

GVM Metals Limited

Interim results for the six months ended 31 December 2006

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2006 and the auditor's review report thereon:

1. Directors

The directors of the Company in office during or since the end of the half-year are:

<i>Name</i>	<i>Period of directorship</i>
Mr Richard Linnell <i>Chairman</i>	Director since 1 August 2001
Mr Simon J Farrell <i>Managing Director</i>	Director since 21 December 2000
Mr Peter G Cordin <i>Non-Executive Director</i>	Director since 1 December 1997
Mr B Sergeant <i>Non-Executive Director & Company Secretary</i>	Director since 30 June 2004
Mr Steve Bywater <i>Non-Executive Director</i>	Appointed 8 February 2007
Mr Graham Taggart <i>Non- Executive Director</i>	Appointed 8 February 2007

2. Results

The results of the Consolidated Entity for the half-year ended 31 December 2006 after income tax was a profit of A\$ 912,368 (2005: loss of A\$141,447). Profit before interest and tax for the Group's main operating entity, Nimag (Pty) Ltd, was A\$ 3,534,000.

3. Review of Activities

Highlights

- Shares commenced trading on the Johannesburg Stock Exchange ("JSE") on 30 November 2006.
- Audit reviewed Group profit before interest and tax of A\$ 2 million for the first six months of the year.
- Cash at the end of the half year was A\$ 10.7 million.
- Nimag (Pty) Ltd's nickel magnesium alloy business continued to operate well ahead of budget.
- 12,200,000 GVM shares to raise GBP 2.44 million (A\$ 6.1 million) placed with Global Coal Management plc (previously Asia Energy plc).

- GVM executed a binding Sale of Shares and Claims Agreement to acquire 100% of Baobab Mining and Exploration (Pty) Ltd which owns the remaining 50% of the Baobab J.V. coal project. The remaining 50% is currently held by Motjoli Resources, which GVM has previously agreed to acquire.
- Granting of Section 11 approval in terms of the South African Mineral and Petroleum Resources Development Bill satisfying the last remaining condition to acquire the Limpopo Coal project. As a result, in November 2006, 20,812,500 GVM shares were issued to the Limpopo Coal vendors.
- GVM exercised its call option to acquire the outstanding 26% of Nimag (Pty) Ltd by the allotment of 4,620,557 GVM shares and a cash payment of AU\$ 75,000.
- An increase in the share option reserve of A\$ 165,600 for the 1,000,000 staff share options approved by shareholders in November 2006.

Discussion of the Results

NiMag Group of Companies ("Nimag")
(GVM - 100%)

The Nimag Group's reviewed profit before interest and tax for the first six months of the 2007 financial year is ZAR 19 million (A\$ 3.5 million). The Nickel Magnesium business continued to outperform its budget, whilst the smaller FeSiMag and Fibres businesses reported a combined loss of A\$ 265,000 for the first six months of the financial year. Management expect the FeSiMag and Fibres businesses to return to profitability in the second half of the financial year. Continued exchange rate levels and high nickel prices signify a positive outlook for the second half of the financial year.

Holfontein Coal Project (49% now - 100% on completion of Motjoli acquisition)

The Holfontein in-fill drilling programme will be completed by the end of the third quarter of the current financial year. Drilling results already analysed have identified metallurgical and thermal coal deposits typical to the region. Geo-hydrological studies commenced in late 2006 and will be completed prior to the bankable feasibility study which is anticipated hopefully no later than the end of March 2007.

Baobab Coal Project (100% on completion of acquisitions)

The acquisition of Petmin's 50% interest in the Baobab coal project will take the form of GVM acquiring 100% of Baobab Mining & Exploration (Pty) Ltd, a Petmin subsidiary company. The purchase consideration of GBP 2.5 million (A\$ 6 million) cash is subject to GVM obtaining shareholder, ASX (if required) and South African Reserve Bank approval, as well as approval in terms of Section 11 of the Mineral and Petroleum Resources Development Bill of South Africa.

Limpopo Coal Project (74%)

During December, GVM secured Section 11 approval in terms of the Mineral and Petroleum Resources Development Bill of South Africa, satisfying the last of the conditions precedent of the Limpopo Coal transaction. Shortly thereafter, GVM issued the required share consideration and the acquisition was settled and completed at the end of 2006.

Additional exploration of the Limpopo Coal area was commissioned during the second quarter of the financial year, together with the collection of geo-scientific data. The data collected will be used to generate a geological model of the project and identify potential drilling targets.

Preliminary discussions with various infra-structure participants are underway to ascertain capacity for possible coal exports. Furthermore, consultations with surface right owners commenced in 2006 and will continue in 2007 in conjunction with the Aeromag and geological surveys.

Events Subsequent To Reporting Date

- Agreement reached to acquire Kelso Mining Limited ('Kelso') for GBP 10 million whose principle asset is the right to acquire 70% of Coal of Africa Limited ('CoAL'). The terms of the Kelso and CoAL agreement contain a number of preconditions including JORC and SAMREC compliant resource statuses, as well as regulatory and shareholder approval. Should GVM opt to exercise its option to purchase 70% of CoAL, a further consideration of GBP 30 million will be payable.
- Steve Bywater and Graham Taggart (Global Coal Management plc's CEO and CFO) appointed to the Board of GVM Metals Limited as non-executive Directors.
- Placement of 8,333,333 GVM shares in February 2007 for GBP 2.5 million (AU\$ 6.25 million).

No additional material events took place between the reporting date and the date of this report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 15.

Dated at Perth, Western Australia, this 9th day of March 2007.

Signed in accordance with a resolution of the directors:

S.J. Farrell
Director

Income statement	Not e	Consolidated 31.12.2006 \$	Consolidated 31.12.2005 \$
Sale of goods		26,018,773	15,137,300
Revenue from disposal of investments		-	(67,992)
Other		435,140	176,737
Total revenue		<u>26,453,913</u>	<u>15,246,045</u>
Changes in inventory, raw materials and consumables used		(19,908,344)	(11,571,313)
Consulting, accounting & professional expenses		(181,156)	(217,469)
Employee expenses		(1,779,542)	(1,438,889)
Depreciation and amortisation expenses		(80,257)	(126,441)
Diminution in investments		(6,488)	(1,081)
Doubtful / Bad debt expense		(375,000)	(1,159)
Exploration expense		(179,355)	-
Office rent and outgoings		(334,504)	(75,326)
Borrowing costs		(266,423)	(346,902)
Other expenses from ordinary activities		(1,515,691)	(1,377,445)
Share of net profit/(losses) of associate accounted for using the equity method		-	(98,630)
Profit / (Loss) from continuing operations before income tax		<u>1,827,153</u>	<u>(8,610)</u>
Income tax expense		(914,785)	(132,837)
Profit / (Loss) after income tax for the half year		912,368	(141,447)
Profit attributable to minority equity interest		(478,742)	(124,690)
Net profit / (loss) attributable to members of the parent entity		<u><u>433,626</u></u>	<u><u>(266,137)</u></u>

Basic earnings per share for GVM Metals Limited	<u>0.73</u> <u>cents</u>	<u>(0.96</u> <u>cents)</u>
Headline earnings per share	0.74 cents	(0.84 cents)

There are no dilutive potential ordinary shares therefore diluted earnings or loss per share has not been calculated or disclosed.

The accompanying notes form part of these financial statements.

Balance Sheet	Not e	Consolidat ed 31 December 2006 \$	Consolidat ed 30 June 2006 \$
CURRENT ASSETS			
Cash assets		10,704,803	985,333
Receivables		5,015,464	6,374,684
Inventory		4,447,916	3,245,656
Other financial assets		2,866,364	-
Total Current Assets		<u>23,034,547</u>	<u>10,605,673</u>
NON CURRENT ASSETS			
Assets held for sale		94,596	94,596
Intangibles		6,130,397	7,441,280
Mineral interests		12,187,055	-
Other financial assets		696,091	699,992
Property, plant and equipment		1,700,194	1,803,312
Deferred tax		34,949	36,669
Total Non Current Assets		<u>20,843,282</u>	<u>10,075,849</u>
TOTAL ASSETS		<u>43,877,829</u>	<u>20,681,522</u>
CURRENT LIABILITIES			
Payables		6,113,855	5,940,126
Interest bearing liabilities		1,106,565	2,451,628
Provisions		101,285	125,790
Current tax liability		1,037,375	459,586
Total Current Liabilities		<u>8,359,080</u>	<u>8,977,130</u>
NON CURRENT LIABILITIES			
Payables		1,375,608	1,340,777
Interest bearing liabilities		1,598,880	2,702,261
TOTAL NON CURRENT LIABILITIES		<u>2,974,488</u>	<u>4,043,038</u>
TOTAL LIABILITIES		<u>11,333,568</u>	<u>13,020,168</u>
NET ASSETS		<u>32,544,261</u>	<u>7,661,354</u>
EQUITY			
Contributed equity	2	59,568,553	35,396,35

		3
Reserves	137,488	426,521
Accumulated losses	(30,233,030)	(30,666,656)
TOTAL PARENT EQUITY INTEREST	<u>29,473,011</u>	<u>5,156,218</u>
Minority Equity Interests	3,071,250	2,505,136
TOTAL EQUITY	<u><u>32,544,261</u></u>	<u><u>7,661,354</u></u>

The accompanying notes form part of these financial statements.

Changes in Equity	\$ Ordinary Share Capital	\$ Capital Profit Reserves	\$ Foreign Currency Translation Reserves	\$ Share Options Reserve	\$ Retained profits/ (losses)	\$ Minority Equity Interests	\$ Total
Balance at 1.7.2005	34,500,935	136,445	1,108,117	-	(30,079,645)	3,306,117	8,971,969
Shares issued during the period	50,000						50,000
Loss attributable to members of parent entity					(266,137)		(266,137)
Profit attributable to minority interests						124,690	124,690
Reserves attributable to minority interests						(79,943)	(79,943)
Foreign currency translation adjustments attributable to members of parent entity			(213,996)				(213,996)
Balance at 31.12.2005	34,550,935	136,445	894,121	-	(30,345,782)	3,350,864	8,586,583
Balance at 1.7.2006	35,396,353	136,445	(261,124)	551,200	(30,666,656)	2,505,136	7,661,354
Shares issued during the period	24,460,590						24,460,590
Profit/(Loss) attributable to members of parent entity					433,626		433,626
Profit attributable to minority interests						478,742	478,742
Reserves attributable to minority interests						(31,133)	(31,133)
Reversal of minority interests following 100% acquisition of a controlled entity						(2,952,745)	(2,952,745)
Minority interest in a controlled entity						3,071,250	3,071,250
Share based payment				165,600			165,600
Share issue costs	(288,390)						(288,390)
Foreign currency translation adjustments attributable			(454,633)				(454,633)

to members
of parent
entity
Balance at
31.12.2006

59,568,553	136,445	(715,757)	716,800	(30,233,030)	3,071,250	32,544,261
------------	---------	-----------	---------	--------------	-----------	------------

The accompanying notes form part of these financial
statements.

Cash flow statement	Consolidated 31.12.2006 \$	Consolidated 31.12.2005 \$
Cash Flows used in Operating Activities		
Cash receipts in the course of operations	22,297,704	15,574,251
Interest received	157,124	14,287
Cash payments in the course of operations	(20,100,088)	(15,966,308)
Interest paid	(266,423)	(346,902)
Tax paid	(296,993)	(125,739)
Net cash generated by/(used in) operating activities	1,791,324	(850,411)
Cash Flows used in Investing Activities		
Deposits paid on investments	(2,866,364)	-
Proceeds from sale of equity investments	-	169,137
Payments for investments	(449,555)	(24,121)
Payments for property, plant and equipment	(59,951)	(99,668)
Net cash provided by investing activities	(3,375,870)	45,348
Cash Flows from Financing Activities		
Proceeds from issues of shares and options to outside equity interest	13,582,719	50,000
Repayment of borrowings	(1,341,231)	(533,487)
Net cash provided by financing activities	12,241,488	(483,487)
NET INCREASE IN CASH HELD	10,656,942	(1,288,550)

Cash at the beginning of the half-year	49,764	1,027,493
Exchange rate adjustment	(1,903)	(297,069)
Cash at the end of the half-year	<u>10,704,803</u>	<u>(558,126)</u>

The accompanying notes form part of these financial statements.

Consolidated
31 Dec
2006
\$

1. CONTRIBUTED EQUITY

Issued and Paid-Up Capital

93,559,328	(2006: 31,310,887)	fully paid ordinary shares	59,568,553
------------	--------------------	----------------------------	------------

Movements in contributed equity

Opening balance at beginning of the half-year	35,396,353
- 24,615,384 ordinary shares issued on 12 Jul 2006 (AIM)	7,795,600
- 4,620,557 ordinary shares issued on 24 Nov 2006	1,848,231
- 20,812,500 ordinary shares issued on 30 Nov 2006	8,741,250
- 12,200,000 ordinary shares issued on 21 Dec 2006 (allotted Jan 07)	6,075,509
Less: share issue costs	(288,390)

Total equity at the end of the half-year	59,568,553
--	------------

Options

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

Number Issued	Number Quoted	Exercise Price	Expiry Date
9,000,000	-	\$0.50	30 September 2011

75,000 quoted options expired during the six months under review.

2. SEGMENT INFORMATION

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest or

dividend-earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The consolidated entity comprises the following main business segments:

Manufacturing Mineral processing by Nimag in South Africa

Investing Equity investments in South Africa, Australia, Canada and United Kingdom

31 December 2006

Primary reporting industry	Manufacturing	Investing	Consolidated
	\$	\$	\$
Revenue			
Total segment revenue	26,111,206	240,115	26,351,321
Unallocated revenue	-	-	102,592
Total revenue			<u>26,453,913</u>
Results			
Segment results	3,375,320	(1,596,804)	1,778,514
Unallocated items	-	-	48,639
Net profit before income tax			<u>1,827,153</u>
Depreciation and amortisation	76,130	4,127	80,257
Provision for diminution of investment	-	6,488	6,488

31 December 2006

Primary reporting industry	Manufactu ring \$	Investing \$	Consolida ted \$
Assets			
Segment assets	18,099,537	25,371,828	43,471,365
Unallocated corporate assets	-	-	311,868
Equity accounted investment held for sale	94,596	-	94,596
Consolidated total assets			<u>43,877,829</u>
Liabilities			
Segment liabilities	9,860,653	1,302,418	11,163,071
Unallocated liabilities	-	170,498	<u>170,498</u>
Consolidated total liabilities			<u>11,333,568</u>

3. BUSINESS COMBINATION (ACQUISITION OF CONTROLLED ENTITIES)

The company acquired control of the following entities during the period:

Name	Country of Incorporation	Date of Acquisition	Consolidated entity's interest at:	
			31.12.06 %	30.6.06 %
(i) Nimag (Pty) Ltd	South Africa	22/11/06	100%	74%
(ii) Limpopo Coal (Pty) Ltd	South Africa	30/11/06	74%	-

Details of the acquisitions are as follows:

- i. During the half year ended 31 December 2006, the Company exercised its call option to acquire the remaining 26% interest in the issued capital of Nimag (Proprietary) Limited. The Nimag acquisition was satisfied by the issue of 4,620,557 ordinary shares at a deemed issue price of \$0.40 per share and a cash payment of \$75,000. The share issue was approved by shareholders at the Company's annual general meeting on the 22nd of November 2006. The total value of the consideration amounted to \$1,923,223.

	\$
Purchase consideration:	
Cash consideration	75,000
Issue of shares	1,848,223
Total consideration	<u>1,923,223</u>
Fair value of the remaining interests in the net assets of Nimag acquired	2,952,745
Discount on acquisition adjusted against (Nimag)	<u>1,029,522</u>
Goodwill on consolidation	

- ii. During the half year, the Company acquired 74% of the controlled entity, Limpopo Coal (Pty) Ltd. The acquisition was settled with the issue of 20,812,500 ordinary shares at a deemed price of \$0.42 in December 2006.

	\$
Purchase consideration:	
Issue of shares	8,741,250
Total consideration	<u>8,741,250</u>
Fair value of assets held at acquisition date	11,812,500
Minority equity interests in acquisition	(3,071,250)
	<u>8,741,250</u>

4.DISPOSAL OF CONTROLLED ENTITIES

The consolidated entity did not lose control over any entities during the half year period or the half year ended 31 December 2006.

5.CONTINGENT LIABILITIES

The consolidated entity has potential contingent liabilities if the conditions precedent to purchase the remaining 51% in the Holfontein Coal Project and 50% of the Baobab Coal Project, are fulfilled. The purchase of the remaining portion of the Holfontein project will require the issue of 14,868,283 GVM shares, while the completion of the Baobab acquisition will entail the issue of 20,000,000 GVM shares.

6.EVENTS SUBSEQUENT TO REPORTING DATE

- On 7 February 2007, the Company announced that an agreement had been reached to acquire Kelso Mining Limited ('Kelso') for GBP 10 million whose principle asset is the right to acquire 70% of Coal of Africa Limited ('CoAL'). The terms of the Kelso and CoAL agreement contain a number of preconditions including Joint Ore Reserves Committee ("JORC") and South African Mineral Resource Committee ("SAMREC") compliant resource statuses, as well as regulatory and shareholder approval. Should GVM opt to exercise its option to purchase 70% of CoAL, a further consideration of GBP 30 million will be payable.
- On 20 February 2007, the Company announced that it had agreed to make a further placement of 8,333,333 GVM shares to raise GBP 2.5 million (AU\$ 6.25 million). The Company will shortly lodge a Notice of Meeting seeking shareholder approval for the placement.

There are no other matters or events which have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

In the opinion of the directors of GVM Metals Limited ("the Company"):

- (a) the financial statements and notes set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia, this 9th day of March 2007.

Signed in accordance with a resolution of the Directors:

S. J. Farrell
 Director

The financial statements for the six months ending 31 December 2006 were reviewed by Moore Stephens Chartered Accountants in Perth, Western Australia. The original documents are available at GVM Metals Limited's registered office.