



ACTIVITIES REPORT- QUARTER ENDED 31 MARCH 2007

HIGHLIGHTS

- **Development of the 90% owned Windimurra Vanadium Mine is moving from detailed design to the construction phase**
- **FEED engineering completed. Approximately \$14 million expended on development activities during the quarter, and a further \$53m committed**
- **Installation of the new 120 person construction camp completed plus permanent village for a further 120 under construction**
- **Equipment Purchases and Contracts:**
 - **Gas Turbine Power Station nears delivery**
 - **High Voltage Services being contracted**
 - **High Pressure Grinding Rolls under construction**
 - **Two regrind Ball Mills purchased**
 - **Gas Supply and Transport being finalised**
 - **Earthmoving Fleet tendered**
 - **Mobile Equipment purchased**
- **Drilling along hanging wall of current open cut shows extension to west. Pit designs being evaluated to develop a deeper-wider pit prior to extending along strike**
- **Drilling also identified a hanging wall magnetite horizon with head grades running in excess of 40% iron and 25% titanium oxide (TiO₂). Testwork underway in China to evaluate iron and titanium production**
- **Significant Board changes made as company drives forward**
- **Equity raising of \$51.5m concluded, debt financing being negotiated**

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

Roderick Smith
Managing Director
Tel: 08 9423 1900
rsmith@pma.com.au

Garry Korte
Chief Financial Officer
Tel: 08 9423 1910
gkorte@pma.com.au

PMA
PRECIOUS METALS
AUSTRALIA LIMITED

Postal Address:

PO Box 620
West Perth WA 6872 Australia

Registered Address:

Level 4, 76 Kings Park Road
West Perth Western Australia 6005

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

WINDIMURRA VANADIUM PTY LTD (PMA 90%)

Windimurra vanadium mine is continuing to move from detailed design to the construction phase, with major sections of work being awarded.

During the quarter approximately \$14 million was expended on development activities. Additional contracted commitments total \$53m.

Vanadium prices are currently at a six month high at \$42/kg FeV, being well above the long term prices used in the Windimurra study.

Global demand, led by China, is expected to increase by nearly 8% per year, requiring additional production equal to building one Windimurra mine each year.

Engineering and Construction Progress

The design of the Windimurra plant continues to be resolved with additional changes to the Beneficiation stage of the plant being made. The Beneficiation stage has been increased 25% in capacity and configured to ensure it can treat a variety of ore types (varying principally in terms of hardness, degree of oxidation and magnetic susceptibility) to ensure that previous concentrate production shortcomings are overcome. A second regrind circuit has been included as part of this initiative.

A definitive capital cost is being finalised based on FEED designs and tender prices. It is likely that scope changes and escalation in prices due to the tight construction market will increase capital costs significantly, whilst increased production levels will increase revenue over that previously predicted.

Thiess ProMet Joint Venture (TPJV)

TPJV have completed the Front End Engineering Design (FEED) study and have issued 42 tender packages for equipment to selected vendors.

Proteus Engineers

Proteus have completed the FEED work for the roasting and leaching section of the process plant which covers the roasting kiln through to the AMV belt filter.

Proteus have issued 31 tender packages for equipment to selected vendors.

Drytech International

Drytech International have been engaged for the design and manufacture of specialty high-tech vanadium processing equipment worth approximately \$20 million.

The equipment to be supplied by Drytech will be manufactured in South Africa, avoiding construction and fabrication bottlenecks in Australia.

Drytech is an experienced supplier of the critical vanadium trioxide (V_2O_3) reactor required for cost effective production of ferrovandium.

After visiting Drytech in Johannesburg in March 2007 it has been concluded that a magnetite pre dryer for the kiln would not be required to give the planned kiln throughput. This will remove technical complexity and additional commissioning issues.

Computer process modelling of the performance on moist feed has confirmed that the existing Windimurra kiln will have the capacity to meet or exceed the proposed production level.

A wet scrubbing system for off gas cleaning which will remove SO_2 as well as particulates from the kiln off gas will be installed.

Air Charter Services

A contract for Air Charter Services has been awarded. A 30 seat Embraer Brasilia turboprop aircraft operated by Network Aviation will operate a twice weekly service. The flight time from Perth to either Mt Magnet or Windimurra is approximately 50 minutes. The aircraft, fitted with galley and toilet, is operated by two pilots and a flight attendant ensuring a fast and comfortable commute for our people.



An EMB-120 Brasilia 30-seat twin-turboprop airliner

Windimurra Site Activities

Installation of the 120 person construction camp is nearing completion.

The 120 room permanent village buildings have been ordered and are under construction in Perth. Tender documentation for the installation of the permanent village at Windimurra is complete and ready for issuing.

All rooms will be to a high standard with an ensuite, individual telephone, data link and television, to ensure that the highest standard of workforce is attracted.

Six bores in the existing Windimurra borefield have been refurbished and brought online by Western Irrigation. A further eight deep water bores in the eastern borefield area will be re-equipped in the coming quarter.

The communication systems (telephone, faxes and computer systems) have been installed on site and are operating satisfactorily. The sophisticated VoIP technology with capacity of up to 120 lines allows all personnel to have free use of telephone and data services. The site maintenance scheduling, inventory, accounting and data management will be mirrored across a fibre optic link to the Perth office assuring a high level of data integrity and integration between site and office functions.



Construction Village being built at Windimurra March 2007

Solar Turbines leave Factory in May

A contract has been signed with Solar Turbines for the turnkey supply, installation and maintenance of the 18MW gas turbine power station. The early award of this

contract ensures the timely delivery of the four Taurus 60 gas turbines. Solar guarantee power output and availability. Three turbines are nearing completion and will leave the factory in May 2007. A 1.5MW diesel black start generator will ensure operation of critical services during any shutdown.



One of four 4.6MW Solar Centaur Gas Turbines for Windimurra nearing completion at the Solar Facility in Florida

High Voltage Services Contracted

Negotiations on a contract for the provision of gas and electrical infrastructure and overhead high voltage power lines (to supply the borefield and village) are nearing completion. Critical items such as power poles have been ordered.

High Pressure Grinding Rolls Purchased

An agreement has been signed with Köppern for the supply of high pressure grinding rolls of a total cost of \$5.23m. This machine is approximately 50% complete and due for delivery in August 2007. Köppern have conducted pilot scale test work on Windimurra ore in their Perth and German facilities, and based on this work, have guaranteed throughput and wear rates.

Regrind Mills Purchased

The two ball mills required for the magnetite concentrate front end of the plant were purchased during the quarter. A 1.5MW and a 2.5MW second hand mills were purchased during the quarter. Removal and refurbishment of the mills has commenced. The lead time for new mills has grown in some cases to 2 years, and so we are grateful to the extensive efforts of Promet during the quarter, to locate and acquire these units.

Gas Supply Agreements Negotiated

Agreements for supply of and haulage of 6 TJ/day of natural gas to Windimurra are nearing completion. Gas will be used to generate power and to fire the rotary kiln, deammoniation furnace, fusion furnace and vanadium trioxide reactors.

Earthmoving Fleet Purchases

The supply, maintenance and financing of the major earthmoving equipment was tendered during the quarter and a contract is expected to be finalised shortly.

The new equipment will include a 100t dozer, four 100t off road dump trucks, large loader, two smaller excavators and motor grader.

The company's 200t Hitachi Excavator was modified for Australian specifications and delivered to site during the quarter.

A HINO 6x4 truck with 14,000 litre water tank, pumps and spray and a Hino FM1400 Truck fitted with an 8 tonne Hiab hydraulic crane were purchased new for \$400,000. Early delivery will allow use of this equipment during construction as well as ongoing operation.

Environmental and Other Approvals

The Company continues to make steady progress in setting up the necessary safety and environmental management systems as we move into project construction.

Queries and feedback were received on the Windimurra Environmental Management Plan from all relevant Environmental Regulatory Authorities (ERAs) in November through the Environmental Protection Authority (EPA). WVPL submitted a response to this in December. This response has been provided by the EPA to all relevant ERAs for comment.

Once the response is accepted, the Environmental Management Plan and associated section 45c will be finalised.

The last outstanding element of the EMP approval is the Air Emissions modelling requested by the Air Quality Management Branch of the DOEC.

A second (part IV) 45c submission to the EPA will be required for the Non-Magnetic Tailings dam which has been redesigned by

Golder Associates to allow the open cut to be mined wider and deeper.

Work continues on preparing reviewing and amending information required for the Works Approval and Mining Proposal submissions. Key elements of the Works Approval include process plant design, waste stream characterisation, reagents and air emissions modelling and characterisation. Key elements of the Mining Proposal include the mine design and waste facility design.

A Water Efficiency Plan was submitted in April 2007 to the Department of Water prior to licensing of the borefield.

Health and Safety Improvements

Review and development of the Safety and Wellbeing Management Plan continues to ensure applicability and relevance to construction activities.

Notification was received from the Department of Consumer and Employment Protection (DOCEP) that construction activities at Windimurra will be transferred from the Resources Safety division of DOCEP to the Worksafe division. All other activities/areas of the Windimurra lease will continue to remain under the jurisdiction of Resources Safety.

An internal assessment of the Company's Emergency Management Plan was conducted in the quarter with a review of emergency scenarios including a severe weather event. A Crisis Management Plan, detailing corporate roles and responsibilities in an emergency, is being prepared to link into the Emergency Management Plan.



New Emergency Fire Truck located at Windimurra

Exploration Conducted

Exploration drilling was completed on 13th January 2007. A total of 2,426 metres of reverse circulation was completed for the program, which commenced on 3rd December 2006.

Chip logging showed there was good mineralisation under varying amounts of waste rock in the hanging wall, as was expected. Also the base of oxidation and top of fresh rock was at approximately 40 metres, similar to the results from previous drilling programs.

Drilling targeted deeper, fresh material along the hanging wall of the pit to assess mine development options of a deeper-wider pit early in the mine plan. Three holes were designed to intercept the footwall of the deposit at 400 metre intervals, and these showed the vanadium orebody had a true vertical thickness of 90 to 100 metres and intercepted the true footwall at 140 to 145 metres. The minable width is 300m to 350m.

Drilling also identified an upper magnetite horizon of between 15 to 20 metres true vertical thickness. This has significantly higher iron and titanium values. Preliminary testwork be conducted on a 500kg bulk sample in a research laboratory in Chengde, China has yielded head grades in excess of 40% iron and 25% titanium oxide (TiO₂).

During the quarter approximately \$360,000 was expended on exploration activities.

Samples from the deeper drilling will also be used for a rock classification test program as a deeper pit will mine an increased percentage of fresh material.

Final wireframes and the exploration database were given to Coffey Mining for validation.

Resource modelling incorporating all the drilling up to January 2007 should be completed by the end of May.

Coffey Mining have now generated a mining schedule that incorporates the variation of magnetite recovery with mining depth. This has confirmed that higher recoveries than assumed in the BFS should be achievable on the ore blends proposed.

Current work being performed by Coffey Mining involves using the current resource model to schedule an unrestrained reserve, and also to generate a combined Resource, Reserve, and Mining study.

Metallurgical testing on the fresh ore is continuing, and results available to date have confirmed the suitability of the High Pressure Grinding Rolls to handle the fresh rock. A composite sample of the fresh rock was also separated magnetically.

CORPORATE - OTHER

Sales and Marketing Agreement

The Vanadium Sales and Marketing Agreement with Noble has one remaining condition precedent, which is that Project Finance be secured on terms acceptable to PMA.

As the Company has raised significant equity capital and is therefore able to continue to progress the Windimurra development, Noble and PMA have agreed to further extend the time for completion of finance to 30 June 2007. Upon satisfaction of the remaining condition precedent the Company will allot to Noble approximately 3.7m shares.

PMA and Noble representatives met in Hong Kong and Beijing during the quarter, to further develop the vanadium sales strategy.



Heavy Equipment arrives at Windimurra April 2007

PMA Presents at International Ferro Alloys Conference

PMA's expertise in the vanadium industry is internationally recognised, and the Company's executives are regularly invited to present on the industry. This quarter, PMA's General Manager, Marketing Michael Tamlin presented a paper titled "Vanadium Supply and Demand Trends – or Why the World Needs Windimurra" in Hong Kong to the Metal Bulletin Asian Ferro Alloys conference. A copy of the paper is available on PMA's web site.

The intensifying use of vanadium is the catalyst for PMA's redevelopment of the Windimurra vanadium mine, on schedule for first production early next year and anticipated to ramp up to an annual production rate of 6,200t of ferrovandium, equivalent to eight per cent of world demand.

Vanadium's principal use has been as a strengthening additive to carbon steel and high-strength steels, but the use of titanium-vanadium alloys for aircraft components, air frames and gas turbines is also a growing market.

New applications continue to be found for the metal's useful chemical and physical properties, and while aerospace alloys would be the fastest growing sector, steel is expected to remain the key end-use market.

Historically, Asian steelmakers have added less vanadium to their product than the world average, but this is beginning to change, as the maturing Chinese and other emerging steel markets increase their intensity of use.

Hence, the forecast growth of vanadium consumption is higher than that for steel alone.

Macquarie Bank has forecast total world steel production will grow at an annual rate of 5.8% until at least 2010, with China increasing its share to 40% by then.

The increase in steel production, coupled with increasing intensity of use of vanadium in this production, means annual vanadium consumption is expected to grow by nearly 8% per annum. This would require an increase in vanadium production equal to the capacity of Windimurra – every year.

Board Changes

Key changes to the Board of Directors have been announced with the appointment of Dr Iain Scott as a director on 17 April, and as Managing Director from 1 July 2007. In addition, prominent Australian mining executive Michael Kiernan was appointed non-executive Chairman.

After a three month overlap, Dr Scott will replace long-serving PMA Managing Director and founder, Roderick Smith, who has decided to step down from the role following a 20-year stint at the helm of the Company. Mr Smith will remain actively involved as a non-executive Director and a major shareholder in PMA.

Dr Scott is a highly credentialed mining executive with over 25 years' experience in the minerals processing industry. In his previous role as General Manager 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.

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

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 Iron Ltd and Uran Limited.

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

Equity Finance

During the quarter the Company completed a share placement, comprised 24,871,795 shares at a price of \$1.95 per share raising approximately \$48.5 million from Australian and international institutions and clients of Lead Manager, Patersons Securities Limited.

Shareholders approved the issue of the second tranche of these shares, being 13,543,731 shares, on 24 January 2007.

The board was pleased to welcome new institutional investors to the Company's register and to express gratitude to the group of existing institutions who continue to support the Company.

Debt Finance

After completing the placement and share purchase plan, PMA has available equity of more than \$80 million to finance the rebuilding of the mine. PMA has made significant progress towards putting debt finance facilities in place. The Company's strong cash position has enabled PMA and Noble to extend the deadline for conclusion of debt finance from March 31, to June 30. Further due diligence visits were conducted to site in April.

Share Purchase Plan

A Share Purchase Plan ("SPP") for eligible Australian and New Zealand shareholders to purchase up to \$5,000 worth of shares, at the placement price of \$1.95 per share was concluded during the quarter.

The SPP closed on 25 January 2007 with applications of \$2.7m being received. As shareholder demand was well in excess of the pool of stock available under the SPP, the Board elected to accept additional applications in order to avoid cutting back allocations to smaller applicants.

Accordingly, 1,384,515 ordinary shares were issued to 585 applicants, increasing the number of shareholders to over 1,290. This is expected to increase liquidity in the Company's shares.

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.

CCC Lobbyists Enquiry

The Company has not been distracted by the recent adverse publicity arising from the CCC hearings in Perth regarding the activities of Government lobbyists. Some ensuing press reports made inaccurate references to PMA and its Directors, in particular in relation to the quantum of fees paid to a lobbyist, and the significance of changes suggested to the draft report of a 2004 Parliamentary inquiry into the premature closure of the Windimurra Mine.

PMA's Board has taken independent legal advice in relation to the employment of political lobbyists, the Parliamentary report, as well as its litigation with the previous owner of the Windimurra Mine, and the settlement of that litigation.

Contrary to press speculation, the report played no part at all in that litigation, nor in its settlement the following year. Shareholders can be reassured that there has been no wrongdoing by PMA or any of its officers, and there is no basis upon which the settlement reached between PMA and its partner in 2005 could be re-opened by either party.

Our focus as a Group is not to dwell on the past, but on our exciting future as a growing resources group. Our attention is currently focused on completing a suitable financing package for the Windimurra Project, which is anticipated to be in place during the June 2007 Quarter.

Yours sincerely

By Order of the Board

PRECIOUS METALS AUSTRALIA LIMITED

RODERICK SMITH
Managing Director