

ASX RELEASE

29 JULY 2008

Quarterly Report for the Period Ended 30 June 2008

Prairie Downs Base Metal Project

FEASIBILITY RESULTS

The Prairie Downs Base Metal Project is located approximately 100 kilometres southwest of Newman in the Eastern Pilbara region of Western Australia. At the current time the project hosts a total Global 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. It remains open at depth and along strike. This resource contains 295,000 tonnes of zinc, 2.6 million ounces of silver and 83,000 tonnes of lead. It includes a High Grade Resource of 1.6 million tonnes at a grade of 12.3% zinc, 36g/t silver and 3.7% lead. The silver grade appears to be under reported according to metallurgical testwork which will be confirmed by further analysis.

Abesque Engineering & Construction Ltd was engaged in October 2007 to complete a feasibility study covering the process plant and related supporting surface infrastructure. This study is now complete and the results are summarised below.

The process facilities have been designed to treat 500,000 tonnes per annum of base metal ore, which at a 91.3% availability equates to a throughput rate of 62.5 tonnes per hour. It is designed to allow expansion to a throughput of 1,000,000 tpa. The crushing plant will operate on day shift seven days per week. The milling, flotation and dewatering areas will operate around the clock seven days per week.

Metallurgical testwork indicates that the process plant will produce 113,240 dry tonnes of zinc concentrate per annum and 18,022 dry tonnes of silver concentrate per annum. The overall zinc recovery is 92%, lead 94.8% and silver 96.1%.

The zinc concentrate will grade 50.3% zinc and 121ppm silver for annual production of 57,000 tonnes of zinc metal and 200,000 ounces of silver metal. The silver concentrate will grade 1255ppm silver and 63.6% lead for annual production of 385,500 ounces of silver metal and 11,700 tonnes of lead metal.

The estimated capital expenditure for the process plant and supporting infrastructure is AUD86 million based on the May 2008 dollar, being made up of a cost for the process plant of AUD52 million at $\pm$ 10% and a cost of AUD34 million at $\pm$ 20% for the supporting infrastructure.

Operating costs from the ROM pad to delivery of concentrate to Port Hedland (or an equivalent port) have been calculated at AUD41/tonne milled while processing at 500,000 tpa rate. The largest operating cost component is concentrate transport, followed in order by power supplied from gas generators and personnel.

The mining feasibility has not been completed as resource drilling is about to recommence on the Main and Zed Lodes which is expected to lead to a substantial increase in the resource base. In addition the copper discoveries this year and lead discovery last year have improved the probability of discovering open-pittable mineralization. However, based upon pre-feasibility work completed last

year, underground mining by long hole open stope or similar is the preferred mining method. Costs are expected to be of the order of \$55 per tonne mined including development costs.

Port storage and handling has not been finalized but is assumed to be USD25 per tonne of concentrate and sea freight is assumed to be USD75 per tonne of concentrate.

The construction schedule assumes all environmental approvals and government licenses are granted by February 2010. On this basis commissioning is expected in December 2010 and handover in February 2011.

RESOURCE DRILLING

Resource drilling of the Main and Zed Lodes is expected to commence by the end of July. The primary objective is to increase the high grade resource to approximately 2.5 million tonnes which would allow for five years of high grade production.

The Gabbro Lode will also be targeted. The mineralisation here is of disseminated or replacement type rather than the vein style of the other lodes and therefore may be indicating the presence of stratiform mineralization at depth. Such mineralisation is likely to be much more extensive than the vein style of the other lodes.

The Company has previously reported copper results at Prairie Downs in the footwall to Main Lode. Nineteen holes have intersected copper at greater than 0.5%, with the best results being: DDH6, 1.2 metres at 6.5% copper, 28g/t silver, DDH9, 1.5 metres at 2.7% copper, and PDD196 which intersected 3.4 metres at 2.8% copper, 12.2g/t silver, including 0.9 metres at 6.4% copper, 28.2g/t silver. This mineralisation will also be targeted with the objective of potentially defining an inaugural copper resource.

EXPLORATION DRILLING

A total of five diamond drill holes have been completed at Costean Seven. The target was copper mineralization outcropping at surface and in costeans and outcropping lead mineralisation. All holes intersected widespread, sporadic copper, zinc, lead and silver mineralisation, in some cases over substantial widths; however the source of the surface mineralisation has not been discovered. Assay results are not yet available.

The geology is complex and drilling intersected rock types that have not been previously observed. Alteration, particularly silicification, is extensive.

Drilling problems saw most holes not making target depths which lead to termination of the program. RC drilling of Costean Seven and other copper prospects is planned for the September quarter in conjunction with resource drilling.

OTHER PROJECTS

No fieldwork was completed on either the Coppermine Bore, Longreach Well or Perenjori projects during the quarter.

CORPORATE

At this time standard project finance comprising debt and equity is an expensive way for junior companies to develop resource projects. Consequently, Prairie Downs Metals is seeking to use metal contained in its resource to assist in financing development. Alternatives include a joint venture with an end user or corporate partner, pre-payment from end user, off take with end users or traders, premium share issue tied to metal rights.

Initial discussions have already commenced with a number of parties and these are expected to advance once the feasibility study has been circulated to interested parties.

At the end of June the Company had cash of \$8.3 million. There are no plans at present to raise further funds except as part of an overall package to finance project development.

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RESOURCE STATEMENT

Lode	Category	Tonnes	Zinc (%)	Lead (%)	Silver (g/t)	Zinc Metal (tonnes)	Lead Metal (tonnes)	Silver Metal (Ounces)
Main	Global Total	2,546,682	7.5	1.9	23	191,001	48,387	1,883,188
Main	High Grade Indicated	884,082	13.3	3.3	35	117,193	29,526	989,823
Main	High Grade Inferred	351,024	11.3	3.2	46	39,666	11,233	519,141
Main	High Grade Total	1,235,106	12.7	3.3	38	156,858	40,758	1,508,964
Zed	Global Total	740,274	6.1	2.7	17	45,157	19,987	404,606
Zed	High Grade Indicated	144,562	10.1	6.0	35	14,601	8,674	162,672
Zed	High Grade Inferred	178,781	10.0	4.7	35	17,878	8,403	201,178
Zed	High Grade Total	323,343	10.1	5.4	35	32,658	17,461	363,850
Gabbro	Global Total	1,368,102	4.3	1.1	8	58,828	15,049	343,087
Gabbro	High Grade Indicated	87,639	14.4	2.9	14	12,620	2,542	39,447
Gabbro	High Grade Inferred	NIL						
Gabbro	High Grade Total	87,639	14.4	2.9	14	12,620	2,542	39,447
Total Global		4,655,058	6.3	1.8	18	294,986	83,423	2,630,881
Total High Grade		1,646,088	12.3	3.7	36	202,136	60,761	1,912,262

All resources reported in this table are "JORC compliant". The "Global Resource" has a nominal lower cut of 1% zinc and effectively defines the extent of the various lodes as they have been defined by drilling to date. The "High Grade Resource" is defined by metal content nominally greater than 20% (combined zinc and lead multiplied by intersect width). This effectively defines the high grade shoots that lie within, and are a sub-set of, the lodes themselves.

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