

G V M M E T A L S L I M I T E D

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REPORT FOR THE SEPTEMBER 2007 QUARTER

Highlights

- Coal of Africa Limited was granted new order Mining Rights for portions 1 and 9 of the Mooiplaats Coal project.
- 27,000 metres of drilling were completed during the quarter on the Mooiplaats coal project increasing the total amount drilled on the project to over 55,000 metres. The results of the drilling are in line with management expectations and will be released in the current quarter.
- Exploration expenditure for the quarter was A\$1.03 million.
- A further payment of £7 million was made as part consideration for the Mooiplaats Coal Project.
- Heads of Agreement concluded to acquire 60% of the Tshikunda coal project. Tshikunda is contiguous with Exxaro Limited's Tshikondeni coal project and consists of 32k hectares located in the Pafuri coal field in South Africa.
- Nimag (Pty) Ltd's nickel magnesium alloy business experienced tougher trading conditions accompanied by increased inventories due to reduced global nickel prices and demand and generated an EBIT for the quarter of A\$418k.
- Cash balance at the end of the quarter was A\$34 million.

Commenting on the results today, Simon Farrell, Managing Director of GVM, said, 'We are pleased to announce strong progress across the Company's coal projects. Drilling at Mooiplaats will be completed in the next quarter bringing the project into the 'Measured' status and negotiations with potential off takers are at an advanced stage. The Bankable Feasibility Study at Holfontein is on track and the drilling data acquired from Exarro gives us the possibility of bringing two of the Boabab farms into production 18 months earlier than we previously thought.'

DISCUSSION OF RESULTS

Coal Activities

Mooiplaats Coal Project

(70% on completion of the Coal of Africa Limited transaction)

During the September quarter, Coal of Africa Limited was granted Mining Rights for portions 1 and 9 in terms of Section 23 of the Mineral and Petroleum Resources Development Act, encompassing some 940 hectares of the 22k hectare project. Mining on these portions is expected to commence in the 2008 calendar year.

The infill drilling programme continued at Mooiplaats during the quarter and 27,000 metres were drilled, bringing the total metres drilled on the project to over 55,000. An additional 22 holes are required to complete phases 1 and 2 of the project, bringing the whole of the area drilled to 'Measured' status in terms of the JORC/SAMREC codes. On completion of the drilling phases, an additional 28 holes will be drilled to enable water monitoring. The independent consultants' project reports on phases 1 and 2 of the drilling together with a report on mining floor and roof support requirements is expected to be finalised during the December quarter.

During the September quarter, an Environmental Rehabilitation deposit of ZAR11 million was invested in a Trust in compliance with the South African Department of Minerals and Energy requirements. The Trust will be managed by GVM and the funds used for future rehabilitation expenses incurred on completion of mining on the Mooiplaats Coal Project.

A further £7 million was paid as part of the £35.5 million payable to acquire the Mooiplaats Coal Project, leaving a balance payable of £20 million in cash and 13,333,333 shares.

Discussions with mining contractors and potential off take partners – including Eskom – continued during the quarter under review.

As a result of the recent substantial increase in the price of export thermal coal, the Company is now reviewing its earlier plans of supplying largely unwashed thermal coal to the domestic market and is now focusing on the possibility of concentrating on producing washed coals for the export market.

Holfontein Coal Project (100%)

During the September quarter, GVM engaged consultants to prepare the Mining Work Programme as well as the Social and Labour Plan. The Company also contracted independent parties to commence the application for the New Order Mining Right and to prepare the Pre-feasibility study for the mining of the Holfontein coal project.

Baobab Coal Project (100%)

East Coast Maritime (Pty) Ltd were mandated to assess railway, road and port infrastructure required for GVM's Baobab and Thuli coal projects. The study is approximately 50% complete and should be finalised in November. The preliminary report delivered to GVM was encouraging in terms of coal transport capacity and the timing thereof. Discussions with transport infrastructure participants commenced during the quarter.

Geomechanics have commenced drilling on the Baobab coal project, with two rigs drilling on the farm Fripp. The drilling programme is expected to validate exploration work previously performed by Iscor (now Exxaro Limited).

Thuli Coal Project (Limpopo) (74%)

LudikCore (Pty) Ltd have been contracted as drilling contractor for the Thuli Coal Project and will commence in October on finalisation of the drilling work programme. The data collected in the data terrain model completed earlier in the year together with drilling completed by Utah Mining in the 1980's will be used in the identification of drilling targets.

Nimag Group of Companies (100%)

The Nimag Group's profit before interest and tax for the first quarter of the 2008 financial year was ZAR2.6 million (A\$418k). The nickel magnesium business experienced tougher trading conditions in the form of thinner margins and increased working capital requirements due to depressed global nickel demand together with a strengthening of the South African rand. Nimag Group utilised over A\$5 million in working capital during the quarter to finance increased nickel inventories. The smaller Metalloy business operated well ahead of expectations contributing to the Group's profitability.

Authorised by

Simon Farrell
Managing Director
26 October 2007

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

GVM Metals Limited

ABN

98 008 905 388

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	11,977	11,977
1.2	Payments for (a) exploration and evaluation	(1,033)	(1,033)
	(b) development		
	(c) production	(17,124)	(17,124)
	(d) administration	(1,227)	(1,227)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	514	514
1.5	Interest and other costs of finance paid	(28)	(28)
1.6	Income taxes paid	-	-
1.7	Other	-	-
Net Operating Cash Flows		(6,921)	(6,921)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	(20,010)	(20,010)
	(b)equity investments	-	-
	(c) other fixed assets	(236)	(236)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities	(410)	(410)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(20,656)	(20,656)
1.13	Total operating and investing cash flows (carried forward)	(27,577)	(27,577)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(27,577)	(27,577)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.(net) <i>see note below</i>	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Exchange rate related movements in foreign borrowings and reserves)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(27,577)	(27,577)
1.20	Cash at beginning of quarter/year to date	61,530	61,530
1.21	Exchange rate adjustments to item 1.20	(26)	(26)
1.22	Cash at end of quarter	33,927	33,927

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	110
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	5,833	655

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(2,000)
4.2 Development	-
Total	(2,000)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	33,089	57,146
5.2 Deposits at call	1,493	4,384
5.3 Bank overdraft	(655)	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	33,927	61,530

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				

Appendix 5B
Mining exploration entity quarterly report

6.2 Interests in mining
tenements acquired or
increased

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
Prospecting Rights granted to Tshikunda Mining (Pty) Ltd by the South African Department of Minerals and Energy,	Transfer of Mineral Rights is subject to the signing of a Shareholder Agreement and South African Department of Minerals and Energy approval.	0%	60%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	207,950,421	207,950,421		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	181,818	181,818	11 pence	11 pence
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	21,842,326	-	<i>Exercise price</i> See Note 6	<i>Expiry date</i> See Note 6
7.8 Issued during quarter	Nil	Nil	<i>Exercise price</i> See Note 6	<i>Expiry date</i> See Note 6
7.9 Exercised during quarter	Nil	Nil		
7.10 Expired during quarter	Nil	Nil		
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Director)

Date: 26 October 2007

Print name: Simon Farrell

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6 Issued and Quoted Securities as at 30 June 2007:

Number Issued	Number Quoted	Exercise Price	Expiry Date	Lapsed Since End of quarter
13,500,000	-	A\$0.50	30 September 2011	-
555,575	-	GBP0.54	31 May 2009	-
786,751	-	GBP0.34	17 May 2009	-
7,000,000	-	A\$1.25	30 September 2012	-