

PRECIOUS METALS AUSTRALIA LIMITED
ACN 009 131 533



PRECIOUS METALS
AUSTRALIA LIMITED

NOTICE OF GENERAL MEETING OF SHAREHOLDERS
INCORPORATING
EXPLANATORY STATEMENT
AND
PROXY FORM

Date of Meeting
24th January 2007

Time of Meeting
10.00am

Place of Meeting
City West Function Centre
45 Plaistowe Mews
WEST PERTH WA 6005

PRECIOUS METALS AUSTRALIA LIMITED
ACN 009 131 533

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a General Meeting of the Shareholders of Precious Metals Australia Limited ACN 009 131 533 ("**PMA**" or "**Company**") will be held at City West Function Centre, 45 Plaistowe Mews, **West Perth WA 6005 on Wednesday 24th January 2007 at 10.00 am** for the purpose of transacting the following business.

An Explanatory Memorandum containing information in relation to the following Resolutions and a Proxy Form accompanies this Notice.

AGENDA

RESOLUTION 1: PLACEMENT OF 13,543 731 ORDINARY SHARES

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

"That, for the purposes of Listing Rule 7.1 and all other purposes, the Company issue to Australian and overseas institutional shareholders and sophisticated clients of Patersons Securities 13,543 731 fully paid ordinary shares at an issue price of \$1.95 on the terms and conditions set out in the Explanatory Statement attached to and forming part of this Notice of Meeting. "

Short Explanation:

On 12 December 2006 the Company announced a placement of 24,871,795 Shares to be issued to institutional investors at \$1.95 per share. The shares were to be issued in two Tranches , the first of 11,328,064 which was issued pursuant to listing rule 7.1 and the second of 13,543,731 which is subject to the approval of member Full details are set out in the attached Explanatory Memorandum.

Voting Exclusion Statement:

The Company will disregard any votes cast on this resolution by participants in the Placement, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 – RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

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

"That, for the purpose of Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Shareholders ratify and approve the issue of 11,328,064 fully paid ordinary shares in the Company at A\$1.95 per share which were issued on 15 December 2006 on the terms and conditions set out in the Explanatory Statement attached to and forming part of this Notice of Meeting."

Short Explanation: An equity issue can be ratified by shareholders in accordance with ASX Listing Rule 7.4. This allows the Company the flexibility to issue equity securities in the future up to the threshold of 15% of its total ordinary securities in any 12 month period. Please refer to the Explanatory Statement for details.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 3 – ELECTION OF DR WOLF G MARTINICK

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

"That DR Wolf G Martinick retires pursuant to clause 9.3 (f) of the Company's Constitution and, being eligible, offers himself for re election, be re-elected a director of the Company".

Short Explanation: Dr Wolf G Martinick was appointed a Director by a resolution of the board on 21 December 2006. The company's constitution provides that any director appointed since the last meeting of members, shall retire at the next meeting of members.

WHO MAY VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding ordinary shares as at 10:00am on 22 January 2007 will be entitled to attend and vote at the General Meeting.

Proxies

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. To be valid, a proxy form must be received by the Company by 10:00am on 22 January 2007 ("**Proxy Deadline**"). Proxies may be submitted:-
 - (a) By hand delivery to the Company's registered office at Level 4, 76 Kings Park Road, West Perth Western Australia 6005; or
 - (b) By post addressed to Precious Metals Australia Limited, PO Box 620, West Perth Western Australia 6872; or
 - (c) By facsimile at (08) 9423 1999.

A proxy appointment must be signed by the Shareholder or the Shareholder's attorney. Where the appointment is signed by the appointer's attorney, a certified copy of the authority, or the authority itself, must be lodged with the Company in one of the above ways by the Proxy Deadline. If facsimile transmission is used, the authority must be certified.

BY ORDER OF THE BOARD

Michael Drew

Company Secretary

Date: 21 December 2006

PRECIOUS METALS AUSTRALIA LIMITED
ACN 009 131 533

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the purposes of the ASX Listing Rules and the Corporations Act. The purpose of this Explanatory Memorandum is to provide Shareholders with all the information known to the Company that is material to Shareholders in deciding whether or not to approve Resolutions 1 to 3 as set out in this Notice of Meeting.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Certain capitalised terms in this Explanatory Memorandum are defined in the Glossary.

RESOLUTION 1: ISSUE OF 13,543,731 FULLY PAID ORDINARY SHARES

1. INTRODUCTION

On 12 December 2006 the Company announced that it had raised \$48,500,000 via a placement of 24,871,795 fully paid ordinary shares at a \$1.95 to Australian and overseas investors and sophisticated clients of Patersons Securities Limited which were to be issued in two tranches; Tranche 1 of 11,328,064 Shares were issued on 15 December 2006 and Tranche 2 of 13,543,731 Shares which requires the approval of members in General meeting and is the subject of this resolution.

In addition to the placement the Company also announced that it had also an offer under a Share Purchase Plan ("SPP") so that all its shareholders resident in Australia and New Zealand are entitled to purchase up to \$5,000 worth of ordinary shares in the Company at the \$1.95 per share placement price. The Shareholder purchase plan is underwritten by Patersons Securities Limited, to \$1.5 million.

The ratification of the shares issued pursuant to Tranche 1 of the placement is the subject of Resolution 2.

2. LISTING RULE 7.1

Listing Rule 7.1 provides that a Listed Entity may not issue Equity Securities amounting to more than 15% of its issued capital in a 12 month period without obtaining the approval of its members.

On 15 December 2006, being within 12 months preceding this Notice, the Company issued approximately 11.3 million Shares, via a placement. As a result of these issues being more than the 15% of Issued capital the Company is required to seek the approval of members to the issue of the Shares comprised in Tranche 2 of the placement.

Resolution 1 seeks the approval of members to issue 13,543,731 shares. Pursuant to Listing Rule 7.3 the following information is provided:

1. The total number of Shares to be issued is 13,543,731
2. The issue price of the Shares A\$1.95 per Share
3. Those Shares issued will rank pari passu with, and will enjoy the same rights as, all other Shares.
4. The Shares issued pursuant to Resolution 1 will effectively raise A\$ 26,410,273 before issue costs. The funds will be used for development of the Windimurra vanadium mine, the Company's other business, and as working capital for the Company.
5. The Shares will be issued to Australian and overseas institutions and sophisticated investors clients of Patersons Securities Limited.
6. The Company will issue the Shares no later than 3 months after the date of this meeting.

This issue will have the effect of:

1. Increasing the total Shares on issue from 86,848,493 to 100,392,224 the effect of which would be to dilute the shareholding of existing shareholders by approximately 16 %.
2. Increasing share capital and reserves of the Company by A\$ 26,410,273.
3. Increasing cash assets of the Company by A\$26,410,273.

RESOLUTION 2 – RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

On 12 December 2006 the Company announced that it had raised approximately \$48,500,000 via a placement of 24,871,795 fully paid ordinary shares at a \$1.95 to Australian and overseas investors which were to be issued in two tranches; Tranche 1 of 11,328,064 Shares were issued on 15 December 2006 under the provisions of Listing Rule 7.1 which allows a listed company to issue up to 15% of its issued capital in any 12 month period.

Resolution 2 seeks approval under Listing Rule 7.4 to ratify the past issue of ordinary Shares for the purposes of Listing Rule 7.1, which provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 month period without subsequently obtaining shareholder approval.

The shares which are the subject of this resolution were issued

The details of the issue are:

1. 11,328,064 ordinary shares were issued on 15 December 2006.
2. The issue price was A\$1.95 per share.
3. The shares are fully paid ordinary shares of the Company and will rank pari passu with, and will enjoy the same rights as all other Shares.

4. The shares were issued to a number of Australian and international institutions and sophisticated investor clients of Patersons Securities Limited.
5. The purpose of the placement was to raise funds of approximately A\$22,089,725 to provide working capital for the development of the Company's 90% owned Windimurra Vanadium Mine.

RESOLUTION 3 – ELECTION OF DR WOLF G MARTINICK

Resolution 3 seeks the election of Dr Wolf G Martinick as a director of the Company.

Rule 9.2(a) of the Company's constitution provides that the may appoint a person to be a director. Rule 9.3(f) of the Company's constitution further stipulates that a director appointed under Rule 9.2(a) must retire at the next meeting of members and is eligible for re-election at that meeting.

Dr Wolf Martinick was appointed as a director by a resolution of the board of the Company on 21 December 2006 and as such is required to retire at this the next meeting of members and, in accordance with Rule 9.3(f) of the Company's constitution, is eligible for re-election, and so offers himself for re-election as a director of the Company.

Dr Martinick is a well respected environmental scientist and company director he holds a PhD and BSc (Agric) and is a Fellow of the Australian Institute of Mining and Metallurgy. Dr. Martinick has been involved with mineral exploration and mining projects around the world, especially Australasia, southern, central and northern Africa, China, India and parts of the former Soviet Union.

Dr. Martinick is a non-executive director of Sun Resources NL, an oil and gas exploration company listed on the ASX, executive chairman and substantial shareholder of Ezenet Limited, a digital movie supply and distribution company, also listed on the ASX, and Chairman of Weatherly International Limited, an AIM listed mining group with extensive copper mining and smelting interests in Namibia.

GLOSSARY

"**ASX**" means Australian Stock Exchange Limited (ACN 008 624 691);

"**Board**" means the board of directors of the Company;

"**Company**" or "**PMA**" means Precious Metals Australia Limited ACN 009 131 533;

"**Corporations Act**" means the *Corporations Act 2001* (Cth);

"**Directors**" means the directors of the Company;

"**Explanatory Memorandum**" means the explanatory memorandum accompanying the Notice;

"**Notice**" means the Notice of Meeting which accompany this Explanatory Memorandum;

"**Shareholders**" means holders of Shares in the Company; and

"**Shares**" means fully paid ordinary shares in the Company.

PRECIOUS METALS AUSTRALIA LIMITED

ABN 65 009 131 533

PROXY FORM

The Secretary
Precious Metals Australia Limited
PO Box 620
West Perth WA 6872

I/We _____
Of _____

being a shareholder/(s) of Precious Metals Australia Limited (**Company**) hereby appoint as proxy to vote in accordance with the following directions (or if no directions have been given, as the proxy or Chairman sees fit) at the General Meeting to be held at City West Function Centre, 45 Plaistowe Mews, West Perth Western Australia on 24th January 2007 at 10.00am (WST) (and at any adjournment thereof) (**Meeting**).

OR
Name of person you are appointing (if not the Chairman)

IF YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, PLEASE PLACE A MARK IN THIS BOX *



* By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. **The Chairman intends to vote in favour of the resolution if no directions are given.**

Resolution

1. Issue of Ordinary shares
2. Ratification of Previous Issue of Securities
3. Election of Dr W G Martinick

For	Against	Abstain**

**If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item.

Appointing a Second Proxy (if applicable)

OR %
The number of Shares applicable to this proxy form The percentage of your voting rights

Contact Telephone Number
Area Code Telephone Number

Signature(s)

Shareholder 1	Shareholder 2	Shareholder 3
Sign here		
Director	Director/Secretary	Sole Director and Secretary

Company Seal (if required)

Proxies may be lodged either by facsimile on (08) 9423 1999, or by mail to
PO Box 620, West Perth WA 6872 or delivery to the registered office of the Company at
Level 4, 76 Kings Park Road, West Perth WA 6005.

To be valid, a proxy form (and any authority under which the proxy form is signed or a certified copy of the authority) must be received by the Company not less than 48 hours before the time scheduled for commencement of the Meeting. For further instructions on voting, please refer to the rear of this form.

PRECIOUS METALS AUSTRALIA LIMITED
ABN 65 009 131 533

Instructions on Voting

1. How to Vote

Shareholders may vote by attending the Meeting in person, by proxy or authorised representative.

2. Voting in Person

To vote in person, attend the Meeting on the date and at the time and place specified in this Notice of General Meeting.

3. Voting by Proxy

Shareholders are entitled to appoint up to 2 individuals to act as proxies to attend the Meeting and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act 2001*. In the case of Shares jointly held by 2 or more persons, all joint holders must sign the proxy form.

Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

The proxy may, but need not, be a shareholder of the Company.

4. Voting Entitlements

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares 48 hours before the time scheduled for commencement of the Meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.