



ACTIVITIES REPORT- QUARTER ENDED 30 JUNE 2007

HIGHLIGHTS

The quarter ending 30 June 2007 has been one of significant achievement and transition for shareholders of Precious Metals Australia (ASX: PMA). Key achievements have included:

- Major Board and management changes completed to support the company's drives towards production at the world-class Windimurra vanadium mine
- Prominent Australian mining executive Michael Kiernan appointed as PMA's non-executive Chairman
- Key changes to PMA's Board of Directors were implemented including the appointment of senior mining executive Dr Iain Scott as Managing Director, replacing founding Managing Director Roderick Smith
- In May, PMA announced it had secured supply of natural gas from the North-West Shelf to its world-class Windimurra vanadium mine, under development in the WA's Mid West – signing an agreement worth \$35 million over three years for the purchase and delivery of natural gas. The contract has an option from PMA to extend for a further three years, providing longer-term security for the project.
- PMA announced a significant upgrade of its JORC consistent Reserve from 50.4Mt to 98Mt (or 96%) of vanadium containing magnetite at Windimurra
- The Company is in a strong financial position with A\$67M in cash at 30 June 2007.
- In May, an engineering review commenced and has delivered:
 - 15% increase in contained Vanadium for sale
 - Greater flexibility in the ore beneficiation to maximise resource utilisation and enhance vanadium recovery
 - Greater certainty in achieving a revised capital cost target of A\$296M of which the Company has already invested A\$27M
 - The new capital costs have been endorsed by the PMA Board as the basis upon which to progress development of the Windimurra project.
- PMA is currently redeveloping the Windimurra mine, with first production targeted for the second half of 2008. The mine is expected to produce 6,400 tonnes per annum of ferrovandium and 1,000 tonnes per annum of vanadium pentoxide, which will represent approximately 8% of the world market.
- Windimurra is expected to be a lowest quartile cost vanadium mine.

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Corporate

Board and Management Changes

Key changes to the Board of Directors have been implemented with Dr Iain Scott taking up the role of Managing Director from 21 June 2007. In addition, prominent Australian mining executive Michael Kiernan has taken on the position of non-executive Chairman.

Additional changes include the appointment of Andrew Simpson to the position of Non-Executive Director Marketing, with Non-Executive Director Michael Fry stepping down after three years in the position.

Dr Iain Scott – Managing Director

Dr Scott replaced long-serving PMA Managing Director and founder, Roderick Smith, who has relinquished the role for health reasons. Mr Smith remains as a non-executive Director.

Dr Scott is a highly credentialed mining executive with more than 25 years' experience in the minerals processing industry. He will spearhead an expanding management team focused on completion of the financing and development of PMA's 90%-owned Windimurra Vanadium Project in Western Australia.

In his previous role as General Manager-Operations of successful diversified miner Straits Resources, he was responsible for the development and operation of several mines. Prior to this, he spent eighteen years in the mineral sands industry and is a world leader in synthetic rutile production technology, a process similar to vanadium extraction. He has a PhD in mineral processing and 1st class honours degree in metallurgy.

Michael Kiernan - Chairman

Perth based Mr Kiernan, who is one of Australia's most experienced and well-known mining executives, was nominated by Noble to be a director of PMA in August 2006. He has considerable mining and logistics experience with a proven track record in taking projects through to production. He was founding Managing Director of successful West Australian mining group Consolidated Minerals Limited, and is currently Chairman of a number of publicly listed mining companies including Monarch Gold Mining Company Limited, Territory Resources Ltd and India Resources Limited.

The former Chairman Mr Tony Grey, has retired from PMA due to growing work loads.

The Board has publicly expressed its thanks to Mr Grey and Mr Smith for their significant contribution to PMA over the past years.

Financing

The Company is in a strong financial position starting with \$67M cash at 30 June 2007.

The Board approved the project economics during the period. Based on this, a number of project financing proposals have been received and are currently under consideration. These will be progressed during the next quarter with the intention of funds being available for drawdown in the last quarter of 2007.

Project Development

Engineering and Capital Costs Review

Detailed engineering of the Windimurra Vanadium Plant continued through the quarter. The Front End Engineering Design (FEED) studies, undertaken by Thiess-Promet Joint Venture (TPJV) and Proteus Engineers, have been consolidated into an overall project design and target capital cost estimate.

In May, PMA initiated a review of the company's engineering requirements including a major review of capital costs for the Windimurra Vanadium Project.

The scope of the engineering review included:

- simplifying the magnetite recovery circuit flow sheet;

- revising the layout of the beneficiation plant in order to reduce material take-offs, specifically electrical cabling and pipework; and
- completing a 'value added' engineering review on the roasting-leaching-precipitation sections to remove potential redundancies.

The scope of the capital cost review included:

- consolidating the construction indirect costs and overheads, generated separately by TPJV and Proteus, into one combined estimate
- applying, where applicable, the optimal unit cost rates for concrete, steel, etc across both estimates
- adjusting the levels of contingency and escalation, reflecting the amount of engineering completed to date and the shift in market rates.

The new capital cost estimate for the Project is A\$296 million, of which the Company has already invested A\$27M.

As a result of the engineering review process, the following has been achieved:

1. A 15% increase in contained Vanadium for sale;
2. Greater flexibility in the ore beneficiation circuit to treat both fresh and oxidised ore thereby maximising utilisation of the resource and enhancing vanadium recovery; and
3. Greater certainty in the achieving the capital cost target in what is a challenging project implementation environment subject to cost pressures.

Both the revised process flow circuit (see Diagram 1) and the new capital cost have been endorsed by the PMA Board as the basis upon which to progress development of the Windimurra project.

Activities

- Alinta Asset Management are progressing the detailed engineering and approval process for the gas infrastructure and High Voltage (HV) electrical distribution system required at site. Construction of the HV switch room for the Power Station has commenced.
- Factory testing of the Solar Gas Turbines required for power generation has been completed with delivery scheduled for August 2007.
- Fabrication of the High Pressure Grinding Rolls (HPGR) required for ore beneficiation is on schedule at Koppern's Hattingen Factory in Germany. The first shipment, which includes the main frame and housings, is on track to occur in September and the HPGR drive train is on track for shipment in October.
- As of the end of June, installation of the Construction workforce accommodation camp was virtually complete.
- Supply of potable water has been provided via a Reverse Osmosis Plant which was mechanically installed with electrical hook-up and final commissioning expected to be complete by mid July.
- A small crew of 10 personnel commenced the site rehabilitation work in May. Work so far has consisted of removing redundant material from the plant area and preparing the site for construction to safely commence.

Exploration

In May 2007, a significant upgrade of PMA's JORC compliant Reserve of vanadium containing magnetite at Windimurra was reported. This increase in Reserves from 50.4 Mt to 98 Mt (or 96%) is shown in the table below.

Drilling conducted in December 2006 and January 2007 has not yet been included in the Resource and Reserve model, but indicates that the mineable width and depth is greater than previously assumed. The Resource model will be updated in the next quarter and pit optimisation work currently underway will study the benefit of increasing the cut-off grade, which is expected to increase the average grade mined whilst reducing the Reserve tonnage.

Resource	Million tonnes	Grade (%V ₂ O ₅)
Measured	64	0.47%
Indicated	66	0.46%
Inferred	18	0.40%
Total	148	0.46%
New Reserve		
Proved	65.8	0.40%
Probable	32.4	0.41%
Total Reserve	98.2	0.40%
<i>(Note: Old Reserve</i>	<i>50.4</i>	<i>0.49%</i>

Note: Reserves are contained within the total Resource. Mining dilution factors have been applied and have been estimated to take account of the mining methods proposed and the strength of the materials. A mining recovery factor of 95% has been assumed. The cut-off grade adopted is 0.275% V₂O₅.

All reported Resources are contained within a six kilometre segment and all Reserves are contained within a four kilometre segment of the 26 km strike length within PMA's granted Mining Leases.

Previous mining operations at Windimurra achieved an average grade of 0.504% V₂O₅ with a positive grade and tonnage reconciliation to the Resource model.

Marketing

During the quarter, PMA commissioned a market study by an independent industry analyst, CRU. The CRU study showed between 2001 and 2006, the average compound rate of annual growth in vanadium consumption was reported to be 7.1%. CRU estimates this growth rate is likely to be maintained going forward as a result of predicted increased steel consumption worldwide, combined with likely increased intensity of vanadium use in developing economies and predicted greater use of vanadium-titanium alloys in aerospace.

Market forecasts indicate vanadium producers are generally operating at very close to practical capacity. It is the Company's view that the forecast growth in supply of vanadium, including from Windimurra is not expected to significantly exceed the growth in demand over the next five years. To date Customers have been very receptive to Windimurra as a new potential vanadium supplier.

Ferrovandium prices remained in the range of US\$37-39 per kilogram of contained vanadium for most of the June quarter.

In 2006, PMA appointed **Noble Group (SGX:NOBL)** to be the exclusive sales and marketing distributor of the vanadium production from Windimurra and signed a Sales and Marketing Agreement. Noble has a 10% stake in Windimurra Vanadium Pty Ltd. Under the terms of the Agreement, Noble will purchase the vanadium production throughout the operating life of Windimurra Mine, develop sales to end user companies and coordinate the logistics for delivery of product to the customers. A key component of the Agreement is that Noble will assume all credit risk for the sales to customers and guarantees to pay PMA a minimum price that is equal to the unit cost of production, if this was to exceed the Metal Bulletin spot price.

In February 2007, Noble entered a five year take or pay contract for a portion of production with a major consumer of vanadium and has commenced market development for the sales of the remainder of production.

Noble has two representatives on the PMA Board – Chairman Michael Kiernan and Ricardo Leiman (COO of Noble). Headquartered in Hong Kong and operating in more than 40 countries through a network of over 80 offices with over 9,000 people, the Group serves more than 4,000 customers. With a 2006 annual turnover exceeding US\$13 billion, assets of more than US\$3.8 billion and access to capital markets, Noble has reached a critical mass and become a very significant player in a number of key commodity markets around the world. Noble Group manages the flow of raw materials from source to destination with a hands-on approach. Visit: www.thisisnoble.com

Parliamentary Enquiry

Former Managing Director Roderick Smith was called as a witness in a Parliamentary Enquiry regarding the activities of Government lobbyists. Despite the significant amount of publicity, PMA's independent legal advice in relation to the employment of political lobbyists is clear that neither the company, nor its officers, have acted in an inappropriate manner.

Shareholders can be reassured that this Parliamentary Enquiry is now closed and there has been no wrongdoing by PMA or any of its officers.

Yours sincerely

By Order of the Board
PRECIOUS METALS AUSTRALIA LIMITED
DR IAIN SCOTT
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mrs Hilary Wright, Senior Geologist, and Dr Brian White, Principal Mining Engineer, who are members of The Australasian Institute of Mining and Metallurgy, and who are both employees of Coffey Mining Pty Ltd, which is an independent consultant to Precious Metals Australia Limited. Mrs Wright and Dr White have more than five years relevant experience in the style of mineralisation and types of deposit under consideration and consent to inclusion of the information in this report in the form and context in which it appears. They are both qualified as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Diagram 1 - Process Circuit Flow

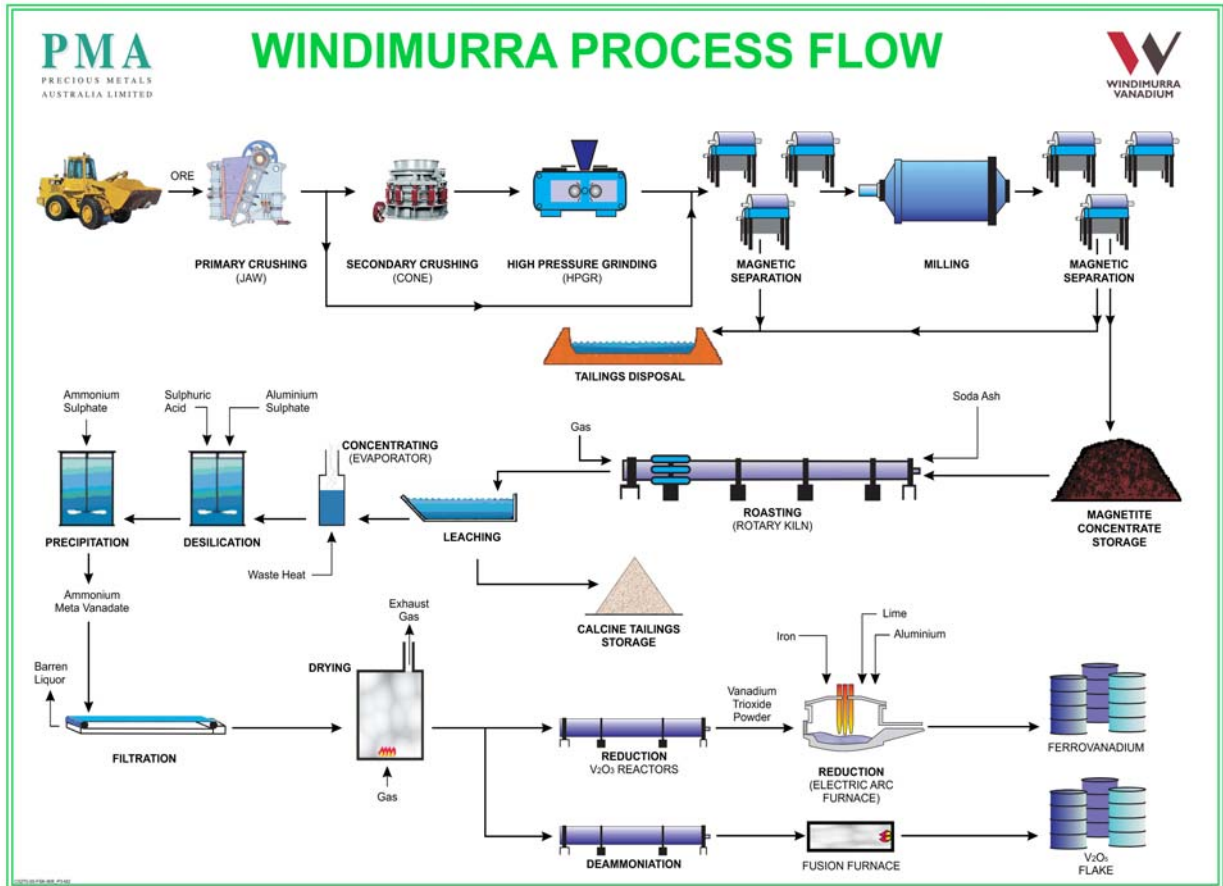


Diagram 2 - Location Map

