



**PRECIOUS METALS  
AUSTRALIA LIMITED**

ABN 65 009 131 533

28 September 2006

Companies Announcement Officer  
Australian Stock Exchange Limited  
Exchange Plaza  
Sherwood Court  
PERTH WA 6000

Dear Sir

**Annual Financial Statements for Year Ended 30 June 2006**

In accordance with the Listing Rules please find attached the audited Annual Financial Statements of Precious Metals Australia Limited and its controlled entities for the year ended 30 June 2006.

Yours Faithfully

**PRECIOUS METALS AUSTRALIA LIMITED**

A handwritten signature in black ink, appearing to read 'Mike Drew', with a large loop at the start and a long horizontal stroke extending to the right.

**MIKE DREW**  
Company Secretary

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**PRECIOUS METALS  
AUSTRALIA LIMITED**

ABN 65 009 131 533

**PRECIOUS METALS AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**ANNUAL REPORT**

**For the year ended 30 June 2006**

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# Precious Metals Australia Limited and its controlled entities

## Directors' report

For the year ended 30 June 2006

The directors present their report together with the financial report of Precious Metals Australia Limited ('the Company') and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2006 and the auditor's report thereon.

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# Precious Metals Australia Limited and its controlled entities

## Directors' report (continued)

For the year ended 30 June 2006

### 1. Directors

The directors of the Company at any time during or since the end of the financial year are:

| <b>Name</b>                                                                                            | <b>Experience, special responsibilities and other directorships</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Anthony J Grey<br>B.A. Hist (Hons),<br>Juris Doctor<br>Chairman<br>Independent Non-Executive Director  | Appointed as an independent non-executive director and Chairman on 1 December 2005. Mr Grey graduated with a BA in History (Hons) and then a Juris Doctor from the University of Toronto. Thereafter, he practised law with a major law firm, McCarthy Tétrault in Toronto for seven years. He emigrated to Australia in 1972 and founded and built Pancontinental Mining Limited into a publicly listed major diversified mining house with interest in gold, base metals, coal, industrial minerals and uranium, before exiting in 1992. Mr Grey has also held roles as Chairman of Kingsgate Consolidated, a producing gold company listed on the ASX, and Polartech Ltd, an ASX listed biomedical company. Mr Grey has written two books and numerous articles about the mining industry. |
| Earl of Warwick<br>Non-Executive Director                                                              | Appointed as a director on 14 January 1999. The Earl of Warwick has wide management and property experience in Australia and overseas. Formerly with Selection Trust, a company established by his family. After four years as Chairman the Earl handed over the position to Mr Grey on 1 December 2005. The Earl has not held any other public company directorships over the past three years.                                                                                                                                                                                                                                                                                                                                                                                              |
| Michael J Fry<br>B.Comm, FSIA<br>Independent Non-Executive Director                                    | Appointed as a director on 3 March 2004. Mr Fry has extensive experience in capital markets and corporate treasury management. Mr Fry holds a bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Financial Services Institute of Australasia and a past member of the Australian Stock Exchange. Mr Fry is currently a director of Liberty Gold NL (appointed July 2005), Livingstone Petroleum Limited (appointed December 2004) and Red Fork Energy Limited (appointed April 2004). Mr Fry also held positions with Kanowna Lights Limited (resigned December 2003) and Preston Resources Limited (resigned May 2005).                                                                                                                                |
| Ian Macpherson<br>B.Comm, CA<br>Independent Non-Executive Director                                     | Appointed as a director on 3 March 2004 and resigned on 3 February 2006. Mr Macpherson has specialised in the area of corporate advice with particular emphasis on capital structuring, equity and debt raising, corporate affairs and Stock Exchange compliance procedures for public companies, both mining and industrial groups. Mr Macpherson is a director of Navigator Resources Limited since 2003 and Visiomed Group Limited since 1995.                                                                                                                                                                                                                                                                                                                                             |
| Roderick Smith<br>B.Comm, CA, FSIA<br>Managing Director<br>Executive Director                          | Appointed as Managing Director on 3 March 2004. Mr Smith graduated from the University of Western Australia with a Bachelor of Commerce in 1977. He is a Chartered Accountant and a member of the Securities Institute of Australia. He holds a Diploma in Mining Investment Analysis and has studied geology. Mr Smith has been involved at board level with several listed public companies, and has been instrumental in the development of four mines in Western Australia. Mr Smith holds no other directorships.                                                                                                                                                                                                                                                                        |
| Shaun Bunn<br>MSc (Ext Met), Grad<br>Dip *Met), MBA<br>Director of<br>Operations<br>Executive Director | Appointed as Director of Operations on 3 February 2006. Mr Bunn has extensive experience in gold and base metal exploration, mining, processing and project development. Familiar with dealing with both State and local government bodies, having represented the community as a shire councillor. Substantial international business exposure, having co-founded a mining company on the London Alternative Investment Market (AIM), and established a new mining venture in North Africa. Mr Bunn also brings recent experience in capital raisings, investor relations and marketing. Mr Bunn was a director of GMA Resources plc from 2003 to 2006, a company listed on AIM. Mr Bunn resigned from GMA on 1 February 2006.                                                               |
| Michael Kiernan<br>B.Bus<br>Non-Executive Director                                                     | Appointed as a director on 7 August 2006. Mr Kiernan has over 30 years experience in the transport, processing and mining contracting industries. His experience includes manganese, chromite, gold, iron ore, nickel, barytes and tin projects. Mr Kiernan has held executive positions with Australia's major transport and mining contractors. Mr Kiernan is currently a director of Monarch Resources Limited (since 2002), Croesus Mining NL (since 2005), Mineral Resources Limited (since 2006), Australian Zircon NL (since 2006) and Western Media Holdings Limited (since 2006). Mr Kiernan was also a director of Consolidated Minerals Limited from 1998 to 2006, retiring as Managing Director in July 2006.                                                                     |

## Precious Metals Australia Limited and its controlled entities

### Directors' report (continued)

For the year ended 30 June 2006

#### 2. Company secretary

Mr Michael Drew, B.Bus was appointed to the position of company secretary on 3 February 2006. Mr Drew is an experienced finance executive and commercial manager who was heavily involved in the development and operation of Windimurra in 1996 to 2000. Mr Drew was previously the company secretary of the company from 1996 to 1998. Mr Drew was appointed as Chief Financial Officer of the Company on 29 August 2005.

#### 3. Officers who were previously partners of the audit firm

No officer of the Company has held a position of partner of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Company.

#### 4. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| Director        | Board Meetings |   | Audit Committee Meetings |   | Remuneration Committee Meetings |   |
|-----------------|----------------|---|--------------------------|---|---------------------------------|---|
|                 | A              | B | A                        | B | A                               | B |
| Anthony J Grey  | 4              | 4 | -                        | - | -                               | - |
| Earl of Warwick | 8              | 9 | -                        | - | -                               | - |
| Michael J Fry   | 9              | 9 | 1                        | 1 | 1                               | 1 |
| Ian Macpherson  | 6              | 6 | 1                        | 1 | 1                               | 1 |
| Roderick Smith  | 9              | 9 | -                        | - | -                               | - |
| Shaun Bunn      | 3              | 3 | -                        | - | -                               | - |
| Michael Kiernan | -              | - | -                        | - | -                               | - |

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

## Precious Metals Australia Limited and its controlled entities

### Directors' report (continued)

For the year ended 30 June 2006

#### 5. Corporate governance statement

The consolidated entity has adopted systems of control and accountability as the basis for the administration of Corporate Governance. Some of these policies and procedures are summarised below.

##### 5.1 Explanations for departures from Best Practice Recommendations

During the Reporting Period the consolidated entity has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below.

| Principle Ref | BPR Ref        | Notification of Departure                                                                                                                                                                                                                         | Explanation for Departure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2             | 2.1            | Mr A Grey and Mr MJ Fry are considered to be independent. During the financial year Mr IK Macpherson was also an independent director. Mr Macpherson resigned on 3 February 06.                                                                   | The current structure of the board is considered appropriate given the current position and activities of the consolidated entity. The consolidated entity does not have any current operating assets or mines. The company will continue to assess the structure and composure of the board as the business continues to evolve.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 2             | 2.2            | During the financial year the Earl of Warwick acted as Chairman for the period 1 July 2005 to 1 December 2005. The Earl is not considered to be an independent director. The Earl was replaced as Chairman by Mr A Grey, an independent director. | The consolidated entity did not participate in any material commercial activities during the first months of the financial year, thus, the board considered the appointment of the Earl as Chairman to be appropriate. With the strengthening of the board with the addition of Mr A Grey as an independent director, the board took this opportunity to comply with BRP 2.2 and appointed Mr Grey as the new Chairman, replacing the Earl of Warwick.                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 2             | 2.4            | There is no nomination committee.                                                                                                                                                                                                                 | The duties usually performed by a nomination committee are carried out by the full Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 4             | 4.3<br><br>4.4 | The audit committee consists of only two directors. Both of these directors are independent directors. BPR 4.3 recommends a minimum of three directors.<br><br>The audit committee has not finalised a formal charter.                            | The board has established an audit committee, which currently consists of Mr A Grey and Mr MJ Fry, the two independent directors.<br>The audit committee was established during the 2006 financial year and has met twice since being established. It has primarily been established to assist the Managing Director and key executives to verify and safeguard the integrity of the consolidated entity's financial reporting.<br>The board has not yet finalised a formal charter under which the audit committee should operate, and potentially some responsibilities typically borne by the audit committee have remained the responsibility of the full board.<br>The board and audit committee will look to finalise a formal charter to govern the roles, responsibilities, composition, structure and membership of the audit committee in the forth coming year. |

##### 5.2 Term of office of each director

| Directors Name      | Date of Appointment | Date of Resignation |
|---------------------|---------------------|---------------------|
| The Earl of Warwick | 14 January 1999     | A current director  |
| Michael Fry         | 3 March 2004        | A current director  |
| Roderick Smith      | 29 March 2004       | A current director  |
| Anthony Grey        | 1 December 2005     | A current director  |
| Shaun Bunn          | 3 February 2005     | A current director  |
| Michael Kiernan     | 7 August 2006       | A current director  |
| Ian Macpherson      | 3 March 2004        | 3 February 2006     |

## Precious Metals Australia Limited and its controlled entities Directors' report (continued)

For the year ended 30 June 2006

### 5.3 Identification of independent directors

The independent directors of the Company are Mr Anthony Grey and Mr Michael Fry. During the financial year, Mr Ian Macpherson was also a director (resigned on 3 February 2006) and was deemed an independent director during his term.

### 5.4 Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

### 5.5 Remuneration committee

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the consolidated entity. Subject to approval from the full board and where applicable the shareholders, the remuneration committee are responsible for share option schemes. It is also responsible for incentive performance packages, superannuation entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

- Mr Anthony Grey – Independent Non-Executive Director (Appointed 1 December 2005)
- Mr Michael Fry – Independent Non-Executive Director
- Mr Ian Macpherson – Independent Non-Executive Director (Resigned as a director on 3 February 2006)

The remuneration committee comprises only independent non-executive directors. The Managing Director and Chief Financial Officer are invited to remuneration committee meetings, as required, to discuss senior executives' performance and remuneration packages but do not attend meetings involving matters pertaining to them.

The remuneration committee currently meets as required. The committee met one time during the financial year and committee members' attendance record is disclosed in the table of directors' meetings on page 5.

### 5.6 Remuneration report

#### 5.6.1 Principles of compensation – audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel includes the five most highly remunerated S300A directors and executives for the Company and the consolidated entity.

Compensation levels for key management personnel and secretaries of the Company, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. Where required the remuneration committee obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment/s' performance;
- the consolidated entity's performance ; and
- the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives. In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel, and contributes to a post-employment defined benefit superannuation plan on their behalf.

There are no termination or retirement benefits for non-executive directors.

## Precious Metals Australia Limited and its controlled entities Directors' report (continued)

For the year ended 30 June 2006

### 5.6 Remuneration report (continued)

#### 5.6.1 Principles of compensation – audited (continued)

##### Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed at least annually by the remuneration committee through a process that considers individual, segment and overall performance of the consolidated entity. Where necessary, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

##### Performance-linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Executive and Employee Share Option Plan (see note 16 to financial statements).

The Executive and Employee Share Option Plan is administered at the discretion of the Board upon recommendations of the remuneration committee. Under the Plan the Board can not issue more than 5% of the total number of issued Shares at the time of each offer. No conditions for future performance or future events are placed on the options once issued, and all options can be exercised until expiry.

Other short-term incentive bonuses or cash bonuses are determined by the Remuneration Committee and approved by the Board. Bonuses are based on the individual's performance, which is based on agreed individual performance hurdles and/or performance indicators, as well as the performance or outcomes achieved by the consolidated entity. During the 2005 financial year, the Managing Director, Mr Roderick Smith was paid a cash bonus of \$100,000 for the successful completion of negotiations with Xstrata regarding the settlement of the Windimurra project. No short-term bonuses were paid during the 2006 financial year.

##### Other benefits

Key management personnel can receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include payment of school fees, club memberships, costs of spouses accompanying them on business trips, car parking and motor vehicles, and the Company pays fringe benefits tax on these benefits.

The company has not established a policy for lending of funds to key management personnel. No loans were made during the current or prior financial periods and no loans are currently outstanding.

##### Non-executive directors

Mr Michael Fry and Mr Ian Macpherson, as non-executive directors, receive a fixed director's fee of \$15,000 each per annum. Mr Macpherson resigned on 3 February 2006 and was paid only for the period he was a director. He received no retirement or termination benefits.

The Earl of Warwick's employment conditions are formalised in contracts of employment to which he is entitled to \$100,000 per year in fees. The Earl is employed under a fixed three year contract which expires on 30 April 2008. The contract can be terminated with three months notice from either party, however, if the Company terminates the contract prior to the three years expiring it is liable for the fees that would have been paid on the unexpired term of the contract.

Mr Anthony Grey, the Chairman and a non-executive director is entitled to receive \$75,000 per annum of Director Fee's, with an increase to \$100,000 a year upon successful approval and financing for the re-development of the Windimurra site.

Mr Michael Kiernan, a non-executive director was appointed on 7 August 2006 and is entitled to receive \$30,000 per annum of Director Fee's, with an increase to \$50,000 a year upon successful approval and financing for the re-development of the Windimurra site.

Precious Metals Australia Limited and its controlled entities  
Directors' report (continued)

For the year ended 30 June 2006

5.6 Remuneration report (continued)

5.6.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives, relevant group executives who receive the highest remuneration and other key management personnel are:

|                                                                                         |      | Short-term       |                      |                          |                  | Post-employment             | Other long term | Termination benefits | Share-based payments      | Total \$  | S300A (1)(e)(f) Proportion of remuneration performance related % | S300A (1)(e)(vi) Value of options as proportion of remuneration % |
|-----------------------------------------------------------------------------------------|------|------------------|----------------------|--------------------------|------------------|-----------------------------|-----------------|----------------------|---------------------------|-----------|------------------------------------------------------------------|-------------------------------------------------------------------|
|                                                                                         |      | Salary & fees \$ | STI cash bonus \$(A) | Non-monetary benefits \$ | Total Short-term | Super-annuation benefits \$ | \$              |                      | Options and rights (B) \$ |           |                                                                  |                                                                   |
| Directors                                                                               |      |                  |                      |                          |                  |                             |                 |                      |                           |           |                                                                  |                                                                   |
| Non-executive directors                                                                 |      |                  |                      |                          |                  |                             |                 |                      |                           |           |                                                                  |                                                                   |
| Mr Anthony Grey (Chairperson)<br>(appointed 1 December 2005)                            | 2006 | 43,750           | -                    | -                        | 43,750           | -                           | -               | -                    | -                         | 43,750    | -                                                                | -                                                                 |
| The Earl of Warwick, Non-Executive Director                                             | 2006 | 99,996           | -                    | -                        | 99,996           | 9,000                       | -               | -                    | -                         | 108,996   | -                                                                | -                                                                 |
|                                                                                         | 2005 | 54,996           | -                    | -                        | 54,996           | 4,950                       | -               | -                    | -                         | 59,946    | -                                                                | -                                                                 |
| Mr Michael Fry                                                                          | 2006 | 15,000           | -                    | -                        | 15,000           | 1,350                       | -               | -                    | -                         | 16,350    | -                                                                | -                                                                 |
|                                                                                         | 2005 | 15,000           | -                    | -                        | 15,000           | 1,352                       | -               | -                    | 19,500                    | 35,852    | -                                                                | 54%                                                               |
| Mr Ian Macpherson (resigned 3 February 2006)                                            | 2006 | 8,750            | -                    | -                        | 8,750            | -                           | -               | -                    | -                         | 8,750     | -                                                                | -                                                                 |
|                                                                                         | 2005 | 15,000           | -                    | -                        | 15,000           | -                           | -               | -                    | 19,500                    | 34,500    | -                                                                | 57%                                                               |
| Executive Directors                                                                     |      |                  |                      |                          |                  |                             |                 |                      |                           |           |                                                                  |                                                                   |
| Mr Roderick Smith, Managing Director                                                    | 2006 | 316,665          | -                    | 1,349                    | 318,014          | 28,500                      | -               | -                    | -                         | 346,514   | -                                                                | -                                                                 |
|                                                                                         | 2005 | 155,836          | 100,000              | -                        | 255,836          | 14,027                      | -               | -                    | -                         | 269,863   | 37%                                                              | -                                                                 |
| Mr Shaun Bunn, Director of Operations<br>(appointed 3 February 2006)                    | 2006 | 66,667           | -                    | 127                      | 66,794           | 6,000                       | -               | -                    | -                         | 72,794    | -                                                                | -                                                                 |
| Executives                                                                              |      |                  |                      |                          |                  |                             |                 |                      |                           |           |                                                                  |                                                                   |
| Mr Michael Drew, Chief Financial Officer<br>(appointed 29 August 2005)                  | 2006 | 127,105          | -                    | 152                      | 127,257          | 10,450                      | -               | -                    | 219,760                   | 357,467   | -                                                                | 61%                                                               |
| Mr Michael Tamlin, General Manager<br>Marketing (appointed 5 June 2006)                 | 2006 | 15,128           | -                    | -                        | 15,128           | 1,362                       | -               | -                    | -                         | 16,490    | -                                                                | -                                                                 |
| Former Executives                                                                       |      |                  |                      |                          |                  |                             |                 |                      |                           |           |                                                                  |                                                                   |
| Mr Brett Foster, Manager Operations<br>(appointed 15 August 2005, resigned 8 June 2006) | 2006 | 97,882           | -                    | 966                      | 98,848           | 8,809                       | -               | -                    | 208,969                   | 316,626   | -                                                                | 66%                                                               |
| Total compensation: key management personnel (company and consolidated)                 |      |                  |                      |                          |                  |                             |                 |                      |                           |           |                                                                  |                                                                   |
|                                                                                         | 2006 | 790,943          | -                    | 2,594                    | 793,538          | 65,471                      | -               | -                    | 428,729                   | 1,287,738 | -                                                                | -                                                                 |
|                                                                                         | 2005 | 240,832          | 100,000              | -                        | 340,832          | 20,329                      | -               | -                    | 39,000                    | 400,161   | -                                                                | -                                                                 |

## Precious Metals Australia Limited and its controlled entities Directors' report (continued)

For the year ended 30 June 2006

### 5.6 Remuneration report (continued)

#### Notes in relation to the table of directors' and executive officers remuneration - audited

- A. The short-term incentive bonus paid to Mr Roderick during the 2005 financial year, related to the successful completion of action against Xstrata in relation to the Windimurra site.
- B. The fair value of the options is calculated at the date of grant using the Black-Scholes option-pricing model and allocated to the reporting period in which they were granted. The options issued under the Executive and Employee share option plan are exercisable at any time from grant date until expiration of the options. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

| Grant Date  | Expiry Date | Fair value per option | Exercise price | Price of shares on grant date | Expected volatility | Risk free interest rate | Probability of early exercise of options | Dividend yield |
|-------------|-------------|-----------------------|----------------|-------------------------------|---------------------|-------------------------|------------------------------------------|----------------|
| 3 Nov 2005  | 3 Nov 2010  | 0.47                  | \$1.30         | \$1.33                        | 50.0%               | 5.25%                   | 50%                                      | -              |
| 28 Nov 2005 | 28 Nov 2010 | 0.57                  | \$1.30         | \$1.47                        | 50.0%               | 5.25%                   | 50%                                      | -              |
| 13 Mar 2006 | 10 Feb 2011 | 1.04                  | \$1.40         | \$2.30                        | 28.0% <sup>†</sup>  | 5.50%                   | 65%                                      | -              |
| 13 Mar 2006 | 28 Feb 2011 | 1.04                  | \$1.40         | \$2.30                        | 28.0% <sup>†</sup>  | 5.50%                   | 65%                                      | -              |
| 15 Jun 2006 | 10 May 2011 | 0.58                  | \$1.75         | \$1.85                        | 38.0% <sup>†</sup>  | 5.75%                   | 50%                                      | -              |
| 15 Jun 2006 | 28 May 2011 | 0.58                  | \$1.75         | \$1.85                        | 38.0% <sup>†</sup>  | 5.75%                   | 50%                                      | -              |

<sup>†</sup> Expected volatilities are based on the share price performance of the Company from 9 August 2005, being the date the agreement with Xstrata was finalised. Management believe this period of time is the most appropriate given the change in the activities of the business, which are now focussed on the re-development of the Windimurra mine.

#### 5.6.3 Equity instruments

All options refer to options over ordinary shares of Precious Metals Australia Limited, which are exercisable on a one-for-one basis under the Executive and Employee Share Option Plan.

##### 5.6.3.1 Options and rights over equity instruments granted as compensation - audited

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

|                                                                             | Number of options granted during financial year | Grant date  | Number of options vested during the financial year | Fair value per option at grant date (\$) | Exercise price per option (\$) | Expiry date |
|-----------------------------------------------------------------------------|-------------------------------------------------|-------------|----------------------------------------------------|------------------------------------------|--------------------------------|-------------|
| <b>2006</b>                                                                 |                                                 |             |                                                    |                                          |                                |             |
| <b>Directors</b>                                                            |                                                 |             |                                                    |                                          |                                |             |
| No options were granted or vested to directors during the financial period. |                                                 |             |                                                    |                                          |                                |             |
| <b>Executives</b>                                                           |                                                 |             |                                                    |                                          |                                |             |
| Mr Michael Drew                                                             | 100,000                                         | 28 Nov 2005 | 100,000                                            | 0.57                                     | \$1.30                         | 28 Nov 2010 |
|                                                                             | 100,000                                         | 13 Mar 2006 | 100,000                                            | 1.04                                     | \$1.40                         | 28 Feb 2011 |
|                                                                             | 100,000                                         | 15 Jun 2006 | 100,000                                            | 0.58                                     | \$1.75                         | 28 May 2011 |
| Mr Brett Foster                                                             | 100,000                                         | 3 Nov 2005  | 100,000                                            | 0.47                                     | \$1.30                         | 30 Nov 2006 |
|                                                                             | 100,000                                         | 13 Mar 2006 | 100,000                                            | 1.04                                     | \$1.40                         | 30 Nov 2006 |
|                                                                             | 100,000                                         | 15 Jun 2006 | 100,000                                            | 0.58                                     | \$1.75                         | 30 Nov 2006 |

#### 2005

##### Directors

|                   |         |             |         |      |        |             |
|-------------------|---------|-------------|---------|------|--------|-------------|
| Mr Michael Fry    | 500,000 | 29 Nov 2004 | 500,000 | 0.04 | \$0.15 | 29 Nov 2007 |
| Mr Ian Macpherson | 500,000 | 29 Nov 2004 | 500,000 | 0.04 | \$0.15 | 29 Nov 2007 |

##### Executives

No options were granted or vested to directors during the financial period.

Options were granted to Mr Anthony Grey and Mr Shaun Bunn on 27 September 2006. These options were available to be granted to these directors during the financial year, however, approval had not yet been obtained from shareholders. This approval was obtained at a General Meeting of Shareholders on 27 September 2006.

# Precious Metals Australia Limited and its controlled entities

## Directors' report (continued)

For the year ended 30 June 2006

### 5.6 Remuneration report (continued)

#### 5.6.3 Equity instruments (continued)

##### 5.6.3.1 Options and rights over equity instruments granted as compensation – audited (continued)

All options expire on the earlier of their expiry date or termination of the individual's employment, unless otherwise agreed by the Board. The options are exercisable at any time from the grant date to the expiry date upon receipt by the board of a written notice to exercise. The options were provided at no cost to the recipients.

##### 5.6.3.2 Modification of terms of equity-settled share-based payment transactions - audited

Mr Brett Foster ceased his employment with the Company on 8 June 2006. AS a result of leaving the service of the Company, the terms of his employment contract state that the first two tranches of options issued to him in November 2005 and February 2006, would expire on 7 June 2006 (one month after leaving service of Company) and the third tranche issued in May 2006, would expire on 7 September 2006 (three months after leaving service of Company). On 27 June 2006, the Board formerly agreed that the three tranches of options issued to Mr Foster will expire on 30 November 2006 unless exercised prior.

On 27 June 2006, being the date of the alteration to the terms and conditions the closing share price of the Company was \$1.65 per ordinary share. The fair value of the three tranches of options valued immediately before the alteration has been calculated as \$76,580. Immediately after the alteration the fair value of these options has been calculated as \$73,680, providing a total difference between the total of the fair value of the option affected by the alteration immediately before the alteration and immediately after the alteration of \$2,889.

No other terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

##### 5.6.3.3 Exercise of options granted as compensation - audited

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

|                                                         | Number of shares | Amount paid \$/share |
|---------------------------------------------------------|------------------|----------------------|
| <b>Directors</b>                                        |                  |                      |
| Mr Ian Macpherson                                       | 500,000          | \$0.15 per share     |
| <b>Executives</b>                                       |                  |                      |
| No options were exercised by executives of the Company. |                  |                      |

There are no amounts unpaid on the shares issued as a result of the exercise of the options in 2005 or 2006.

There were no options exercised by either executives or directors of the Company during the 2005 financial year.

##### 5.6.3.4 Analysis of options and rights over equity instruments granted as compensation – unaudited

Details of vesting profile of the options granted as remuneration to each director of the Company and each of the five named Company executives and relevant group executives is detailed below.

|                   | Options granted |             | % vested in year | Forfeited in year (A) | Financial years in which grant vests | Value yet to vest \$ |     |
|-------------------|-----------------|-------------|------------------|-----------------------|--------------------------------------|----------------------|-----|
|                   | Number          | Date        |                  |                       |                                      | Min                  | Max |
| <b>Directors</b>  |                 |             |                  |                       |                                      |                      |     |
| Mr Ian Macpherson | 500,000         | 1 Dec 2004  | -%               | -%                    | 2005                                 | -                    | -   |
| Mr Michael Fry    | 500,000         | 1 Dec 2004  | -%               | -%                    | 2005                                 | -                    | -   |
| <b>Executives</b> |                 |             |                  |                       |                                      |                      |     |
| Mr Michael Drew   | 100,000         | 28 Nov 2005 | 100%             | -%                    | 2006                                 | -                    | -   |
|                   | 100,000         | 13 Mar 2006 | 100%             | -%                    | 2006                                 | -                    | -   |
|                   | 100,000         | 15 Jun 2006 | 100%             | -%                    | 2006                                 | -                    | -   |
| Mr Brett Foster   | 100,000         | 3 Nov 2005  | 100%             | -%                    | 2006                                 | -                    | -   |
|                   | 100,000         | 13 Mar 2006 | 100%             | -%                    | 2006                                 | -                    | -   |
|                   | 100,000         | 15 Jun 2006 | 100%             | -%                    | 2006                                 | -                    | -   |

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

## Precious Metals Australia Limited and its controlled entities Directors' report (continued)

For the year ended 30 June 2006

### 5.6 Remuneration report (continued)

#### 5.6.3 Equity instruments (continued)

##### 5.6.3.5 Analysis of movements in options - unaudited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the five named Company executives and relevant group executives is detailed below.

|                   | Value of Options          |                             |                         | Total option value in year<br>\$ |
|-------------------|---------------------------|-----------------------------|-------------------------|----------------------------------|
|                   | Granted in year<br>\$ (A) | Exercised in year<br>\$ (B) | Forfeited in year<br>\$ |                                  |
| Mr Ian Macpherson | -                         | 610,000                     | -                       | 610,000                          |
| Mr Michael Fry    | -                         | -                           | -                       | -                                |
| Mr Michael Drew   | 219,761                   | -                           | -                       | 219,761                          |
| Mr Brett Foster   | 208,968                   | -                           | -                       | 208,969                          |
|                   | 428,729                   | 610,000                     | -                       | 1,038,729                        |

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes option-pricing model. The total value of the options granted is included in the table above. The options are exercisable from the date they are granted, thus the value of the options is recorded as remuneration in the year they are granted (i.e. during the 2006 financial year).

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

### 5.7 Environmental regulation

The consolidated entity's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its exploration and mining activities.

The consolidated entity is committed to achieving a high standard of environmental performance. It has employed an Environmental Superintendent to focus on this area to ensure appropriate monitoring of environmental exposures and compliance with environmental regulations.

Based on the results of enquiries made, the board is not aware of any significant breaches during the period covered by this report.

### 5.8 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the Ethical Standards manual regularly and processes are in place to promote and communicate these policies.

### Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

# Precious Metals Australia Limited and its controlled entities

## Directors' report (continued)

For the year ended 30 June 2006

### 5.9 Communication with shareholders

The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure Policy operates as follows:

- the managing director, director of operations and the chief financial officer (also the company secretary) are responsible for interpreting the company's policy and where necessary informing the board. The company secretary is responsible for all communications with the ASX.
- The full annual financial report is distributed to all shareholders and made available on the company's website.
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it. The half-year report is also posted on the company's website.
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX.
- the external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

The board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

### 6. Principal activities

The principal commercial activity of the consolidated entity during the year was the exploration and commercial development of the Windimurra Vanadium mine site.

There were no other significant changes in the nature of the activities of the consolidated entity during the year.

### 7. Operating and financial review

#### Overview of the consolidated entity

The net loss after the provision for income tax for the consolidated entity for the financial year ended 30 June 2006 amounted to \$962,092 (2005: Profit of \$6,819,033).

#### Review of operations

During the first half of the financial year the Company completed all the conditions precedent to the Asset Purchase Agreement made with Xstrata in April 2005. Completion was reached on 9 August 2005 and as a result Xstrata paid the Company a further amount of \$14.3 million. The Company has taken over all environmental obligations Xstrata had or may have had in respect to the Windimurra Site. In addition the Company paid \$4 million to Xstrata to acquire all the Windimurra project tenements, information, intellectual property, patents and plant and equipment remaining on the site.

The Windimurra mine is located 600km north-east of Perth in Western Australia, and 80km from the town of Mt Magnet. The Midwest Natural Gas Pipeline, for which Windimurra was the foundation customer, supplies natural gas to the region, with a spur pipeline direct into the mine. Natural gas is required at Windimurra for power generation and to fuel the rotary kiln.

The previous owner of the mine removed much of the plant and equipment from Windimurra, however some key items such as the rotary kiln remain on site as are all of the plant services, bore fields, and roads. In addition the consolidated entity has purchased a number of key items of plant and equipment that were originally installed at the mine, these include magnetic separators, belt filters, jaw crusher and critical spares. These assets, constructed six years ago cost approximately \$60 million at the time. A current estimate places their replacement cost at \$90 million.

In July 2006, Hatch Associates (Hatch) delivered a Bankable Feasibility Study (Feasibility Study) on the reopening of the Windimurra Vanadium mine. The Feasibility Study concluded that the project is robust and can be economically developed.

## Precious Metals Australia Limited and its controlled entities Directors' report (continued)

For the year ended 30 June 2006

### 7. Operating and financial review (continued)

#### Review of operations (continued)

The Feasibility Study focused on areas of the vanadium process which required modification based on the lessons learnt from operating the previous mine from 2000 to 2003. This has identified several key areas of process efficiencies which will positively impact the return of the project. The Feasibility Study, confirmatory pilot scale test work and related studies by consultants involved more than 20,000 hours and was completed at a cost of approximately \$5 million.

The Company has carried out more than 11,280m of RC drilling and 11,166m of diamond drilling over the past 15 years in exploring the deposit. This work confirmed the largest proven reserve of vanadium reported anywhere in the world. A recent exploration program comprising 20 holes for 1,134 metres was carried out early in 2006, this program extended the drilled extent of the ore body by a further 1,500m. Further, more extensive drilling is planned for late 2006.

The consolidated entity has determined that it will undertake its own mining operation and the feasibility study was prepared on this basis. The unchallenging mining operation and the company's experience at Windimurra makes this a low risk approach that will deliver both operational and cost benefits when compared to contractor mining. To this extent, acquisition of some second hand equipment has begun to ensure that current demand on mining equipment does not unduly affect the project.

The Project has environmental approval under existing Ministerial Conditions. The authorities have advised that it is reviewing the renewal internally, without the need for the very lengthy formal environmental review required for new projects. The Company has submitted an application under section IV of the EPA Act for approval of non-substantial changes (to the environmental impact) and the accompanying Environmental Management Plan (EMP). The EMP has undergone a complete review in order to incorporate up-to-date environmental standards, legislation and practice. A number of significant environmental improvements to the Windimurra process have also been identified.

The Company's targets for re-development of the mine are the securing of regulatory approvals and finance by the end of 2006, with some refurbishment work also starting in late 2006. With an anticipated twelve month construction period, Windimurra will complete construction at the end of 2007.

### 8. Dividends

No dividends have been paid or declared by the Company to members during the 2006 or 2005 financial years.

### 9. Events subsequent to reporting date

On July 31, 2006 the consolidated entity announced the conclusion of a comprehensive Vanadium Sales and Marketing Agreement and an Equity Investment Agreement with Noble Resources Limited (Noble) and its parent, Noble Group Limited.

Noble has agreed to purchase the total vanadium output of the Windimurra mine at prevailing market prices. Noble has also agreed to pay a minimum price for vanadium equal to the cash cost of producing vanadium at Windimurra based on the forecast production schedule for the first seven years of production.

In consideration for Noble entering into the Vanadium Sales and Marketing agreement, the consolidated entity agreed (subject to shareholders approval) to pay a once off fee A\$10 million by the issue of 3,728,549 fully paid ordinary shares in the Company equal to 4.99% of the shares outstanding.

Under the Equity Investment Agreement, Noble has agreed to provide the Company an unlisted, unsecured convertible note with a face value of A\$8,202,207. This note will have a 3 year term, can be repaid early by the Company, can be converted into 3,728,548 fully paid ordinary shares in the Company, and incurs interest at LIBOR plus 2% and is subject to other standard terms.

The Company's ability to call for payment of the face value of the note is subject to completion of due diligence by Noble, and approval of the Company's shareholders by 27 September 2006. This Approval was obtained by the Company's shareholders at a General Meeting of Shareholders held on 27 September 2006. Noble has advised the Company that they have completed their due diligence, thus providing the Company with the ability to make a call for the payment of the face value of the note when required.

## Precious Metals Australia Limited and its controlled entities

### Directors' report (continued)

For the year ended 30 June 2006

#### 9. Events subsequent to reporting date (continued)

Additionally, Noble was granted a 60 day option to subscribe for 9.999% of the issued share capital of Windimurra Vanadium Pty Ltd for A\$13.5 million, subject to Noble and PMA entering into a shareholders agreement. Noble advised the Company on 27 September 2006 that it has exercised the option and agreed the terms of the shareholders agreement.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

#### 10. Likely developments

The consolidated entity intends to finalise regulatory approvals and project finance late in the 2006 calendar year. It is currently proposed that construction will commence around December 2006 and be completed at the end of 2007.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

#### 11. Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

|                     | Precious Metals Australia Limited |                              |
|---------------------|-----------------------------------|------------------------------|
|                     | Ordinary shares                   | Options over ordinary shares |
| Mr Roderick Smith   | 11,841,709                        | -                            |
| The Earl of Warwick | 6,305,331                         | -                            |
| Mr Michael Fry      | 2,200,000                         | 500,000                      |
| Mr Michael Kiernan  | 250,000                           | 250,000                      |
| Mr Anthony Grey     | -                                 | 325,000                      |
| Mr Shaun Bunn       | -                                 | 250,000                      |

#### 12. Share options

##### Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration:

| Directors          | Number of options granted | Exercise price | Expiry date |
|--------------------|---------------------------|----------------|-------------|
| Mr Anthony Grey    | 325,000                   | \$1.50         | 26 Sep 2011 |
| Mr Shaun Bunn      | 125,000                   | \$1.50         | 26 Sep 2011 |
|                    | 125,000                   | \$1.70         | 26 Sep 2011 |
| Mr Michael Kiernan | 250,000                   | \$2.20         | 26 Sep 2011 |
| <b>Officers</b>    |                           |                |             |
| Mr Michael Drew    | 100,000                   | \$1.30         | 28 Nov 2010 |
|                    | 100,000                   | \$1.40         | 28 Feb 2011 |
|                    | 100,000                   | \$1.75         | 28 May 2011 |
|                    | 100,000                   | \$2.00         | 28 Aug 2011 |
| Mr Brett Foster    | 100,000                   | \$1.30         | 30 Nov 2006 |
|                    | 100,000                   | \$1.40         | 30 Nov 2006 |
|                    | 100,000                   | \$1.75         | 30 Nov 2006 |
| Mr Michael Tamlin  | 125,000                   | \$2.60         | 4 Sep 2009  |

## Precious Metals Australia Limited and its controlled entities Directors' report (continued)

For the year ended 30 June 2006

### 12. Share options (continued)

#### Options granted to directors and officers of the Company (continued)

The options granted to Mr Grey, Mr Bunn and Mr Kiernan were granted on 27 September 2006. These options were available to be issued during the financial year, however, they had not been approved by shareholders. A General Meeting of shareholders was held on 27 September 2006 and approval to issue the options was received. 100,000 options were granted to Mr Michael Drew on 28 August 2006 and 125,000 options were granted to Mr Michael Tamlin on 4 September 2006, under the Executive and Employee Share Option Plan.

#### Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry date | Exercise price | Number of shares |
|-------------|----------------|------------------|
| 30 Nov 2006 | \$1.30         | 100,000          |
| 30 Nov 2006 | \$1.40         | 100,000          |
| 30 Nov 2006 | \$1.40         | 100,000          |
| 29 Nov 2007 | \$0.15         | 500,000          |
| 14 Sep 2009 | \$2.60         | 100,000          |
| 28 Aug 2010 | \$1.30         | 100,000          |
| 28 Feb 2011 | \$1.40         | 100,000          |
| 28 May 2011 | \$1.40         | 100,000          |
| 28 Aug 2011 | \$2.00         | 100,000          |
| 4 Sep 2011  | \$2.60         | 125,000          |
| 26 Sep 2011 | \$1.50         | 450,000          |
| 26 Sep 2011 | \$1.70         | 125,000          |
| 26 Sep 2011 | \$2.20         | 250,000          |
|             |                | <u>2,250,000</u> |

All options expire on the earlier of their expiry date or termination of the employee's employment, unless agreed and authorised by the board. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

#### Shares issued on exercise of options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

| Number of shares | Amount paid on each share |                            |
|------------------|---------------------------|----------------------------|
| 3,586            | \$2.00                    | Listed options             |
| 500,000          | \$0.15                    | Unlisted directors options |

### 13. Indemnification and insurance of officers and auditors

#### Indemnification

The Company has agreed to indemnify the following current directors of the Company, Mr Anthony Grey, Mr Roderick Smith, The Earl of Warwick, Mr Michael Fry, Mr Shaun Bunn and Mr Michael Kiernan and the following former director, Mr Ian Macpherson, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

# Precious Metals Australia Limited and its controlled entities

## Directors' report (continued)

For the year ended 30 June 2006

### 14. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

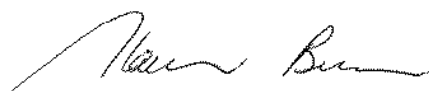
Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

|                                                        | Consolidated<br>2006<br>\$ | 2005<br>\$   |
|--------------------------------------------------------|----------------------------|--------------|
| Audit services:                                        |                            |              |
| Auditors of the Company                                |                            |              |
| audit and review of financial reports (KPMG Australia) | 58,809                     | 25,000       |
|                                                        | <hr/> 58,809               | <hr/> 25,000 |
| Services other than statutory audit:                   |                            |              |
| Other services                                         |                            |              |
| Corporate Finance fees (KPMG Australia)                | 107,100                    | -            |
|                                                        | <hr/> 107,100              | <hr/> -      |

### 15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 51 and forms part of the directors' report for financial year ended 30 June 2006.

This report is made with a resolution of the directors:



Mr Shaun Bunn  
Director

Dated at Perth this 28th day of September 2006.

Precious Metals Australia Limited and its controlled entities  
Income statements  
For the year ended 30 June 2006

|                                                                                                  |      | Consolidated       |                  | The Company        |                  |
|--------------------------------------------------------------------------------------------------|------|--------------------|------------------|--------------------|------------------|
|                                                                                                  | Note | 2006<br>\$         | 2005<br>\$       | 2006<br>\$         | 2005<br>\$       |
| Revenue                                                                                          |      | -                  | 500,000          | -                  | 500,000          |
| Other income                                                                                     | 3    | 6,719              | 10,011,048       | 406,719            | 10,011,048       |
| Administrative expenses                                                                          |      | (976,995)          | (304,218)        | (817,155)          | (304,316)        |
| Care and maintenance costs                                                                       |      | (336,054)          | -                | -                  | -                |
| Marketing costs                                                                                  |      | (212,178)          | -                | -                  | -                |
| Other expenses                                                                                   | 4    | (1,322,714)        | (3,475,957)      | (1,091,367)        | (3,475,957)      |
| <b>(Loss)/profit before financing costs</b>                                                      |      | <b>(2,841,222)</b> | <b>6,730,873</b> | <b>(1,501,803)</b> | <b>6,730,775</b> |
| Financial income                                                                                 |      | 1,926,617          | 89,655           | 1,775,855          | 89,655           |
| Financial expenses                                                                               |      | (47,487)           | (1,495)          | (18,399)           | (1,495)          |
| <b>Net financing income</b>                                                                      |      | <b>1,879,130</b>   | <b>88,160</b>    | <b>1,757,456</b>   | <b>88,160</b>    |
| <b>(Loss)/profit before tax</b>                                                                  |      | <b>(962,092)</b>   | <b>6,819,033</b> | <b>255,653</b>     | <b>6,818,935</b> |
| Income tax expense                                                                               | 7    | -                  | -                | -                  | -                |
| <b>(Loss)/profit attributable to members of the parent entity</b>                                |      | <b>(962,092)</b>   | <b>6,819,033</b> | <b>255,653</b>     | <b>6,818,935</b> |
| <b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b> |      |                    |                  |                    |                  |
| Basic earnings per share                                                                         | 8    | <b>\$(0.01)</b>    | \$0.19           |                    |                  |
| Diluted earnings per share                                                                       | 8    | <b>\$(0.01)</b>    | \$0.18           |                    |                  |

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 22 to 47.

Precious Metals Australia Limited and its controlled entities  
Statements of recognised income and expense  
For the year ended 30 June 2006

|                                                    | Note | Consolidated |              | The Company  |              |
|----------------------------------------------------|------|--------------|--------------|--------------|--------------|
|                                                    |      | 2006         | 2005         | 2006         | 2005         |
|                                                    |      | \$           | \$           | \$           | \$           |
| Income recognised directly in equity               |      | -            | -            | -            | -            |
| (Loss)/profit for the period                       |      | (962,092)    | 6,819,033    | 255,653      | 6,818,935    |
| Total recognised income and expense for the period |      | (962,092)    | 6,819,033    | 255,653      | 6,818,935    |
| Accumulated Losses at beginning of the period      |      | (44,329,393) | (51,148,426) | (44,329,191) | (51,148,126) |
| Loss for the period                                |      | (962,092)    | 6,819,033    | 255,653      | 6,818,935    |
| Accumulated Losses at the end of the period        | 19   | (45,291,485) | (44,329,393) | (44,073,538) | (44,329,191) |

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 22 to 47.

Precious Metals Australia Limited and its controlled entities  
Balance sheets  
As at 30 June 2006

|                                      | <i>Note</i> | Consolidated<br>2006<br>\$ | 2005<br>\$        | The Company<br>2006<br>\$ | 2005<br>\$        |
|--------------------------------------|-------------|----------------------------|-------------------|---------------------------|-------------------|
| <b>Assets</b>                        |             |                            |                   |                           |                   |
| Cash and cash equivalents            | 9           | 40,419,552                 | 11,014,983        | 36,872,815                | 11,014,983        |
| Trade and other receivables          | 10          | 295,828                    | 133,853           | 491,877                   | 133,853           |
| Inventories                          | 11          | 13,501                     | -                 | -                         | -                 |
| Investments                          | 12          | 3,500                      | 9,500             | 3,500                     | 9,500             |
| <b>Total current assets</b>          |             | <b>40,732,381</b>          | <b>11,158,336</b> | <b>37,368,192</b>         | <b>11,158,336</b> |
| Investments                          | 12          | -                          | -                 | 202                       | 202               |
| Property, plant and equipment        | 13          | 1,958,521                  | 18,132            | 130,732                   | 18,132            |
| Intangible assets                    | 14          | 6,502,757                  | -                 | -                         | -                 |
| <b>Total non-current assets</b>      |             | <b>8,461,278</b>           | <b>18,132</b>     | <b>130,934</b>            | <b>18,334</b>     |
| <b>Total assets</b>                  |             | <b>49,193,659</b>          | <b>11,176,468</b> | <b>37,499,126</b>         | <b>11,176,670</b> |
| <b>Liabilities</b>                   |             |                            |                   |                           |                   |
| Trade and other payables             | 15          | 1,022,205                  | 1,084,688         | 217,117                   | 1,084,688         |
| Employee benefits                    | 16          | 71,480                     | 19,230            | 71,480                    | 19,230            |
| <b>Total current liabilities</b>     |             | <b>1,093,685</b>           | <b>1,103,918</b>  | <b>288,597</b>            | <b>1,103,918</b>  |
| Provisions                           | 17          | 12,107,392                 | -                 | -                         | -                 |
| <b>Total non-current liabilities</b> |             | <b>12,107,392</b>          | <b>-</b>          | <b>-</b>                  | <b>-</b>          |
| <b>Total liabilities</b>             |             | <b>13,201,077</b>          | <b>1,103,918</b>  | <b>288,597</b>            | <b>1,103,918</b>  |
| <b>Net assets</b>                    |             | <b>35,992,582</b>          | <b>10,072,550</b> | <b>37,210,529</b>         | <b>10,072,752</b> |
| <b>Equity</b>                        |             |                            |                   |                           |                   |
| Issued capital                       | 19          | 76,889,566                 | 50,436,171        | 76,889,566                | 50,436,171        |
| Reserves                             | 19          | 4,394,501                  | 3,965,772         | 4,394,501                 | 3,965,772         |
| Accumulated losses                   | 19          | (45,291,485)               | (44,329,393)      | (44,073,538)              | (44,329,191)      |
| <b>Total equity</b>                  | 19          | <b>35,992,582</b>          | <b>10,072,550</b> | <b>37,210,529</b>         | <b>10,072,752</b> |

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 22 to 47.

# Precious Metals Australia Limited and its controlled entities

## Statements of cash flows

For the year ended 30 June 2006

| Note                                         | Consolidated          |                    | The Company       |                    |
|----------------------------------------------|-----------------------|--------------------|-------------------|--------------------|
|                                              | 2006<br>\$            | 2005<br>\$         | 2006<br>\$        | 2005<br>\$         |
| <b>Cash flows from operating activities</b>  |                       |                    |                   |                    |
| Cash receipts from customers                 | -                     | 500,000            | -                 | 500,000            |
| Cash paid to suppliers and employees         | (2,943,920)           | (1,847,676)        | (1,754,377)       | (1,847,674)        |
| Interest received                            | 1,685,659             | 89,655             | 1,535,008         | 89,655             |
| <b>Net cash from operating activities</b>    | <b>25 (1,258,261)</b> | <b>(1,258,021)</b> | <b>(219,369)</b>  | <b>(1,258,019)</b> |
| <b>Cash flows from investing activities</b>  |                       |                    |                   |                    |
| Net proceeds on Xstrata Settlement/Agreement | 10,356,193            | 11,000,000         | 10,356,193        | 11,000,000         |
| Acquisition of property, plant and equipment | (1,230,160)           | (20,393)           | (131,062)         | (20,393)           |
| Exploration and evaluation expenditure       | (4,922,598)           | -                  | -                 | -                  |
| Funds loaned to controlled entities          | -                     | -                  | (11,336,817)      | -                  |
| Funds repaid by controlled entities          | -                     | -                  | 729,492           | -                  |
| Proceeds from sale of investments            | 6,000                 | -                  | 6,000             | -                  |
| Payments for investments                     | -                     | (10,100)           | -                 | (10,100)           |
| <b>Net cash from investing activities</b>    | <b>4,209,435</b>      | <b>10,969,507</b>  | <b>(376,194)</b>  | <b>10,969,507</b>  |
| <b>Cash flows from financing activities</b>  |                       |                    |                   |                    |
| Proceeds from the issue of share capital     | 27,321,373            | 966,833            | 27,321,373        | 966,833            |
| Payment of transaction costs                 | (867,978)             | (91,854)           | (867,978)         | (91,854)           |
| <b>Net cash from financing activities</b>    | <b>19 26,453,395</b>  | <b>874,979</b>     | <b>26,453,395</b> | <b>874,979</b>     |
| Net increase in cash and cash equivalents    | 29,404,569            | 10,586,465         | 25,857,832        | 10,586,467         |
| Cash and cash equivalents at 1 July          | 11,014,983            | 428,518            | 11,014,983        | 428,516            |
| <b>Cash and cash equivalents at 30 June</b>  | <b>9 40,419,552</b>   | <b>11,014,983</b>  | <b>36,872,815</b> | <b>11,014,983</b>  |

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 22 to 47.

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies

|     |                               |     |                                  |
|-----|-------------------------------|-----|----------------------------------|
| (a) | Statement of compliance       | (k) | Impairment                       |
| (b) | Basis of preparation          | (l) | Share capital                    |
| (c) | Basis of consolidation        | (m) | Employee benefits                |
| (d) | Foreign currency              | (n) | Share-based payment transactions |
| (e) | Property, plant and equipment | (o) | Provisions                       |
| (f) | Intangible assets             | (p) | Trade and other payables         |
| (g) | Investments                   | (q) | Expenses                         |
| (h) | Trade and other receivables   | (r) | Income Tax                       |
| (i) | Inventories                   | (s) | Segment reporting                |
| (j) | Cash and cash equivalents     | (t) | Goods and services tax           |

Precious Metals Australia Limited and its controlled entities  
Notes to the consolidated financial statements (continued)

|     |                                  |     |                                                        |
|-----|----------------------------------|-----|--------------------------------------------------------|
| 2.  | Segment reporting                | 21. | Operating leases                                       |
| 3.  | Other income                     | 22. | Capital and other commitments                          |
| 4.  | Other expenses                   | 23. | Contingencies                                          |
| 5.  | Director and employee benefits   | 24. | Consolidated entities                                  |
| 6.  | Auditors' remuneration           | 25. | Reconciliation of cash flows from operating activities |
| 7.  | Income tax                       | 26. | Related Parties                                        |
| 8.  | Earnings per share               | 27. | Subsequent events                                      |
| 9.  | Cash and cash equivalents        | 28. | Explanation of transition to AIFRSs                    |
| 10. | Trade and other receivables      |     |                                                        |
| 11. | Inventories                      |     |                                                        |
| 12. | Investments                      |     |                                                        |
| 13. | Property, plant and equipment    |     |                                                        |
| 14. | Intangible assets                |     |                                                        |
| 15. | Trade and other payables         |     |                                                        |
| 16. | Employee benefits                |     |                                                        |
| 17. | Provisions                       |     |                                                        |
| 18. | Acquisition of Windimurra Assets |     |                                                        |
| 19. | Capital and reserves             |     |                                                        |
| 20. | Financial instruments            |     |                                                        |

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies

Precious Metals Australia Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 28 September 2006.

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 28.

#### (b) Basis of preparation

The financial report is presented in Australian dollars. The financial report is prepared on the historical cost basis.

#### Issued standards not early adopted

The following standards and amendments have been issued and are available for early adoption at reporting date. However, they have not been early adopted as they are not applicable to the Company and have no impact on its results:

- AASB 7 *Financial instruments: Disclosure* (December 2004) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 119 *Employee Benefits* (December 2004). AASB 119 details the requirements for the recognition, measurement and disclosure of employee benefits. AASB 119 is applicable for reporting periods beginning on or after 1 January 2006.
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*. The amendments of AASB 2004-3 are applicable for reporting periods beginning on or after 1 January 2006.
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*. The amendments of AASB 2005-1 are applicable for reporting periods beginning on or after 1 January 2006.
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The amendments of AASB 2005-4 are applicable for reporting periods beginning on or after 1 January 2006.
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*. The amendments of AASB 2005-5 are applicable for reporting periods beginning on or after 1 January 2006.
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*. The amendments of AASB 2005-6 are applicable for reporting periods beginning on or after 1 January 2006.
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 139 *Financial Instruments: Recognition and Measurement*.

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (b) Basis of preparation (continued)

##### Issued standards not early adopted (continued)

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004). The amendments of AASB 2005-4 are applicable for reporting periods ending on or after 31 December 2006.
- UIG 4 *Determining whether an Arrangement contains a Lease*. UIG 4 is applicable to reporting periods on or after 1 January 2006.
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*. UIG 5 is applicable to reporting periods on or after 1 January 2006.
- UIG 6 *Liabilities Arising from Participating in a Specific Market*. UIG 6 is applicable to reporting periods on or after 1 December 2005.
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*. UIG 7 is applicable to reporting periods on or after 1 March 2006.
- UIG 8 *Scope of AASB 2*. UIG 8 is applicable to reporting periods on or after 1 May 2006.

The following standards and amendments were available for early adoption, but have not been applied by the Company in these financial statements:

- AASB 7
- AASB 2005-9
- AASB 2005-10

The Company plans to adopt AASB 7 and AASB 2005-10 in the 2007 financial year. The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company as the standard and amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company as the amendment could result in liabilities being recognised for financial guarantee contracts that are provided by the Company, if any. The quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### (c) **Basis of consolidation**

##### (i) **Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

##### (ii) **Transactions eliminated on consolidation**

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

#### (d) **Foreign currency**

##### **Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

#### (e) **Property, plant and equipment**

##### (i) **Owned assets**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy k)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

##### (ii) **Leased assets**

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

##### (iii) **Subsequent costs**

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

##### (iv) **Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. A selection of site assets are not currently available for use and are not depreciated. Once these assets have been re-commissioned they will be depreciated on a units of production basis over the life of the economically recoverable resources.

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (e) Property, plant and equipment (continued)

##### (iv) Depreciation (continued)

The estimated useful lives in the current and comparative periods are as follows:

|                          |           |
|--------------------------|-----------|
| • Site plant & equipment | 4-5 years |
| • Site buildings         | 4 years   |
| • Office equipment       | 2-5 years |
| • Motor vehicles         | 4 years   |

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

#### (f) Intangible assets

##### Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (k)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets.

#### (g) Investments

##### *Current accounting policy*

Investments in other listed entities are stated at fair value, with any resultant gain or loss recognised in the income statement.

##### *Comparative period policy*

Investments in other listed entities are carried at the lower of cost and recoverable amount, being a Directors' valuation based on market values at the time of the valuation.

#### (h) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (k)).

#### (i) Inventories

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 1. Significant accounting policies (continued)

##### (k) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy i) and deferred tax assets (see accounting policy r), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see note k(i)).

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

##### (i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### (ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (k) Impairment (continued)

##### (ii) Reversals of impairment (continued)

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (l) Share capital

##### (i) Ordinary share capital

Ordinary share are classified as equity.

##### (ii) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

##### (iii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

#### (m) Employee benefits

##### (i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

##### (ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

#### (n) Share-based payment transactions

The share option programme allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

#### (o) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

##### (i) Site restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of mining projects is recognised where the mining or exploration activity undertaken, requires rehabilitation in the future, usually upon final and permanent closure of the relevant mine.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 1. Significant accounting policies (continued)

##### (o) Provisions (continued)

###### (i) Site restoration (continued)

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in note 1(e). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

##### (p) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

##### (q) Expenses

###### (i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

###### (ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and dividend income.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

##### (r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

##### (s) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 1. Significant accounting policies (continued)

##### (t) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### 2. Segment reporting

The Company and the consolidated entity operate in one industry being mining and mineral exploration and in the one geographical segment, Australia.

#### 3. Other income

| Note                                           | Consolidated |                   | The Company    |                   |
|------------------------------------------------|--------------|-------------------|----------------|-------------------|
|                                                | 2006         | 2005              | 2006           | 2005              |
|                                                | \$           | \$                | \$             | \$                |
| Management fees charged to controlled entities | -            | -                 | 400,000        | -                 |
| Xstrata settlement proceeds                    | -            | 10,000,000        | -              | 10,000,000        |
| Sundry revenue                                 | 6,719        | 11,048            | 6,719          | 11,048            |
|                                                | <b>6,719</b> | <b>10,011,048</b> | <b>406,719</b> | <b>10,011,048</b> |

#### 4. Other expenses

|                                                 |                  |                  |                  |                  |
|-------------------------------------------------|------------------|------------------|------------------|------------------|
| Impairment of Windimurra Royalty <sup>(i)</sup> | -                | 2,000,000        | -                | 2,000,000        |
| Depreciation and amortisation expense           | 13 36,306        | 5,947            | 14,758           | 5,947            |
| Directors fees and related costs                | 224,387          | 361,891          | 224,387          | 361,891          |
| Executive and Employee option costs             | 428,729          | -                | 428,729          | -                |
| Stamp Duty                                      | -                | 105,011          | -                | 105,011          |
| Tenement management costs                       | 72,099           | 7,230            | -                | 7,230            |
| Consultants costs                               | 361,816          | 199,042          | 224,116          | 199,042          |
| Legal costs                                     | 199,377          | 750,436          | 199,377          | 750,436          |
| Write down of external investments              | -                | 46,400           | -                | 46,400           |
|                                                 | <b>1,322,714</b> | <b>3,475,957</b> | <b>1,091,367</b> | <b>3,475,957</b> |

<sup>(i)</sup> The Windimurra royalty asset has been fully expensed as at 30 June 2005 as a result of the legal settlement with Xstrata which served to terminate the Royalty agreement with effect from 21 April 2005.

#### 5. Director and employee benefits

|                                                            |                |                |                |                |
|------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Wages, salaries and director fees                          | 459,025        | 346,755        | 323,145        | 346,755        |
| Other associated personnel expenses                        | 42,065         | 4,731          | 23,840         | 4,731          |
| Contributions to defined contribution superannuation funds | 44,033         | 20,869         | 33,133         | 20,869         |
| Increase in liability for annual leave                     | 14,813         | 19,230         | 8,708          | 19,230         |
| Equity-settled transactions                                | 16(a) 428,729  | -              | 428,729        | -              |
|                                                            | <b>988,665</b> | <b>391,585</b> | <b>817,555</b> | <b>391,585</b> |

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 6. Auditors' Remuneration

#### Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports

|         |        |         |        |
|---------|--------|---------|--------|
| 58,809  | 25,000 | 58,809  | 25,000 |
| 58,809  | 25,000 | 58,809  | 25,000 |
| 107,100 | -      | 107,100 | -      |
| 107,100 | -      | 107,100 | -      |

#### Other services

Corporate Finance fees (KPMG Australia)

### 7. Income tax

#### Recognised in the income statement

##### Current tax expense/(benefit)

Current tax expense/(benefit)

Adjustments for prior years

|           |           |         |           |
|-----------|-----------|---------|-----------|
| (269,459) | 6,800,798 | 351,235 | 6,800,769 |
| (269,459) | 6,800,798 | 351,235 | 6,800,769 |

##### Deferred tax expense/(benefit)

Origination and reversal of temporary differences

Tax losses not recognised

Benefit of tax losses recognised

Total income tax expense in income statement

|         |             |           |             |
|---------|-------------|-----------|-------------|
| -       | (600,000)   | 89,516    | (600,000)   |
| 269,459 | -           | -         | -           |
| -       | (6,200,798) | (440,751) | (6,200,769) |
| -       | -           | -         | -           |

#### Numerical reconciliation between tax expense and pre-tax net profit

(Loss)/profit before tax

Income tax (benefit)/expense using the domestic corporation tax rate of 30% (2005: 30%)

Increase in income tax expense due to:

Assessable gain on settlement with Xstrata

Non-deductible expenses

|           |           |         |           |
|-----------|-----------|---------|-----------|
| (962,092) | 6,819,033 | 255,653 | 6,818,935 |
| (288,628) | 2,045,710 | 76,696  | 2,045,681 |
| -         | 4,134,198 | -       | 4,134,198 |
| 19,169    | 620,890   | 18,886  | 620,890   |

Utilisation of prior years tax losses

Tax losses not recognised

Income tax expense on pre-tax net profit

|           |             |          |             |
|-----------|-------------|----------|-------------|
| (269,459) | 6,800,798   | 95,582   | 6,800,769   |
| -         | (6,800,798) | (95,582) | (6,800,769) |
| 269,459   | -           | -        | -           |
| -         | -           | -        | -           |

#### Tax losses

Unused tax losses for which no deferred tax asset has been recognised

Potential tax benefit at 30%

|           |           |           |           |
|-----------|-----------|-----------|-----------|
| 6,013,380 | 5,115,183 | 4,795,603 | 5,114,209 |
| 1,804,014 | 1,534,555 | 1,438,681 | 1,534,263 |

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 7. Income tax (continued)

##### Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

|                                    | Assets      |         | Liabilities |      | Net         |         |
|------------------------------------|-------------|---------|-------------|------|-------------|---------|
|                                    | 2006        | 2005    | 2006        | 2005 | 2006        | 2005    |
|                                    | \$          | \$      | \$          | \$   | \$          | \$      |
| <b>Consolidated entity</b>         |             |         |             |      |             |         |
| Property, plant and equipment      | (1,634)     | (1,784) | -           | -    | (1,634)     | (1,784) |
| Other receivables                  | -           | -       | 72,224      | -    | 72,224      | -       |
| Other assets                       | -           | -       | 23,631      | -    | 23,631      | -       |
| Intangible assets                  | -           | -       | 1,644,054   | -    | 1,644,054   | -       |
| Other payables                     | (71,025)    | -       | -           | -    | (71,025)    | -       |
| Provisions                         | (15,675)    | (5,889) | -           | -    | (15,675)    | (5,889) |
| Rehabilitation provision           | (3,362,218) | -       | -           | -    | (3,362,218) | -       |
| Total (assets)/liabilities         | (3,450,522) | (7,637) | 1,739,909   | -    | (1,710,643) | (7,637) |
| Set off of tax                     | 1,739,909   | -       | (1,739,909) | -    | -           | -       |
| Unrecognised deferred tax (assets) | (1,710,613) | (7,637) | -           | -    | (1,710,643) | (7,637) |
| Net tax asset/liabilities          | -           | -       | -           | -    | -           | -       |
| <b>Company</b>                     |             |         |             |      |             |         |
| Property, plant and equipment      | (664)       | (1,784) | -           | -    | (664)       | (1,784) |
| Other receivables                  | -           | -       | 72,224      | -    | 72,224      | -       |
| Other assets                       | -           | -       | 40,156      | -    | 40,156      | -       |
| Other payables                     | (6,525)     | -       | -           | -    | (6,525)     | -       |
| Provisions                         | (15,675)    | (5,889) | -           | -    | (15,675)    | (5,889) |
| Tax losses recognised              | (89,516)    | -       | -           | -    | (89,516)    | -       |
| Total (assets)/liabilities         | (112,380)   | (7,673) | 112,380     | -    | -           | (7,673) |
| Set off of tax                     | 112,380     | -       | 112,380     | -    | -           | -       |
| Unrecognised deferred tax (assets) | -           | (7,673) | -           | -    | -           | (7,673) |
| Net tax assets/liabilities         | -           | -       | -           | -    | -           | -       |

##### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

|                                           | Consolidated |           | Company   |           |
|-------------------------------------------|--------------|-----------|-----------|-----------|
|                                           | 2006         | 2005      | 2006      | 2005      |
|                                           | \$           | \$        | \$        | \$        |
| Deductible temporary differences          | 1,710,643    | 7,673     | -         | 7,673     |
| Tax losses                                | 1,804,013    | 1,534,555 | 1,438,681 | 1,534,263 |
| Potential unrecognised tax benefit at 30% | 3,514,656    | 1,542,228 | 1,438,681 | 1,541,936 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from.

#### 8. Earnings per share

##### Basic earnings per share

The calculation of basic earnings per share at 30 June 2006 was based on the loss attributable to ordinary shareholders of \$962,092 (2005: profit of \$6,819,033) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 65,163,739 (2005: 36,715,154).

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 8. Earnings per share (continued)

#### Weighted average number of ordinary shares

|                                                        | Consolidated |            |
|--------------------------------------------------------|--------------|------------|
|                                                        | 2006         | 2005       |
| Issued ordinary shares at 1 July                       | 45,538,844   | 32,997,713 |
| Effect of rights issue in February 2005                | -            | 2,675,979  |
| Effect of share placement in April 2005                | -            | 1,041,462  |
| Effect of rights issue in November 2005                | 14,210,959   | -          |
| Effect of listed options conversion in December 2005   | 2,073        | -          |
| Effect of unlisted options conversion in November 2005 | 321,918      | -          |
| Effect of Share placement in December 2005             | 5,091,945    | -          |
| Weighted average number of ordinary share at 30 June   | 65,163,739   | 36,715,154 |

#### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2006 was based on the loss attributable to ordinary shareholders of \$962,092 (2005: profit of \$6,819,033) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 66,027,027 (2005: 37,298,716), calculated as follows:

#### Profit attributable to ordinary shareholders (diluted)

No adjustments were made to the profit attributable to members of the parent entity as disclosed in the Income Statements.

#### Weighted average number of ordinary shares (diluted)

|                                                                 | Note  | 2006       | 2005       |
|-----------------------------------------------------------------|-------|------------|------------|
| Weighted average number of ordinary shares at 30 June           |       | 65,163,739 | 36,715,154 |
| Effect of unlisted share options on issue                       | 16(a) | 863,288    | 583,562    |
| Weighted average number of ordinary shares (diluted) at 30 June |       | 66,027,027 | 37,298,716 |

### 9. Cash and cash equivalents

|                           | Note | Consolidated |            | The Company |            |
|---------------------------|------|--------------|------------|-------------|------------|
|                           |      | 2006         | 2005       | 2006        | 2005       |
|                           |      | \$           | \$         | \$          | \$         |
| Bank balances             |      | 2,242,052    | 11,014,983 | 2,292,315   | 11,014,983 |
| Call deposits             |      | 38,177,500   | -          | 34,580,500  | -          |
| Cash and cash equivalents |      | 40,419,552   | 11,014,983 | 36,872,815  | 11,014,983 |

### 10. Trade and other receivables

|                                         | Note | 2006    | 2005    | 2006    | 2005    |
|-----------------------------------------|------|---------|---------|---------|---------|
| Loans to controlled entities            | 26   | -       | -       | 251,132 | -       |
| Other trade receivables and prepayments |      | 295,828 | 133,853 | 240,745 | 133,853 |
|                                         |      | 295,828 | 133,853 | 491,877 | 133,853 |

### 11. Inventories

|                               |  |        |   |   |   |
|-------------------------------|--|--------|---|---|---|
| Raw materials and consumables |  | 13,501 | - | - | - |
|-------------------------------|--|--------|---|---|---|

### 12. Investments

#### Current investments

|                          |  |       |       |       |       |
|--------------------------|--|-------|-------|-------|-------|
| Listed equity securities |  | 3,500 | 9,500 | 3,500 | 9,500 |
|--------------------------|--|-------|-------|-------|-------|

#### Non-current investments

|                                             |    |   |   |     |     |
|---------------------------------------------|----|---|---|-----|-----|
| Investments in controlled entities- at cost | 24 | - | - | 202 | 202 |
|---------------------------------------------|----|---|---|-----|-----|

Precious Metals Australia Limited and its controlled entities  
Notes to the consolidated financial statements

13. Property, Plant and equipment

|                                                      |      | Consolidated           |                  |                |                    | The Company |                        |                  |                |                    |          |
|------------------------------------------------------|------|------------------------|------------------|----------------|--------------------|-------------|------------------------|------------------|----------------|--------------------|----------|
|                                                      | Note | Site plant & equipment | Office equipment | Motor Vehicles | Under construction | Total       | Site plant & equipment | Office equipment | Motor Vehicles | Under construction | Total    |
| <b>Cost</b>                                          |      |                        |                  |                |                    |             |                        |                  |                |                    |          |
| Balance at 1 July 2004                               |      | -                      | 18,170           | -              | -                  | 18,170      | -                      | 18,170           | -              | -                  | 18,170   |
| Other acquisitions                                   |      | -                      | 20,393           | -              | -                  | 20,393      | -                      | 20,393           | -              | -                  | 20,393   |
| Balance at 30 June 2005                              |      | -                      | 38,563           | -              | -                  | 38,563      | -                      | 38,563           | -              | -                  | 38,563   |
| Balance at 1 July 2005                               |      | -                      | 38,563           | -              | -                  | 38,563      | -                      | 38,563           | -              | -                  | 38,563   |
| Acquisitions on settlement with Xstrata <sup>1</sup> | 18   | 710,612                | -                | 18,000         | -                  | 728,612     | -                      | -                | -              | -                  | -        |
| Other additions                                      |      | 1,042,345              | 131,062          | 56,755         | 21,625             | 1,251,787   | -                      | 131,062          | -              | -                  | 131,062  |
| Disposals                                            |      | -                      | (18,294)         | -              | -                  | (18,294)    | -                      | (18,294)         | -              | -                  | (18,294) |
| Balance at 30 June 2006                              |      | 1,752,957              | 151,331          | 74,755         | 21,625             | 2,000,668   | -                      | 151,331          | -              | -                  | 151,331  |
| <b>Depreciation and impairment losses</b>            |      |                        |                  |                |                    |             |                        |                  |                |                    |          |
| Balance at 1 July 2004                               |      | -                      | 14,484           | -              | -                  | 14,484      | -                      | 14,484           | -              | -                  | 14,484   |
| Depreciation charge for the year                     |      | -                      | 5,947            | -              | -                  | 5,947       | -                      | 5,947            | -              | -                  | 5,947    |
| Balance at 30 June 2005                              |      | -                      | 20,431           | -              | -                  | 20,431      | -                      | 20,431           | -              | -                  | 20,431   |
| Balance at 1 July 2005                               |      | -                      | 20,431           | -              | -                  | 20,431      | -                      | 20,431           | -              | -                  | 20,431   |
| Depreciation charge for the year                     |      | 8,331                  | 14,758           | 13,217         | -                  | 36,306      | -                      | 14,758           | -              | -                  | 14,758   |
| Disposals                                            |      | -                      | (14,590)         | -              | -                  | (14,590)    | -                      | (14,590)         | -              | -                  | (14,590) |
| Balance at 30 June 2006                              |      | 8,331                  | 20,599           | 13,217         | -                  | 42,147      | -                      | 20,599           | -              | -                  | 20,599   |
| <b>Carrying amounts</b>                              |      |                        |                  |                |                    |             |                        |                  |                |                    |          |
| At 1 July 2004                                       |      | -                      | 3,686            | -              | -                  | 3,686       | -                      | 3,686            | -              | -                  | 3,686    |
| At 30 June 2005                                      |      | -                      | 18,132           | -              | -                  | 18,132      | -                      | 18,132           | -              | -                  | 18,132   |
| At 1 July 2005                                       |      | -                      | 18,132           | -              | -                  | 18,132      | -                      | 18,132           | -              | -                  | 18,132   |
| At 30 June 2006                                      |      | 1,744,626              | 130,732          | 61,538         | 21,625             | 1,958,521   | -                      | 130,732          | -              | -                  | 130,732  |

<sup>1</sup> During the 2006 financial year the consolidated entity completed its acquisition of the Windimurra Vanadium Mine assets and associated liabilities from Xstrata AG. Refer to note 18 for details of this transaction and the resulting purchase of assets included in the above reconciliation.

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 14. Intangible assets

|                                                     | Consolidated<br>Exploration and<br>evaluation<br>\$ | The Company<br>Exploration and<br>evaluation<br>\$ |
|-----------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|
| <b>Cost</b>                                         |                                                     |                                                    |
| Balance at 1 July 2004                              | -                                                   | -                                                  |
| Other acquisitions                                  | -                                                   | -                                                  |
| Balance at 30 June 2005                             | -                                                   | -                                                  |
| <b>Carrying value at 30 June 2005</b>               | -                                                   | -                                                  |
| <b>Cost</b>                                         |                                                     |                                                    |
| Balance at 1 July 2005                              | -                                                   | -                                                  |
| Acquisition on settlement with Xstrata <sup>1</sup> | 1,022,587                                           | -                                                  |
| Other additions                                     | 5,480,170                                           | -                                                  |
| Balance at 30 June 2006                             | 6,502,757                                           | -                                                  |
| <b>Carrying value at 30 June 2006</b>               | 6,502,757                                           | -                                                  |

<sup>1</sup> During the 2006 financial year the consolidated entity completed its acquisition of the Windimurra Mine assets and associated liabilities from Xstrata AG. Refer to note 18 for details of this transaction and the resulting purchase of assets included in the above reconciliation.

### Amortisation and impairment charge

Under accounting policy 1(f) exploration and evaluation assets are not amortised, however, are subject to a yearly impairment review. No impairment charges have been raised against the current asset.

The carrying amounts for exploration and evaluation assets are assessed for impairment based on the returns expected from the development and commercial exploitation or sale of the respective area of interest.

### 15. Trade and other payables

|                                     | Consolidated |            | The Company |            |
|-------------------------------------|--------------|------------|-------------|------------|
|                                     | 2006<br>\$   | 2005<br>\$ | 2006<br>\$  | 2005<br>\$ |
| Trade payables and accrued expenses | 1,022,205    | 1,084,688  | 217,117     | 1,084,688  |

### 16. Employee benefits

|                            | 2006<br>\$ | 2005<br>\$ | 2006<br>\$ | 2005<br>\$ |
|----------------------------|------------|------------|------------|------------|
| Liability for annual leave | 71,480     | 19,230     | 71,480     | 19,230     |

#### (a) Share based payments

At 15 October 2005, the consolidated entity established an Executive and Employee Share Option Plan that entitles eligible executives and employees to purchase shares in the entity. Under the plan the options can be exercised at any time during the period commencing on the issue date and ending on the expiry date. The options lapse if the employee ceases to be an eligible employee, e.g. leaves the service of the consolidated entity, unless otherwise agreed and authorised by the board. The exercise price is to be determined by the board.

During the financial year, three tranches of share options were issued to employees. The total share options issued were 600,000 as detailed below.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 16. Employee benefits

##### (a) Share based payments (continued)

Additionally, a share option arrangement granted prior to 15 October 2005 exists. The recognition and measurement principles in AASB 2 have not been applied to these grants in accordance with the transitional provisions in AASB 1.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

| Grant date / employee entitled                      | Number of instruments | Exercise Price | Option Expiry Date |
|-----------------------------------------------------|-----------------------|----------------|--------------------|
| Option grant to directors at 30 June 2005           | 500,000               | \$0.15         | 29 Nov 2007        |
| Option grant to key management at 3 November 2005 * | 100,000               | \$1.30         | 30 Nov 2006*       |
| Option grant to key management at 28 November 2005  | 100,000               | \$1.30         | 28 Nov 2010        |
| Option grant to key management at 13 March 2006     | 100,000               | \$1.40         | 28 Feb 2011        |
| Option grant to key management at 13 March 2006 *   | 100,000               | \$1.40         | 30 Nov 2006*       |
| Option grant to key management at 15 June 2006      | 100,000               | \$1.75         | 28 May 2011        |
| Option grant to key management at 15 June 2006 *    | 100,000               | \$1.75         | 30 Nov 2006*       |
| Total share options                                 | <u>1,100,000</u>      |                |                    |

\* These share options were granted to an employee who subsequently left the service of the Company. Under the terms and conditions of the Executive and Employee Share Option Plan the options expire between one and three months after the employee ceases employment with the Company unless a prior arrangement is made and authorised by the Board. Accordingly, the options issued in November 2005 and March 2006 were due to expire on 7 July 2006 and the options issued in June 2006 on 7 September 2006, however, the Board authorised the extension of the share option expiry date until 30 November 2006 in recognition of the service of the employee.

The number and weighted average exercise prices of share options is as follows:

|                                            | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
|--------------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------|
|                                            | 2006                            | 2006              | 2005                            | 2005              |
| Outstanding at the beginning of the period | \$0.15                          | 1,000,000         | -                               | -                 |
| Forfeited during the period                | -                               | -                 | -                               | -                 |
| Exercised during the period                | \$0.15                          | (500,000)         | -                               | -                 |
| Granted during the period                  | \$1.48                          | 600,000           | \$0.15                          | 1,000,000         |
| Outstanding at the end of the period       | \$0.88                          | 1,100,000         | \$0.15                          | 1,000,000         |
| Exercisable at the end of the period       | \$0.88                          | 1,100,000         | \$0.15                          | 1,000,000         |

The options issued pursuant to the Executive and Employee share option plan and outstanding at 30 June 2006 have an exercise price in the range of \$1.30 to \$1.75 and a weighted average remaining contractual life of 1.65 years.

The options issued prior to the establishment of the Executive and Employee share option plan and outstanding at 30 June 2006 have an exercise price of \$0.15 and have a remaining contractual life of 1.42 years.

During the financial year, 500,000 share options were exercised (2005: nil). The weighted average share price at the dates of exercise was \$1.32.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes option-pricing model.

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 16. Employee benefits (continued)

|                                                                                                                                   | Key mgmt<br>personnel | Key mgmt<br>personnel |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                                                   | 2006                  | 2005                  |
| <i>Fair value of share options and assumptions</i>                                                                                |                       |                       |
| Fair value at measurement date                                                                                                    | \$0.71                | -                     |
| <i>Assumptions</i>                                                                                                                |                       |                       |
| Share price                                                                                                                       | \$1.85                | -                     |
| Exercise price                                                                                                                    | \$1.48                | -                     |
| Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes option-pricing model) | 39%                   | -                     |
| Option life (expressed as weighted average life used in the modelling under the Black-Scholes pricing model)                      | 2.52 yrs              | -                     |
| Expected dividends                                                                                                                | Nil                   | -                     |
| Risk-free interest rate (based on national government bonds)                                                                      | 5.50%                 | -                     |

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

|                                                                                                 | Note | Consolidated |      | The Company |      |
|-------------------------------------------------------------------------------------------------|------|--------------|------|-------------|------|
|                                                                                                 |      | 2006         | 2005 | 2006        | 2005 |
|                                                                                                 |      | \$           | \$   | \$          | \$   |
| Share options granted during 2006 financial year under Executive and Employee Share Option Plan | 5    | 428,729      | -    | 428,729     | -    |

### 17. Provisions

|                                |            |   |   |   |
|--------------------------------|------------|---|---|---|
| Provision for site restoration | 12,107,392 | - | - | - |
|--------------------------------|------------|---|---|---|

A provision of \$12,107,392 was recognised during the year as a result of the settlement with Xstrata. In determining the quantum of the provision the directors have had regard to the best estimate of the rehabilitation and remediation costs based on current dollars should the Windimurra mine site be rehabilitated from its current state.

### 18. Acquisition of Windimurra Assets

During the financial year the company completed its acquisition of the Windimurra mine assets and associated liabilities from Xstrata AG. As part of the settlement agreement the Company nominated its wholly owned subsidiary, Windimurra Vanadium Pty Ltd (WVPL), as the owner of the Windimurra assets. Accordingly WVPL has also accepted and recorded the associated rehabilitation provisions associated with those assets. These transactions were effected through an inter-company loan account between the Company and WVPL.

The agreement with Xstrata required it to pay the Company \$14.3 million partly in consideration of the consolidated entity accepting environmental obligations relating to the Windimurra mine. The Company in turn paid Xstrata \$4 million for all of the Windimurra mine assets and mining information. This payment was offset against the \$14.3 million of proceeds.

Of the \$14.3 million received the consolidated entity recognised \$2,266,801 as being compensation paid to PMAL in respect of settlement of the legal action, and this amount has been set off against capitalised exploration and evaluation and property, plant and equipment assets. The balance of \$12,107,392 was recognised as a provision for restoration of the mine site (refer note 17).

The net financial statement recognition of the settlement was as follows:

| <u>Net Cash Proceeds</u>         |               | <u>Application of Proceeds</u>             |                |
|----------------------------------|---------------|--------------------------------------------|----------------|
| Cash received from Xstrata       | \$11,391,812  | Exploration and evaluation assets          | \$1,022,587    |
| GST payable on settlement amount | \$(1,035,619) | Plant and equipment recognised             | \$728,612      |
| Net Proceeds Received            | \$10,356,193  | Amount recognised as Restoration Provision | \$(12,107,392) |

Precious Metals Australia Limited and its controlled entities  
Notes to the consolidated financial statements

19. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

| Note                                               | Consolidated        |                               |                              |                          |                    | The Company         |                               |                              |                          |                    |
|----------------------------------------------------|---------------------|-------------------------------|------------------------------|--------------------------|--------------------|---------------------|-------------------------------|------------------------------|--------------------------|--------------------|
|                                                    | Share capital<br>\$ | Employee option reserve<br>\$ | Option premium reserve<br>\$ | Accumulated Losses<br>\$ | Total Equity<br>\$ | Share capital<br>\$ | Employee option reserve<br>\$ | Option premium reserve<br>\$ | Accumulated Losses<br>\$ | Total Equity<br>\$ |
| Balance at 1 July 2004                             | 49,561,192          | -                             | 3,965,772                    | (51,148,426)             | 2,378,538          | 49,561,192          | -                             | 3,965,772                    | (51,148,126)             | 2,378,838          |
| Total recognised income and expense                | -                   | -                             | -                            | 6,819,033                | 6,819,033          | -                   | -                             | -                            | 6,818,935                | 6,818,935          |
| Share issued by rights issues and share placements | 874,979             | -                             | -                            | -                        | 874,979            | 874,979             | -                             | -                            | -                        | 874,979            |
| Balance at 30 June 2005                            | 50,436,171          | -                             | 3,965,772                    | (44,329,393)             | 10,072,550         | 50,436,171          | -                             | 3,965,772                    | (44,329,191)             | 10,072,752         |
| Balance at 1 July 2005                             | 50,436,171          | -                             | 3,965,772                    | (44,329,393)             | 10,072,550         | 50,436,171          | -                             | 3,965,772                    | (44,329,191)             | 10,072,752         |
| Total recognised income and expense                | -                   | -                             | -                            | (962,092)                | (962,092)          | -                   | -                             | -                            | 255,653                  | 255,653            |
| Employee share options                             | -                   | 428,729                       | -                            | -                        | 428,729            | -                   | 428,729                       | -                            | -                        | 428,729            |
| Listed share options exercised                     | 7,172               | -                             | -                            | -                        | 7,172              | 7,172               | -                             | -                            | -                        | 7,172              |
| Share options exercised by directors               | 75,000              | -                             | -                            | -                        | 75,000             | 75,000              | -                             | -                            | -                        | 75,000             |
| Shares issued                                      | 26,371,223          | -                             | -                            | -                        | 26,371,223         | 26,371,223          | -                             | -                            | -                        | 26,371,223         |
| Balance at 30 June 2006                            | 76,889,566          | 428,729                       | 3,965,772                    | (45,291,485)             | 35,992,582         | 76,889,566          | 428,729                       | 3,965,772                    | (44,073,538)             | 37,210,529         |

16(a)

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 19. Capital and reserves (continued)

##### Share capital

|                                  | The Company       |            |                                  |            |
|----------------------------------|-------------------|------------|----------------------------------|------------|
|                                  | Ordinary shares   |            | Non-redeemable preference shares |            |
|                                  | 2006              | 2005       | 2006                             | 2005       |
| On issue at 1 July               | <b>45,536,844</b> | 32,997,713 | <b>45,536,844</b>                | 32,997,713 |
| Listed options exercised         | <b>3,586</b>      | -          | <b>3,586</b>                     | -          |
| Unlisted options exercised       | <b>500,000</b>    | -          | <b>500,000</b>                   | -          |
| Share Issued for cash            | <b>28,680,000</b> | 12,539,131 | <b>28,680,000</b>                | 12,539,131 |
| On issue at 30 June – fully paid | <b>74,720,430</b> | 45,536,844 | <b>74,720,430</b>                | 45,536,844 |

The consolidated entity has also issued share options under the Executive and Employee Share Option Plan (see note 16).

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

##### Employee option reserve

The employee option reserve represents the fair value of share options issued to employees under the Executive and Employee Share Option Plan issued on 15 October 2005. The fair value has been calculated as at the grant date of each option issued as no vesting conditions are attached to the options.

##### Option premium reserve

The option premium reserve represents the net cash received from the issue of 108,016,033 options on 8 August 2000 at 4c per option less the expenses incurred to place the options.

##### Dividends

No dividends were proposed or paid during the financial year.

#### 20. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business.

##### Credit risk

The consolidated entity does not currently earn revenue from operating assets, thus there is currently no credit risk on trade receivables.

Investments are allowed only in liquid listed securities. The consolidated entity is not currently exposed to any other credit risk.

##### Interest rate risk

The consolidated entity did not have any external interest bearing liabilities at balance date.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 20. Financial instruments (continued)

##### Effective interest rates and repricing analysis

In respect of income-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

|                            | Note | 2006                      |                   |                     |                 | 2005                      |                   |                     |
|----------------------------|------|---------------------------|-------------------|---------------------|-----------------|---------------------------|-------------------|---------------------|
|                            |      | Effective interest rate % | Total \$          | 6 months or less \$ | 1 to 2 years \$ | Effective interest rate % | Total \$          | 6 months or less \$ |
| <b>Consolidated</b>        |      |                           |                   |                     |                 |                           |                   |                     |
| Cash and cash equivalents* | 9    | 5.75                      | 40,419,552        | 40,419,552          | -               | 5.05                      | 11,014,983        | 11,014,983          |
| <b>The Company</b>         |      |                           |                   |                     |                 |                           |                   |                     |
| Cash and cash equivalents* | 9    | 5.76                      | 36,872,815        | 36,872,815          | -               | 5.05                      | 11,014,983        | 11,014,983          |
| Loan to controlled entity  | 10   | -                         | 251,152           | -                   | 251,152         | -                         | -                 | -                   |
|                            |      |                           | <b>37,123,967</b> | <b>36,872,815</b>   | <b>251,152</b>  |                           | <b>11,014,983</b> | <b>11,014,983</b>   |

\* These assets bear interest at both a fixed and variable rate

##### Foreign currency risk

The consolidated entity is not currently exposed to any foreign currency risk.

##### Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

|                               | Note | 2006               |                   | 2005               |                   |
|-------------------------------|------|--------------------|-------------------|--------------------|-------------------|
|                               |      | Carrying amount \$ | Fair value \$     | Carrying amount \$ | Fair value \$     |
| <b>Consolidated</b>           |      |                    |                   |                    |                   |
| Trade and other receivables   | 10   | 295,828            | 295,828           | 133,853            | 133,853           |
| Cash and cash equivalents     | 9    | 40,419,552         | 40,419,552        | 11,014,983         | 11,014,983        |
| Investments                   | 12   | 3,500              | 3,500             | 9,500              | -                 |
| Trade and other payables      | 15   | (1,022,205)        | (1,022,205)       | (1,084,688)        | (1,084,688)       |
|                               |      | <b>39,696,675</b>  | <b>39,696,675</b> | <b>10,073,648</b>  | <b>10,073,648</b> |
| Unrecognised (losses) / gains |      | -                  | -                 | -                  | -                 |
| <b>The Company</b>            |      |                    |                   |                    |                   |
| Trade and other receivables   | 10   | 240,745            | 240,745           | 133,853            | 133,853           |
| Cash and cash equivalents     | 9    | 36,872,815         | 36,872,815        | 11,014,983         | 11,014,983        |
| Investments                   | 12   | 3,500              | 3,500             | 9,500              | 9,500             |
| Loans to controlled entities  | 10   | 251,132            | 251,132           | -                  | -                 |
| Trade and other payables      | 15   | (217,117)          | (217,117)         | (1,084,688)        | (1,084,688)       |
|                               |      | <b>37,151,075</b>  | <b>37,151,075</b> | <b>10,073,648</b>  | <b>10,073,648</b> |
| Unrecognised (losses) / gains |      | -                  | -                 | -                  | -                 |

##### Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

##### Investments

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

##### Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 21. Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

|                            | Consolidated   |               | The Company    |               |
|----------------------------|----------------|---------------|----------------|---------------|
|                            | 2006           | 2005          | 2006           | 2005          |
|                            | \$             | \$            | \$             | \$            |
| Less than one year         | 80,587         | 38,760        | 80,587         | 38,760        |
| Between one and five years | 307,010        | -             | 307,010        | -             |
| More than five years       | -              | -             | -              | -             |
|                            | <b>387,597</b> | <b>38,760</b> | <b>387,597</b> | <b>38,760</b> |

The consolidated entity leases office space in West Perth, from which it conducts its corporate activities.

### 22. Capital and other commitments

#### Capital commitments

The consolidated entity has not entered into any contracts for the supply or installation of capital equipment at 30 June 2006 (30 June 2005: nil).

#### Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

|                                                |                  |          |                  |          |
|------------------------------------------------|------------------|----------|------------------|----------|
| Within one year                                | 418,081          | -        | 418,081          | -        |
| One year or later and no later than five years | 1,011,569        | -        | 1,011,569        | -        |
| Later than five years                          | 1,323,001        | -        | 1,323,001        | -        |
|                                                | <b>2,752,651</b> | <b>-</b> | <b>2,752,651</b> | <b>-</b> |

#### Employee compensation commitments

##### Key management personnel (consolidated and the Company)

Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:

|                                                |                |                |                |                |
|------------------------------------------------|----------------|----------------|----------------|----------------|
| Within one year                                | 350,000        | 350,000        | 350,000        | 350,000        |
| One year or later and no later than five years | 291,667        | 641,667        | 291,667        | 641,667        |
|                                                | <b>641,667</b> | <b>991,667</b> | <b>641,667</b> | <b>991,667</b> |

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 23. Contingencies

The directors are of the opinion that there are no contingent assets or liabilities that have not been recorded or provided for in the financial statements of either the company or the consolidated entity.

### 24. Consolidated entities

|                                             | Country of<br>Incorporation | Ownership interest |      |
|---------------------------------------------|-----------------------------|--------------------|------|
|                                             |                             | 2006               | 2005 |
| <b>Parent entity</b>                        |                             |                    |      |
| Precious Metals Australia Limited           |                             |                    |      |
| <b>Subsidiaries</b>                         |                             |                    |      |
| Windimurra Vanadium Pty Ltd <sup>1</sup>    | Australia                   | 100                | 100  |
| Midwest Coal Pty Ltd                        | Australia                   | 100                | 100  |
| Use It Or Lose It (WA) Pty Ltd <sup>2</sup> | Australia                   | 100                | 100  |

<sup>1</sup> Formerly PMA (Windimurra) Pty Ltd until 18 August 2006, formerly Inpart Investments Pty Ltd until 19 April 2005.

<sup>2</sup> Formerly Victory Street Pty Ltd.

### 25. Reconciliation of cash flows from operating activities

| Note                                                                     | Consolidated       |                    | The Company      |                    |
|--------------------------------------------------------------------------|--------------------|--------------------|------------------|--------------------|
|                                                                          | 2006               | 2005               | 2006             | 2005               |
|                                                                          | \$                 | \$                 | \$               | \$                 |
| <b>Cash flows from operating activities</b>                              |                    |                    |                  |                    |
| Profit for the period                                                    | (962,092)          | 6,819,033          | 255,653          | 6,818,935          |
| <i>Adjustments for:</i>                                                  |                    |                    |                  |                    |
| Depreciation                                                             | 4 36,306           | 5,947              | 14,758           | 5,947              |
| Impairment of investments                                                | -                  | 46,400             | -                | 46,400             |
| Impairment of Windimurra Royalty                                         | -                  | 2,000,000          | -                | 2,000,000          |
| Write-off of property, plant and equipment                               | 3,705              | -                  | 3,705            | -                  |
| Equity-settled share-based payment expenses                              | 16 428,729         | -                  | 428,729          | -                  |
| Xstrata settlement proceeds (classified as investing activities)         | 3 -                | (10,000,000)       | -                | (10,000,000)       |
| <b>Operating profit before changes in working capital and provisions</b> | <b>(493,352)</b>   | <b>(1,128,620)</b> | <b>702,845</b>   | <b>(1,128,718)</b> |
| (Increase)/decrease in trade and other receivables                       | (161,975)          | (10,708)           | (106,892)        | (10,608)           |
| (Increase)/decrease in inventories                                       | (13,501)           | -                  | -                | -                  |
| (Decrease)/increase in trade and other payables                          | (641,683)          | (137,923)          | (867,572)        | (137,923)          |
| Increase in provisions and employee benefits                             | 52,250             | 19,230             | 52,250           | 19,230             |
| <b>Net cash from operating activities</b>                                | <b>(1,258,261)</b> | <b>(1,258,021)</b> | <b>(219,369)</b> | <b>(1,258,019)</b> |

# Precious Metals Australia Limited and its controlled entities

## Notes to the consolidated financial statements

### 26. Related Parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

#### **Executive directors**

Mr Roderick Smith (Managing Director)

Mr Shaun Bunn (Director of Operations)  
(commenced 3 February 2006)

#### **Non-executive directors**

Mr Anthony Grey (Chairman)  
(commenced 1 December 2005)

The Earl of Warwick  
(commenced 14 January 1989)

Mr Michael Fry  
(commenced 3 March 2004)

Mr Ian Macpherson  
(commenced 3 March 2004, resigned 3 February 2006)

#### **Executives**

Mr Michael Drew (Chief Financial Officer)  
(commenced 29 August 2005)

Mr Brett Foster (Manager – Operations)  
(commenced 15 August 2005)  
(resigned 8 June 2006)

Mr Michael Tamlin (General Manager, Marketing)  
(commenced 5 June 2006)

The key management personnel compensation included in 'personnel expenses' or capitalised as exploration and development expenditure are as follows:

|                                     | Consolidated     |                | The Company    |                |
|-------------------------------------|------------------|----------------|----------------|----------------|
|                                     | 2006             | 2005           | 2006           | 2005           |
|                                     | \$               | \$             | \$             | \$             |
| Short-term employee benefits        | 793,538          | 340,832        | 243,323        | 340,832        |
| Other long term benefits            | -                | -              | -              | -              |
| Post-employment benefits            | 65,471           | 20,329         | 16,792         | 20,329         |
| Termination benefits                | -                | -              | -              | -              |
| Equity settled share based payments | 428,729          | 39,000         | 428,729        | 39,000         |
|                                     | <b>1,287,738</b> | <b>400,161</b> | <b>688,844</b> | <b>400,161</b> |

### **Individual directors and executives compensation disclosures**

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporation Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' report on pages 7 to 12.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

### **Loans to key management personnel and their related parties (consolidated)**

There are no loans to key management personnel or their related parties at 30 June 2006 or 30 June 2005.

### **Other key management personnel transactions with the Company or its controlled entities**

Related parties of key management personnel did not transact with the Company or its controlled entities during the current or prior financial years.

Precious Metals Australia Limited and its controlled entities  
Notes to the consolidated financial statements

26. Related Parties (continued)

**Options and rights over equity instruments**

The movement during the reporting period in the number of options over ordinary shares in Precious Metals Australia Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

|                   | Held at<br>1 July | Granted as<br>compensation | Exercised | Other<br>changes | Held at<br>30 June | Vested<br>during the<br>year | Vested and<br>exercisable<br>at 30 June |
|-------------------|-------------------|----------------------------|-----------|------------------|--------------------|------------------------------|-----------------------------------------|
| <b>2006</b>       |                   |                            |           |                  |                    |                              |                                         |
| Executives        |                   |                            |           |                  |                    |                              |                                         |
| Mr Michael Drew   | -                 | 300,000                    | -         | -                | 300,000            | 300,000                      | 300,000                                 |
| Mr Brett Foster   | -                 | 300,000                    | -         | -                | 300,000            | 300,000                      | 300,000                                 |
| Directors         |                   |                            |           |                  |                    |                              |                                         |
| Mr Michael Fry    | 500,000           | -                          | -         | -                | 500,000            | -                            | 500,000                                 |
| Mr Ian Macpherson | 500,000           | -                          | (500,000) | -                | -                  | -                            | -                                       |
| <b>2005</b>       |                   |                            |           |                  |                    |                              |                                         |
| Directors         |                   |                            |           |                  |                    |                              |                                         |
| Mr Michael Fry    | -                 | 500,000                    | -         | -                | 500,000            | 500,000                      | 500,000                                 |
| Mr Ian Macpherson | -                 | 500,000                    | -         | -                | 500,000            | 500,000                      | 500,000                                 |

\* Other changes represent options that expired or were forfeited during the year.

No options held by key management personnel are vested but not exercisable at 30 June 2006 or 2005.

**Movements in shares**

The movement during the reporting period in the number of ordinary shares in Precious Metals Australia Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

|                     | Held at<br>1 July | Purchases | Rights<br>Issue | Exercise of<br>Options | Sales       | Held at<br>30 June |
|---------------------|-------------------|-----------|-----------------|------------------------|-------------|--------------------|
| <b>2006</b>         |                   |           |                 |                        |             |                    |
| Directors           |                   |           |                 |                        |             |                    |
| Mr Roderick Smith   | 14,375,709        | 45,000    | -               | -                      | (2,584,000) | 11,836,709         |
| The Earl of Warwick | 10,948,188        | -         | -               | -                      | (4,892,857) | 6,055,331          |
| Mr Michael Fry      | 2,200,000         | -         | -               | -                      | -           | 2,200,000          |
| Mr Ian Macpherson   | 282,812           | -         | -               | 500,000                | (439,553)   | 343,259            |
| Executives          |                   |           |                 |                        |             |                    |
| Mr Michael Drew     | -                 | 5,000     | -               | -                      | -           | 5,000              |
| <b>2005</b>         |                   |           |                 |                        |             |                    |
| Directors           |                   |           |                 |                        |             |                    |
| Mr Roderick Smith   | 11,009,763        | 1,021,447 | 2,344,499       | -                      | -           | 14,375,709         |
| The Earl of Warwick | 9,123,490         | -         | 1,824,698       | -                      | -           | 10,948,188         |
| Mr Michael Fry      | 100,000           | 1,503,188 | 596,812         | -                      | -           | 2,200,000          |
| Mr Ian Macpherson   | -                 | -         | 282,812         | -                      | -           | 282,812            |

No shares were granted to key management personnel during the reporting period as compensation.

**Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue**

Mr Michael Kiernan was appointed as a non-executive director of the company on 7 August 2006. With the exception of the addition of Mr Kiernan to the Board, there were no changes to key management personnel in the period after the reporting date and prior to the date when the financial report was authorised for issue.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 26. Related Parties (continued)

##### **Identity of related parties**

The consolidated entity has a related party relationship with its subsidiaries (see note 24) and with its key management personnel.

##### **Other related party transactions**

###### **Subsidiaries – transactions with Windimurra Vanadium Pty Ltd (WVPL)**

During the financial year WVPL, a wholly owned subsidiary of the Company, was nominated as the owner of the assets acquired from Xstrata and accordingly, WVPL accepted and recorded the environmental liabilities relating to the Windimurra mine site. The net of these transactions resulting in the Company recording a liability to WVPL for \$10,356,193.

During the financial period the Company lent funds WVPL to fund the purchase of capital equipment, exploration and evaluation activities and for other general expenditure associated with the Windimurra mine site. The funds are non-interest bearing and repayable on demand.

At 30 June 2006 WVPL owed the Company a total of \$251,152 (30 June 2005: nil).

###### **Subsidiaries – transactions with other wholly owned subsidiaries**

In previous financial periods, the Company had recorded receivables of \$324,262 owing by other wholly owned subsidiaries. These receivables have previously been fully provided for as being non-recoverable. No further funds have been lent to these subsidiaries.

###### **Transactions with key management person related parties**

During the financial year the Company sublet office space within its premises at 30 Richardson Street and 76 Kings Park Road to Mr Michael Fry at normal commercial rates. In addition, Mr Fry paid for his parking space and phone calls. For the year ended 30 June 2006, \$1,826 (2005: \$7,122) was paid to the Company by Mr Fry.

Accounting, taxation and corporate advisory fees of \$63,797 (2005: \$84,080) were charged by Ord Group Pty Ltd, a company associated with Mr Macpherson for services performed during the year, \$2,175 (2005: \$12,639) of which was accrued as unpaid at the year end. Fees of \$8,750 (2005: \$15,000) were also paid to Ord Group Pty Ltd for the services of Mr Macpherson in his capacity as non-executive director. All services were provided at normal commercial rates.

#### 27. Subsequent events

On July 31, 2006 the consolidated entity announced the conclusion of a comprehensive Vanadium Sales and Marketing Agreement and an Equity Investment Agreement with Noble Resources Limited (Noble) and its parent, Noble Group Limited.

Noble has agreed to purchase the total vanadium output of the Windimurra mine at prevailing market prices. Noble has also agreed to pay a minimum price for vanadium equal to the cash cost of producing vanadium at Windimurra based on the forecast production schedule for the first seven years of production.

In consideration for Noble entering into the Vanadium Sales and Marketing agreement, the consolidated entity agreed (subject to shareholders approval) to pay a once off fee A\$10 million by the issue of 3,728,549 fully paid ordinary shares in the Company equal to 4.99% of the shares outstanding.

Under the Equity Investment Agreement, Noble has agreed to provide to the Company an unlisted, unsecured convertible note with a face value of A\$8,202,207. This note will have a 3 year term, can be repaid early by the Company, can be converted into 3,728,548 fully paid ordinary shares in the Company, and incurs interest at LIBOR plus 2% and is subject to other standard terms.

## Precious Metals Australia Limited and its controlled entities

### Notes to the consolidated financial statements

#### 27. Subsequent events (continued)

The Company's ability to call for payment of the face value of the note is subject to completion of due diligence by Noble, and approval of the Company's shareholders by 27 September 2006. This Approval was obtained by the Company's shareholders at a General Meeting of Shareholders held on 27 September 2006. Noble has advised the Company that they have completed their due diligence, thus providing the Company with the ability to make a call for the payment of the face value of the note when required.

Additionally, Noble was granted a 60 day option to subscribe for 9.999% of the issued share capital of Windimurra Vanadium Pty Ltd for A\$13.5 million, subject to Noble and PMA entering into a shareholders agreement. Noble advised the Company on 27 September 2006 that it has exercised the option and agreed the terms of the shareholders agreement.

#### 28. Explanation of transition to AIFRSs

As stated in significant accounting policies note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In reviewing its opening balance sheet at 1 July 2004 and its comparative period balance sheet at 30 June 2005, the consolidated entity has determined that there are no adjustments required to the balance sheet as prepared under previous GAAP in order to meet the new accounting requirements under AIFRS. Refer below for further detail on the impact of various AIFRS standards and the decisions adopted by the consolidated entity in relation to those standards:

#### **Changes in Accounting Policies:**

##### **(a) AASB 2 "Share based payments"**

The fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The Company has used the exemption available in AASB 1 "First time adoption of Australian Equivalents to International Financial Reporting Standards", to not apply the recognition and measurement requirements of AASB 2 retrospectively to equity instruments that were granted after 7 November 2002 and that vested before 1 January 2005. There is no impact on the opening AIFRS balance sheet at 1 July 2004 from AASB 2.

##### **(b) AASB 132 "Financial instruments: presentation and disclosure" and AASB 139 "Financial Instruments: recognition and measurement"**

In the current financial year the consolidated entity adopted AASB 132 "Financial instruments: presentation and disclosure" and AASB 139 "Financial instruments: recognition and measurement". This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1 "First time adoption of Australian Equivalents to International Financial Reporting Standards", which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139. There is no impact on the opening AIFRS balance sheet at 1 July 2005 from AASB 132 or AASB 139.

## Directors' declaration

- 1 In the opinion of the directors of Precious Metals Australia Limited ('the Company'):
  - (a) the financial statements, notes and the remuneration disclosures that are contained in sections 5.6.1, 5.6.2, 5.6.3.1, 5.6.3.2 and 5.6.3.3 of the Remuneration report in the Directors' report, set out on pages 18 to 47, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) the remuneration disclosures that are contained in sections 5.6.1, 5.6.2, 5.6.3.1, 5.6.3.2 and 5.6.3.3 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*
  - (c) there are reasonable grounds to believe that the Company and consolidated entity will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from by the chief executive officer and chief financial officer for the financial year ended 30 June 2006.

Dated at Perth this 28 day of September 2006.

Signed in accordance with a resolution of the directors:



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Mr Shaun Bunn  
Director



## **Independent audit report to members of Precious Metals Australia Limited**

### ***Scope***

#### *The financial report, remuneration disclosures and directors' responsibility*

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statements of cash flows, accompanying notes 1 to 28 to the financial statements, and the directors' declaration for both Precious Metals Australia Limited (the "Company") and Precious Metals Australia Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in Sections 5.6.1, 5.6.2, 5.6.3.1, 5.6.3.2 and 5.6.3.3 of the directors' report and not in the financial report.

The Remuneration report also contains information in Sections 5.6.3.4 and 5.6.3.5 not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

### ***Audit approach***

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.



While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

***Audit opinion***

In our opinion:

- (1) the financial report of Precious Metals Australia Limited is in accordance with:
  - a) the *Corporations Act 2001*, including:
    - i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and;
    - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b) other mandatory financial reporting requirements in Australia; and
- (2) the remuneration disclosures that are contained in Sections 5.6.1, 5.6.2, 5.6.3.1, 5.6.3.2 and 5.6.3.3 of the Remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG  
KPMG  
  
T R Hart  
Partner

Perth  
28 September 2006



*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Precious Metals Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG  
KPMG

A handwritten signature in black ink, appearing to read 'T R Hart', written over a horizontal line.

T R Hart  
Partner

Perth  
28 September 2006

## ASX Additional information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### Shareholdings

#### Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

| Shareholder                          | Number     | Percentage |
|--------------------------------------|------------|------------|
| Westpac Custodian Nominees           | 14,082,548 | 18.8%      |
| Roderick Smith                       | 11,841,709 | 15.8%      |
| JP Morgan Nominees Australia Limited | 10,270,831 | 13.7%      |
| Citicorp Nominees Pty Ltd            | 6,703,327  | 9.0%       |
| Earl of Warwick                      | 6,055,331  | 8.1%       |
| National Nominees Pty Ltd            | 4,187,179  | 5.6%       |

#### Voting rights

##### Ordinary shares

Refer to note 19 in the financial statements

##### Options

Refer to note 16 in the financial statements

#### Distribution of equity security holders

| Category         | NUMBER OF EQUITY SECURITY HOLDERS |            |
|------------------|-----------------------------------|------------|
|                  | Ordinary shares                   | Percentage |
| 1 - 1,000        | 221                               | 0.17%      |
| 1,001 - 5,000    | 407                               | 1.55%      |
| 5,001 - 10,000   | 117                               | 1.17%      |
| 10,000 - 100,000 | 108                               | 3.81%      |
| 100,000 and over | 26                                | 93.30%     |
|                  | <u>879</u>                        |            |

#### Unquoted equity securities

##### Executive and employee share options

Precious Metals Australia Limited has issued 2,250,000 options at the date of this report to executives and employees of the company. The options are not quoted on any exchange.

#### Stock Exchange

The Company is listed on the Australian Stock Exchange. The Home exchange is Perth.

#### Other information

Precious Metals Australia Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

## ASX Additional information (continued)

### On-market buy-back

There is no current on-market buy-back

### Twenty largest shareholders

| Name                                        | Number of ordinary<br>shares held | Percentage of<br>capital held |
|---------------------------------------------|-----------------------------------|-------------------------------|
| Westpac Custodian Nominees                  | 14,082,548                        | 18.847                        |
| JP Morgan Nominees Australia Limited        | 10,270,831                        | 13.745                        |
| Pacific Quest Investments Pty Ltd           | 9,529,714                         | 12.753                        |
| Citicorp Nominees Pty Ltd                   | 6,703,327                         | 8.971                         |
| Hillbrow Investments Limited                | 5,000,000                         | 6.691                         |
| National Nominees Limited                   | 4,187,179                         | 5.603                         |
| HSBC Custody Nominees (Australia) Limited   | 3,197,241                         | 4.278                         |
| ANZ Nominees Limited                        | 3,191,012                         | 4.270                         |
| George Robinson                             | 2,429,286                         | 3.251                         |
| Whitemire Holdings Pty Ltd                  | 2,311,594                         | 3.093                         |
| INXS Pty Ltd                                | 1,840,000                         | 2.462                         |
| Bond Street Custodians Limited              | 1,570,000                         | 2.101                         |
| Tagora Pty Ltd                              | 1,055,331                         | 1.412                         |
| Bond Street Custodians Limited              | 1,025,000                         | 1.371                         |
| Queensland Investment Corporation           | 843,714                           | 1.129                         |
| HSBC Custody (Australia) Limited – GSI ECSA | 591,509                           | 0.791                         |
| Mr Arthur Carbo                             | 400,000                           | 0.535                         |
| FATS Pty Ltd                                | 343,259                           | 0.459                         |
| Mr Michael Fry                              | 250,000                           | 0.334                         |
| Morgeo Nominees Pty Ltd                     | 240,000                           | 0.321                         |
|                                             | <b>69,031,101</b>                 | <b>92.387</b>                 |

### Offices and officers

#### Company Secretary

Mr Michael Drew, B.Bus

#### Principal Registered Office

Precious Metals Australia Limited

Level 4, 76 Kings Park Road

West Perth WA 6005

+61 8 9423 1900

+61 8 9423 1999

#### Share Registry

Advanced Share Registry Services

110 Stirling Highway

Nedlands WA 6009

PO Box 1156

Nedlands WA 6909

+61 8 9389 8033

+61 8 9389 7871

## Schedule of Tenements

List of Mining Tenements held by the Company and its controlled entities as at 28 September 2006

| <b>Tenement<br/>Number</b> | <b>Locality</b> | <b>Area</b>                  | <b>Interest</b> | <b>Status</b> |
|----------------------------|-----------------|------------------------------|-----------------|---------------|
| E58/113                    | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| M58/178                    | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| E58/117                    | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| E58/198                    | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| M58/272                    | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |
| M58/275                    | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |
| M58/276                    | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |
| M58/277                    | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |
| M58/278                    | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |
| M58/279                    | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| M58/280                    | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| M58/281                    | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |
| M58/282                    | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |
| L58/27                     | Stag Well       | Murchison Mineral Field      | 100%            | Granted       |
| L58/28                     | Stag Well       | Murchison Mineral Field      | 100%            | Granted       |
| L58/29                     | Stag Well       | Murchison Mineral Field      | 100%            | Granted       |
| L58/30                     | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| L58/32                     | Windimurra      | Murchison Mineral Field      | 100%            | Granted       |
| E53/594                    | Yeelirrie East  | East Murchison Mineral Field | 100%            | Pending       |
| E53/1263                   | Yeelirrie West  | East Murchison Mineral Field | 100%            | Pending       |
| E53/1264                   | Yeelirrie East  | East Murchison Mineral Field | 100%            | Pending       |
| L58/35                     | Windimurra      | Murchison Mineral Field      | 100%            | Pending       |