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**Precious Metals Australia Ltd (PMA.AU)      \$2.60**

Recommendation: BUY

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### Event

- PMA has announced positive results from a resource extension drilling programme at its flagship Windimurra vanadium project.

### Details

- Results from the latest drilling program at Windimurra have extended the strike length of the known vanadium mineralisation by 550m, with average grades of 0.52% V<sub>2</sub>O<sub>5</sub> returned.
- The drilling demonstrated a continuation of ore grade mineralisation at surface in widths suited to bulk mining via open pit methods.
- Reserves (50.4Mt @ 0.49% V<sub>2</sub>O<sub>5</sub>) and resources (95.5Mt @ 0.47% V<sub>2</sub>O<sub>5</sub>) defined at Windimurra to date have been confined to a 4,000m section of the 26,000m mineralised horizon.
- There is significant potential to add to this mineral inventory with extensions to mineralisation at depth and along strike defined by geological mapping, costeaning ground geophysics aeromagnetics and limited drilling.
- The current round of drilling aims to quantify these extensions in the near mine environment.

### Impact

- Given the currently substantial mine life at Windimurra our valuation is not overly sensitive to mine life extensions. Assuming additional mineralisation proves to add 5yrs mine life, our valuation increases by a modest 5% to \$4.03/share. However, should resource growth allow production expansions beyond 20mlbs p.a. our valuation shows marked upside.
  - With the Windimurra optimisation study due for completion this month, and a feasibility study due in June 06, Patersons believe the market will shortly factor in the company's impressive medium-term cash generation likely precipitating a re-rating.
  - We expect the optimisation design study to detail relatively low-cost, low-risk process improvements at Windimurra based on the abundance of previous operating data.
  - We continue to rate PMA a BUY with a medium-term price target of \$3.83/share.
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