

PRAIRIE DOWNS METALS LIMITED
ABN 23 008 677 852

NOTICE OF GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

IMPORTANT INFORMATION

*This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.*

*If you wish to discuss any aspect of this document with the Company please contact
Mr Alec Pismiris on telephone (+61 8) 9225 5755*

**PRAIRIE DOWNS METALS LIMITED
ABN 23 008 677 852**

NOTICE OF GENERAL MEETING

Notice is hereby given that a Meeting of the Shareholders of Prairie Downs Metals Limited will be held at Level 19, St Martins Tower, 44 St George's Terrace, Perth, Western Australia at 2.00 pm (WST) on Tuesday, 30 June 2009 to conduct the following business and to consider, and if thought fit, to pass the following Resolutions.

RESOLUTION 1 – ADOPTION OF NEW CONSTITUTION

To consider, and if thought fit, pass with or without amendment, the following resolution as a special resolution:

“That the Company adopt as the constitution of the Company the document tabled at the General Meeting and signed by the Chairman for identification, in substitution for the existing constitution of the Company.”

RESOLUTION 2 – ISSUE OF OPTIONS TO MR JOHN WELBORN (OR HIS NOMINEE)

To consider, and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act and for all other purposes, approval be and is hereby given to the allotment and issue of 4,000,000 Options exercisable at \$0.10 each on or before the date which is 5 years after their date of issue, to Mr John Welborn, a Director, (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.”

RESOLUTION 3 – ISSUE OF OPTIONS TO EMPLOYEES

To consider, and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.1, approval be and his hereby given for the and allotment and issue by the Company of 1,000,000 Options exercisable at \$0.10 each on or before the date which is 5 years after their date of issue to the persons named in the Explanatory Memorandum on the terms and conditions set out in the Explanatory Memorandum.”

DATED THIS 27th DAY OF MAY 2009

BY ORDER OF THE BOARD

**JEREMY SHERVINGTON
DIRECTOR**

Notes:

Definitions

Terms which are used in this Notice and which are defined in Section 4 of the Explanatory Memorandum have the meanings ascribed to them therein.

Note

If you have recently changed your address or if there is any error in the name and address used for this notice please notify the Company Secretary. In the case of a corporation, notification is to be signed by a director or company secretary.

Proxies

A Shareholder who is entitled to vote at this Meeting has a right to appoint a proxy and should use the proxy form enclosed with this notice. The proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of this appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, section 249X of the Corporations Act will take effect so that each proxy may exercise half of the votes (ignoring fractions).

A proxy's authority to speak and vote for a Shareholder at the meeting is suspended if the Shareholder is present at the meeting.

The proxy form must be signed and dated by the Shareholder or the Shareholder's attorney. Joint Shareholders must each sign.

Proxy forms and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received:

- at Level 19, St Martins Tower, 44 St George's Terrace, Perth Western Australia, 6000; or
- on facsimile number +61 8 9225 4599,

not later than 2.00 pm (WST) on 28 June 2009.

Pursuant to regulation 7.11.37 of the Corporations Act, the Board has determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the share register at 5.00 pm (WST) on 28 June 2009.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one.

Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Voting Exclusion Statement

1. In accordance with Listing Rules 10.13.6, and 14.11 and Section 224 of the Corporations Act the Company will disregard any votes cast on Resolution 2 by:
 - Mr John Welborn and/or his nominee;
 - a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if Resolution 2 is passed; and
 - any associate of the abovementioned person.

However this prohibition does not apply if:

- A vote is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; or
- A vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; and
- The vote is not cast on behalf of a related party or associate of a kind referred to in subsection 224(1) of the Corporations Act.

2. In accordance with Listing Rules 7.3.8 and 14.11 the Company will disregard any votes cast on Resolution 3 by:
 - Mr Darren Bromley;
 - Mr Luke Kerr;
 - a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if Resolution 3 is passed; and
 - any associate of the abovementioned person.

However this prohibition does not apply if:

- A vote is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; or
- A vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

PRAIRIE DOWNS METALS LIMITED
ABN 23 008 677 852

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening the Meeting of Shareholders of Prairie Downs Metals Limited to be held at Level 19, 44 St George's Terrace, Perth, Western Australia at 2.00pm (WST) on Tuesday, 30 June 2009. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Certain terms used in this Explanatory Memorandum are defined in Section 4.

1. RESOLUTION 1 – ADOPTION OF NEW CONSTITUTION

1.1 Background to Resolution 1

The Company's existing constitution has been operative since 19 October 1995 and during this period there have been many developments in corporate law and other regulatory requirements and in corporate governance practice. In particular, there have been extensive changes in legislation and to the Listing Rules and the ASTC Settlement Rules. The Corporations Law has been replaced by the Corporations Act, and changes have been introduced by the Corporate Law Economic Reform Programme amendments and the Financial Services Reform Act 2001 (Cth).

In light of these changes, the Board considers that it is appropriate to replace the Company's constitution with a new version incorporating the changes which have been made to the regulatory regime to which the Company is subject. The Board considers that this is the most effective way of updating the constitution, rather than modifying the existing constitution.

The above description of proposed changes to the Company's constitution is a summary only. Certain key changes are outlined below in Section 1.2, and a summary of other features of the new constitution are outlined in Section 1.3. Any Shareholder who wishes to be fully informed as to the contents of the proposed new constitution for the Company and how its provisions may differ from those contained in the Company's existing constitution should read the Company's existing constitution and the proposed new constitution in full.

Copies of the Company's existing constitution and the proposed new constitution are available for inspection prior to the General Meeting during normal office hours, at Level 19, 44 St Georges Terrace, Perth, Western Australia. A copy will be sent by mail or email to any shareholder who requests one.

The passage of this resolution requires the approval of at least 75% of votes cast by Shareholders present and voting at the Meeting, whether in person, by proxy or attorney or, in the case of a corporate shareholder or proxy, by a natural person representative.

The Board recommends that Shareholders vote in favour of the Resolution adopting the new constitution.

1.2 Key Changes – Introduction of Power to sell an Unmarketable Parcel

A key change to the Company's constitution relates to the treatment of unmarketable parcels. In summary, the Board may cause the sale of any Shares held by a Shareholder which comprise an unmarketable parcel (under the Listing Rules). An unmarketable parcel is a parcel of Shares that has a market value of less than \$500. The new constitution sets out a procedure that must be followed for this to occur and allows individual holders to opt out of the application of the procedure to them.

The Board may sell any Shares held by a Shareholder which constitute an unmarketable parcel by giving at least 6 weeks' notice of their intention to do so to a Shareholder who holds an unmarketable parcel. The Shareholder may notify the Company in writing that it wishes to retain its Shares, in which case those Shares will not be sold. On exercising a power of sale, the Company must give notice as soon as practical to the previous holder of the Shares of the proceeds of sale and that it is holding the balance for the previous holder while awaiting instructions and return of any certificate for the Shares or evidence of its loss or destruction. Subject to any certificate for the Shares or evidence of its loss or destruction being provided to the Company, the Company must deal with the balance as the previous holder of the Shares directs.

1.3 Other Features of the New constitution

Issue of further Shares

Subject to the Corporations Act, the Listing Rules and the constitution, the Board may, on behalf of the Company, issue and allot, or dispose of, Shares to any person on the terms, with the rights, and at the times that the Board may determine.

Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Board.

The Board may refuse to register any transfer of Shares or other securities where permitted by the Listing Rules, and the Board must refuse to register any transfer where the Company is, or the Board is, required to do so under the Listing Rules. The Board must not refuse to register or give effect to or delay or in any way interfere with a proper ASTC transfer of Shares or other securities quoted on ASX.

Shareholder liability

The Company will have a lien on every partly paid share (if any) in the Company for due and unpaid calls and instalments. The holder of a Share which has been forfeited remains liable to the Company for all outstanding money, costs and interest.

Meetings and Notice

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Voting

Subject to any voting restrictions which may be applicable under the Corporations Act or the Listing Rules, every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share, registered in such Shareholder's name on the Company's share register.

A poll may be demanded by the Chairperson of the meeting, by any five Shareholders present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than five percent of the total voting rights of, or paid up value of, the Shares of all those Shareholders having the right to vote at that meeting.

Number of Directors

Until the Company in general meeting determines otherwise, the minimum number of directors is three and the maximum number is eight.

Appointment and retirement of Directors

The Board may at any time appoint any person to be a Director, either to fill a casual vacancy or as an addition to the Board. Any Director initially appointed by the Board is subject to election by Shareholders at the next general meeting. Under the Company's constitution the tenure of a Director (other than Managing Director, and only one Managing Director where the position is jointly held) is subject to reappointment by Shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of a retirement age and there is no maximum period of service as a Director.

A Managing Director may be appointed for the period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the appointment may be revoked on notice.

There is no requirement for any shareholding qualification for Directors.

Remuneration of Directors

The Directors are entitled to be remunerated for their services as Directors. The amount or value of the remuneration of Non-Executive Directors must not exceed the annual aggregate maximum sum determined from time to time by the Company in general meeting. Presently, the annual aggregate remuneration payable to Non-Executive Directors is \$150,000. This annual limit will remain under the new constitution and Shareholders are not asked to increase or otherwise vary this limit.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The remuneration of a Managing Director or Executive Director may be fixed by the Board and may be by way of salary or bonuses or any other elements but must not be a commission on or percentage of profits or operating revenue.

The Company may agree to pay a Director a retirement benefit in accordance with the Corporations Act and the Listing Rules.

Dividends

Dividends are payable out of the Company's profits and may be declared by the Directors.

Liquidation Rights

Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of Shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

Alteration to the constitution

The constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting.

ASX Listing Rules

Despite anything in the constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

2. RESOLUTION 2 - ISSUE OF OPTIONS TO MR JOHN WELBORN (OR HIS NOMINEE)

2.1 Background to Resolution 2

On 4 February 2009 the Company announced that it had appointed Mr John Welborn as Managing Director of the Company.

Under the terms of Mr Welborn's employment agreement, he will, subject to Shareholder approval, be entitled to receive 4 million Options exercisable at 10 cents each, expiring 5 years after their date of issue and subject to the following vesting conditions:

- 1 million Options will vest on their date of issue;
- 1 million Options will vest 6 months after their date of issue;
- 1 million Options will vest 12 months after their date of issue; and
- the remaining 1 million Options will vest 18 months after their date of issue.

The full terms and conditions of the Options are set out below in Section 2.5.

Accordingly, Resolution 2 seeks Shareholder approval for the issue of the Options to Mr John Welborn (or his nominee).

2.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party. Because Mr Welborn is a Director of the Company he is considered to be a related party of the Company pursuant to Subsection 228(2) of the Corporations Act.

The definition of what constitutes giving a financial benefit pursuant to Section 229 of the Corporations Act is broad and does not necessarily involve paying money. It includes buying or selling assets, issuing securities and granting options. It includes giving a financial benefit indirectly, for example, through one or more interposed entities.

Paragraph 229(1)(c) of the Corporations Act provides that in deciding whether a financial benefit is given any consideration that is given for the benefit is to be disregarded, even if it is adequate.

The granting of the Options to Mr Welborn (or his nominee) contemplated by Resolution 1 therefore constitutes giving a financial benefit to a related party.

Section 208 of the Corporations Act provides an exception from the prohibition contained in Chapter 2E and provides that a public company may give a financial benefit to a related party if a resolution of the shareholders of the public company permit the benefit to be given, and the resolution was passed at a general meeting of the public company held within 15 months before the public company gives the benefit and if the conditions prescribed by Division 3 of Part 2E.1 of the Corporations Act have been satisfied in relation to the resolution.

Resolution 2 therefore, is intended to satisfy the requirements of Section 208 in relation to the issuing of the Options to Mr Welborn (or his nominee).

The requirements of Section 219 of the Corporations Act with regards to the Explanatory Memorandum to accompany the Notice of Meeting for the purposes of Resolution 1 are as follows. The Explanatory Memorandum must set out:

- (a) the related parties to whom the proposed resolution would permit financial benefits to be given: The related party is Mr John Welborn.
- (b) the nature of the financial benefits: The financial benefit is the 4,000,000 Options to be granted to Mr Welborn, or his nominee and any advantages thereby conferred which can only be gauged by reference to the consideration being provided (being nil cash consideration), the underlying assets of the Company, the price of the Shares from time to time and the number of Shares and other securities on issue in the Company from time to time. At the date of this Explanatory Memorandum, the assets of the Company comprise cash and receivables of approximately \$4.46 million, capitalised exploration and evaluation expenditure of \$11.25 million and plant and equipment \$0.91 million.

The Company's issued capital at the date of this Notice is as follows:

ISSUED SECURITIES	NUMBER
Fully Paid Ordinary Shares	72,890,598
45 Cent Options expiring 5 December 2011	4,000,000
65 Cent Options expiring 1 December 2011	250,000
\$1.00 Options expiring 31 December 2011	1,050,000

- (c) in relation to each Director of the Company:
- (i) if the Director wanted to make a recommendation to shareholders about the proposed resolution - the recommendation and his or her reasons for it: or
 - (ii) if not why not? or
 - (iii) if the Director was not available to consider the proposed resolution - why not?

Mr Welborn does not make any recommendation as to how Shareholders should vote on Resolution 2 because of his interest therein.

Each of the Directors other than Mr Welborn recommends to Shareholders that they vote in favour of Resolution 2 in order to give full effect to the contractual obligations of the Company that arise pursuant to the Employment Agreement.

- (d) In relation to each such director whether the director had an interest in the outcome of the proposed resolution:

Mr John Welborn is the only Director with an interest in the outcome of Resolution 2.

- (e) All other information that is reasonably required by members in order to decide whether or not it is in the Company's interest to pass the proposed Resolution and is known to the Company or any of its directors:

- The issue of the Options pursuant to Resolution 2 will cause dilution of the holdings of the existing Shareholders and existing Optionholders.
- If shareholders approve Resolution 2, 4,000,000 Options will be issued to Mr John Welborn or his nominee.
- Mr Welborn has a Relevant Interest the following securities of the Company:
 - 350,000 Shares;
 - Nil Options other than the Options to be issued pursuant to Resolution 2.
- If all of the Options are issued pursuant to Resolution 2 and Mr Welborn (or his nominee) exercises all of the Options the subject of Resolution 2, the issued capital of the Company would increase from 72,890,598 Shares to 76,890,598 Shares.

In that event the 4,000,000 Shares issued upon exercise of the Options would represent approximately 5.2% of the then issued capital and the total Shares in which Mr Welborn would have a Relevant Interest would represent

approximately 5.66% of the then issued Shares (4,350,000 Shares out of 76,890,598 Shares).

These calculations assume that no other Shares have been issued.

- On the same assumptions as those immediately above but on the basis that all of the other Options then on issue were also exercised, those 4,000,000 Shares would represent approximately 4.87% of the then issued Shares (4,000,000 Shares out of 82,190,598 Shares). In this event, the total Shares in which Mr Welborn would have a Relevant Interest would represent approximately 5.29% of the then issued Shares (4,350,000 Shares out of 82,190,598 Shares).
- To the extent that the exercise price of the Options the subject of Resolution 2 may be below the market price of the Company's Shares at the time(s) those Options are exercised, the Company will have foregone the opportunity of issuing the relevant Shares at a price higher than the exercise price for the Options and closer to the relevant market price at that time.
- The value attributable to each Option to be granted is calculated to be \$0.036 (please refer to the Option pricing methodology which is set out in Section 2.4). In accordance with a policy requirement of ASIC, the Company having taken appropriate advice, in light of that policy notes the Company attributes a total value of \$144,000 in respect of the 4,000,000 Options to be issued to Mr Welborn pursuant to Resolution 2 and based on the last sale price of Shares of \$0.06 on 4 February 2009. In the event that Resolution 2 is approved Mr Welborn, pursuant to his direct or indirect interest in the Options, will receive a financial benefit pursuant to the issue of the Options the subject of Resolution 2 of approximately \$144,000:
- Mr Welborn was appointed as a director of the Company on 4 February 2009 at a commencement salary of \$250,000 per annum.
- The Company's Shares were reinstated to the Official List of ASX on 24 October 2005. Since reinstatement the Company's shares have traded within a range of \$0.04 on 25 February 2009 and \$1.40 on 27 November 2007. The last sale price of the Company's Shares was \$0.12 on 26 May 2009, the last trading day on ASX before the date of this Notice.
- The Options to be issued to Mr Welborn will be issued on the terms described in Section 2.5.

Other than as set out in this Explanatory Memorandum, there is no further information considered by the Directors to be relevant.

2.3 Listing Rules Chapter 7

Listing Rule 7.1 contains a restriction which limits the capacity of a Company to issue securities without the approval of its shareholders. In broad terms, that rule provides that a Company may not, within a 12 month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period unless the issue is approved by shareholders or the issue otherwise comes within one of the exceptions to Listing Rule 7.1

Listing Rule 7.2 contains various exceptions to the 15% restriction in Listing Rule 7.1. One exception, Exception 14, is that an issue made with the approval of holders of ordinary securities under Listing Rule 10.11 provided that the Notice of Meeting states that if approval is given under Listing Rule 10.11, approval is not required to be given under Listing Rule 7.1. Accordingly, if approval is given for Resolution 2, approval is not required under Listing Rule 7.1.

2.4 Listing Rules Chapter 10

Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between a company and “persons in a position of influence” which includes “related parties” as defined in the Corporations Act. Listing Rule 10.11 provides that a public company must not issue or agree to issue securities to a related party without shareholder approval.

For the purposes of Listing Rule 10.11 Mr Welborn is a related party of the Company.

Resolution 1 therefore, is intended to satisfy the requirements of Listing Rule 10.11 relating to the issue of securities to related parties in relation to the issue of Options to Mr Welborn, or his nominee.

Pursuant to Listing Rule 10.13 the notice of meeting seeking shareholder approval for the issue of securities pursuant to Listing Rule 10.11 must include the following:

- (a) The name of the person(s): The person being issued Options pursuant to Resolution 2 is Mr John Welborn, or his nominee.
- (b) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person: the maximum number of securities to be issued to Mr Welborn (or his nominee) is 4,000,000 Options on the terms and conditions set out in Section 2.5.
- (c) The date by which the entity will issue the securities: the Options will be issued no later than one (1) month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that all the Options will be issued on the same day.
- (d) If the person is not a director, a statement of the relationship between the person and the director of the responsible entity: Mr Welborn is a Director.
- (e) The issue price of the securities and a statement of the terms of the issue: the Options to be granted pursuant to Resolution 2 are being granted for nil consideration. The terms and conditions of the Options are set out in Section 2.5.
- (f) A voting exclusion statement: a voting exclusion statement is set out in the Notice of Meeting.
- (g) No funds will be raised from the issue of the Options to Mr Welborn, or his nominee.

2.5 Valuation of the Options

In accordance with a policy requirement of ASIC, the Company having taken appropriate advice, in light of that policy notes the Company attributes a total value of \$144,000 in respect of the 4,000,000 Options to be issued pursuant to Resolution 2 and is based on the last sale price of \$0.06 on 4 February 2009.

This value of the Options has been derived using the "Black and Scholes" valuation method and is based upon the following inputs and assumptions:

- (a) the hypothetical price of the Company's shares is \$0.06 (being the last trading price per Share on 4 February 2009);
- (b) an exercise price of \$0.10 for the Options;
- (c) a risk free rate of 4.25% per annum (being the risk free rate on government bonds with a similar maturity as the Options);
- (d) a volatility factor of 85% (based on the standard deviation measurement for a number of selected exploration companies of a similar size and nature to the Company);
- (e) an expected life of 5 years for the Options;
- (f) dividend yield of nil; and
- (g) all the other terms and conditions of the Options as outlined in Section 2.5.

2.6 Terms of the Options

The terms and conditions of the Options to be issued pursuant to Resolution 2 are as follows:

- (a) The Options will only be issued upon the successful completion of a probationary period of 3 months employment;
- (b) Each Option, when exercised, entitles the holder to subscribe for and be allotted one Share in the Capital of the Company;
- (c) Each Option is exercisable on or before 5.00 pm Perth time on the day which is 5 years after their date of issue;
- (d) The Options can be exercised in whole or in part, and if exercised in part multiples of 500 must be exercised on each occasion;
- (e) The exercise price of each Option is \$0.10;
- (f) The Options are subject to the following vesting conditions:
 - 1 million Options will vest on the date of issue of the Options;
 - 1 million Options will vest 6 months after their date of issue;

- 1 million Options will vest 12 months after their date of issue;
 - the remaining 1 million Options will vest 18 months after their date of issue.
- (g) The Options may only be exercised if the Company's share price, on a weighted average basis, is at least 15 cents for at least 21 days at any time prior to the date of exercise.
- (h) In the event of termination of the Employment Agreement (whatever cause), any Options which have vested will lapse on the day which is 6 months after the date of termination (unless exercised before that day).
- (i) In the event of termination of the Employment Agreement without cause by the Company or in the event that Mr Wellborn is removed as a director of the Company by a resolution approved by Shareholders, any unvested Options immediately vest.
- (j) Except in the circumstances set out in paragraph (h), in the event of termination of the Employment Agreement, any non vested Options will automatically expire on the date of termination.
- (k) The Options may not be transferred by the Optionholder unless the Board approves any such transfer.
- (l) The Optionholder will be permitted to participate in any new pro-rata issue of securities of the Company prior to exercise of the Options in which case the Optionholder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options;
- (m) The Options do not confer on the holder any rights to participate in dividends until Shares are allocated pursuant to the exercise of the Options;
- (n) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on the Optionholder which are not conferred on Shareholders;
- (o) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to the exercise of the Options so that, upon exercise of the Options the number of Shares received by the Optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issue;
- (p) Application will not be made for the Options to be granted quotation by ASX; and
- (q) Subject to paragraph (o) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.

3. RESOLUTION 3 - ISSUE OF OPTIONS TO EMPLOYEES

3.1 Background to Resolution 3

Resolution 3 deals with the issue of Options to two key employees of the Company, Mr Darren Bromley, Chief Financial Officer, and Mr Luke Kerr, Chief Geologist.

Each of Mr Bromley and Mr Kerr have agreed to 20% salary reductions in response to current economic conditions and the purpose of the issue of the Options is to recognise their commitment to the Company and to appropriately reward and provide them with incentives.

3.2 Listing Rules Chapter 7

Listing Rule 7.1 limits the capacity of the Company to issue securities without the approval of its Shareholders. In broad terms, that rule provides that a Company may not, within a 12 month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period unless the issue is approved by Shareholders or the issue otherwise comes within one of the exceptions to Listing Rule 7.1.

Resolution 3 therefore is designed to have the issue of Options the subject of Resolution 3 approved by Shareholders so that the Shares, once issued on exercise of the Options, will not be included within the 15% limitation contained in Listing Rule 7.1.

Listing Rule 7.3 contains requirements as to the contents of a Notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in the Explanatory Memorandum for that purpose:

- (a) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person: the maximum number of Options the subject of Resolution 3 is 1,000,000 Options.
- (b) The date by which the entity will issue the securities: the Options the subject of Resolution 3 will be issued and allotted no later than three months after the date of the Meeting or such later date as permitted by any waiver granted by ASX and will be issued on the one date and it is anticipated that all the Options will be issued on the same day.
- (c) The issue price of the securities: the Options the subject of Resolution 3 will be issued nil monetary consideration.
- (d) The names of the allottees: The allottees are Mr Darren Bromley (as to 500,000 Options the subject of Resolution 3) and Mr Luke Kerr (as to 500,000 Options the subject of Resolution 3).
- (e) The terms of the securities: the terms and conditions of the Options the subject of Resolution 3 are set out in Section 3.3.
- (f) The intended use of the funds raised: no funds will be raised from the issue of the Options the subject of Resolution 3.

- (g) A voting exclusion statement: a voting exclusion statement is set out in the Notice of Meeting.

3.3 Terms of the Options

The terms and conditions of the Options to be issued pursuant to Resolution 3 are as follows:

- (a) Each Option, when exercised, entitles the holder to subscribe for and be allotted one Share in the Capital of the Company;
- (b) Each Option is exercisable on or before 5.00 pm Perth time on the day which is 5 years after their date of issue;
- (c) The Options can be exercised in whole or in part, and if exercised in part multiples of 500 must be exercised on each occasion;
- (d) The exercise price of each Option is \$0.10;
- (e) The Options are subject to the following vesting conditions:
- 250,000 Options (125,000 Options as to Mr Darren Bromley and 125,000 Options as to Mr Luke Kerr) will vest on the date of issue of the Options;
 - 250,000 Options (125,000 Options as to Mr Darren Bromley and 125,000 Options as to Mr Luke Kerr) will vest 6 months after their date of issue;
 - 250,000 Options (125,000 Options as to Mr Darren Bromley and 125,000 Options as to Mr Luke Kerr) will vest 12 months after their date of issue;
 - the remaining 250,000 (125,000 Options as to Mr Darren Bromley and 125,000 Options as to Mr Luke Kerr) Options will vest 18 months after their date of issue.
- (f) The Options may only be exercised if the Company's share price, on a weighted average basis, is at least 15 cents for at least 21 days at any time prior to the date of exercise.
- (g) In the event of termination of the Optionholder's employment with the Company (whatever cause), any Options which have vested will lapse on the day which is 6 months after the date of termination (unless exercised before that day).
- (h) In the event of termination of the Optionholder's employment with the Company without cause by the Company any unvested Options immediately vest.
- (i) Except in the circumstances set out in paragraph (h), in the event of termination of the Optionholder's employment with the Company, any non vested Options will automatically expire on the date of termination.
- (j) The Options may not be transferred by the Optionholder unless the Board approves any such transfer.

- (k) The Optionholder will be permitted to participate in any new pro-rata issue of securities of the Company prior to exercise of the Options in which case the Optionholder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options;
- (l) The Options do not confer on the holder any rights to participate in dividends until Shares are allocated pursuant to the exercise of the Options;
- (m) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on the Optionholder which are not conferred on Shareholders;
- (n) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to the exercise of the Options so that, upon exercise of the Options the number of Shares received by the Optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issue;
- (o) Application will not be made for the Options to be granted quotation by ASX; and
- (p) Subject to paragraph (n) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.

4. DEFINITIONS

In this Explanatory Memorandum:

“ASIC” means the Australian Securities and Investments Commission;

“ASTC” means ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532;

“ASTC Settlement Rules” means the operating rules of ASTC;

“ASX” means ASX Limited ACN 008 624 691;

“Board” means the board of Directors;

“Company” means Prairie Downs Metals Limited ACN 008 677 852;

“Corporations Act” means the Corporations Act 2001 (Cth);

“Director” means a director of the Company;

“Explanatory Memorandum” means this Explanatory Memorandum;

“Listing Rules” means the official listing rules of the ASX;

“Employment Agreement” means the agreement between the Company and Mr John Welborn in respect of the appointment of Mr Welborn as Managing Director of the Company;

“Meeting” means the meeting of Shareholders convened by this Notice;

“Notice” and **“Notice of Meeting”** means the notice of meeting to which this Explanatory Memorandum is attached;

“Official List” means the official list of ASX;

“Option” means an option to acquire one Share and **“Optionholder”** has a corresponding meaning;

“Relevant Interest” has the meaning ascribed to it in the Corporations Act;

“Resolution” means a resolution set out in this Notice;

“Section” means a section of this Explanatory Memorandum;

“Share” means an ordinary fully paid ordinary share in the capital of the Company and **“Shareholder”** has a corresponding meaning; and

“WST” means Western Standard Time.

**PRAIRIE DOWNS METALS LIMITED
ABN 23 008 677 852**

PROXY FORM

The Secretary
Prairie Downs Metals Limited
Level 19 St Martins Tower
44 St George's Terrace
Perth WA 6000

Fax Number: +61 8 9225 4599

I/We _____

of _____

being a shareholder/(s) of Prairie Downs Metals Limited hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at Level 19, 44 St George's Terrace, Perth, Western Australia at 2.00 pm (WST) on Tuesday, 30 June 2009, and at any adjournment thereof in respect of []% of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company. If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is []%. (An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a Resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of New constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Issue of Options to Mr John Welborn (or his nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Issue of Options to Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxies given by a natural person must be signed by each appointing shareholder or the shareholder's attorney duly authorised in writing. Proxies given by companies must be executed in accordance with section 127 of the Corporations Act or signed by the appointor's attorney duly authorised in writing. The Chairman intends to vote all undirected proxies in favour of each Resolution.

If the Chair of the Meeting is your nominated proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a Resolution, please place a mark in the box.

