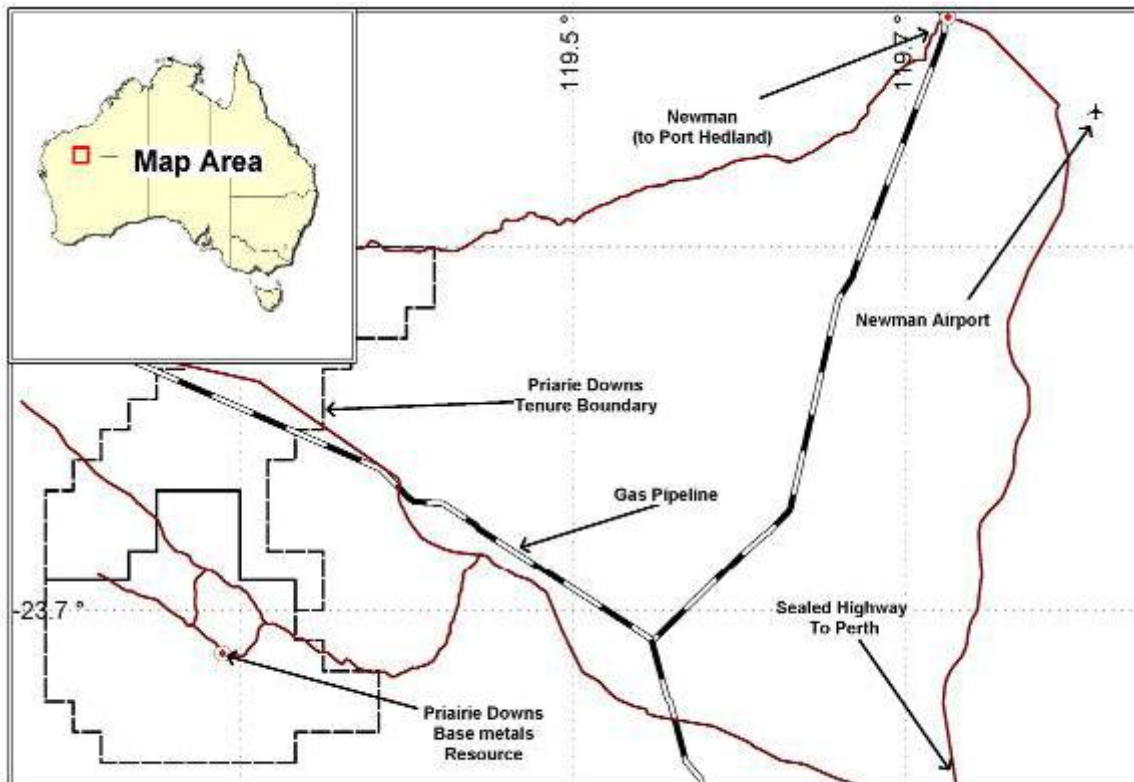


Table 1

RESOURCE STATEMENT

The resource statement provides the classification of the Global Resources including the Indicated Resource and Inferred Resource for the respective lodes.

Category	Tonnes	Zinc (%)	Lead (%)	Silver (g/t)	Zinc Metal (tonnes)	Lead Metal(tonnes)	Silver Metal (ounces)
Global Indicated	2,257,835	7.7%	2.1%	22	174,350	47,332	1,612,981
Global Inferred	2,397,223	5.0%	1.5%	13	120,635	36,093	1,017,900
High Grade Indicated	1,116,283	12.9%	3.6%	33	144,414	40,742	1,191,942
High Grade Inferred	529,805	10.9%	3.8%	42	57,544	20,020	720,319
High Grade Total	1,646,088	12.3%	3.7%	36	201,958	60,762	1,912,261
Global Total	4,655,058	6.3%	1.8%	18	294,985	83,425	2,630,881

Annexure 1 – Table 2 Channel Iron Drill Hole Details

Hole_ID	North (MGA)	East (MGA)	RL (m)	Final Depth (m)	Dip	Magnetic Azimuth
PD09RC001	7389806	736850	615	24	-90	0
PD09RC002	7389994	736846	615	30	-90	0
PD09RC003	7390199	736842	615	30	-90	0
PD09RC004	7390404	736846	615	48	-90	0
PD09RC005	7390586	736839	615	36	-90	0
PD09RC006	7390201	737264	615	30	-90	0
PD09RC007	7390398	737247	615	18	-90	0
PD09RC008	7390595	737230	615	36	-90	0
PD09RC009	7390200	737646	615	24	-90	0
PD09RC010	7390403	737644	615	18	-90	0
PD09RC011	7390605	737640	615	18	-90	0
PD09RC012	7389791	738444	615	18	-90	0
PD09RC013	7389982	738452	615	18	-90	0
PD09RC014	7390194	738449	615	24	-90	0
PD09RC015	7389800	739250	615	30	-90	0
PD09RC016	7389600	739250	615	18	-90	0
PD09RC017	7389400	739250	615	18	-90	0

Table 3 RC Drill Results September quarter

Hole Number	From	To	Fe	SiO2	Al2O3	TiO2	Ca	Mg	P	S	LOI
PD09RC001	6	8	23.84	42.63	15.61	0.93	0.13	0.16	0.03	<0.01	7.27
PD09RC001	8	12	25.95	37.66	15.81	1.07	0.12	0.20	0.03	<0.01	8.34
PD09RC002	0	2	29.31	32.71	17.52	1.20	0.11	0.18	0.04	<0.01	5.98
	2	4	27.12	33.63	18.92	1.17	0.09	0.17	0.03	<0.01	7.06
PD09RC006	9	10	24.01	41.82	14.20	0.95	0.15	0.26	0.05	<0.01	7.21
PD09RC006	10	11	28.34	36.08	13.68	0.96	0.13	0.28	0.03	<0.01	7.40
PD09RC006	11	12	22.68	42.67	PD09RC00214.99	0.95	0.15	0.28	0.03	<0.01	7.67
PD09RC007	9	11	21.27	48.36	12.46	0.60	0.19	0.34	0.04	0.03	5.01
PD09RC008	17	18	28.62	38.44	6.88	0.04	0.17	0.34	0.31	0.02	7.64
PD09RC011	8	9	27.44	40.72	12.25	0.78	0.16	0.26	0.03	<0.01	5.49
PD09RC011	9	10	27.23	44.52	11.58	0.83	0.16	0.23	0.03	0.01	4.77
PD09RC011	10	11	22.43	52.80	11.13	0.79	0.17	0.31	0.04	<0.01	4.67
PD09RC011	12	13	26.21	42.29	12.62	0.74	0.17	0.29	0.03	<0.01	5.59
PD09RC011	13	14	26.23	41.25	13.24	0.75	0.16	0.29	0.03	<0.01	6.01
PD09RC011	14	15	21.84	49.38	12.02	0.70	0.16	0.28	0.03	<0.01	5.43
PD09RC014	12	14	27.71	39.09	12.93	0.85	0.16	0.31	0.04	0.01	5.72
PD09RC014	19	20	24.05	46.89	11.50	0.85	0.14	0.32	0.03	<0.01	5.65
PD09RC015	23	24	25.36	42.40	10.91	0.83	0.12	0.22	0.03	<0.01	6.34
PD09RC016	14	15	34.94	30.11	11.60	0.88	0.20	0.46	0.02	0.02	6.09
PD09RC016	15	16	28.95	37.44	10.76	0.72	0.22	0.48	0.03	0.01	6.27
PD09RC017	14	15	28.62	37.24	12.25	0.78	0.16	0.28	0.03	<0.01	6.49
PD09RC017	15	16	31.13	33.58	12.54	0.77	0.15	0.27	0.03	0.01	7.47

Footnotes:

1. Samples were analysed by XRF
2. LOI determined using thermo-gravimetric analysis at 1000°C
3. Results reported on a dry sample basis