

22 December 2006

The Manager
Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir / Madam

WINDIMURRA DRILLING SUCCESS

The directors are pleased to report on the progress of drilling at the Windimurra vanadium mine.

A total of 19 holes for 1 850 metres of the 2 700 metre reverse circulation drilling program have been completed, principally a strike length of 1.2km along the hanging wall of the current Windimurra ore resource. All samples have been transported to Ultra Trace Laboratories in Perth for assay for vanadium, titanium, and a typical suite of iron ore analytes. Reverse circulation drilling at Windimurra has stopped for the Christmas break.

Drillhole logging using reverse circulation drill chips and magnetic susceptibility show the continuation of magnetite horizons parallel to and down-dip of the currently defined vanadium resource. Given the correlation between iron, vanadium, and titanium, and the knowledge of mineralisation in holes drilled up-dip, it is reasonable to assume that the intercepted magnetite will also contain vanadium and titanium. Subsequent assaying, modeling, and pit optimisation will dictate the economic viability of any identified mineralisation.

Drilling will restart in early January, and assay results will be released progressively as they are received from Ultra Trace.

Yours sincerely

PRECIOUS METALS AUSTRALIA LIMITED



RODERICK SMITH
Managing Director

The information in the report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Ian Hassall, who is a Member of the Australian Institute of Mining and Metallurgy, and a full-time employee of Windimurra Vanadium Pty Ltd. Ian Hassall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ian Hassall consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

Level 4, 76 Kings Park Road
West Perth Western Australia 6005
PO Box 620
West Perth Western Australia 6872
Telephone: +61 8 9423 1900
Facsimile: +61 8 9423 1999