PRECIOUS METAL RESOURCES LIMITED

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JORC STATEMENT
The information in this report that relates to mineral exploration is based on information compiled by Peter John Kennewell, who is a member of the Australasian Institute of Mining and Metallurgy. Peter John Kennewell is a director of Precious Metal Resources Limited, and 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, Identified Mineral Resources, and Ore Reserves". Peter John Kennewell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Deep base metal potential for SEDEX mineralisation at Halls Peak

- **Similarities to world-class base metal mines including Mt Isa, McArthur River and Cannington**
- **Base metals lenses drilled and recently re-assayed by PMR in the upper part of the Halls Peak SEDEX system are consistent with earlier and perhaps richer base metal lenses being present at depth**
- **VTEM survey at Halls Peak has shown a deep conductive zone in the deepest part of the Halls Peak SEDEX system where high-grade lenses are expected to occur**

The deep VTEM conductors at Halls Peak may be produced by similar highly mineralised zinc-lead-silver-copper lenses to those occurring in typical northern Australian SEDEX mineralised systems. These systems include world-class base metal mines including Mt Isa, McArthur River and Cannington.

The setting of the former mines at Halls Peak is shown in brown on Figure 1, where they clearly occur in the uppermost part of the mineralising SEDEX system. The high grade zinc-lead-silver lenses common in the lower parts of such systems would be expected to occur at much greater depth than these former mines and past drill holes, and are shown in red. The mineralisation model shown was produced in 2005 by an in-depth study of the SEDEX systems of northern Australia[1].

Past drilling and mining at Halls Peak has been too shallow to reach these high-grade lenses if they are present, instead intersecting either less mineralised beds within the overlying black shales, or high grade near surface mineralised fractures extending upwards from the deeper lenses. Such fractures may be produced by later mobilisation of earlier deposited and deeper mineralisation.

The copper-lead-zinc-silver mineralisation previously mined at Gibsons Mine, Faints Mine and bulk sampled by BHP at Khans Creek may represent such younger mineralisation.

Lower grade base metals lenses drilled and recently re-assayed by the company in the upper part of the Halls Peak SEDEX system are consistent with earlier and perhaps richer base metal lenses being present at depth.

The recent VTEM survey at Halls Peak has shown a deep conductive zone in the deepest part of the Halls Peak SEDEX system where high-grade lenses are expected to occur (see Figure 2). This is consistent with this deep conductor being produced by base metal mineralisation.

SEDEX base metal deposits are formed when fluids carrying high concentrations of lead-zinc-silver-copper flow up large fractures (faults) in the earth and deposit their metals on the sides of these fractures and as fine crystals within the sea water. These crystals then settle on the sea floor as metal rich beds (bedded sulphides). They commonly conduct electricity, and are detected as conductive zones by VTEM survey.

[1] Large, R.R., Bull, S.W., McGoldrick, P.J., Walters, S., Derrick G.G., and Carr, G.R., 2005; Stratiform and Strata-bound Zn-Pb-Ag Deposits in Proterozoic Sedimentary Basins, Northern Australia. *Economic Geology 100th Anniversary Volume*.

The conductive zones recorded at depths of around 400 metres by the recent VTEM helicopter survey extend beneath at least 14 square kilometres of the base metal field. The extent of the McArthur River SEDEX system, (Figure 2) confirms that this is the scale on which these systems develop. Although Halls Peak is geologically younger than the northern Australian systems, it appears to be comparable in extent, and the presence of base metals in its upper parts confirms the potential for similar deposits at depth.

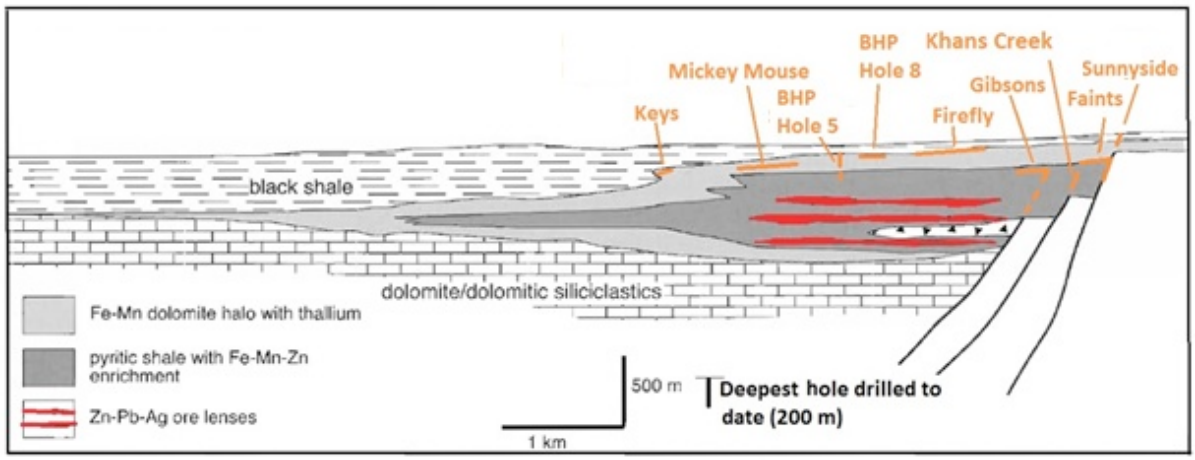

Figure 1. Setting of Halls Peak Mineralisation in a Typical Northern Australian SEDEX System[1] – Schematic geologic cross section of a typical Proterozoic northern Australian stratiform Zn-Pb-Ag deposit, showing stacked mineral lenses and the related carbonate alteration halo adjacent to a synsedimentary fault system that focused metalliferous brine upflow.

It is clear that only shallower and less conductive base metal beds and veins were drilled at Halls Peak by past explorers. The deepest hole to date went to 200 metres and its inadequacy to evaluate the deeply buried parts of these SEDEX mineralised system is shown on Figure 1. It was obviously inadequate to test the conductive beds identified during the recent VTEM survey. Holes of at least 400 metres are necessary.

A comparison of the typical SEDEX system above with the results obtained at Halls Peak by the VTEM survey below, demonstrates close similarities:

- Conductive red zones at the base of the VTEM figure may represent vent zones with mineralisation on rock fractures (faults) within the vent.
- The horizontal red zone on the VTEM possibly represents the zinc-lead-silver lenses shown on the model above.
- The non-conductive overlying blue zones on the VTEM include black shales with low grade mineralisation in parts, and are similar to “pyritic shale with Fe-Mn-Zn enrichment” on the figure above.

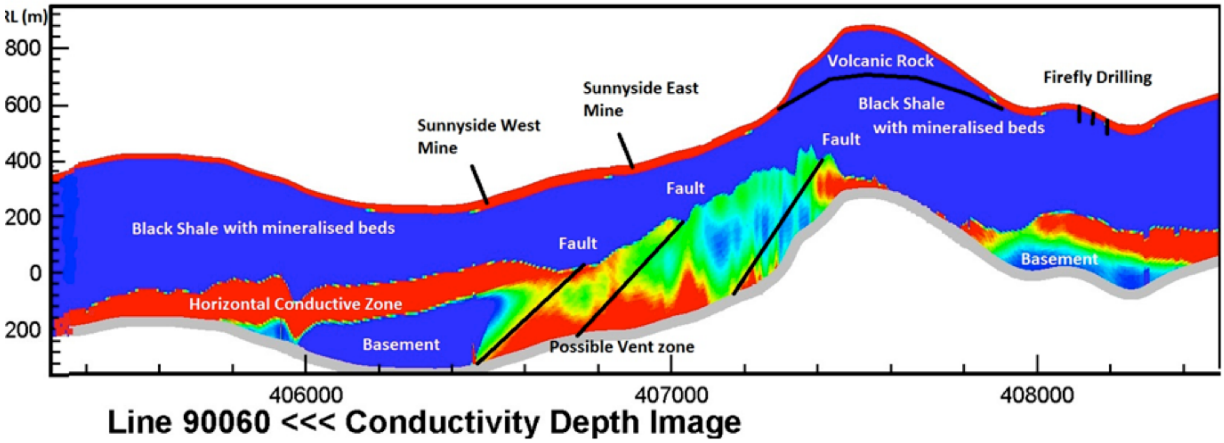

Figure 2. VTEM Section at Halls Peak, showing comparison with a Typical Northern Australian SEDEX System.

The occurrence of the Halls Peak SEDEX system is also similar to those in northern Australia. A comparison of mapped anomalies at Halls Peak with the SEDEX system containing the world class McArthur River deposit in the Northern Territory is shown below:

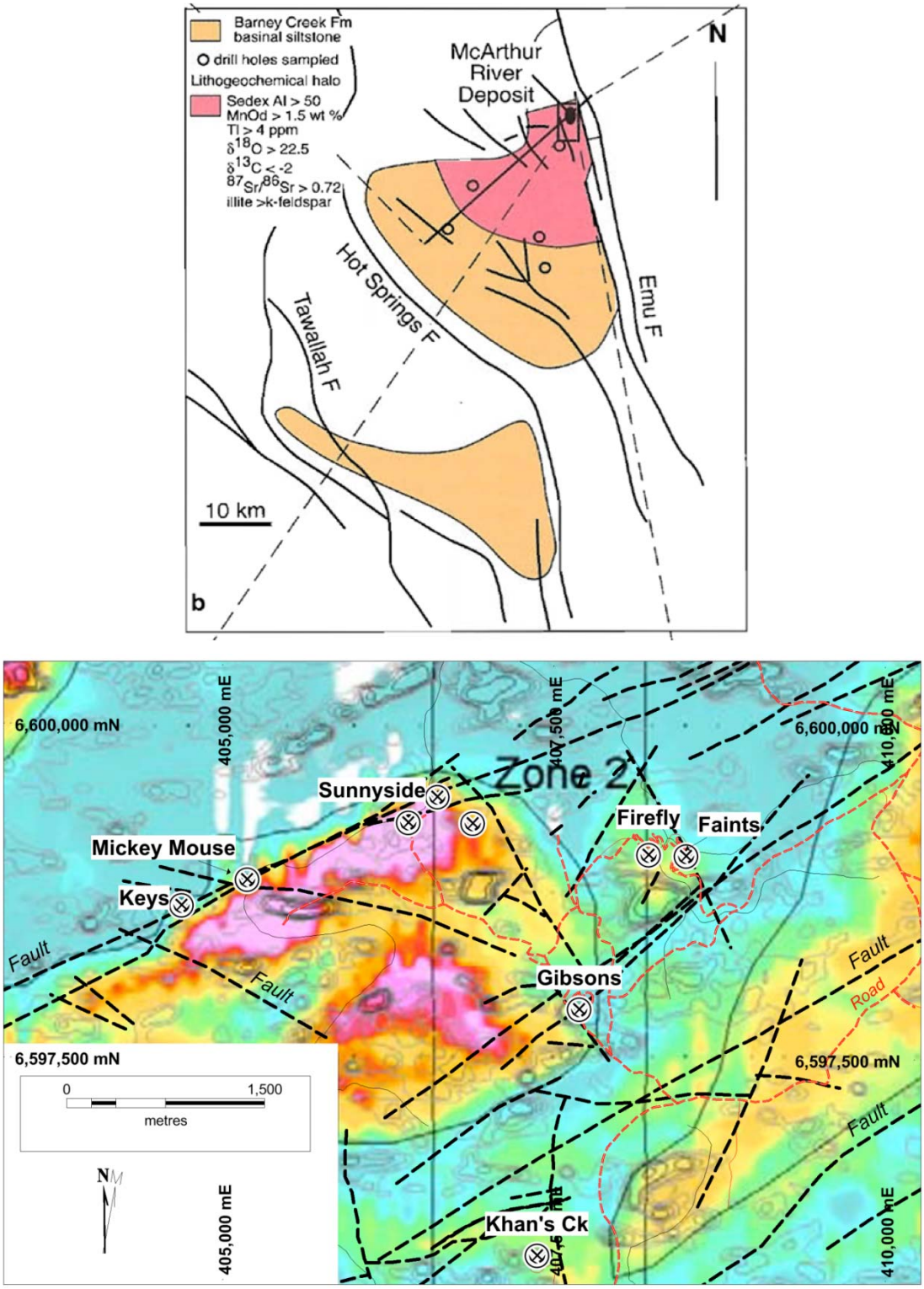

Figure 3. Comparison of McArthur River SEDEX System[1] (upper figure in pink), and Halls Peak Interpreted SEDEX System (lower figure In red and Yellow).

- The McArthur River SEDEX system in the Northern Territory is world class (pre-JORC geologic resource of 227 million tonnes at 9.2% zinc, 3.1% lead, 0.2% copper and 41 g/t silver[2]). Mineralisation in the deeper parts of the Halls Peak SEDEX system is untested.
- Both are confined to a depressed area between major faults.

[2] Logan, R.G., Murray, W.J., and Williams, N., 1990; HYC silver-lead-zinc deposit, McArthur River, NT. *In* Hughes, F.E., ed., Geology of the mineral deposits of Australia and Papua-New Guinea: Melbourne, Australasian Institute of Mining and Metallurgy.

- The location of the former mines at Halls Peak on or near major faults suggests the mineralising fluids were vented from the faults.
- At McArthur River the base metals originate from a main vent zone located on the intersection of two major faults. At Halls Peak the conductors deepen towards the Sunnyside area, consistent with a similar vent on the intersection of mineralising faults.

Halls Peak was recognised as a SEDEX province in 2006 by Greg McKelvey, retired CEO Exploration, Phelps Dodge Mining Co., USA. He concluded, "Halls Peak, known since 1896, is a classic Sed Ex massive sulphide system with potential to discover a large, Mt Isa sized deposit". "Mineralisation is in a large Sedimentary Exhalative System over 30 sq. km"[3].

The recent VTEM survey was proposed by PMR to confirm the nature, extent and economic potential of this system, and has located conductors which are consistent with the SEDEX model, supporting McKelvey's conclusions.

Exploration Licences 4474, and 5339 are each subject to cooperation and investment agreements with Jiangsu Geology and Engineering Co. Ltd. (SUGEC) of Nanjing China to contribute $4 million toward exploration on both EL 4474 and EL 5339. This is in addition to $2 million exploration funding which is well underway on the adjacent EL 7679, and under which the recent VTEM survey on this EL was carried out.

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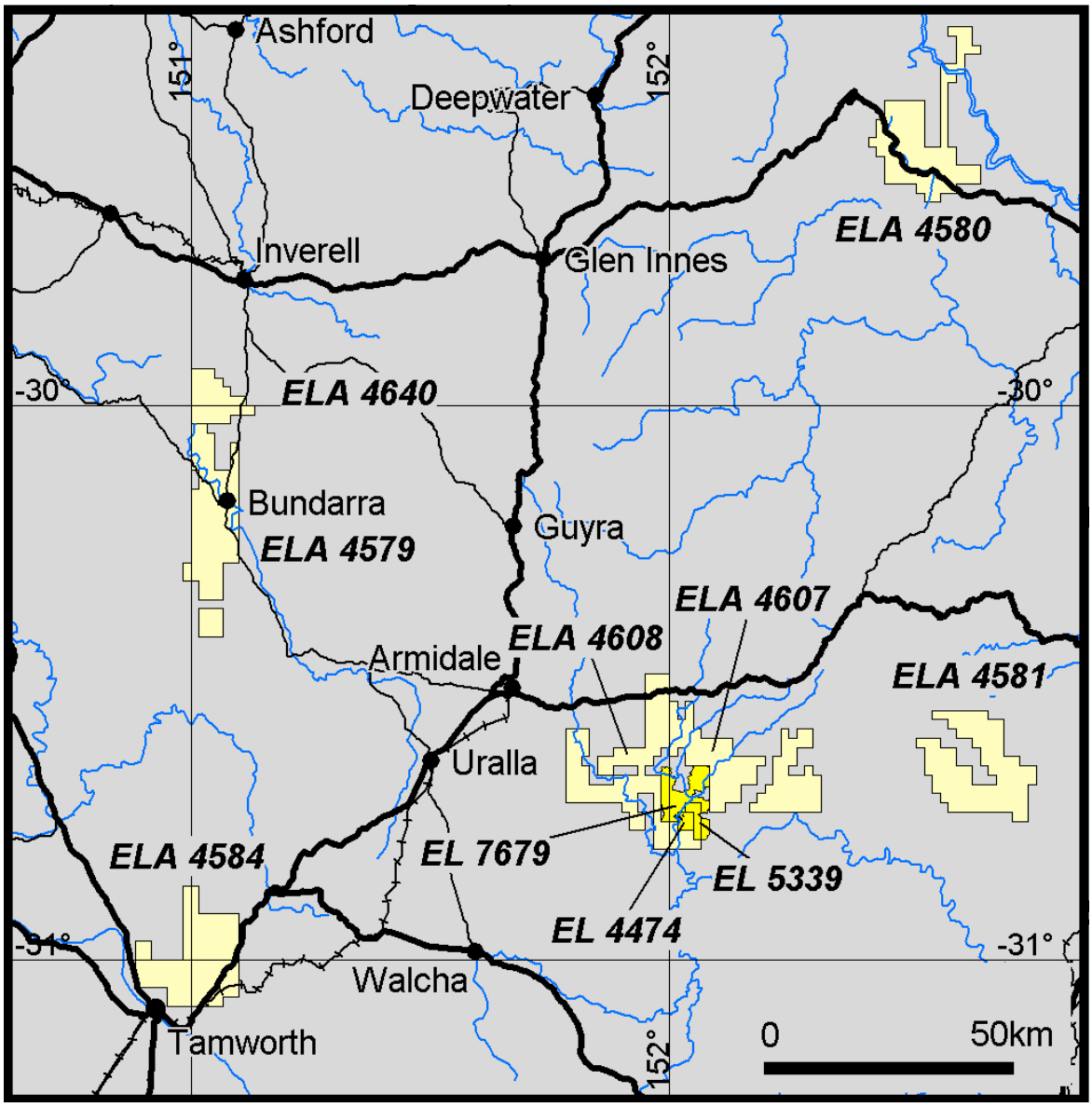

Location map of PMR (Armidale) licences and applications