



PMA

PRECIOUS METALS
AUSTRALIA LIMITED

ABN 65 009 131 533

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2005

HIGHLIGHTS

- Title to Windimurra vanadium mine transferred to PMA
- Option over kiln to third party expired
- Windimurra plant designs, production data and intellectual property delivered to PMA
- Work commences on design optimisation study
- Recompilation of JORC reserve awarded to Coffey Geosciences
- Placement of 19m shares to raise approximately \$13m

WINDIMURRA VANADIUM PROJECT (PMA 100%)

The past quarter has been one of extraordinary success and progress for your company.

PMA has now reclaimed clear title to the world class Windimurra vanadium project originally developed by PMA in 1999.

The mine successfully treated over 7 million tonnes of ore and produced some 14,000t of vanadium pentoxide before being closed by the previous owner in controversial circumstances in 2003.

Work has commenced on an optimisation study which will focus on identifying those areas of the Windimurra mine that worked efficiently and can be rebuilt or recommissioned without substantial change, and those areas of the process which provide opportunity for further enhancement and cost reduction.

This study will be followed by a Design Feasibility Study which will provide detailed capital and operating costs based on the final plant design. This study is expected to be completed mid 2006 at a cost of approximately \$3.5m including overheads and test work.

Your directors believe that the Windimurra mine can be optimised, rebuilt and recommissioned successfully and this could take place by mid 2007.

ACQUISITION OF WINDIMURRA PROJECT

In April of this year PMA entered into Agreements with the previous owner of Windimurra to settle all legal action in relation to the Windimurra Royalty agreement.

By 9th August, all of the conditions precedent to the Asset Purchase Agreement were met and the settlement was completed on that day. The key provisions of the settlement are:

- All legal action is ceased on a “no blame basis”
- PMA were paid a total of A\$25 million payable;
 - \$10 million for settlement of the royalty and legal action (paid April 2005)
 - \$15 million for the assumption of the environmental obligations, less an amount of \$700k spent on rehabilitation between April and August.
- PMA purchased the Windimurra mining tenements, the remaining plant and equipment and all mining, technical information designs and intellectual property for A\$4m. This amount was paid out of the \$15m received above on 9 August.
- PMA has assumed all of the environmental obligations in respect of the site and posted bonds of \$3.6m with the Department of Industry and Resources in relation to these obligations.

As part of the above settlement the previous owner retained a six month option to purchase specified components of the Windimurra rotary kiln for a further payment to PMA of \$4m. This option has now expired without being exercised, and no third party has any further claim upon any of the Windimurra assets.

CURRENT STATUS OF WINDIMURRA PROJECT

The Windimurra mine was built in 1999 at a cost of approximately \$120m. Production at Windimurra ceased in March 2003 and in early 2004 some parts of the plant and equipment were demolished and removed by the previous owner.

Re-opening the mine will require replacement of the plant which has been removed, but this will be greatly facilitated by the existing services and infrastructure. Of particular note are the sealed roads most of the way to site and the 365km gas pipeline linking the mine with WA's abundant natural gas. This infrastructure did not exist when the Windimurra mine was first proposed.

PMA has purchased the remaining Windimurra assets which included the rotary kiln, plant services, bore fields, roads and buildings which remain in situ. In total PMA has bought back assets with a construction cost (in 1999) of approximately A\$59m as detailed in the table below;

Assets remaining at Windimurra as at September 2005 include:

Plant Area	Cost A\$ million
126m Rotary Gas Fired Kiln and cooler ⁽¹⁾	25.5
Plant Earthworks and Concrete	3.5
Crusher Area structure and ROM pad	0.5
Grinding Area concrete and footings	1.0
Beneficiation area, including Rare Earth Magnetic separators	9.5
Leach vats, leaching area concrete	4.8
Fusion area, fusion furnace, flaking wheel, Hot pan conveyor, packaging plant	1.0
Process design and engineering	6.1
Tailings dam	1.3
Road works	1.0
Borefields	1.8
Communication services	0.2
Buildings and workshop equipment	0.5
Village	0.4
Other	1.9
Total	\$59.5

APPOINTMENT OF ENGINEERS

The Board believes that the Windimurra Vanadium Project can be successfully rebuilt and re-opened and that any deficiencies in the process identified in the period of operation from 2000 to 2003 can be addressed.

The Company is confident that these issues can be re-designed using conventional engineering solutions to improve the process and place the project into the lowest cost quartile of primary vanadium producers.

In preparation for the appointment of a consulting engineer work has commenced compiling and reviewing existing data. In addition a site inspection has been carried out on the equipment and services that remain.

PMA is in the final stages of appointing a consulting engineer to carry out a detailed optimisation study followed by a Design Feasibility Study. It is expected that the work will be completed in early 2006 at a cost of approximately A\$3.5m including test work and overheads.

Optimisation Study

The first study stage expected to be completed in December 2005, will identify the key re-design options, generate a new process flow sheet, produce a capital cost estimate of +/- 20% and confirm operating costs.

The Company is in a unique position that it was not afforded when the project was first built in that it can now base the process design on actual operating data from 3 years of mining and processing together with the hands on experience of key team members who worked at the mine, and whom have been recruited by PMA.

Much of the plant and vanadium recovery processes as built, performed or exceeded the expectations of the original (1998) feasibility study.

Processes which performed well included;

- Magnetite roasting,
- Calcine leaching and
- Hydrometallurgical recovery of vanadium

Key equipment from the above sections of the process plant have been retained on site.

Processes such as the grinding and magnetic beneficiation areas, whilst sound from a technical perspective, did not produce the levels of magnetite recovery expected. The causes of the shortfall and a number of process

improvements have already been identified, and in some cases trialled during the operating phase. However due to capital restrictions at that time, these improvements were not implemented by the previous owner.

Other key areas of review for the new design study will include power station configuration, upgrade of material handling in parts of the plant which were found to be production bottlenecks and the addition of a ferrovanadium conversion facility.

Design Feasibility Study

Stage Two of the study, being the Design Feasibility Study, will include;

- Final process flows, mass balances and final plant design.
- Capital cost estimate to +/- 10% level of confidence
- Final operating cost estimates by review of process cost savings in areas such as kiln gas consumption, electricity generation, mining costs, and process reagents.
- Environmental compliance and reviving licenses.
- Risk analysis
- Marketing strategy
- Competitive advantage and competitor review
- Mineable reserve statement to JORC standards



Indicative Windimurra Plant Schematic

JORC ORE RESERVE STATEMENT

PMA has appointed Coffey Geosciences Pty Ltd to review and update the existing resource model and to provide a JORC compliant reserve statement taking into account the material mined.

In 1999 BFP Consultants Pty Ltd established a Global Resource of 106Mt at 0.47% V₂O₅ including a JORC Mineable Reserve of 55.4Mt @ 0.5% V₂O₅. Mine records show that 7.2Mt @ 0.51% V₂O₅ has been mined from that reserve. Mined tonnage was approximately 4% and vanadium content 3% above expectations. BFP have recently been purchased by Coffey Geosciences.

MARKETING

Producing Ferrovanadium – Value adding at source

The majority of vanadium is used as an alloy of steel. The form purchased by steel mills is ferrovanadium (FeV), and as such there is a wider spread of customers for the alloy compared to relatively few customers for vanadium pentoxide. The production of FeV at Windimurra was not a step undertaken by the previous owner, who exported the V₂O₅ to its South African operations for conversion to FeV.

Windimurra Product Quality

There is a market for high purity vanadium pentoxide for chemical use and for high value high specification vanadium master alloys used in the aerospace sector. Windimurra previously produced a high specification pentoxide, typically +99.7% against an industry standard of 98%, due to its use of clean natural gas to fire the roasting kiln.

PMA will target high value vanadium chemical markets including metallurgical vanadium pentoxide, vanadium trioxide and ammonium metavanadate as well as ferrovanadium.

Windimurra has a very long reserve life and has the potential to supply vanadium products to world markets for in excess of 20 years. PMA intends to build long term relationships with major end users of V₂O₅ and FeV.

Ferro Alloys Conference

PMA has been invited to present the vanadium paper at the International Ferro-Alloys conference hosted by Ryan's Notes in Tucson, Arizona on 24 October 2005. The paper, to be given by your CEO Roderick Smith will be available on the company's web site.

CORPORATE

Share Placement

On 16 September shareholders approved a placement of 19,000,000 ordinary shares at an issue price of 70 cents each to UK based institutions and sophisticated investors. This issue raised approximately A\$13 million after costs.

At quarter end total cash reserves stood at A\$34million thus placing the Company in a strong cash position to fast track the re-opening of the Windimurra mine.

Shares on Issue (as at 15 October 2005)

Total Shares on Issue	64.5m
Listed \$2.00 options (Expiring 31/12/2005)	12.9m
Unlisted options	1.0m

Annual General Meeting

A notice of meeting has been dispatched to shareholders advising that the AGM will be held on **25 November 2005** at 10.00am at the offices of Ord Group, Level 2, 47 Colin Street, West Perth.

New Look PMA Web-site

Our web-site has been completely overhauled and has a new look with improved features for shareholders and investors, so go check it out at;

www.pmal.com.au

In future your company will be moving towards placing a greater reliance on electronic communication with shareholders and others who are interested in PMA.

Yours sincerely

PRECIOUS METALS AUSTRALIA LIMITED



Roderick Smith
MANAGING DIRECTOR

Contact Information

For queries and information in respect of this report, please contact:

Roderick Smith

Managing Director
Tel: 08 9423 1900
rsmith@pmal.com.au

Mike Drew

Chief Financial Officer
Tel: 08 9423 1900
mdrew@pmal.com.au



Precious Metals Australia Limited

Postal Address:

PO Box 620
West Perth WA 6872 Australia

Registered Address:

Level 1, 30 Richardson Street
West Perth WA 6005 Australia

Email: info@pmal.com.au
Website: www.pmal.com.au
Tel: (61 8) 9423 1900
Fax: (61 8) 9423 1999
ABN: 65 009 131 533
ASX Code: PMA