



**PRECIOUS METALS
AUSTRALIA LIMITED**

MEDIA RELEASE

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PMA CONCLUDES MAJOR DEVELOPMENT CONTRACT

Precious Metals Australia (ASX:PMA) has taken a further step towards production at its world-class Windimurra Vanadium project, securing a build, own, operate and transfer partner for its beneficiation plant.

PMA has agreed a contract with Mineral Resources Limited worth more than \$300 million over ten years, for the provision of ore crushing and beneficiation facilities in order to produce magnetite concentrate.

The extraction and processing plant that produces vanadium from the concentrate will be built, owned and operated by PMA who will also retain responsibility for mine planning and production.

Mineral Resources is a leading integrated Australian based mining services and processing company with operations in contract crushing, general mine services infrastructure provision and recovery of base metal concentrates.

The contract will allow PMA to reduce its capital requirement for the development of the project by some \$90 million.

PMA Managing Director Iain Scott said the contract was a significant further step forward for the Company, as it moved towards production at Windimurra in the second half of 2008.

"This is an important contract in the development of our project, and will provide security and value for shareholders," Dr Scott said.

"We are pleased to have reached an agreement with a "can do" organisation such as Mineral Resources. It means we have a specialist team in place for the design, engineering and construction of the beneficiation plant, and the operation of these facilities," Dr Scott said.

"We expect the contract will drive efficiencies through the construction and operation of the beneficiation plant, and add long term value for shareholders through contribution to the cost effective supply of high grade vanadium to the world," Dr Scott said.

Under the arrangement, Mineral Resources will design and construct and operate the facilities. It is estimated construction will take 12 months.

The facilities will be built to process 4.3 million tonnes of ore per year and produce approximately 90,000 tonnes of magnetite concentrate per month.

Windimurra, located 600km north east of Perth, is based on one of the largest proven vanadium reserves in the world. Global demand for vanadium is expanding, driven by growth in steel consumption, increasing intensity of vanadium use in developing economies and expanding use of vanadium-titanium alloy in aerospace applications.

The Windimurra Project will be one of the world's lowest cost vanadium producers.

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Background

Precious Metals Australia (PMA) is a ferro-alloys company based in Perth, Western Australia and is listed on the Australian Stock Exchange (ASX:PMA). PMA's focus is the development of the Windimurra Vanadium Mine, located 600km north east of Perth in WA's Mid-West region.

PMA has a strategic alliance and off-take agreement with leading global supply chain manager, Noble Group Limited, based in Hong Kong. Noble has agreed to purchase the total vanadium output of the Windimurra mine, at prevailing market prices for the life of the mine.

Originally discovered by PMA in 1985, Windimurra contains one of the largest reported proven vanadium Ore Reserves in the world with current mineable reserves of 98.2 million tonnes at a bulk grade of 0.40% V₂O₅ (vanadium pentoxide), which will underpin an initial mine life of 25 years at the proposed mining rate of 3.9mtpa. A total of 148 million tonnes of resources have been modelled at a bulk grade of 0.46%.

The Windimurra mine was originally built by PMA with a joint venture partner in 1999, and, whilst operating, was the world's largest primary vanadium mine, gaining recognition as one of the highest-quality sources of vanadium in the world market.

Since 2003, world demand for vanadium and the price of the commodity have increased strongly, largely driven by growth in Chinese steel production. Marketing studies commissioned by PMA forecast that vanadium demand will continue to increase through 2015 at a compound annual growth rate of 7.8%.

For more information, please visit www.pmal.com.au