

# **GVM METALS LIMITED**

**ABN 98 008 905 388**

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## **HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2006**

# GVM METALS LIMITED

## ***DIRECTORS' REPORT***

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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 Blair Sergeant <i>Non-Executive Director &amp; 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.
- 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.

# GVM METALS LIMITED

## ***DIRECTORS' REPORT***

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### **Post period highlights**

- Heads of Agreement reached to acquire Kelso Mining Ltd for GBP 10.0 million which allows GVM to acquire 70% of Coal of Africa Ltd (CoAL) which owns the Mooiplaats coal project. This is subject to an EGM. A Competent Persons Report ('CPR') is currently being prepared and it is a condition of the acquisition of CoAL that the CoAL properties contain a JORC and SAMREC compliant resource in excess of 450 million tonnes of coal.
- Further placement of 8,333,333 GVM shares to raise GBP 2.5 million (AU\$ 6.25 million). This is also subject to an EGM.

### **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.

### **Auditor's Independence Declaration**

# GVM METALS LIMITED

## ***DIRECTORS' REPORT***

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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 9<sup>th</sup> day of March 2007.

Signed in accordance with a resolution of the directors:

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**S.J. Farrell**

*Director*

**GVM METALS LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	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 outgoing		(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)
<b>Profit / (Loss) from continuing operations before income tax</b>		<u>1,827,153</u>	<u>(8,610)</u>
Income tax expense		<u>(914,785)</u>	<u>(132,837)</u>
<b>Profit / (Loss) after income tax for the half year</b>		912,368	(141,447)
Profit attributable to minority equity interest		(478,742)	(124,690)
<b>Net profit / (loss) attributable to members of the parent entity</b>		<u>433,626</u>	<u>(266,137)</u>
Basic earnings per share for GVM Metals Limited		<u>0.73 cents</u>	<u>(0.96 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.

# GVM METALS LIMITED

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

	Note	Consolidated 31 December 2006 \$	Consolidated 30 June 2006 \$
<b>CURRENT ASSETS</b>			
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		23,034,547	10,605,673
<b>NON CURRENT ASSETS</b>			
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		20,843,282	10,075,849
<b>TOTAL ASSETS</b>		<b>43,877,829</b>	<b>20,681,522</b>
<b>CURRENT LIABILITIES</b>			
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		8,359,080	8,977,130
<b>NON CURRENT LIABILITIES</b>			
Payables		1,375,608	1,340,777
Interest bearing liabilities		1,598,880	2,702,261
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>2,974,488</b>	<b>4,043,038</b>
<b>TOTAL LIABILITIES</b>		<b>11,333,568</b>	<b>13,020,168</b>
<b>NET ASSETS</b>		<b>32,544,261</b>	<b>7,661,354</b>
<b>EQUITY</b>			
Contributed equity	2	59,568,553	35,396,353
Reserves		137,488	426,521
Accumulated losses		(30,233,030)	(30,666,656)
<b>TOTAL PARENT EQUITY INTEREST</b>		<b>29,473,011</b>	<b>5,156,218</b>
<b>Minority Equity Interests</b>		<b>3,071,250</b>	<b>2,505,136</b>
<b>TOTAL EQUITY</b>		<b>32,544,261</b>	<b>7,661,354</b>

The accompanying notes form part of these financial statements.

# GVM METALS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	\$	\$	\$	\$	\$	\$	\$
	Ordinary Share Capital	Capital Profit Reserves	Foreign Currency Translation Reserves	Share Options Reserve	Retained profits/ (losses)	Minority Equity Interests	Total
<b>Balance at 1.7.2005</b>	<b>34,500,935</b>	<b>136,445</b>	<b>1,108,117</b>	<b>-</b>	<b>(30,079,645)</b>	<b>3,306,117</b>	<b>8,971,969</b>
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)
<b>Balance at 31.12.2005</b>	<b>34,550,935</b>	<b>136,445</b>	<b>894,121</b>	<b>-</b>	<b>(30,345,782)</b>	<b>3,350,864</b>	<b>8,586,583</b>
<b>Balance at 1.7.2006</b>	<b>35,396,353</b>	<b>136,445</b>	<b>(261,124)</b>	<b>551,200</b>	<b>(30,666,656)</b>	<b>2,505,136</b>	<b>7,661,354</b>
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 to members of parent entity			(454,633)				(454,633)
<b>Balance at 31.12.2006</b>	<b>59,568,553</b>	<b>136,445</b>	<b>(715,757)</b>	<b>716,800</b>	<b>(30,233,030)</b>	<b>3,071,250</b>	<b>32,544,261</b>

The accompanying notes form part of these financial statements.

**GVM METALS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	<b>Consolidated 31.12.2006 \$</b>	<b>Consolidated 31.12.2005 \$</b>
<b>Cash Flows used in Operating Activities</b>		
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)
<b>Net cash generated by/(used in) operating activities</b>	<b>1,791,324</b>	<b>(850,411)</b>
<b>Cash Flows used in Investing Activities</b>		
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)
<b>Net cash provided by investing activities</b>	<b>(3,375,870)</b>	<b>45,348</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issues of shares and options to outside equity interest	13,582,719	50,000
Repayment of borrowings	(1,341,231)	(533,487)
<b>Net cash provided by financing activities</b>	<b>12,241,488</b>	<b>(483,487)</b>
<b>NET INCREASE IN CASH HELD</b>	<b>10,656,942</b>	<b>(1,288,550)</b>
<b>Cash at the beginning of the half-year</b>	<b>49,764</b>	<b>1,027,493</b>
Exchange rate adjustment	(1,903)	(297,069)
<b>Cash at the end of the half-year</b>	<b>10,704,803</b>	<b>(558,126)</b>

The accompanying notes form part of these financial statements.



# GVM METALS LIMITED

## ***DIRECTORS DECLARATION***

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### **NOTE 1**

#### **(a) Basis of preparation of Half Year Report**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by GVM Metals Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### **(b) Principles of consolidation**

##### ***Controlled entities***

The financial statements of controlled entities results are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

##### ***Associates***

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date the significant influence commences until the date the significant influence ceases. Other movements in reserves are recognised directly in the consolidated reserves.

##### ***Transactions eliminated on consolidation***

The balances and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

#### **(c) Dividends**

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2006 (2005: None).

# GVM METALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

**Consolidated**  
**31 Dec 2006**  
**\$**

### 2. CONTRIBUTED EQUITY

#### Issued and Paid-Up Capital

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

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

# GVM METALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

31 December 2006

Primary reporting industry	Manufacturing \$	Investing \$	Consolidated \$
<b>Assets</b>			
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
<b>Consolidated total assets</b>			<b>43,877,829</b>
<b>Liabilities</b>			
Segment liabilities	9,860,653	1,302,418	11,163,071
Unallocated liabilities	-	170,498	170,498
<b>Consolidated total liabilities</b>			<b>11,333,568</b>

### 4. 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 22<sup>nd</sup> 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	1,923,223
Fair value of the remaining interests in the net assets of Nimag acquired	2,952,745
Discount on acquisition adjusted against (Nimag) Goodwill on consolidation	1,029,522

- 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	8,741,250
Fair value of assets held at acquisition date	11,812,500
Minority equity interests in acquisition	(3,071,250)
	8,741,250

# GVM METALS LIMITED

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

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### **5. 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.

### **6. 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.

### **7. 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 (AUS 6.25 million). The Company will shortly lodge a Notice of Meeting seeking shareholder approval for this 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.

# GVM METALS LIMITED

## ***DIRECTORS DECLARATION***

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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 9<sup>th</sup> day of March 2007.

Signed in accordance with a resolution of the Directors:

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**S. J. Farrell**

*Director*

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF GVM METALS LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of GVM Metals Limited and controlled entities, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, a summary of significant accounting policies, selected explanatory notes and the directors' declaration.

**Directors' Responsibility for the Half-Year Financial Report**

The company's and controlled entities' directors are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporation Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001. As the auditor of GVM Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out in the financial report has not changed as at the date of providing our audit report.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of GVM Metals Limited and controlled entities is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



**NEIL PACE**  
PARTNER



**MOORE STEPHENS**  
CHARTERED ACCOUNTANTS

Signed at Perth this 9<sup>th</sup> day of March 2007.

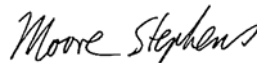
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF GVM METALS LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2006 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



**NEIL PACE  
PARTNER**



**MOORE STEPHENS  
CHARTERED ACCOUNTANTS**

Signed at Perth this 9th day of March 2007.