PRECIOUS METALS AUSTRALIA LIMITED
QUARTERLY REPORT
DECEMBER 2003

23 January 2004

Companies Officer
Australian Stock Exchange
2 The Esplanade
PERTH WA 6000

Dear Sir

The Directors of Precious Metals Australia Limited have pleasure in submitting the Quarterly Report for the period ended 31 December 2003.

- **MINING MATTERS**

WINDIMURRA

The Company continues to benefit from the Windimurra Royalty Agreement and, despite the Windimurra Vanadium Project continuing on Care and Maintenance, the Company is still entitled to a minimum royalty of $500,000 per annum, which is payable in quarterly instalments of $125,000. The latest royalty was received on 8 January 2004.

It should be noted that during the December 2003 quarter:

i) Xstrata plc, the owner of the Windimurra Vanadium Project, announced that it intends to suspend production at its Vantech Vanadium plant from 1 January 2004. This is the smaller of Xstrata plc's two vanadium plants in South Africa; and

ii) the price of vanadium pentoxide strengthened from US$2.15 per lb to US$2.75 per lb and is currently quoted at US$3.50 per lb, its highest level since November 1998.

PALM SPRINGS

As recently announced, the Company has reached an agreement in principal with Chameleon Mining NL to sell its interest in the Palm Springs Gold Mine, as held by its wholly owned subsidiary Kimberley Gold Pty Ltd, for a consideration of $220,000 payable:

i) by way of a deposit of $20,000;

ii) by three equal instalments of $25,000 each; and

iii) by issue of fully paid shares in Chameleon Mining NL to a value of $125,000 based on the average price for the last five days of the quoted ASX price as at the date of issue.

The deposit has been paid and is non-refundable and the balance of the purchase price is to be paid after a formal agreement has been entered into and consequent on the completion of due diligence process by Chameleon Mining NL and on the transfer of the Company's interest in the mining tenements in good standing.

In addition, Chameleon Mining NL has agreed to complete all the Department of Resource and Industry rehabilitation requirements, including the responsibility for any bond requirements.

OTHER MINING AND EXPLORATION ACTIVITIES

The Company has continued to review its extensive exploration data in respect of the former Gold Mining operation at Palm Springs and considers it in the better interests of shareholders to dispose of its residual interests in these tenements in order to raise extra working capital and to assign the outstanding rehabilitation obligation to the purchasers. In order to continue business as a junior explorer the Company has:

i) considered various farm in proposals for both Nickel and Gold prospects in Western Australia; and

ii) engaged an independent consulting Geologist to review the existing operations of a small but high grade gold mine currently with underground workings but with open cut potential.

It should be noted that the Company has made no announcements on these matters as no enforceable and/or contractual arrangements have been concluded.

The Company is actively pursuing new business opportunities.

- **CORPORATE MATTERS**

Pursuant to resolutions approved by shareholders in general meeting on 15 December 2003 and to the date of this report, the Company:

(a) issued shares in order to settle outstanding loan accounts:

10,000,000 fully paid ordinary shares of 7 cents each were issued in satisfaction of $700,000 owing, and

(b) issued shares for working capital:

7,142,858 ordinary fully paid shares of 7 cents each to raise $500,000 cash.

Signed on behalf of the Board of Precious Metals Australia Limited.

Angus C Pilmer
DIRECTOR

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

PRECIOUS METALS AUSTRALIA LIMITED

ABN	Quarter ended ("current quarter")
65 009 131 533	DECEMBER 2003

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	-	250
1.2	Payments for (a) exploration and evaluation	(28)	(28)
	(b) development		
	(c) production		
	(d) administration	(66)	(317)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	45	48
1.5	Interest and other costs of finance paid	(24)	(24)
1.6	Taxes paid	(10)	(10)
1.7	Other		
	Net Operating Cash Flows	(83)	(81)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects		
	(b)equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects	5	5
	(b)equity investments	62	62
	(c)other fixed assets		5
1.10	Loans to other entities	(150)	(150)
1.11	Loans repaid by other entities		
1.12	Other: Proceeds account cash at bank	370	370
	Net investing cash flows	287	292
1.13	Total operating and investing cash flows (carried forward)	204	211

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	204	211
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	900	900
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(700)	(700)
1.18	Dividends paid		
1.19	Other		
	Net financing cash flows	200	200
	Net increase (decrease) in cash held	404	411
1.20	Cash at beginning of quarter/year to date	81	74
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	485	485

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	27
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Administration and secretarial services	14
Directors' Fees	13

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	55
4.2	Development	
	Total	55

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	490	490
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	490	490

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2	Interests in mining tenements acquired or increased	N/A			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	28,711,998	NIL		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	12,857,143	NIL	7.0	7.0
7.5	**+Convertible debt securities** *(description)*	NIL			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	12,896,334	12,896,334	*Exercise price* $2.00	*Expiry date* 1 December 2005
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 23 January 2004
(Director/Company secretary)

Print name: A C PILMER

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