GVM METALS LIMITED
ABN 98 008 905 388

A BRIDGED ANNUAL FINANCIAL REPORT

for the Year Ended 30 June 2007

GVM METALS LIMITED
Contents

The Directors submit their report together with the financial statement of GVM Metals Limited ("GVM" or the "Company") and the consolidated accounts of the Company and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2007. The complete document and the Auditors' Report thereon can be found on the Company's website www.gvm.com.au.

Principal Activities

Whilst the principal trading activity of the Consolidated Entity is the manufacture and distribution of Nickel and Magnesium alloys, the Company's primary focus is to expand its coal interests in South Africa. During the June 2007 financial year the Company completed the acquisition of significant coal interests, namely:

- Acquisition of a 74% interest in the Limpopo (Thuli) coal project in November 2006.
- Acquisition of 50% of the Baobab coal project, some 50km's south of the Limpopo coal project.
- Completion of the merger of the GVM and Motjoli Resources (Pty) Ltd coal projects. Motjoli are GVM's Black Economic Empowerment partner in South Africa. The merger increased the Company's interest in the Holfontein coal project from 49% to 100% and in the Baobab coal project from 50% to 100%.

Results

The loss of the Consolidated Entity for the 2007 financial year after income tax and minority interests was $4,026,048 (2006: loss of $587,011).

Dividends Paid or Recommended

No amounts were paid or declared by way of dividend by the Company. The Directors do not recommend payment of a dividend in respect of the financial year ended 30 June 2007.

Review of Operations

During the year the operations of the Consolidated Entity included:

NiMag Group - manufacturing and distribution of nickel and magnesium alloys;
Master Alloy Traders Limited - trading of minerals from South Africa;
Holfontein Coal Project - coal project based in South Africa;
Baobab Coal Project - coal project based in South Africa; and
Thuli Coal Project - coal project based in South Africa.

GVM METALS LIMITED
Directors' Report
Nimag Group ("NiMag")
GVM Metals Limited acquired a controlling interest in the Nimag Group of Companies (Nimag Group) in December 2003, and acquired the remaining 26% in December 2006.

Nimag Group is engaged principally in the manufacture and distribution of nickel magnesium alloys, ferro silicon magnesium alloys and metal fibres and began producing alloys in 1962 and currently manufactures specialised master alloys of nickel and magnesium for the specialised foundry industry including aerospace, aeronautical, motor, steel mill roll and associated industries.

Ductile iron (also called spheroidal graphite iron or nodular cast iron) was discovered in the 1940s. The introduction of magnesium into the melt results in nodular rather than flaky graphite in the resultant cast iron, giving the cast iron properties approaching those of steel, while maintaining the advantages of the casting process. The magnesium is usually added as a nickel alloy, making it easier to add and contribute to product quality. NiMag supplies the ductile iron market as a specialist supplier with a world market share of about 35% in its core product line. 95% of sales are exported through 35 distributors world wide. Demand for NiMag's alloys is proportional with world demand for ductile iron, principally for automotive parts and industrial machinery. Demand for NiMag products has grown gradually to meet current capacity of 287 tonnes per month (all products). Potential for expansion of the core nickel-magnesium alloy product is presently limited by the size of end markets. NiMag is increasing the penetration of a variety of other products developed for alternative markets. NiMag produces approximately 300 tonnes of cast and slit fibres which are used in reinforced concrete by domestic mining and tunnelling operations.

NiMag's competitive advantages include low electricity and labour costs. The main input cost is locally sourced nickel raw material, which is matched with sales to minimi se nickel price exposure.

GVM acquired 74% of NiMag from a management group in January 2004. The consideration was R37 Million (A$8 million) comprising ZAR7.5 million in cash up front, R20 million borrowed against the business and R9.5 million in vendor finance. On GVM's listing on the JSE, the Company exercised its option to acquire the balance of NiMag for 4,620,557 GVM shares.

Depreciation of the Rand and strengthening of Nickel prices widened NiMag's profit margins resulting in NiMag generating substantially higher operational cash flows over the 2006/07 financial year. NiMag traded profitably, contributing approximately A$4,6m in surplus funds and repaying the remaining bank financed acquisition costs. At the end of June 2007, GVM's acquisition loans comprised $506,278 to the NiMag vendors.

Magberg Manufacturing
A specialised producer of ferro silicon magnesium alloys used to manufacture Ductile Iron. Capacity is limited and the production is split equally between local and export markets. This is a commodity product and almost all costs are Rand denominated.

Metalloy Fibres (Pty) Ltd
The only specialised cast fibre reinforcing manufacturer in Africa. A weakening of the Rand and the "go ahead" of the Gautrain rail project and the general increase in construction expenditure promises to substantially improve this business both in terms of volumes and margins.

Metal Alloy Traders Limited ("MATS")
MATS is incorporated in Jersey in the Channel Islands and it trades various metals purchased from Nimag in South Africa.

SA Mineral Resources Corporation Limited ("Samroc")
Samroc is a Johannesburg Stock Exchange listed company which produces manganese sulphate chemicals. During the latter half of 2005 GVM stated its intention to

dispose of its entire investment in Samroc.

As a result of its intended disposal, the Samroc investment has been reclassified as a Non-current Investment Held for Sale.

Holfontein Coal Project
GVM acquired Motjoli Resources' 51% stake in the Holfontein coal project through the issue of 14,868,283 GVM shares and paid ZAR 21 million (A$ 3.5 million) for the initial 49% acquisition.

Holfontein is situated in the traditional coal mining area south and west of Witbank where coal mining has taken place for over a hundred years. It is on the main road between Kinross and Trichard in Mpumalanga, South Africa, and a main line railway siding is situated on the property at Leven which can be upgraded for export purposes.

Currently the resources are in the inferred category and stand at 55 million tonnes. It is planned to produce 400,000 tpa of soft coking coal from the 5 seam and 800,000 tpa of thermal coal from the 4 seam. The Holfontein exploration program undertaken at the end of 2006 to confirm the structure, tonnage and quality of the Holfontein coal resource was completed during the 2007. An additional 37 boreholes were completed constituting 5,557 metres drilled and yielding 150 samples for analysis. The geological model based on these results is currently being updated with Mine feasibility planning done once the laboratory results have been received. There are now 67 boreholes in the Holfontein resource area resulting in a drilling density of just less than 14 boreholes per hectare for the 5 seam resource and 12 boreholes per hectare for the 4 seam resource. Once modelling is completed, this will bring the Holfontein property into a measured resource category.

Geotechnical tests were conducted on the diamond drill cores to establish the competence of the roof and floor conditions of both the 5 Seam and 4 Seam resources. Initial perusal of the results has confirmed the low phosphorus metallurgical qualities of the 5 Seam with no change in expected yields.
The 4 Seam resources still need to be modelled analytically but the indications are that the coal is suitable for SASOL or Eskom feedstock. Composite samples of the 5 Seam are to be reconstituted to test for certain metallurgical properties. Similarly, 4 Seam samples are to be reconstituted to test for the suitability of the coal for Eskom.

Baobab Coal Project
The acquisition of Petmin Ltd's 50% interest in the Baobab Coal Project was completed during 2007 through the issue of 8,333,333 GVM shares to raise the required purchase price of GBP2.5 million (A$ 6.2 million). During June, GVM acquired the remaining 50% of the Joint Venture held by Motjoli Resources with the issue of 20,000,000 GVM shares.

Consultants have been mandated to assess railway and related transport infrastructure from GVM's Baobab and Thuli coal projects to the Richards Bay and Maputo coal terminals. Management envisage this project will be completed later in 2007. Drilling on the Baobab coal project is expected to commence early in 2008 financial year.

Thuli Coal Project (Limpopo)
GVM acquired its 74% interest in the project by the issue of 20,812,500 shares in December 2006. Potential drilling contractors have performed site inspections, and drilling on the Thuli Coal Project started in August. Data collected in the terrain model completed earlier in the year will be used in the identification of drilling targets.

Preliminary discussions with various infra-structure participants are underway to ascertain the export capacity of the coal mined. Management have received valuations from independent third parties mandated to assess the value of the surface rights comprising the Thuli Coal Project. Preliminary consultations with the current surface rights owners on GVM's potential acquisition of these rights have been undertaken. GVM will continue these discussions together with the Thuli Coal Project drilling program during the first quarter of the 2008 financial year.

Mooiplaats Coal Project
70% on Completion of the Coal Acquisition

The major drilling programme continued at Mooiplaats during the fourth quarter of the 2007 financial year and 23,867 metres (164 holes) were drilled. Seven thousand of the total twenty-three thousand hectares have now been drilled on 'inferred' spacing densities and during the period infill drilling commenced on `measured' and `indicated' spacings. The goal of the programme is to bring a minimum of 60 million tonnes of the resource into measured and indicated categories. The tonnage represents ten years consumption at the adjacent Camden Power Station.

SRK Consultants are overseeing the drilling programme and a resource statement will be released during the first quarter of the 07/08 financial year. The results of the drilling program to date are in line with management expectations.

Review of Financial Position

Liquidity and funding
The net assets of the consolidated entity increased from $7,661,354 in June 2006 to $150,878,555 in June 2007. This was primarily due to the acquisition of the Thuli, Baobab and Holfontein coal projects. The Group also incurred $3,294,600 in expenses related to share based payments, $1,666,792 in diminution of investments, $629,033 in foreign currency losses, depreciation of $175,532 and $313,870 in expenses related to GVM 's November 2006 listing on the JSE. When the previous mentioned accounting entries are excluded, the loss of $3,547,306 recorded for the year ended June 2007 is converted to an `operational' profit of A$4,994,231. The `operational' profit is primarily due to Nimag 's contributed profit to the Group of $4,823,494.

EBIT Reconstruction

	2007 $	2006 $
Profit/ (loss) after tax for the year	(3,547,306)	(233,141)
Tax	2,216,264	566,732
Interest paid	800,799	669,044
Interest received	(555,353)	(84,578)
EBIT	(1,085,596)	918,057
`Non-ordinary' items recognised		
Options granted	3,294,600	551,200
Diminution in value of investments	1,666,792	4,325
Currency adjustment	629,033	-
Depreciation	175,532	242,768
JSE listing expenses	313,870	404,335
`Operating' profit/ (loss)	4,994,231	2,120,685

The Group raised over $70 million during the year through the placing of shares. The funds raised will be used to fund acquisitions, and to satisfy exploration working capital requirements in the development of the coal projects. As at 30 June 2007, GVM had no long term debt apart from the Nimag vendor loans of $506,261.

Impact of legislation and other external requirements

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Consolidated Entity.

Future Developments, Prospects and Business Strategies

Strategic direction
GVM is primarily focused on the acquisition, exploration and development of thermal and metallurgical coal projects in South Africa. The Company currently has four coal projects in various stages of exploration as well as Nimag, GVM's interim cash producing asset which manufactures Nickel Magnesium Alloys. Nimag's growth strategy will be via the acquisition of similar alloy or foundry supply manufacturing enterprises.

The exploration and development of the four coal projects during the short and medium term will qualify GVM as a significant coal producer, supplying millions of tonnes of thermal and metallurgical coal annually to South African and export customers.

GVM's Mooiplaats coal project is 2km from the recently re-commissioned Camden Power Station - near Ermelo in Mpumalanga and is expected to start producing thermal and anthracitic coal in mid 2008.

Exploratory drilling on GVM's other coal projects - Baobab and Thuli - located in the Limpopo province of South Africa will commence late 2007. Consultants have been briefed to undertake feasibility studies on the transport infrastructure from these coal projects to the Matola (Maputo, Mozambique) and Richards Bay export coal terminals.

Signed on this 29th day of September 2007 in accordance with a resolution of the Directors.

Simon Farrell
Managing Director

GVM METALS LIMITED
Income Statements
For the Year Ended 30 June 2007

		Consolidated Entity	
		2007	2006
	Note	$	$
REVENUE	2	62,595,362	32,340,604
Changes in inventories of finished goods and work in progress		-	(367,491)
Raw materials and consumables used		(48,078,842)	(23,529,689)
Consulting expenses		(328,744)	(400,187)
Employee expenses		(6,410,948)	(3,516,128)
Borrowing costs	3	(800,799)	(669,044)
Depreciation expenses	3	(175,532)	(242,768)
Office rental , outgoings and parking		(425,164)	(204,865)
Decrease/(increase) diminution in value of investments		(1,666,792)	(4,325)
Loss on investments disposed of			(40,197)
Bad debt expense		(306,066)	(1,159)
Provision for non-recoverability of			

loans/ debtors		(664,067)	-
Diminution in value of control entities		(6,488)	-
Other expenses from ordinary activities		(5,062,962)	(2,932,530)
Share of net profit/(losses) of associate accounted for using the equity method	8	-	(98,630)
Profit/(Loss) before income tax (expense)/benefit	3	(1,331,042)	333,591
Income tax (expense) / benefit	4	(2,216,264)	(566,732)
Profit/(Loss) after tax		(3,547,306)	(233,141)
Outside equity interest	20	(478,742)	(353,870)
Net profit/(loss) attributable to members of the parent entity		(4,026,048)	(587,011)
Basic earnings/(loss) per share (in cents)	5	(4.72)	(2.04)
Headline earnings/(loss) per share (in cents)	5	(1.96)	(1.54)

	Parent Entity	
	2007	2006
	$	$
REVENUE	1,105,766	380,250
Changes in inventories of finished goods and work in progress	-	-
Raw materials and consumables used	-	-
Consulting expenses	(328,744)	(342,066)
Employee expenses	(4,026,233)	(970,187)
Borrowing costs	-	-
Depreciation expenses	(12,923)	(16,043)
Office rental , outgoings and parking	(5,380)	(60,385)
Decrease/(increase) diminution in value of investments	(1,666,792)	(4,325)
Loss on investments disposed of	-	(40,197)
Bad debt expense	-	(1,159)
Provision for non-recoverability of loans/ debtors	(375,000)	-
Diminution in value of control entities	(6,488)	-
Other expenses from ordinary activities	(1,162,894)	(658,856)
Share of net profit/(losses) of associate accounted for using the equity method	-	-
Profit/(Loss) before income tax (expense)/benefit	(6,478,688)	(1,712,968)
Income tax (expense) / benefit	-	-
Profit/(Loss) after tax	(6,478,688)	(1,712,968)
Outside equity interest	-	-
Net profit/(loss) attributable to members of the parent entity	(6,478,688)	(1,712,968)
Basic earnings/(loss) per share (in cents)		
Headline earnings/(loss) per share (in cents)		

The accompanying notes form part of these financial statements

GVM METALS LIMITED
Balance Sheets
as at 30 June 2007

		Consolidated Entity	
		2007	2006
	Note	$	$
CURRENT ASSETS			

Cash assets	27(a)	61,530,490	985,333
Receivables	7	8,984,168	6,374,684
Inventory	9	5,519,744	3,245,656
TOTAL CURRENT ASSETS		76,034,402	10,605,673
NON CURRENT AS SETS			
Receivables	7	-	-
Assets held for sale	8	94,596	94,596
Intangibles	12	3,964,042	7,441,280
Other financial assets	10	12,928,598	699,992
Property, plant and equipment	11	1,648,834	1,803,312
Deferred tax assets	4	239,686	36,669
Mining assets	13	67,852,973	-
Exploration expenditure	13	1,123,850	-
TOTAL NON CURRENT ASSETS		87,852,579	10,075,849
TOTAL ASSETS		163,886,981	20,681,522
CURRENT LIABILITIES			
Payables	14	9,319,361	5,940,126
Interest bearing liabilities	15	-	2,451,628
Provisions	16	95,355	125,790
Current tax liability		1,711,840	459,586
TOTAL CURRENT LIABILITIES		11,126,555	8,977,130
NON CURRENT LIABILITIES			
Payables	14	1,375,608	1,340,777
Interest bearing liabilities	15	506,261	2,702,261
TOTAL NON CURRENT LIABILITIES		1,881,869	4,043,038
TOTAL LIABILITIES		13,008,424	13,020,168
NET ASSETS		150,878,557	7,661,354
EQUITY			
Contributed equity	17	177,189,359	35,396,353
Reserves	18	5,310,652	426,521
Accumulated losses	19	(34,692,704)	(30,666,656)
TOTAL PARENT EQUITY INTEREST		147,807,306	5,156,218
OUTSIDE EQUITY INTEREST	20	3,071,250	2,505,136
TOTAL EQUITY		150,878,557	7,661,354

	Parent Entity	
	2007	2006
	$	$
CURRENT ASSETS		
Cash assets	52,909,170	78,191
Receivables	4,809,348	722,916
Inventory	-	-
TOTAL CURRENT ASSETS	57,718,518	801,107
NON CURRENT AS SETS		
Receivables	12,097,685	4,522,652
Assets held for sale	-	-
Intangibles	-	-
Other financial assets	82,942,434	4,465,409
Property, plant and equipment	29,134	27,845
Deferred tax assets	-	-
Mining assets	-	-
Exploration expenditure	-	-
TOTAL NON CURRENT ASSETS	95,069,253	9,015,906
TOTAL ASSETS	152,787,771	9,817,013
CURRENT LIABILITIES		
Payables	218,856	328,915
Interest bearing liabilities	-	-
Provisions	232	212
Current tax liability	(7,776)	-
TOTAL CURRENT LIABILITIES	211,312	329,127
NON CURRENT LIABILITIES		

Payables	7,046,990	6,601,208
Interest bearing liabilities	-	-
TOTAL NON CURRENT LIABILITIES	7,046,990	6,601,208
TOTAL LIABILITIES	7,258,302	6,930,335
NET ASSETS	145,529,468	2,886,678
EQUITY		
Contributed equity	177,189,359	35,396,353
Reserves	8,016,118	687,645
Accumulated losses	(39,676,009)	(33,197,320)
TOTAL PARENT EQUITY INTEREST	145,529,468	2,886,678
OUTSIDE EQUITY INTEREST	-	-
TOTAL EQUITY	145,529,468	2,886,678

The accompanying notes form part of these financial statements

GVM METALS LIMITED
Cash Flow Statements
For the year ended 30 June 2007

		Consolidated Entity	
		2007	2006
	Note	$	$
Cash flows from operating activities			
Interest received		555,353	84,578
Cash receipts in the course of operations		59,382,997	31,48 2,520
Interest paid		(800,799)	(669,044)
Payments to suppliers and employees		(56,475,498)	(30,499,820)
Net cash generated by /(used in) operating activities	27(b)	2,662,053	398,234
Cash flows from investing activities			
Payments for property, plant and equipment		(198,163)	(148,489)
Proceeds from the sale of property, plant and equipment		3,350	-
Mineral assets acquired		(10,516,450)	-
Proceeds from sale of equity investments		-	226,511
Payments for equity investments		-	(47,576)
Loans (made to)/from other entities		-	-
Net cash received/ (paid) on acquisition of subsidiary	26(b)	(75,000)	-
Exploration costs		(477,667)	-
Net cash generated by / (used in) investing activities		(11,263,930)	30,446
Cash flows from financing activities			
Loans from controlled entities		-	-
Proceeds from issue of shares		78,334,038	543,750
Transaction costs from issue of shares		(2,778,509)	(57,707)
Loans to controlled entities		-	-
Loans repaid to other entities		(4,647,628)	(1,892,452)
Loans from other entities		34,831	-
Net cash generated by financing activities		70,942,732	(1,406,409)
Net increase/(decrease) in cash held		62,340,855	(977,729)
Effect of exchange rates of cash holdings in foreign currencies		(820,129)	-
Cash at beginning of financial year		49,764	1,027,493
Cash at end of financial year	27(a)	61,530,49	49,764

	Parent Entity 2007 $	2006 $
Cash flows from operating activities		
Interest received	474,576	30,280
Cash receipts in the course of operations	241,337	312,266
Interest paid	-	-
Payments to suppliers and employees	(1,717,433)	(1,327,010)
Net cash generated by /(used in) operating activities	(1,001,520)	(984,464)
Cash flows from investing activities		
Payments for property, plant and equipment	(14,212)	-
Proceeds from the sale of property, plant and equipment	-	-
Mineral assets acquired	-	-
Proceeds from sale of equity investments	-	226,511
Payments for equity investments	(10,516,450)	(47,576)
Loans (made to)/from other entities	-	34,084
Net cash received/ (paid) on acquisition of subsidiary	-	-
Exploration costs	-	-
Net cash generated by / (used in) investing activities	(10,530,662)	213,019
Cash flows from financing activities		
Loans from controlled entities	-	175,391
Proceeds from issue of shares	78,334,038	543,750
Transaction costs from issue of shares	(2,778,509)	(57,707)
Loans to controlled entities	(10,563,335)	-
Loans repaid to other entities	-	-
Loans from other entities	-	-
Net cash generated by financing activities	64,992,194	661,434
Net increase/(decrease) in cash held	53,460,012	(110,011)
Effect of exchange rates of cash holdings in foreign currencies	(629,033)	-
Cash at beginning of financial year	78,191	188,202
Cash at end of financial year	52,909,170	78,191

The accompanying notes form part of these financial statements

GVM METALS LIMITED
Statements of Changes in Equity
as at 30 June 2007

	Ordinary share capital $	Capital profits reserve $	Foreign currency translation reserve $	Share options reserve $
Consolidated entity				
Balance at 1 July 2006	35,396,353	136,445	(261,124)	551,200
Shares issued during the year	144,571,514	-	-	-
Capital raising costs incurred	(2,778,509)	-	-	-
Adjustments from translation of foreign controlled entities	-	-	(2,444,342)	-
Share based				

payments	-	-	-	7,328,473
Loss attributable to members of parent entity	-	-	-	-
Profit attributable to minority shareholders	-	-	-	-
Minority interest in reserves	-	-	-	-
100% acquisition of a controlled entity	-	-	-	-
Minority interest in a controlled entity	-	-	-	-
Balance at 30 June 2007	177,189,359	136,445	(2,705,466)	7,879,673
Parent entity				
Balance at 1 July 2006	35,396,353	136,445	-	551,200
Shares issued during the year	144,571,514	-	-	-
Transaction costs	(2,778,509)	-	-	-
Share based payments	-	-	-	7,328,473
Loss attributable to members of parent entity	-	-	-	-
Balance at 30 June 2007	177,189,359	136,445	-	7,879,673

	Accumulated losses $	Total $	Outside Equity interests $
Consolidated entity			
Balance at 1 July 2006	(30,666,656)	5,156,218	2,505,136
Shares issued during the year	-	144,571,514	-
Capital raising costs incurred	-	(2,778,509)	-
Adjustments from translation of foreign controlled entities	-	(2,444,342)	-
Share based payments	-	7,328,473	-
Loss attributable to members of parent entity	(4,026,048)	(4,026,048)	-
Profit attributable to minority shareholders	-	-	478,742
Minority interest in reserves	-	-	(31,133)
100% acquisition of a controlled entity	-	-	(2,952,745)
Minority interest in a controlled entity	-	-	3,071,251
Balance at 30 June 2007	(34,692,704)	147,807,306	3,071,251
Parent entity			
Balance at 1 July 2006	(33,197,320)	2,886,678	-
Shares issued during the year	-	144,571,514	-
Transaction costs	-	(2,778,509)	-
Share based			

payments	-	7,328,473	-
Loss attributable to members of parent entity	(6,478,688)	(6,478,688)	-
Balance at 30 June 2007	(39,676,008)	145,529,468	-

	Ordinary share capital $	Capital profits reserve $	Foreign currency translation reserve $	Share options $
Balance at 1 July 2005	34,500,935	136,445	1,108,117	-
Shares issued during the year	953,125	-	-	-
Capital raising costs incurred	(57,707)	-	-	-
Adjustments from translation of foreign controlled entities	-	-	(1,369,241)	
Share based payments	-	-	-	551,200
Loss attributable to members of parent entity	-	-	-	-
Loss attributable to minority shareholders	-	-	-	-
Minority interest in reserves	-	-	-	-
Preference shares acquired by parent entity	-	-	-	-
Balance at 30 June 2006	35,396,353	136,445	(261,124)	551,200
Parent entity				
Balance at 1 July 2005	34,500,935	136,445	-	-
Shares issued during the year	953,125	-	-	
Transaction costs	(57,707)	-	-	-
Share based payments	-	-	-	551,200
Loss attributable to members of parent entity	-	-	-	-
Balance at 30 June 2006	35,396,353	136,445	-	551,200

	Accumulated losses $	Total $	Outside Equity interests $
Balance at 1 July 2005	(30,079,645)	5,665,852	3,306,117
Shares issued during the year	-	953,125	-
Capital raising costs incurred	-	(57,707)	-
Adjustments from translation of foreign			

controlled entities	-	(1,369,241)	-
Share based payments	-	551,200	-
Loss attributable to members of parent entity	(587,011)	(587,011)	-
Loss attributable to minority shareholders	-	-	(353,870)
Minority interest in reserves	-	-	221,480
Preference shares acquired by parent entity	-	-	(668,591)
Balance at 30 June 2006	(30,666,656)	5,156,218	2,505,136
Parent entity			
Balance at 1 July 2005	(31,484,352)	3,153,028	-
Shares issued during the year	-	953,125	-
Transaction costs	-	(57,707)	-
Share based payments	-	551,200	-
Loss attributable to members of parent entity	(1,712,968)	(1,712,968)	-
Balance at 30 June 2006	(33,197,320)	2,886,678	-

GVM METALS LIMITED
Notes to and forming part of the Financial Statements
for the year ended 30 June 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of GVM Metals Limited and controlled entities, and GVM Metals Limited as an individual parent entity. GVM Metals Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of GVM Metals Limited and controlled entities, and GVM Metals Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

Reporting Basis and Conventions
The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Principles of Consolidation

A controlled entity is any entity GVM Metals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in note 26 the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(c) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax ("GST"). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods
Revenue from the sale of nickel magnesium alloys (NiMag), ferro-nickel magnesium alloys (FeNiMag), ferro-silicon magnesium alloys (FeSiMag) and other master alloys are recognised when control of the goods passes to the customer. For local sales this is usually when the customer receives the goods. For export sales it is determined based on individual sales agreements, however, control usually passes when the goods are received by the shipping agent and the bill of lading is sighted by the customer.

Interest Revenue
Interest revenue is recognise as it accrues, taking into account the effective yield of the financial asset.

Sale of non-current assets
The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(d) Mining Tenements and Exploration and Development Expenditure

Mining tenements are carried at cost, less accumulated impairment losses.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) Acquisition of Assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of the acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of the acquisition is used as fair value except where the notional price at which they could be placed in the market is a better indication of fair value.

(g) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at cost. The carrying amount of freehold and buildings are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Plant and Equipment
Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings and property plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

(h) Depreciation and Amortisation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on the straight line and reducing balance methods over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation and amortisation rates used for each class of assets are as follows:

	Range - 2007	Range - 2006
· Furniture, fittings and office equipment	13% - 50%	13% - 50%
· Motor vehicles	20% - 33%	20% - 33%
· Plant & equipment	20%	20%
· Leasehold Improvements	25%	20%
· Buildings	20%	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(i) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash -generating unit to which the asset belongs.

(j) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

During the 2002/03 financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to the Consolidated Entity. As at 30 June 2007, the directors of the Company have not made a decision to elect to be taxed as a single entity. The financial effect of the legislation has not been brought to account in the financial statements for the year 30 June 2007.

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight- line basis over the life of the lease term.

(l) Receivables

Amounts receivable from third parties are carried at amounts due. The recoverability of the debts is assessed at balance date and specific provision is made for any doubtful accounts.

(m) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

1. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

2. Income and expenses are translated at average exchange rates for the period; and

3. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(n) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(o) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which include transaction costs, when the related contractual rights and obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Financial Instruments - Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains or losses arising from changes in fair value are taken directly to equity.

Financial Liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to income statement unless they are designated as hedges.

GVM Metals Limited and Controlled Entities designate certain derivatives as either;

1. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

2. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in

equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Fair Value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(p) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(q) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity. Trade accounts payable are normally settled within 45 days.

(r) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

(s) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation
Share-based compensation benefits are provided to employees via an Executive Share Option Scheme.

Share options granted before 7 November 2002 and/or vested before 1 July 2006

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and/or vested after 1 July 2006

The fair value of options under the Executive Share Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option valuation model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(t) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(u) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short- term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(v) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(w) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(x) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

(y) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. Information on such estimates and judgements are contained in the accounting policies and/or notes to the financial statements.

Key accounting estimates include:

- Asset carrying value and impairment charges;
- Capitalisation and impairment of exploration and evaluation expenditure.
- Critical judgements in applying the entity's accounting policies include determining:
- The effectiveness of forward foreign exchange contracts (Note 1(p)).

COMPANY DETAILS

The registered office of the Company is:

GVM Metals Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000
Australia

The principal places of business are:

GVM Metals Limited
1st Floor, GVM House
Pinewood Office Park
33 Riley Street
Woodmead 2191
South Africa

Portion 33
Farm Steenkoppies
Rustenburg road
Magaliesburg
Gauteng
South Africa

Dated at London, United Kingdom this 29th day of September 2007.

Simon Farrell
Managing Director