

**PRECIOUS METALS AUSTRALIA LIMITED
(PMA)**

14 November 2003

Companies Officer
Australian Stock Exchange
2 The Esplanade
PERTH WA 6000

Dear Sir

NOTICE OF GENERAL MEETING – 15 DECEMBER 2003

The attached Notice of Meeting dated 13 November 2003, together with the attached Addendum dated 14 November 2003, will be despatched to shareholders later today.

Yours faithfully

Angus Pilmer
Company Secretary
Precious Metals Australia Limited
2/44 Ord Street
West Perth WA 6005

Telephone: 08-9322 1788
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PRECIOUS METALS AUSTRALIA LIMITED

A.C.N. 009 131 533

NOTICE OF GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

PRECIOUS METALS AUSTRALIA LIMITED

A.C.N. 009 131 533

NOTICE OF GENERAL MEETING
FOR MONDAY 15 DECEMBER 2003

and

EXPLANATORY STATEMENT

and

INDEPENDENT EXPERT'S REPORT

in relation to:

- **Annual Report 2002;**
- **Annual Report 2003;**
- **Election of Directors;**
- **Placement Facility;**
- **Conversion of Debts into Equity in PMA; and**
- **Issues of Ordinary Fully Paid Shares.**

Dated: 13 November 2003

PRECIOUS METALS AUSTRALIA LIMITED

A.C.N. 009 131 533

NOTICE OF GENERAL MEETING

NOTICE is hereby given that an extraordinary general meeting of all shareholders of Precious Metals Australia Limited (A.C.N. 009 131 533) ("the Company or PMA") will be held at the Boardroom, Level 2, 44 Ord Street, West Perth, Western Australia on Monday 15 December, 2003 at 11.30AM.

AGENDA

Ordinary Business

Financial Statements

TO receive and consider the Balance Sheet as at 30 June 2002, the Profit and Loss Account for the year ended 30 June 2002 of the Company and the reports of the Directors and Auditors thereon.

TO receive and consider the Balance Sheet as at 30 June 2003, the Profit and Loss Account for the year ended 30 June 2003 of the Company and the reports of the Directors and Auditors thereon.

RESOLUTION 1: Election of Director

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT** Mr. Angus C Pilmer who was appointed to fill a casual vacancy on 4th June 2002 and retires pursuant to Clause 13.6 of the Company's Constitution and being eligible offers himself for election, be elected as a director of the Company."

RESOLUTION 2: Re-election of Director

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT** Mr. James A Wall who retires pursuant to Clause 13.3 of the Company's Constitution and being eligible offers himself for re-election, be re-elected as a director of the Company."

Special Business

RESOLUTION 3: Debt Conversion – Smith

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT**, the Company in general meeting agrees to and approves of the allotment and the issue to Roderick James Hollas Smith ("Smith") or his nominee of 8,571,429 ordinary fully paid shares in the capital of the Company at 7 cents per share in satisfaction of debts owing by the Company to Smith and to a company associated with Smith, Pacific Quest Investments Pty Ltd."

NOTE: the following Resolutions 4 and 5 will only be put to the meeting if Resolution 3 is passed.

RESOLUTION 4: Debt Conversion – McKee

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT**, the Company in general meeting agrees to and approves of the allotment and the issue to Andrew Kregor McKee ("McKee") or his nominee of 1,428,571 ordinary fully paid shares in the capital of the Company at 7 cents per share in full payment of debts owed by the Company to Adapt Pty Ltd, a company associated with McKee."

NOTE: the following Resolution 5 will only be put to the meeting if Resolutions 3 and 4 are passed.

RESOLUTION 5: Share Issue – Warwick

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT**, the Company in general meeting agrees to and approves of the allotment and the issue to Guy David Greville, the Earl of Warwick or his nominee of 7,142,857 ordinary fully paid shares in the capital of the Company at 7 cents per share in consideration of the payment to the Company of an amount of \$500,000."

NOTE: the following Resolution 6 will only be put to the meeting if Resolutions 3, 4 and 5 are not passed.

PRECIOUS METALS AUSTRALIA LIMITED

A.C.N. 009 131 533

NOTICE OF GENERAL MEETING

AGENDA

(continued)

RESOLUTION 6: Placement Facility

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT**, for the purposes of Australian Stock Exchange Limited Listing Rules 7.1 and 7.3 and all other purposes, the directors of the Company at their discretion, be authorised to allot and issue, by way of placement, up to 20,000,000 ordinary fully paid shares in the capital of the Company at a minimum price which is at least 80% of the market price of the shares at the date the placement is arranged."

By order of the Board

Angus C Pilmer

Company Secretary

Dated: 13 November 2003.

NOTES:

1. Enclosed is an Explanatory Statement and Independent Expert's Report which form part of and should be read in conjunction with this Notice.
2. A proxy form is attached. If required, it should be completed, executed and returned to the Company's registered office in accordance with the instruction on that form.
3. For each of the resolutions to be passed, each will need to be passed by a majority of at least 50% of those members of the Company present and voting at the meeting whether in person or by proxy, attorney or representative.
4. In accordance with Section 611 and Chapter 2E of the Corporations Act and Listing Rules 7.3 and 10.11 of Australian Stock Exchange Limited ("ASX") Listing Rules, in relation to:
 - (a) Resolution 3 - the Company will disregard any votes cast on this resolution by Roderick James Hollas Smith, Andrew Kregor McKee, the Earl of Warwick, any of their associates and any entity restricted from voting by Australian Stock Exchange Ltd.
 - (b) Resolution 4 - the Company will disregard any votes cast on this resolution by Roderick James Hollas Smith, Andrew Kregor McKee, the Earl of Warwick, any of their associates and any entity restricted from voting by Australian Stock Exchange Ltd.
 - (c) Resolution 5 - the Company will disregard any votes cast on this resolution by Roderick James Hollas Smith, Andrew Kregor McKee, the Earl of Warwick, any of their associates and any entity restricted from voting by Australian Stock Exchange Ltd.
 - (d) Resolution 6 - the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed.
5. However, the Company will not disregard a vote if:
 - (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction of the proxy form to vote as the proxy decides.
6. If shareholders approve Resolutions 3, 4, and 5, that approval is being given pursuant to ASX Listing Rule 10.11 and accordingly approval is not required under ASX Listing Rule 7.1 to the issue of securities pursuant to those resolutions.
7. Shareholders should read the Explanatory Memorandum and the Independent Expert's Report in full.
8. Shareholders are encouraged to attend the meeting. If they are unable to attend, they are requested to complete the proxy form and return it to the Company in accordance with the directions on the back of the proxy form as soon as possible. The completed proxy must be received at least 48 hours before the allotted time for the holding of the meeting.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the forthcoming General Meeting of Precious Metals Australia Limited (ACN 009 131 533) (“**the Company**”), to assist shareholders in considering and voting upon the followings proposals:

1. Issue of 8,571,429 Shares to Roderick James Hollas Smith (“**Smith**”) or his nominee, at an issue price of 7 cents per Share (“**Smith Resolution**”). This issue would be in total satisfaction of all debts owed by the Company to Smith and his associated company Pacific Investments Pty Ltd apart from an amount of \$150,000.
2. Issue of 1,428,571 Shares to Adapt Pty Ltd, a company associated with Andrew Gregor McKee (“**McKee**”), at an issue price of 7 cents per Share (“**McKee Resolution**”). This issue would be in total satisfaction of all debts owed by the Company to McKee and Adapt Pty Ltd. This proposal will not be submitted to shareholders unless the Smith Resolution is passed.
3. Issue of 7,142,857 Shares to Guy David Greville, the Earl of Warwick (“**Warwick**”), at an issue price of 7 cents per Share (“**Warwick Resolution**”) in consideration of the payment to the Company of a total amount of \$500,000. This proposal will not be submitted to shareholders unless the Smith Resolution and the McKee Resolution are passed.
4. Authorisation of the directors of the Company to issue by way of placement (“**a placement facility**”) up to 20,000,000 ordinary fully paid shares in the capital of the Company (“**Shares**”) at a minimum price of at least 80% of the average market price for the Shares. This proposal will not be submitted to shareholders unless the Smith Resolution, the McKee Resolution and the Warwick Resolution are not passed. The purpose of this resolution is to provide the Directors with a method whereby they will be able to raise sufficient funds to satisfy the Company's existing debts (including those owed to Smith and McKee) if the previous resolutions are not passed.

This Explanatory Statement has been prepared pursuant to the following statutory, regulatory and listing provisions:

- Section 611 of the Corporations Law which requires a meeting of Shareholders to approve a share allotment if such allotment results in a Shareholder (and that Shareholder's associates) acquiring a relevant interest in 20% or more of the Company's issued share capital;
- Chapter 2E of the Corporations Act which requires the approval of Shareholders where any financial benefit is being given to a related party;
- Australian Securities and Investments Commission (“**ASIC**”) Policy Statement 75 entitled “Acquisition Agreed To By Shareholders”.
- Australian Stock Exchange Limited (“**ASX**”) Listing Rules 7.1 and 7.3 which require a meeting of Shareholders to approve an issue of shares exceeding 15% of its current issued capital (in this case by way of placement); and

- ASX Listing Rules 10.11 and 10.13 which requires that certain information be provided to Shareholders in the Notice convening the meeting which is to consider the issue of shares to related parties of the company.

In relation to proposed resolutions 3, 4, and 5, these provisions essentially require that Shareholders be provided with all relevant information. This information includes a report by an independent expert. The report must state whether or not, in the expert's opinion, the proposed allotment of shares is fair and reasonable having regards to the interests of all Shareholders other than the allottee. The report must also set out the reasons for forming that opinion.

The Directors appointed BDO, a licensed dealer in securities, to prepare the Independent Expert's Report for the benefit of Shareholders. The opinion expressed in that report is summarised as follows :

"We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to the non-associated shareholders."

Shareholders should read the Independent Expert's Report in full. If Shareholders have any queries they should contact any of the directors or they should consult an independent professional advisor.

PLACEMENT FACILITY

The board seeks approval to the placement facility to allow it to raise capital:

- primarily to satisfy existing debts if the debts owed to Smith and McKee are not converted into equity (i.e. if Resolutions 3, 4 and 5 are not passed); and
- to augment the Company's existing working capital.

The maximum number of securities that would be issued would be 20,000,000 Shares. These Shares would be issued no later than three months after the date of this proposed general meeting. The issue price of the Shares would be at least 80% of the average market price for Shares. If the suspension of quotation of the Company's Shares has not been lifted by that time, the Company would not be able to make the placement. The Shares would be allotted to members of Australian Stock Exchange Limited and their clients. The Shares would not be allotted to any directors or former directors of the Company or any of their associates. No more than 2,000,000 Shares would be allotted to any one entity or its associates. The Shares would rank pari passu with all existing issued Shares. The allotments would take place progressively during the three-month period.

DETAILS OF PROPOSED SPECIFIC ISSUES

Smith

A total of 8,571,429 Shares are proposed to be issued to Smith. At the date of this Explanatory Memorandum, Smith holds 2,320,689 Shares, which represent 14.64% of the current issued share capital of the Company. Immediately after the proposed issues to Smith, McKee and Warwick, (but before any other issues eg pursuant to the Placement, if approved), Smith would hold 10,892,118 Shares which would represent

33.01% of the Company's then total issued share capital of 32,997,712 Shares. Smith and his associates do not hold any options over unissued shares in the Company.

McKee

A total of 1,428,571 Shares are proposed to be issued to McKee. At the date of this Explanatory Memorandum, McKee holds 927,250 Shares, which represent 5.85% of the current issued share capital of the Company. Immediately after the proposed issues to Smith, McKee and Warwick, (but before any other issues eg pursuant to the Placement, if approved), McKee would hold 2,355,821 Shares which would represent 7.14% of the Company's then total issued share capital of 32,997,712 Shares. McKee and his associates hold 585,960 options over unissued shares in the Company, each option being exercisable at a price of Two Dollars (\$2.00) per Share on or before 1 December 2005.

Warwick

A total of 7,142,857 Shares are proposed to be issued to Warwick. At the date of this Explanatory Memorandum, Warwick holds 1,980,633 Shares, which represents 12.49% of the current issued share capital of the Company. Immediately after the proposed issues to Smith, McKee and Warwick, (but before any other issues eg pursuant to the Placement, if approved), Warwick would hold 9,123,490 Shares which would represent 27.65% of the Company's then total issued share capital of 32,997,712 Shares. The current emoluments paid by the Company to Warwick are the Director's annual fee of \$15,000 and the statutory superannuation guarantee contribution. . Warwick and his associates do not hold any options over unissued shares in the Company

The Shares that would be issued to Smith, McKee and Warwick would rank pari passu with all existing Shares that have been issued by the Company.

Change To Company's Board

It is not proposed that there will be any change to the current Board of Directors of the Company, consequent upon the proposed issues to Smith, McKee and Warwick being implemented. The current Board of Directors comprises Warwick as Chairman, James Wall and Angus Pilmer. Smith and McKee resigned as directors of the Company in May and June 2002 respectively.

Statement Of Allottee's Intentions

Smith, McKee and Warwick as the proposed allottees, declare their intentions in relation to the Company as follows:

- (a) There will be no change to the business of the Company;
- (b) They do not intend to inject any further capital into the Company (apart from what is proposed in the relevant resolutions);
- (c) The Company does not have any employees. There are no intentions to employ any persons;

- (d) There is no proposal whereby any property will be transferred between the Company and any allottee or any associate of any allottee;
- (e) There is no intention to otherwise redeploy the fixed assets of the Company;
- (f) There is no intention to change the financial or dividend policies of the Company; and
- (g) Smith and McKee have agreed with the Company that neither they nor any of their associates will nominate for appointment to the Company's Board of Directors before 3 August 2004.

Timing Of Issue

The Shares will be issued as soon as possible after Shareholders approve of the proposed issues to Smith, McKee and Warwick and at the least within one month of the date of the meeting

Reasons For The Proposed Issues

On or about 14 April 2000, Westgold Resources NL (ACN 009 260 306) ("**Westgold**") paid \$3 million for the issue of 9,630,818 ordinary fully paid shares in the Company. The Company paid to Westgold \$150,000 as a fee for the raising of that capital, making a net payment by Westgold to the Company of \$2.85 million. On or about 30 June 2000, Westgold subscribed for options in the share capital of the Company at \$0.04 per option. Westgold paid an amount of \$231,000 to the Company.

The net amount paid by Westgold to the Company was \$3,081,000.

Subsequently, late in 2000, Westgold alleged that it was induced to pay this money to the Company as a result of misrepresentations made by Smith on behalf of the Company. Westgold claimed that the alleged misrepresentations were misleading or deceptive conduct in breach of the Trade Practices Act 1974 (Cth) and in breach of the Corporations Act 2001 (Cth). This claim became the subject of Supreme Court of Western Australia Action CIV 2705 of 2000 ("**Supreme Court Action**"). The Company, Smith, McKee and Warwick each denied the claims made in the Supreme Court Action.

On 15 May 2000, Saracen Management Pty Ltd (ACN 079 747 452) ("**Saracen**") employed Smith as its Managing Director. On 13 December, 2000, Saracen terminated the employment of Smith. Smith commenced proceedings in the Western Australian Industrial Relations Commission against Saracen – Proceedings No. 138 of 2001 ("**WAIRC Proceedings**"). On 24 May 2002, the WAIRC Proceedings were dismissed by the Western Australian Industrial Relations Commission, which made certain adverse findings concerning the credibility of Smith as a witness. On 13 June 2002, Smith filed a Notice of Appeal in relation to the WAIRC Proceedings ("**WAIRC Appeal**") which was subsequently withdrawn by Smith.

As a result of the findings made in the WAIRC Proceedings, the Company sought legal advice from a Queen's Counsel. The Queen's Counsel advised the Company that its continued defence of the Supreme Court Action was unlikely to succeed. Furthermore, the Queen's Counsel advised the Company that, although it would probably have significant legitimate claims against Smith and McKee for their actions in relation to the investments by Westgold in the Company, the Company would most probably be held liable to contribute to any award of damages made in favour of Westgold.

After receiving the Queen's Counsel's advice, the Company's independent directors considered it was in the best interests of the Company to reach a commercial settlement of all matters relating to the Supreme Court Action. Accordingly the Company negotiated and eventually documented settlement arrangements with all of the relevant parties. This negotiated settlement was conducted at arms length by the independent directors of the Company. On the basis of the legal advice, they considered that the final settlement was a reasonable commercial result. The terms and conditions of that negotiated settlement included:

1. An obligation on Smith to personally pay \$1,200,000 to Westgold.
2. An obligation on McKee to personally pay \$150,000 to Westgold.
3. The Company being required to pay \$800,000 to Westgold on or before 31 August 2002. Subject to the Company's Shareholder's approval, these funds were to be provided by proposed issues of \$300,000 of Shares to Smith and \$500,000 of Shares to Warwick.
4. The Company's obligation to pay \$800,000 to Westgold was secured by a guarantee and indemnity given by Smith.
5. Smith and McKee were required to contribute \$382,393 towards the Company's costs of the litigation. This amount was set off against moneys owed by the Company to Smith, McKee and their associated entities.
6. The balance of the moneys owed by the Company to Smith, McKee and their associated entities was to be converted into equity in the Company.
7. The respective rights, liabilities and obligations of all relevant parties as against each other were to be released as the relevant amounts were paid.

Subsequent to the negotiated settlement, the Company was unable to pay the amount of \$800,000 to Westgold. Essentially, this was due to difficulties in establishing the issue price for the Shares. These difficulties arose mainly from the contingent nature of many of the Company's liabilities. Those liabilities were initially assessed at approximately \$6,000,000 but were eventually reduced to an actual amount of \$1,200,000. The difficulties also arose from volatility in the world price for Vanadium and uncertainty over the continued production at Windimurra affecting the value of the Royalty income stream to the Company.

As a consequence of the Company's inability to pay Westgold, Smith's guarantee was called upon. Smith paid an amount of \$800,000 to Westgold. This sum then became a debt due by the Company to Smith. Since the date of Smith's payment to Westgold, the Company has repaid to Smith an amount of \$350,000. In addition Smith incurred legal costs and interest in connection with that \$800,000 and its payment in an amount of \$117,000 which the Company has agreed to reimburse Smith.

The explanation of all debts due to the two former directors Smith and McKee and their associated companies is detailed in the following tables:

Smith Loans

Amounts due to Smith for unpaid holiday pay, long service leave and termination allowance and interest to 30 June, 2002	\$86,713.29
Less amount set off as at 30 June 2002 in accordance with agreement to reduce total loan accounts to \$300,000	<u>\$66,360.13</u>
Balance due	<u>\$20,353.16</u>
 Amount due to Pacific Quest Investments Pty Ltd (" Pacific ") by way of a loan of \$200,000 plus interest to 30 April 2002	 \$279,646.84
 Total liabilities as at 30 June 2002	 <u>\$300,000.00</u>
 Amount owed to Smith by the Company as a consequence of Smith's guarantee being called upon	 \$800,000.00
Less amounts repaid by the Company to Smith	<u>\$350,000.00</u>
 Balance due to Smith as at 30 June 2003	 <u>\$450,000.00</u>
 Total due to Smith and Pacific as at 30 June 2003	 \$750,000.00
Less amount to be converted to Shares as per Resolution 3	<u>\$600,000.00</u>
 Balance due for payment by 31 December 2003 or within seven days of the share placement referred to in Resolution 3 being completed if completed prior to that date	 <u>\$150,000.00</u>

McKee Loans

Amounts due to McKee for unpaid holiday pay, long service leave and termination allowance and interest to 30 April 2002	\$136,386.34
Less amount set off as at 30 June 2002 in accordance with agreement to reduce total loan accounts to \$100,000	<u>\$136,386.34</u>
Balance	NIL
 Amounts due to Adapt Pty Ltd by way of a loan of \$200,000 plus interest to 30 April 2002	 \$279,646.84
Less amount set off as at 30 June 2003 in accordance with agreement to reduce total loan accounts to \$100,000	<u>\$179,646.84</u>
 Total liability as at 30 June 2003	 <u>\$100,000.00</u>

Resolutions 3, 4, and 5 were all integral to the negotiated settlement referred to above. As such, the proposing of the resolutions are dependent upon the passing of the previous resolution(s). Further, Warwick would not subscribe for \$500,000 of Shares if the proceeds of that subscription were required to pay debts to Smith and McKee rather than those debts being converted into equity.

Directors' Interests

Warwick will be issued with 7,142,857 Shares at an issue price of 7 cents per Share for a total consideration of \$500,000. The details of his Shareholding in the Company are set out above. Neither of the other 2 directors (Wall and Pilmer) have any personal interest in the transactions resulting from the proposed resolutions.

Related Party Transactions

Warwick is a director of the Company and for the purposes of Chapter 2E of the Corporations Act is a related party.

Smith and McKee were directors of the Company within six months of the time of the negotiated settlement referred to above and for the purposes of Chapter 2E of the Corporations Act are related parties.

The issue of Shares is a "financial benefit" for the purposes of Chapter 2E of the Corporations Act. Chapter 2E provides for approval by Shareholders in general meeting to be given to these transactions.

The following information is provided in accordance with the requirements of Chapter 2E in relation to Resolutions 3, 4, and 5:

1. The related parties are Warwick, Smith and McKee.
2. The financial benefits are the issue of Shares.
3. In relation to each current director of the Company:
 - (a) Warwick does not make any recommendation in relation to Resolutions 3, 4, and 5. Warwick has a material personal interest in Resolution 5 and an indirect personal interest in Resolutions 3 and 4 because Resolution 5 will not be put to Shareholders if Resolutions 3 and 4 are not passed. Warwick has abstained from voting on the proposal to put these resolutions to Shareholders and this Information Memorandum.
 - (b) Pilmer voted in favour of the proposal to put these resolutions to Shareholders and this Information Memorandum. Pilmer recommends that Shareholders vote in favour of resolutions 3, 4 and 5. His reasons for that recommendation are that the resolutions provide a full and final settlement with the former directors, provide an opportunity for the Company to raise equity capital and ensure that the Company remains a going concern.
 - (c) Wall voted in favour of the proposal to put these resolutions to Shareholders and this Information Memorandum. Wall recommends that Shareholders vote in favour of resolutions 3, 4 and 5. His reasons for that recommendation are that the resolutions provide a full and final settlement with the former directors, provide an opportunity for the Company to raise equity capital and ensure that the Company remains a going concern.
4. In relation to each current director of the Company:

- (a) Warwick has a direct interest in the outcome of Resolution 5. If Resolution 5 is passed, he will be required to subscribe for \$500,000 of Shares. Warwick has an indirect personal interest in Resolutions 3 and 4 because Resolution 5 will not be put to Shareholders if Resolutions 3 and 4 are not passed.
 - (b) Pilmer does not have an interest in Resolutions 3, 4 and 5.
 - (c) Wall does not have an interest in Resolutions 3, 4 and 5.
- 5. The directors have provided other information elsewhere in this Explanatory Memorandum to enable shareholders to decide whether or not it is in the Company's interests to pass the proposed Resolutions 3, 4 and 5. From an economic and commercial point of view, it is in the Company's interests to issue the Shares at the issue price rather than deplete its cash reserves by paying out the debts that are owed to Smith and McKee. It is also in the Company's interests to obtain an equity injection of \$500,000 to enable it to satisfy its obligations in relation to the negotiated settlement with Westgold. The issue price of the Shares is above the last traded price for the Shares. The directors are not aware of any opportunity costs, taxation consequences or benefits forgone by the Company if the proposed resolutions are passed.

Intended Use Of Funds

The funds to be raised by these 3 specific issues to Smith, McKee and Warwick will be used to retire debt and as working capital. Some of the Shares will be issued as consideration for the forgiveness of existing debts owed by the Company.

CONCLUSION

Where permitted by the ASX Listing Rules and the Corporations Act, all of the Directors will be voting their Shareholders in favour of the resolutions set out in the Notice of General Meeting.

The Directors note that, in its attached report, BDO (the Independent Expert) has concluded that the proposals for the proposed share issue and debt equity conversion are fair and reasonable to the non-associated Shareholders of the Company.

By order of the Board

Angus C Pilmer
Company Secretary
Dated: 13 November 2003.

INDEPENDENT EXPERT'S REPORT
PRECIOUS METALS AUSTRALIA LIMITED
30 OCTOBER 2003

PRECIOUS METALS AUSTRALIA LIMITED

INDEPENDENT EXPERT'S REPORT

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30 October 2003

The Directors
Precious Metals Australia Limited
2nd Floor
44 Ord Street
WEST PERTH WA 6005

Dear Sirs

INDEPENDENT EXPERT'S REPORT – PRECIOUS METALS AUSTRALIA LIMITED

1. INTRODUCTION

BDO Consultants (WA) Pty Ltd ("**BDO**") has been engaged by Precious Metals Australia Limited ("**PMA**" or "**the Company**") to prepare an Independent Expert's Report ("**our Report**") to express an opinion as to whether or not the proposed allotment of shares to Mr Roderick Smith, The Earl of Warwick and Mr Andrew McKee ("**the Proposal**") is fair and reasonable to non-associated shareholders ("**Shareholders**") of PMA.

Our Report is to be included in the Explanatory Memorandum for PMA to be sent to all Shareholders to assist them in deciding whether to accept or reject the Proposal.

2. SUMMARY AND OPINION

2.1 We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is **fair and reasonable** to Shareholders.

2.2 Fairness

We believe that the Directors would be justified in recommending that Shareholders vote in favour of the Proposal.

	Value per Share		
	Low	Mid	High
Value of a share if the Proposal is not approved (Section 9.2)	3.2	4.9	6.6
Value of a share if the Proposal is approved (Section 9.3)	5.2	6.0	6.8

The valuation range of PMA is 3.2 to 6.6 cents per share with a midpoint of 4.9 cents per share if the Proposal is not approved. If the Proposal is approved, the valuation range of PMA is 5.2 cents to 6.8 cents per share with a midpoint of 6.0 cents. Accordingly, in our opinion the Proposal is fair for Shareholders.

2.3 Reasonableness

We have considered the analysis in Section 12 of this report, in terms of the advantages and disadvantages of the Proposal.

In our opinion, the position of Shareholders if the Proposal proceeds is more advantageous than the position if the Proposal does not proceed. Accordingly, we believe that the Proposal is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12.1.1	The Proposal is fair	12.2.1	Dilution of existing shareholders' interests
12.1.2	Ability to repay debt commitments and continue as a going concern	12.2.2	Increased level of control for Roderick Smith and The Earl of Warwick
12.1.3	Availability of additional working capital		
12.1.4	Increased liquidity of shares		

3. BACKGROUND OF PMA

3.1 History

Historically, the principal activities of the Company have been that of mining, mineral exploration and development. In the financial year ended 30 June 2001 the Company disposed of its 40% interest in the Windimurra Vanadium Mine ("**the Project**") to its joint venture partner, Xstrata Windimurra Pty Ltd ("**Xwin**").

Consideration for the Company's interest was in the form of \$29.2 million in cash together with a 15% net cash flow royalty interest in the Project going forward.

In December 2000 the Company and former directors Roderick Smith and Andrew McKee received a Writ of Summons from Westgold Resources NL ("**Westgold**") alleging that Westgold was misled into making an investment in PMA in April 2000.

In August 2002 the above action was settled and it has led to PMA undertaking the proposed placement, which is now under consideration by the non-associated shareholders of the Company.

3.2 Capital Structure

3.2.1 The capital structure of PMA as at 21 October 2003 is as follows:

Ordinary Shares	
Total Ordinary Shares on Issue	15,854,855
Top Twenty Shareholders - Ordinary Shares	9,237,133
Top Twenty Shareholders - % of Ordinary Shares on Issue	58.26%

Source: Annual Report for the year ended 30 June 2003

3.2.2 The spread of PMA shareholders as at 21 October 2003 is as follows:

Range of Shares Held	No. of Shareholders
1-1,000	568
1,001-5,000	639
5,001-10,000	143
10,001-100,000	153
100,001 - and over	19
TOTAL	1,522

Source: Annual Report for the year ended 30 June 2003

3.2.3 The number of shares held by substantial shareholders as at 21 October 2003 is as follows:

Shareholder	Ordinary Shares	% Shares Held
Tagora Pty Ltd	1,980,633	12.49
Mr Roderick Smith	2,320,689	14.64

Source: Annual Report for the year ended 30 June 2003

3.2.4 The exercise price of all listed options as at 21 October 2003 is as follows:

Options	Options	Exercise Price	Expiry Date
Listed	12,896,603	\$2.00	1/12/05

Source: Audited financial statements for the year ended 30 June 2003

3.2.5 The number of options exercisable at \$2.00 on or before 1 December 2005 held by the substantial shareholders as at 21 October 2003 is detailed below:

Option Holder	Number of Options	% Held
Dr Glen Whisson	1,250,007	9.69
Mr Bin Mohammad Abas	1,040,000	8.06
Reef Securities Limited	770,000	5.97
Mr Andrew McKee	585,960	4.54

Source: Annual Report for the year ended 30 June 2003

3.3 Historical Consolidated Statements of Financial Position

PMA	Audited As at 30 June 2003 \$	Audited As at 30 June 2002 \$	Audited As at 30 June 2001 \$
CURRENT ASSETS			
Cash	73,764	283,329	545,701
Receivables	462,623	893,726	993,247
Other financial assets	150,000	-	-
TOTAL CURRENT ASSETS	686,387	1,177,055	1,538,948
NON-CURRENT ASSETS			
Receivables	-	-	5,757
Other financial assets	-	-	1,324
Property, plant & equipment	4,410	7,580	8,301
Exploration, evaluation & development	-	-	405,810
Windimurra royalty	2,000,000	2,000,000	22,150,755
TOTAL NON-CURRENT ASSETS	2,004,410	2,007,580	22,571,947
TOTAL ASSETS	2,690,797	3,184,635	24,110,895
CURRENT LIABILITIES			
Payables	1,617,443	1,303,476	1,154,523
Provisions	59,554	1,020,000	21,095
Deferred income	-	102,125	125,000
TOTAL CURRENT LIABILITIES	1,676,997	2,425,601	1,300,618
NON-CURRENT LIABILITIES			
Payables	92,715	185,430	-
Interest bearing liabilities	-	-	504,438
Provisions	-	-	206,627
TOTAL NON-CURRENT LIABILITIES	92,715	185,430	711,065
TOTAL LIABILITIES	1,769,712	2,611,031	2,011,683
NET ASSETS	921,085	573,604	22,099,212
SHAREHOLDERS' EQUITY			
Contributed equity	48,369,635	48,369,635	48,369,635
Option premium reserve	3,965,772	3,965,772	3,965,772
Accumulated losses	(51,414,322)	(51,761,803)	(30,236,195)
TOTAL SHAREHOLDERS' EQUITY	921,085	573,604	22,099,212

Source: Annual Reports for the years ended 30 June 2003, 30 June 2002 and 30 June 2001

3.4 Historical Consolidated Statements of Financial Performance

PMA	Audited Year ended 30 June 2003 \$	Audited Year ended 30 June 2002 \$	Audited Year ended 30 June 2001 \$
Revenues from ordinary activities	739,187	566,753	32,232,527*
Employee expenses	-	(44,798)	(402,682)
Depreciation & amortisation expenses	(503,170)	(1,152,396)	(2,199,059)
Borrowing costs	(49,377)	(71,330)	(923,957)
Other expenses from ordinary activities	160,841	(20,823,837)	(33,995,408)
Profit/(Loss) from ordinary activities before tax	347,481	(21,525,608)	(5,288,579)
Income tax	-	-	-
Net Profit/(Loss) attributable to members of the parent entity	347,481	(21,525,608)	(5,288,579)

Source: Annual reports for the years ended 30 June 2003, 30 June 2002 and 30 June 2001

* Revenue from ordinary activities in 2001 included the sale of the 40% interest in the Windimurra Project.

4. OUTLINE OF THE PROPOSAL

As explained in the Notice of Meeting the Proposal under consideration is to issue the following shares:

	The Earl of Warwick		Roderick JH Smith		Andrew K McKee	
	Number of shares	\$	Number of shares	\$	Number of shares	\$
Cash consideration	7,142,857	500,000	N/a	N/a	N/a	N/a
Conversion of loan account	N/a	N/a	8,571,434	600,000	1,428,571	100,000
Total	7,142,857	500,000	8,571,434	600,000	1,428,571	100,000

The issue price for above allotments is noted as 7 cents per share.

In the Notice of Meeting, it is proposed that the Company will issue:

- 7,142,857 ordinary fully paid shares in the capital of the Company to The Earl of Warwick or his nominee at 7 cents per share in consideration of the payment of an amount of \$500,000.
- 8,571,429 ordinary fully paid shares in the capital of the Company to Roderick James Hollas Smith or his nominee at 7 cents per share in satisfaction of debts owing by the Company to Smith and to a company associated with Smith, Pacific Quest Investments Pty Ltd.
- 1,428,571 ordinary fully paid shares in the capital of the Company to Andrew Kregor McKee or his nominee at 7 cents per share in full payment of debts owed by the Company to a company associated with McKee, Adapt Pty Ltd.

5. REPORT REQUIREMENTS

- 5.1** Via the application of Section 604 of the Corporations Act ("**the Act**") Section 606 of the Act expressly prohibits the acquisition of further shares by a person who already holds (with associates) more than 20% of the issued shares of a listed entity or, if due to acquisition, voting power increases from below 20% to above 20% of the issued shares of a listed entity unless a full takeover offer is made to all shareholders.

The Proposal, to allot shares to The Earl of Warwick and Roderick Smith, would see both their respective holdings in the Company exceed 20%:

	Total Number	Ordinary Shares in PMA			
		The Earl of Warwick		Roderick Smith	
		Number	%	Number	%
At the date of this report	15,854,855	1,980,633	12.49%	2,320,689	14.64%
To be issued if the Proposal is approved	17,142,862	7,142,857	-	8,571,429	-
Total if Proposal is approved	32,997,717	9,123,490	27.65%	10,892,118	33.01%

- 5.2** Section 611 permits an acquisition of shares in a listed entity by a person who already holds more than 20% if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in relation to any party who is associated with the party to whom the shares are to be issued. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.
- 5.3** The effect of Section 611 is that in the absence of an offer in which all shareholders can participate, any allotment of shares in excess of the limit imposed by Section 606 of the Act, must be approved by the shareholders who are not associated with the party to whom the shares are to be allotted.
- 5.4** Policy Statement 74 issued by the Australian Securities and Investments Commission ("**ASIC**") deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of PMA, by either:
- undertaking a detailed examination of the Proposal themselves, if they consider that they have sufficient expertise; or
 - by commissioning an Independent Expert's Report.

The directors of PMA have commissioned this Independent Expert's Report to satisfy this obligation.

6. BASIS OF EVALUATION

- 6.1** In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by the ASIC in their Policy Statements 74 and 75. These Policy Statements suggest that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the Proposal.

Such consideration includes a comparison of the likely advantages and disadvantages for Shareholders if the Proposal is accepted, with the advantages and disadvantages to those Shareholders if it is not.

- 6.2** The Proposal could be considered "reasonable" if there are valid reasons to approve the Proposal, notwithstanding that it may not be regarded as "fair" to Shareholders.

- 6.3** In determining whether the Proposal is fair and reasonable using Policy Statement 74 as a guideline, the following steps have been completed.

6.3.1 A valuation of shares in PMA in their current form compared to the amount being paid by Roderick Smith, The Earl of Warwick and Andrew McKee as consideration for the transaction (fairness) – see Section 9 "Is the Proposal Fair?"; and

6.3.2 An investigation into other significant factors to which shareholders might give consideration prior to accepting the Proposal. This includes comparing the likely advantages and disadvantages of accepting the Proposal, with the likely advantages and disadvantages if the Proposal is rejected (reasonableness) – see Section 12 "Is the Proposal Reasonable?".

7. VALUATION METHODOLOGIES

- 7.1** Methodologies commonly used for valuing assets and businesses are as follows:

7.1.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

7.1.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents

an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

7.1.3 Asset Based

An asset based valuation approach is usually appropriate when an asset or business is to be sold or wound up. Alternatively an asset-based approach is appropriate when valuing a business that is not currently profitable and not likely to be in the foreseeable future. The asset based value should provide a realistic indication of the value that could be obtained in the event of an orderly realisation of assets.

7.1.4 Quoted Market Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

7.2 Valuation of PMA

In valuing PMA we have adopted an asset based methodology.

In determining the value of the major company asset, being the Royalty interest in the Windimurra Vanadium Mine, we have adopted a valuation based on the discounted cash flows associated with the Royalty.

8. VALUATION OF PMA

Net Asset Value

	Financial Position as at 30 June 2003 \$	Valuation Proforma (Low) \$	Valuation Proforma (High) \$	Valuation adjustments
Current Assets				
Cash	73,764	73,764	73,764	
Receivables	462,623	462,623	462,623	
Other financial assets	150,000	146,250	150,000	1
	686,387	682,637	686,387	
Non Current Assets				
Property, plant and equipment	4,410	0	4,410	2
Windimurra royalty	2,000,000	1,594,000	1,964,000	Sec 8.2
Total Assets	2,690,797	2,276,637	2,654,797	
Liabilities				
Payables	1,710,158	1,710,158	1,580,060	3
Provisions	59,554	59,554	30,000	4
Net Asset Value	921,085	506,925	1,044,737	

Notes to valuation adjustments

1. In April 2003, the Company sold its title to the Barrambie Tenement M57/173 to Reed Resources Ltd for consideration of \$50,000 in cash and 750,000 ordinary shares in Reed Resources. The share price of Reed Resources Ltd (as at 27 October 2003) is 19.5 cents. In the period between 1 January 2003 and 27 October 2003 the share price has fluctuated between 14.5 cents and 22 cents per share. Based on this information we have adjusted the assets of PMA to account for this additional asset. Our assessment is that a range of values for Reed Resources Ltd (as below) shares based on market pricing is between 19.5 cents and 20.0 cents. At the date of our report, this would give a valuation range for the PMA assets of between \$146,250 and \$150,000;

Reed Resources Ltd Price Per Share	28 October 2003 (cents)	10 Days (cents)	30 Days (cents)	60 Days (cents)
Closing Price	19.5			
Weighted Average		20.0	20.0	19.8

Source: ASX

2. For our low valuation we have assumed the Company's plant and equipment has no realisable value and for our high valuation we have assumed it has a realisable value equal to its current book written down value;
3. As at 30 June 2003 the Company had a liability to pay stamp duty of \$370,098. An appeal has been made to reduce this amount which if successful will see this liability reduce by \$259,000. For our low valuation we have disregarded this potential reduction, but for our high valuation we have adjusted the amount

payable to an amount midway between the current liability and the appealed amount to the amount of \$240,000

4. Provisions relate to the Palm Springs Rehabilitation. The directors estimate that the further costs in relation to this site rehabilitation will only cost \$30,000. For our low valuation we have not adjusted the amount currently provided of \$59,554, but for our high valuation we have reduced the liability to the lower amount of \$30,000;

8.2 Valuation of Windimurra Royalty Interest

As noted above PMA's only significant income generating asset is its Royalty interest in the Windimurra Vanadium Mining project.

8.2.1 The Royalty Agreement

The terms of the Royalty agreement, dated 16 October 2000, are summarised as follows:

- The Royalty agreement is between PMA and Xwin;
- Xstrata Plc agree to guarantee the Royalty payment to PMA;
- The amount of each Royalty payment will be an amount equal to 15% of the Net Revenue for the Production Royalty Period to which the payment relates less an amount equal to the total of all payments of the deposit made during that Production Royalty Period;
- The project is defined as the development and operation of open cut mines within the Tenements and the project assets, including a crushing, grinding and processing plant and any other associated infrastructure for the purpose of mining, beneficiating and processing vanadium ore initially to produce 7,200 tonnes per annum of fused vanadium pentoxide flakes over an estimated 30 year period;
- Deposit with respect to a Deposit Period, means the sum of \$125,000, which will be paid at the commencement of each Deposit Period;
- Deposit Period means a period of 3 calendar months commencing at the end of the previous Deposit Period;
- Net revenue means Gross Proceeds of sale less:
 - All project operating costs incurred in generating those Gross Proceeds of sale;
 - In respect of Capital Expenditure incurred after the date of the Royalty agreement, a charge for depreciation calculated at the rate of 10% per annum;
- Production Royalty Period means a period of one year;
- Term means the period commencing on the Completion Date and ending on the date on which the operations of the project are terminated;
- Terminated means that mining and processing operations by Xwin within the respective area of interest have finally and permanently ceased and all

rehabilitation obligations in respect of the Tenements have been satisfied in full;

- PMA is not able to assign its Production Royalty rights to another party without first notifying Xwin of the terms of any proposed assignment and allowing Xwin first right of refusal to the Production Royalty rights on the same terms as the proposed assignment.

8.2.2 Valuation of Production Royalty Interest

In determining a value for the Production Royalty Interest we have adopted a discounted cash flow methodology. This valuation method is particularly appropriate for assets with finite lives such as the Windimurra Royalty Interest.

This approach values the asset based on the net present value of its projected cash flows. These cash flows are discounted using a discount rate that reflects the risks associated with the cash flow stream.

PMA's future royalty cash flows will depend on the Net Revenue derived from the Windimurra Vanadium project. The level of the Net Revenue will be dictated primarily by the selling price of Vanadium Pentoxide and the operating costs of the mine.

At the date of our report PMA has received only the quarterly deposit payments of \$125,000. Under present operations the Production Royalty Payment has yet to exceed the total of the deposit payments for any Production Royalty Period.

8.2.3 Recent events at Windimurra

The 2002 Xstrata PLC ("**Xstrata**") Annual Report included details of the Company's decision to cease production and suspend operations at the Windimurra mine.

The following is an extract from the 2002 Xstrata Annual Report taken from the section on Vanadium Operations:

"Markets"

The December 2002 results published by the International Iron & Steel Institute (IISI) indicate that global crude steel production (which accounts for some 87% of vanadium use) has grown by 6.4% year-on-year. Together with the continued growth in the proportion of vanadium used in steel production, this led to a marked increase in the demand for vanadium products. However, the vanadium market remained in a situation of chronic oversupply for most of the year, which kept market prices for vanadium pentoxide (V₂O₅) and ferrovandium (FeV) at historically low levels throughout most of the period.

Market sentiment improved at the end of the year, with a corresponding increase in prices, due to a number of factors. In the short-term these included a significant decrease in Russian production, which even ceased completely for short periods, due to legal disputes between producers and raw material suppliers, and the strengthening of prices in the United States, in the expectation of the imposition of anti-dumping duties on FeV produced in South Africa and China. Other factors supporting prices throughout the year included the ongoing reduction in the quantity of V₂O₅ being offered in the spot

market, as new integrated FeV producers came on stream, and the continued low-level of Chinese exports, due to the growth in domestic demand and the on-going quality and environmentally driven reductions of capacity. Driven by these factors, and the strengthening South African Rand at the end of the year, prices at the end of 2002 were up on 2001's year-end price by 42% for V2O5 (US\$1.60/lb versus US\$1.12/lb) and 61% for FeV (US\$10.15/kg versus US\$6.30/kg).

The return of the Russian vanadium units would have led to an unavoidable return to chronic oversupply and a significant fall in prices. While the suspension of operations at Windimurra, which produced some 12 million pounds of V2O5 in 2002, will constrain supply and provide some upward pressure on prices in 2003, price increases will depend on other producers closing the large number of uneconomic production units still in the market.

8.2.4 Operations

Ferrovanadium sales volumes were 61% higher and V2O5 sales 13% lower in 2002 than 2001. This reflects Xstrata's on-going strategy to switch output to the higher value FeV product, and follows the commissioning of new FeV production facilities at Rhovan during the second half of 2001.

Unlike much of the industry, Xstrata's South African vanadium operations have remained profitable, notwithstanding significant increases in raw material input prices, as a result of on-going efficiency programmes, which reduced the average unit cost of V2O5 production in US dollar terms by over 7% period on period.

Xstrata's vanadium operations continued to benefit from an off-take agreement with Glencore International AG, which provided a guaranteed minimum price of US\$3.80 per lb for 7 million pounds of V2O5 produced during 2002. This agreement concluded at the end of 2002, and revenues in 2003 will be based purely on market prices.

The profitability of Xstrata's Australian operation, Windimurra, is strongly affected by two factors: the United States Dollar / Australian Dollar exchange rate and the price of V2O5. Notwithstanding an impressive year on year cost reduction of some 39% in Australian Dollar terms (30% in US Dollar terms), Windimurra was not profitable in 2002, impacting EBIT negatively by some US\$6.2million. The outlook for the plant remains poor due to the growing strength of the Australian dollar, the conclusion of the attractive off-take agreement with Glencore and the on-going weakness in the vanadium price, these factors, and Xstrata's commitment to respond rationally to supply-side excess in its markets, the decision has been taken to stop production and suspend operations at the Windimurra plant as soon as possible, and to assess options, which include permanent closure.

At the time of Xstrata PLC's IPO and listing, an impairment provision was recorded which reduced the carrying value of Windimurra on Xstrata's books to US\$28.6 million. The board of Xstrata has now decided to reduce the carrying value of Windimurra at 31 December 2002 to nil."

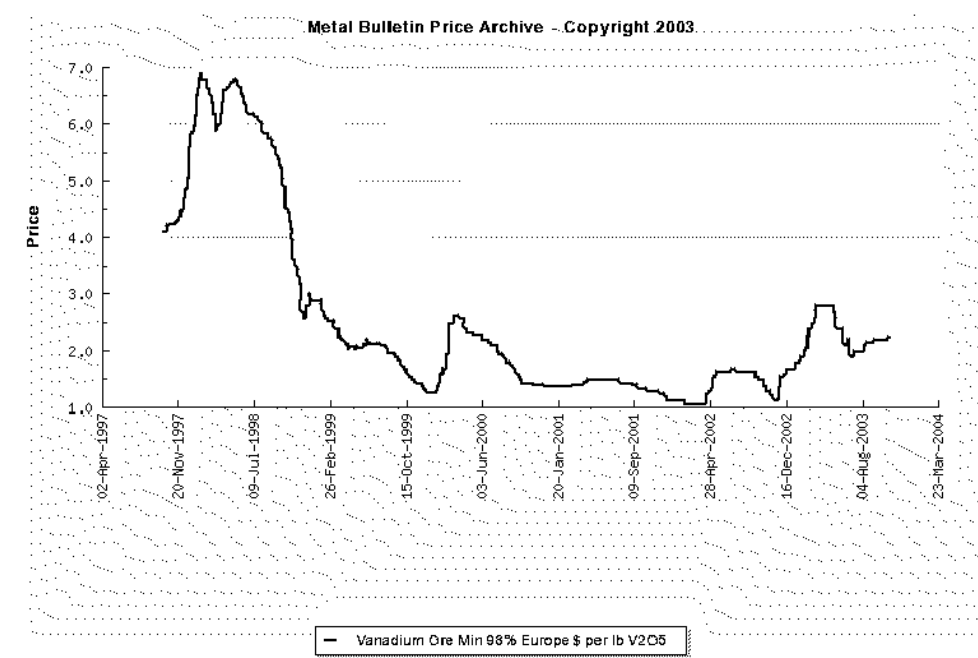
8.2.5 BDO's independent research into the market for Vanadium Pentoxide

The main reason why PMA has received only the minimum royalty payment is due to the low level of the vanadium pentoxide price. At the date of our report the most recently reported price per lb for vanadium pentoxide, Metals Bulletin - 27 October 2003, was between US\$2.15 to US\$2.25 per lb. At the current rate of exchange between the US Dollar and the Australian Dollar (A\$1:US\$0.70) this equates to A\$3.07 to A\$3.21 per lb.

At or around the time that Xstrata announced the suspension of operations at the Windimurra mine the price per lb for vanadium pentoxide was US\$1.47 (as per www.vanadium.com.au on 12 February 2003). At the then current exchange rate between the US Dollar and Australian Dollar (A\$1:US\$0.59) this price equated to A\$2.49 per lb.

We have reviewed www.metalbulletin.com for the principal reasons behind the increase in the price of Vanadium Pentoxide. It is apparent that the cessation of production at Windimurra is primary factor for the price increase, however, this appears to have been compounded by the production disruptions which have occurred at the Russian Tulachermet plant earlier in the year. The Russian plant has now recommenced production and this has had a reducing effect on the market price. The recent upward movement in price, although significant, has been countered to some extent by the stronger Australian Dollar against the US Dollar and therefore, coupled with the fact that the price increase appears to have been driven by a reduced supply rather than an increase in demand, we consider the overall viability of the Windimurra mine to still be in question.

The historical price for vanadium pentoxide is illustrated below:



At the Metal Bulletin 17th International Ferro-Alloys Conference in November 2001, Robert M Bunting of Strategic Minerals Corporation presented on the subject of Vanadium. This presentation, details of which are www.stratcor.com, included the following points which we consider to

be relevant in understanding the present market for vanadium and the possible future outlook for Vanadium:

1. The current low vanadium price is as a result of oversupply;
2. The capacity to produce the amount of vanadium that the world needs, or is likely to need in the foreseeable future, is met from the low cost vanadium produced as a by product from the production of steel, or from the consumption or refining of oil; and
3. The capacity currently available from steel slag, oil residues and spent catalyst, a total of 180 million pounds of Vanadium Pentoxide, is substantially more than is needed to meet current market demand of some 155 million pounds. At least 175 million pounds of this is available at a marginal cash cost of less than US\$1.00 per lb.

From the above and the fact that Xstrata has chosen to suspend mining operations at Windimurra, there appears to be no reasonable evidence to suggest that the royalty payments receivable by PMA in the future will exceed the minimum \$500,000 per annum.

As noted in our summary of the Royalty Agreement PMA is entitled to the minimum Royalty payment of \$500,000 per annum unless the mine is permanently ceased and all rehabilitation obligations in respect of the Tenements have been satisfied in full. Given the present circumstances Xwin is still under an obligation to make the agreed minimum Royalty payments.

8.2.6 Cost of Production

A feasibility study conducted on the Windimurra Vanadium Project by Signet Engineering Pty Ltd / Fluor Daniel Pty Ltd, dated September 1997, was based on a vanadium pentoxide selling price of US\$3.50 per lb and a cost of production per lb of US\$1.90 (based on producing 7,200 tonnes of vanadium pentoxide per annum).

We have enquired as to the current cost of vanadium pentoxide production at the Windimurra mine. Due to the sensitivity of such information we have been unable to obtain this.

Accompanying the Notice of Annual General Meeting of 4 December 2000 was an Independent Expert's Report prepared by KPMG Corporate Finance (Aust) Pty Ltd. In that report is an accompanying report prepared by Snowden Mining Industry Consultants who, in conjunction with SNC Lavalin reported on the forecast operating costs of the Windimurra mine based on full production of 7,200 tonnes per month.

They noted that the forecast operating costs for the mine at full production were expected to be A\$2.40 per lb and that the current (August 2000) reported operating costs were A\$4.60 per lb. The independent experts then determined their own estimate of operating costs at full production as being A\$3.55 per lb.

Vanadium Pentoxide is generally produced using two methods. The first, and most common method, is via the conversion of slag, a by-product and

steel production. The second method of production is from the mining and processing of magnetite ore. The Windimurra Vanadium project employs the second method.

8.2.7 Taxation

At 30 June 2003 PMA had an unrecognised Future Income Tax Benefit ("FITB") of \$5,221,784, based on unused Income Tax losses of \$17,405,946. Given this level of tax losses available we have not deducted Income Tax from the royalty receipts in the discounted cash flow on the basis that the carried forward losses will be utilised against the royalty receipts going forward.

8.2.8 Discount Rate

The discount rate is selected to reflect the risk associated with the particular cash flow stream being assessed. In the case of the Windimurra Royalty interest we have concluded that the level of annual royalty is unlikely to exceed the minimum level of \$500,000 that PMA is entitled to. Therefore, the main risk associated with the receipt of the \$500,000 per annum is the risk that Xstrata will finally and permanently terminate the Windimurra project. This would require Xstrata to close down operations completely and satisfy all rehabilitation obligations in respect of the tenements. Given the recent cessation of production and suspension of operations the risk of permanent closure appears to exist.

Detailed below is our assessment of the risk of the mine being permanently closed:

Reasons for Xstrata to permanently close the mine and complete all rehabilitation:

1. The outlook for the selling price of vanadium pentoxide is not encouraging and whilst the mine is not producing, the cost of care and maintenance and the ongoing minimum royalty payment to PMA means Xstrata will continue to incur a loss at this operation;
2. The current cost of producing Vanadium Pentoxide at Windimurra exceeds the market selling price (based on the evidence available to us in preparing this report).

Reasons for Xstrata to retain the mine in a state of suspended operations:

1. Defer the cost of incurring rehabilitation expenses to permanently close the mine and comply with the termination clause within the Royalty agreement;
2. To ensure that the mine and the related resource does not fall into the hands of a competitor;
3. To restrict supply, thereby protecting the current and future price of V₂O₅ from the effects of oversupply and allowing Xstrata's other Vanadium mines to benefit;
4. To benefit from the reopening of the mine should prices improve to the point where production becomes viable.

The fact that Xstrata have suspended operations means that there is a significant risk that the mine may, at some point in the future be permanently closed and PMA's right to receive royalties would cease. However, as outlined above, there do exist a number of reasons that Xstrata may have for not permanently closing the mine.

In the financial statements to 30 June 2003, the directors have arrived at their value of the Windimurra Royalty by recognising the risk that the cash flow stream may be terminated at some point in the future. The directors have based their valuation on their assessment of the minimum period it would take to rehabilitate the mine to satisfy the termination criteria as laid down in the Royalty agreement between PMA and Xwin. The following is an extract from the 30 June 2003 financial statements of PMA (Note 11 point ii):

"The suspension of operations has not affected the Company's entitlement to continue to receive the minimum royalty at the rate of \$500,000 per annum. The Royalty Agreement with Xstrata Windimurra Pty Ltd allows for the payment of a minimum royalty of \$500,000 per annum in quarterly instalments which will cease if all mining operations at the Windimurra mine site are terminated with all rehabilitation obligations in respect of the tenements having been satisfied in full. Accordingly, the recoverability of \$2,000,000 is dependent on the continued payment of the minimum royalty until at least 30 June 2007. There is some prospect, but no certainty, that the project may be permanently closed which would then ultimately lead to the cessation of the minimum royalty entitlement thereby reducing the value of this asset to NIL."

In forming our opinion as to the low valuation we have based our assessment on PMA being in receipt of the minimum royalty of \$500,000 per annum over the period of rehabilitation. This minimum period of rehabilitation being 4 years. We have confirmed this to be reasonable by reference to the WA Department of Industry & Resources. We have then discounted the respective cash flows at what we regard to be appropriate discount rate.

In determining our high valuation we have considered the period that PMA can reasonably foresee it will continue to receive the minimum royalty and the risks that attach to the continued receipt of such royalty payments. As the future viability of the Project is wholly dependent up on the future price of vanadium it is not possible to determine this with any degree of certainty.

In view of the recent events at Windimurra with the suspension of operations there is strong evidence to suggest that it would be unreasonable to go beyond the estimated period for rehabilitation. The counter argument to this may be that since the suspension of operations the vanadium pentoxide price has risen and Xstrata may be prepared to continue as is, with the mine operations suspended, for some time to come.

Given the uncertainty as to the ultimate decision that Xstrata will make at some point in the future we consider our high valuation should reflect the 4-year rehabilitation period together with a further 2-year period being a period in which Xstrata may allow Windimurra to continue in a state of suspended operations. It is our opinion that to consider the receipt of royalties for a period any longer than this would be unreasonable and speculative given the uncertain circumstances that exist.

In selecting an appropriate discount rate it is necessary to consider the risks that attach to the receipt of the royalty. The most significant risk to the receipt of the royalty is the risk that Xstrata will announce permanent closure and begin rehabilitation of the Windimurra site. We have already formed the opinion for our low valuation, that, in the circumstances, it would be unreasonable and speculative to consider the receipt of cash flows beyond the period it would take to rehabilitate the mine site and therefore this risk does not need to be addressed in the determination of appropriate discount rate.

In selecting an appropriate discount rate, we have considered the implied interest rate of a number of corporate bonds which are listed on the ASX. We have excluded corporate bonds that are thinly traded. The implied interest rates of these corporate bonds are shown in the following table and have been calculated as at 27 October 2003.

Company Name	ASX Code	Market Price (\$)	Coupon (%)	Implied Interest Rate (%)
Adelaide Bank	ADBHA	1.0400	8.40	8.08
Crown Limited	CROHB	1.0780	9.50	8.81
Nexus Bonds Limited	NXBHA	1.0375	10.25	9.88
Repco Limited	REPHA	1.0930	10.00	9.15
Vision Systems	VSLHA	1.1800	7.75	6.57
Average				8.50

Source: ASX

The Royalty payable to PMA cannot be readily traded, unlike the corporate bonds considered above, neither is it transferable (without the permission of Xwin). It is therefore appropriate to discount the average yield calculated above to reflect this position. Discounts for marketability generally range from 10% to 30%, with the most commonly used being in the range of 20% to 25%. Given that the Royalty is also restricted in terms of its transferability we have applied a discount range of 30% to 35% to the average yield calculated in the above table.

Therefore, we have arrived at a starting point for the discount rate applicable to the Royalty stream of between 11.0% and 11.5% and for the purposes of this report we have taken the midpoint of 11.2%.

For our high valuation, we have considered receipt of royalty cash flows for a period of 6 years. The discount rate applied to the 4 year period for closure and rehabilitation would remain as previously calculated, however, the additional 2 years we consider to be considerably more speculative and should be subject to a higher discount rate to account for the additional risk that these cash flows may not eventuate. Given the additional risk attached to the receipt of cash flows in years 5 and 6 we consider an appropriate discount rate to be 20% for these two years as opposed to 11.2% for the 4 years that would be the estimated minimum period for closure and rehabilitation.

Using the above discount rates we have determined a range of valuations as follows:

	Low Valuation Discount Rate @ 11.2%	High Valuation Discount Rate @ 11.2%/20%
1-4 years	\$1,594,000	\$1,594,000
5-6 years	N/A	\$ 370,000
Total	\$1,594,000	\$1,964,000

8.3 Valuation of PMA

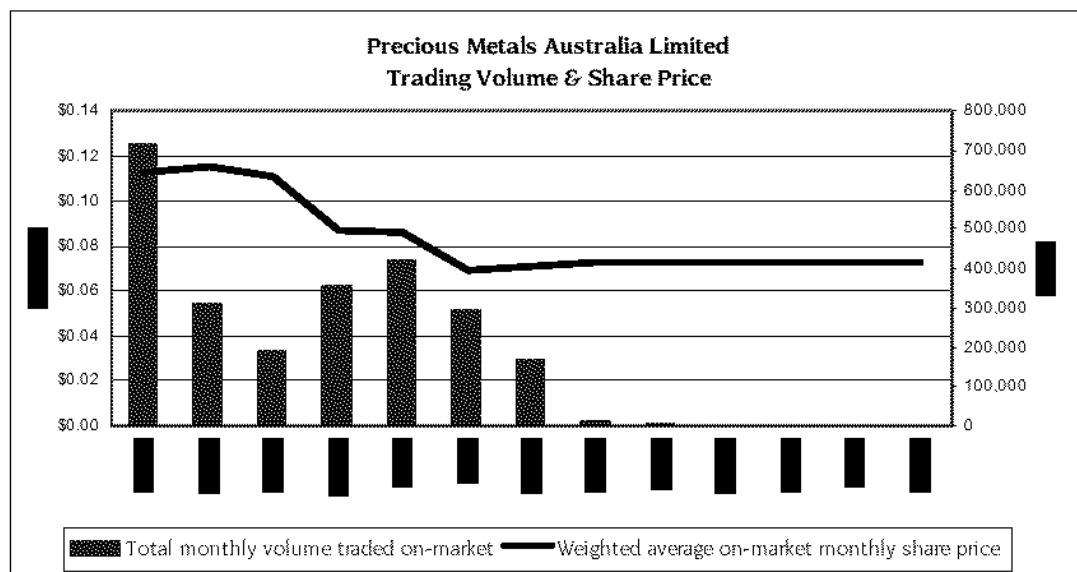
Given the above we consider the value of PMA using a combination of the DCF and Net Realisable Asset method to be as follows:

	Net Realisable Assets Low Valuation	Net Realisable Assets High Valuation
Net Realisable Assets (Section 8.1) (\$)	506,925	1,044,737
Shares on Issue	15,854,855	15,854,855
Value per ordinary share	3.2 cents	6.6 cents

8.4 Quoted Market Prices for PMA Securities

To provide a comparison to the valuation of PMA in Section 8.1, we have also assessed the market price for PMA.

The following chart provides a summary of the monthly trading prices and volumes in PMA shares from 6 February 2002 to 28 October 2002:



Source: ASX

PMA shares were suspended from trading on 28 October 2002. The daily price of PMA shares from 6 February 2002 to 28 October 2002 has ranged from a high of 15.0 cents on 7 February 2002 to a low of 5.2 cents on 29 July 2002.

The highest monthly volume of shares traded was in February 2002 with 715,326 shares being traded during the month. The highest volume trading day was on 8 February 2002 when 209,348 shares were traded.

To provide further analysis of the market prices for PMA shares, we have also considered the weighted average market price for 10, 30 and 60 periods to 28 October 2002.

PMA Price Per Share	28 October 2002 (cents)	10 Days (cents)	30 Days (cents)	60 Days (cents)
Closing Price	7.3			
Weighted Average		7.3	7.3	6.9

Source: ASX

Our assessment is that a range of values for PMA shares based on market pricing is between 6.9 cents and 7.3 cents. With 15,854,855 ordinary shares on issue at the date of our report, this would give a valuation range for the Company of between \$1,093,985 and \$1,157,404. The mid-valuation is 7.1 cents per share.

Given PMA shares have been suspended since 28 October 2002 and the announcement by Xstrata to suspend mining operations at Windimurra was announced in February 2003 the share price has not yet been affected by the market's reaction to this news. It is our opinion that had the shares not been subject to suspension the announcement by Xstrata to cease production and suspend operations would have had an adverse affect on the PMA share price. Given this fact and the low volume of trading in the shares it is our opinion that a valuation based on the market price of PMA shares would not be a reliable one and therefore we have not adopted the valuation derived using this methodology.

9 IS THE PROPOSAL FAIR?

9.1 In order to assess whether the Proposal is fair to the non-associated shareholders, we have considered the effect on the value of the Company if the Proposal is approved against the value of the Company if the Proposal is not approved. In doing this we have used the value of PMA derived in Section 8.3. We have then considered the effect of the proposed allotment of shares on that value:

9.2 Value if the Proposal is not Approved

If the Proposal is not approved by the non-associated shareholders of the Company, the value will remain as follows:

	Net Realisable Assets Low Valuation	Net Realisable Assets Mid-point Valuation	Net Realisable Assets High Valuation
	\$	\$	\$
Net Realisable Assets (\$)	506,925	779,956	1,044,737
Value per ordinary share	3.2 cents	4.9 cents	6.6 cents

9.3 Value if the Proposal is Approved

If the Proposal is approved PMA will issue 17,142,862 ordinary shares to allottees as detailed in Section 4. For this the Company will receive consideration partly in the form of \$500,000 in cash and partly through the conversion of loans amounting to \$700,000. This transaction will affect the value of the Company in the following manner:

	Low Valuation	Mid-point Valuation	High Valuation
	\$	\$	\$
Value of the company prior to allotment of shares	506,925	776,956	1,044,737
Cash from issue of ordinary shares	500,000	500,000	500,000
Conversion of loan accounts into equity	700,000	700,000	700,000
Value of company after issue of ordinary shares	1,706,925	1,976,956	2,244,737
Number of ordinary shares on issue prior to issue of ordinary shares	15,854,855	15,854,855	15,854,855
Number of ordinary shares issued	17,142,862	17,142,862	17,142,862
Number of ordinary shares on issue after issue of ordinary shares	32,997,717	32,997,717	32,997,717
Effective value of each ordinary share after the issue of ordinary shares	5.2 cents	6.0 cents	6.8 cents

9.4 Summary of Comparison

The comparison can be summarised as follows:

	Low valuation Per share	Mid-point Valuation Per Share	High Valuation Per share
Proposal is not approved	3.2 cents	4.9 cents	6.6 cents
Proposal is approved	5.2 cents	6.0 cents	6.8 cents

The valuation range of PMA is 3.2 to 6.6 cents per share with a midpoint of 4.9 cents per share if the Proposal is not approved. If the Proposal is approved, the valuation range of PMA is 5.2 to 6.8 cents per share with a midpoint of 6.0 cents per share.

We therefore conclude that the Proposal is fair to the non-associated shareholders of PMA.

10 PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following is the Pro-Forma Consolidated Statement of Financial Position of PMA if the Proposal is approved as provided by the Directors:

	Audited As At 30 June 2003 \$	Unaudited Proforma After Share Issue \$
CURRENT ASSETS		
Cash	73,764	573,764
Receivables	462,623	462,623
Other financial assets	150,000	150,000
TOTAL CURRENT ASSETS	686,387	1,186,387
NON-CURRENT ASSETS		
Property, plant & equipment	4,410	4,410
Windimurra royalty	2,000,000	2,000,000
TOTAL NON-CURRENT ASSETS	2,004,410	2,004,410
TOTAL ASSETS	2,690,797	3,190,797
CURRENT LIABILITIES		
Payables	1,617,443	917,443
Other Liabilities	59,554	59,554
TOTAL CURRENT LIABILITIES	1,676,997	976,997
NON-CURRENT LIABILITIES		
Payables	92,715	92,715
TOTAL NON-CURRENT LIABILITIES	92,715	92,715
TOTAL LIABILITIES	1,769,712	1,069,712
NET ASSETS	921,085	2,121,085
SHAREHOLDERS' EQUITY		
Contributed equity	48,369,635	49,569,635
Option premium reserve	3,965,772	3,965,772
Accumulated losses	(51,414,322)	(51,414,322)
TOTAL SHAREHOLDERS' EQUITY	921,085	2,121,085

Notes: The pro-forma Consolidated Statement of Financial Position of PMA incorporates the following effects of the Proposal:-

- Issue of 7,142,857 ordinary fully paid shares in the capital of the Company to The Earl of Warwick or his nominee at 7 cents per share in consideration of the payment of an amount of \$500,000.
- Issue of 8,571,429 ordinary fully paid shares in the capital of the Company to Roderick James Hollas Smith or his nominee at 7 cents per share in satisfaction of debts of \$600,000 owing by the Company Smith and to a company associated with Smith, Pacific Quest Investments Pty Ltd.
- Issue of 1,428,571 ordinary fully paid shares in the capital of the Company to Andrew Gregor McKee or his nominee at 7 cents per share in full payment of debts owed by the Company to a company associated with McKee, Adapt Pty Ltd

11 OTHER CONSIDERATIONS

11.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the non-associated shareholders of PMA a premium over the value ascribed to that resulting from the Proposal.

11.2 Premium For Control

ASIC Policy Statement 74 requires that the expert give an opinion as to whether the proposed issue of shares will result in the Company receiving any premium for control. We have estimated the amount of any premium for control as the amount by which the value of the PMA shares if the Proposal is approved exceeds the value of PMA shares if the Proposal is not approved.

In Section 9, we have estimated the value of a PMA share to be between 5.2 cents and 6.8 cents if the Proposal is approved and between 3.2 cents and 6.6 cents if the Proposal is not approved. On this basis we have concluded that Roderick Smith and The Earl of Warwick would be paying a premium in the range of 0.2 cents and 2.0 cents per share for control.

12 IS THE PROPOSAL REASONABLE?

We have considered the position of Shareholders if the Proposal is approved and have taken into account the following advantages and disadvantages in this assessment. Such assessment addresses whether or not the Proposal is "reasonable" for Shareholders.

We have assessed that in all cases the advantages and disadvantages of rejecting the Proposal are the inverse of accepting the Proposal. Thus for simplicity and ease of evaluation of the Proposal, we have set out the significant factors only in the context of accepting the Proposal.

12.1 Advantages of Accepting the Proposal

12.1.1 The Proposal is fair

As shown in Section 9 we have assessed the Proposal to be fair to Shareholders. ASIC Policy Statement 75 states that "an offer is reasonable if it is fair".

12.1.2 Ability to repay debt commitments and continue as a going concern

The Company's Annual Report for the year ended 30 June 2003 included a note explaining that there is significant uncertainty that PMA would be able to continue as a going concern.

As at 30 June 2003, PMA has current liabilities and debt commitments totalling \$1,676,997. If the Proposal is not approved by Shareholders, PMA will not be in a position to meet these commitments as and when they fall due without either raising additional equity or by raising further debt. Given the Company's current trading position we consider that both these alternatives would prove very difficult to achieve and a failure to meet these creditor and debt commitments will seriously jeopardise the Company's ability to continue as a going concern.

12.1.3 Availability of Working Capital

At 31 December 2002, the Company had cash funds of approximately \$110,433. This has deteriorated to \$73,764 as at 30 June 2003.

If the Proposal is approved and following the repayments of the respective debts as outlined in Section 4, cash will increase to \$573,764 and the Company's current liabilities will decrease to approximately \$1 million which should enable PMA to continue as a going concern.

12.1.4 Increased Liquidity of Shares

If the Proposal is approved PMA will be provided with \$500,000 in working capital and the issue of shares will be used to repay debts owed by the Company to Roderick Smith, Pacific Quest Investments Pty Ltd and Adapt Pty Ltd. This should help to reduce the concerns in the market about the Company's ability to continue as a going concern. The number of shares on issue will also increase if the Proposal is approved. All of these factors indicate that the liquidity of the Company's shares may increase.

12.2 Disadvantages of Accepting the Proposal

12.2.1 Dilution of Existing Shareholders' Interests

Should the value of the company increase in the future, for example if the price of Vanadium Pentoxide improves to the point where Xstrata recommence mining operations, non-associated shareholders will not benefit to the extent that they might if the proposal is approved and their current shareholdings are diluted.

12.2.2 Increased Level of Control for Roderick Smith and The Earl of Warwick

If the Proposal is approved, a total of 15,714,286 shares will be issued to Roderick Smith and The Earl of Warwick. As a consequence the interest of Roderick Smith in the issued shares of the Company will increase from the present 14.64% to 33.01% and the interest of The Earl of Warwick in the issued shares of the Company will increase from the present 12.49% to 27.65%.

As a consequence of increasing their collective interests above 50%, Roderick Smith and The Earl of Warwick will have effective control over the Company if their respective interests were combined.

13 CONCLUSION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is **fair and reasonable** to the non-associated shareholders.

14 SOURCES OF INFORMATION

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Annual Report of PMA for 2002 & 2003;
- Reviewed financial statements of PMA for the half-year ended 31 December 2002;
- Windimurra Vanadium Project Feasibility Study;
- Recent ASX announcements;
- Publicly available information on PMA, Vanadium and the Vanadium market; and
- Discussions with Directors and Management of PMA.

15 DISCLOSURE OF INTERESTS

BDO Consultants (WA) Pty Ltd is entitled to receive a fee for the preparation of this report. Except for this fee, BDO Consultants (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

In addition, BDO Consultants (WA) Pty Ltd has been indemnified by PMA in respect of any claim arising from BDO Consultants (WA) Pty Ltd's reliance on information provided by PMA, including the non provision of material information, in relation to the preparation of this report.

Neither the two signatories to this report nor BDO Consultants (WA) Pty Ltd, have had within the past two years any professional relationship with PMA, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to PMA and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

16 QUALIFICATIONS

BDO Consultants (WA) Pty Ltd is wholly owned by BDO, a member of BDO International, which has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Consultants (WA) Pty Ltd holds an Investment Advisors Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Matt Giles of BDO Consultants (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and the resources industry within Australia.

17 DISCLAIMERS AND CONSENTS

This report has been prepared at the request of PMA for inclusion in the Explanatory Memorandum which will be sent to all PMA Shareholders.

BDO Consultants (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Consultants (WA) Pty Ltd.

BDO Consultants (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Consultants (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of PMA. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Consultants (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CONSULTANTS (WA) PTY LTD



Sherif Andrawes
Director



Matthew Giles
Director

PRECIOUS METALS AUSTRALIA LIMITED

A.C.N. 009 131 533

PROXY FORM

(Please refer to the following Notes which form part of this Proxy Form)

I/We
of
.....

being a member of Precious Metals Australia Limited appoint:

Name of Proxy:

Address of Proxy:
.....

or failing him or her, the Chairman of the Meeting as my Proxy to vote on my behalf at a General Meeting of the Company, to be held on Monday 15 December 2003 at 11.30 am in the Board Room, 44 Ord Street, West Perth WA 6005 or at any adjournment of that meeting.

If 2 Proxies are being appointed, the proportion of voting rights that this proxy is authorised to exercise is%. (The Company will supply an additional form upon request).

PROXY INSTRUCTIONS

If you wish to instruct your Proxy how to vote, insert "X" in the appropriate box against the item of business set out below. Otherwise your Proxy may vote as he/she thinks fit, or abstain from voting.

If you do not wish to direct your proxy as to how to vote, please place an "x" in this box. ☐

By marking this box, you acknowledged that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and, votes cast by him other than as proxy holder, will be disregarded because of that interest. If you appoint the Chairman as your proxy and do not instruct him how to vote or to abstain, the Chairman will vote in favour of all of the resolutions.

ORDINARY BUSINESS		For	Against	Abstain
1.	Election of Director (Pilmer)	☐	☐	☐
2.	Re-election of Director (Wall)	☐	☐	☐
3.	Debt Conversion -Smith	☐	☐	☐
4.	Debt Conversion -McKee	☐	☐	☐
5.	Share Issue - Warwick	☐	☐	☐
6.	Placement Facility	☐	☐	☐

Dated:

* If the member is a Company:

EXECUTED for and on behalf of)

.....)

ACN by authority of)

the Sole Director/Directors in accordance)

with the requirements of s.127 of the)

Corporations Act:)

.....
Director

.....
(Sole) Director/Secretary

* If the member is an individual or joint shareholder:

.....
Signature

.....
Signature

NOTES FORMING PART OF THE PROXY FORM

How to Vote

1. A member who is entitled to attend and vote at a meeting is entitled to appoint not more than two proxies.
2. Where more than 1 proxy is appointed, each proxy must be appointed to represent a specified portion of the member's voting rights.
3. A proxy need not be a member of the Company.
4. A proxy form must be signed by the member or his or her Attorney. Proxies given by corporations may be executed under seal, signed on behalf of the corporation in accordance with the Corporations Act or under the hand of a duly authorised Officer or Attorney.
5. To be valid, the form appointing the proxy and the Power of Attorney or other authority (if any) under which it is signed (or an attested copy) must be lodged with:

PRECIOUS METALS AUSTRALIA LIMITED

C/- A C Pilmer & Co
Level 2, 44 Ord Street
West Perth WA 6005

no later than 48 hours before the time for holding the meeting.

6. An electronically transmitted facsimile of any instrument appointing a proxy received by the Company and apparently signed by the appointor or his/her or its attorney shall be sufficient instrument or proxy. The facsimile number to which a proxy form may be sent is:

Fax: (08) 9322 1744

7. A proxy received by email will be valid only if the original signed proxy form is presented for verification at the meeting. The email address to which a proxy may be emailed is:

acpilmer@inet.net.au

8. Unless a member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.

ENQUIRIES

If you have any questions concerning the resolutions and the action you should take, please contact the Company Secretary, Angus Pilmer, on (08) 9322 1788.

PRECIOUS METALS AUSTRALIA LIMITED

A.C.N. 009 131 533

ADDENDUM TO NOTICE OF GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND SUPPLEMENTS THE ATTACHED NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

TO COMPLY WITH THE REQUIREMENTS OF AUSTRALIAN STOCK EXCHANGE LIMITED THE FOLLOWING CHANGES ARE MADE TO THE ATTACHED NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT relating to the General Meeting of all shareholders of Precious Metals Australia Limited (A.C.N. 009 131 533 to be held at the Boardroom, Level 2, 44 Ord Street, West Perth, Western Australia on Monday 15 December, 2003 at 11.30AM.

The wording of Resolution 6 in the Notice of General Meeting is amended as follows:

“RESOLUTION 6: Placement Facility

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

“**THAT**, for the purposes of Australian Stock Exchange Limited Listing Rules 7.1 and 7.3 and all other purposes, the directors of the Company at their discretion, be authorised to allot and issue, by way of placement, up to 20,000,000 ordinary fully paid shares in the capital of the Company at a price equal to the higher of 7 cents or at least 80% of the market price of the shares at the date the placement is arranged.”

The paragraph numbered 4 on the first page of the Explanatory Statement is amended to read as follows:

“Authorisation of the directors of the Company to issue by way of placement (“**a placement facility**”) up to 20,000,000 ordinary fully paid shares in the capital of the Company (“**Shares**”) at a price equal to the higher of 7 cents or at least 80% of the average market price for the Shares. This proposal will not be submitted to shareholders unless the Smith Resolution, the McKee Resolution and the Warwick Resolution are not passed. The purpose of this resolution is to provide the Directors with a method whereby they will be able to raise sufficient funds to satisfy the Company's existing debts (including those owed to Smith and McKee) if the previous resolutions are not passed.”

The second paragraph under the heading "Placement Facility" on the second page of the Explanatory Statement is amended to read as follows:

“The maximum number of securities that would be issued would be 20,000,000 Shares. These Shares would be issued no later than three months after the date of this proposed general meeting. The issue price of the Shares would be the higher of 7 cents or at least 80% of the average market price for Shares. If the suspension of quotation of the Company's Shares has not been lifted by that time, the Company would not be able to make the placement. The Shares would be allotted to members of Australian Stock Exchange Limited and their clients. The Shares would not be allotted to any directors or former directors of the Company or any of their associates. No more than 2,000,000 Shares would be allotted to any one entity or its associates. The Shares would rank pari passu with all existing issued Shares. The allotments would take place progressively during the three-month period.”

By order of the Board

Angus C Pilmer

Company Secretary

Dated: 14 November 2003.