PRECIOUS METALS
AUSTRALIA LIMITED
ABN 65 009 131 533

31 May 2007

Company Announcements Office
Australian Stock Exchange Limited
Exchange Plaza
Sherwood Court
PERTH WA 6000

Dear Sir / Madam

WINDIMURRA RESERVE INCREASED 75%, PLANT VALUE ENGINEERING AND DESIGN REVIEW UNDERWAY

The board is pleased to announce the upgrade of its JORC consistent Reserve of vanadium containing magnetite at Windimurra from 50.4 Mt to 98 Mt. Drilling conducted in December 2006 and January 2007 has not yet been included in the Reserve model, but indicates that the mineable width and depth is greater than previously assumed.

Ongoing mine design optimisation has converted a significant portion of additional material at Windimurra from Resource into the Reserve category. The additional material has not been classified as ore at the expense of mining material that is below the cut-off grade (0.275% V_2O_5). The additional ore is all fresh magnetite that has a higher magnetic susceptibility and therefore recovery than the shallower oxidised ore. The ore to waste ratio over the life of mine remains above 3 ore to 1 waste.

The mine plan developed by Coffey Mining suggests that over the mine life greater than 80% of the ore mined will be transitional or fresh (unweathered) ore, leading to the likelihood that the magnetite recovery section of the Windimurra plant can be simplified in design and increased in capacity without affecting recovery. Previously, the mine plan and associated processing facilities have focussed on oxide ore.

The Company's engineers Promet Thiess JV and Proteus Engineers have completed the Front End Engineering Design and have now entered the Value Engineering stage where the plant design and costing is critically reviewed with a view to optimising plant performance and minimising exposure to capital cost pressures. Most significantly, the ability to mine and process more metallurgically amenable ore from depth has the potential to improve project economics. This process is expected to take approximately three months.

The debt financing has reached a mature stage with completion of due diligence and documentation. The process has been placed on hold whilst the Value Engineering is completed. The Company is in a strong financial position starting the quarter with over $80M cash at bank, enabling design and procurement activities to proceed during this period.

Level 4, 76 Kings Park Road
West Perth Western Australia 6005
PO Box 620
West Perth Western Australia 6872
Telephone: +61 8 9423 1900
Facsimile: +61 8 9423 1999

PRECIOUS METALS
AUSTRALIA LIMITED

ABN 65 009 131 533

The Resource and Reserve position is now as follows:

Resource	Million tonnes	Grade (%V_2O_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%**
(Note: Old Reserve	*50.4*	*0.489%)*

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%V_2O_5.*

All reported Resources are contained within a 6 km segment and all Reserves are contained within a 4 km 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% V_2O_5 with a positive grade and tonnage reconciliation to the Resource model.

The Resource and Reserve do not yet take account of the successful drilling conducted during the last six months which intercepted significant mineralisation in the hanging wall and at depth. Pit optimisation work currently underway will incorporate the additional material and will also study the benefit of increasing the cut-off grade, which is expected to increase the average grade mined whilst reducing the Reserve tonnage.

Yours sincerely

Roderick Smith
Director
PRECIOUS METALS AUSTRALIA LIMITED

Level 4, 76 Kings Park Road
West Perth Western Australia 6005
PO Box 620
West Perth Western Australia 6872
Telephone: +61 8 9423 1900
Facsimile: +61 8 9423 1999

PRECIOUS METALS
AUSTRALIA LIMITED

ABN 65 009 131 533

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".

RODERICK SMITH
Managing Director

Level 4, 76 Kings Park Road
West Perth Western Australia 6005
PO Box 620
West Perth Western Australia 6872
Telephone: +61 8 9423 1900
Facsimile: +61 8 9423 1999