

## Regulatory Announcement

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<b>Company</b>	GVM Metals Ltd
<b>TIDM</b>	GVM
<b>Headline</b>	Quarterly Report
<b>Released</b>	11:50 30-Jan-07
<b>Number</b>	3626Q

# G V M   M E T A L S   L I M I T E D

## Q U A R T E R L Y   R E P O R T

GVM Metals Limited (“GVM” or “the Company”) is pleased to announce its operational report for the 2nd quarter ended 31 December 2006.

A full copy of this report, as released today on the ASX, is available at the Company’s website, [www.gvm.com.au](http://www.gvm.com.au).

### Highlights

- Unaudited Group profit before interest and tax of A\$2 million for the first six months of the year.
- Cash at the end of the quarter was A\$10.7 million.
- Nimag (Pty) Ltd’s nickel magnesium alloy business continued to operate well ahead of budget while the smaller FeSiMag and Fibre businesses reported losses for the quarter of A\$265,000.
- 12,200,000 GVM shares to raise GBP2.44 million (A\$6.1 million) placed with Asia Energy Plc. This was completed on 2 January 2007. As a result, Steve Bywater and Graham Taggart (Asia Energy’s CEO and CFO) have been invited to join Board of GVM Metals Ltd as non-executive Directors. The funds raised will be utilised to further develop GVM’s expanding coal interests in South Africa.
- GVM executed a binding Sale of Shares and Claims Agreement to acquire 100% of Baobab Mining 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, 20,812,500 GVM shares were issued to the Limpopo Coal vendors in November 2006.
- 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.

### Discussion of Results

#### Nimag Group of Companies (100%)

The Nimag Group’s unaudited profit before interest and tax for the first six months of the 2007 financial year was ZAR19 million (A\$3.4 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 quarter opposed to the profit recorded in the first quarter of the financial year. Management expects the FeSiMag and Fibres businesses to return to profitability in the second half of the financial year.

Operational cash flow generated during the quarter of A\$1.6 million combined with favourable management working capital resulted in an A\$3.2 million improvement in the cash position at the end of December. During the second quarter, cash of A\$1.1 million was used in the repayment of long term loans.

Continued exchange rate levels and high nickel prices signify a positive outlook for the second half of the financial year.

### **Coal Activities**

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

The in-fill Holfontein drilling programme continued during the December quarter and the programme is expected to be completed in the next quarter of the current financial year. Drilling result analysis identifies metallurgical : thermal coal typical to the region. Geo-hydrological studies commenced in November 2006 and are expected to be completed in the near term. The bankable feasibility study is expected to be completed shortly thereafter and hopefully no later than the end of March 2007.

#### **Baobab Coal Project (100% on completion of acquisitions)**

GVM executed an agreement with Petmin Ltd to acquire Petmin's 50% interest in the Baobab coal project. acquisition will take the form of GVM acquiring 100% of Baobab Mining & Exploration (Pty) Ltd, a Petmin subsidiary company. The purchase consideration is GBP2.5 million (A\$6 million) cash and the acquisition is subject the following conditions precedent:

- obtaining GVM shareholder approval at a general meeting to be convened and held on or before the 31 March 2007;
- requisite South African Reserve Bank approval;
- necessary approval in terms of Section 11 of the Mineral and Petroleum Resources Development Bill of South Africa (by 30 April 2007); and
- ASX approval if so required.

#### **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. As a result, GVM issued the required share consideration and the acquisition was settled and completed at the end of November 2006.

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

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

#### **Kalbara Tenement (GVM 21.31%)**

Diamond hole GVD145 was completed on M27/181 during the December 2006 quarter to follow up on anomalous and interpreted mineralised trends resulting from the previous campaign of aircore drilling.

GVD 145 was drilled at the southern end of the Kalbara area and intersected a wide carbonate-sericite-pyrite-albite-fuschite alteration and quartz-carbonate veining, with restricted zones of green intensity. Samples have been submitted for analysis, results are pending.

#### **Kanowna West Tenements (GVM 23.68%)**

No exploration work was conducted on P27/1158.

For more information contact:

Simon Farrell, Managing Director - GVM - +61 417 985 383 or +61 8 9322 6776

Leesa Peters / Abi Singleton - Conduit PR - +44(0) 20 7429 6606

Olly Cairns / Romil Patel – Corporate Synergy Plc - +44(0) 20 7448 4400

[www.gvm.com.au](http://www.gvm.com.au)

## Appendix 5B

### *Mining exploration entity quarterly report*

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

Name of entity

GVM Metals Limited

ABN

98 008 905 388

Quarter ended ("current quarter")

31 December 2006

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	10,317	23,005
1.2	Payments for (a) exploration and evaluation	(151)	(205)
	(b) development	(9,412)	(20,937)
	(c) production	(1,649)	(3,100)
	(d) administration		
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	82	157
1.5	Interest and other costs of finance paid	(136)	(268)
1.6	Income taxes paid	(20)	(297)
1.7	Other		
<b>Net Operating Cash Flows</b>		<b>(969)</b>	<b>(1,647)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments	(53)	(89)
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments	29	29
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities	303	349
1.12	Other (provide details if material)		

	<b>Net investing cash flows</b>	279	289
1.13	Total operating and investing cash flows (carried forward)	(690)	(1,358)

	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.(net) –see note below	6,121	13,614
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(1,111)	(1,339)
1.18	Dividends paid	(260)	(260)
1.19	Other (Exchange rate related movements in foreign borrowings and reserves)		
	<b>Net financing cash flows</b>	4,750	12,015
	<b>Net increase (decrease) in cash held</b>	4,060	10,657
1.20	Cash at beginning of quarter/year to date	6,642	50
1.21	Exchange rate adjustments to item 1.20	3	(2)
1.22	<b>Cash at end of quarter</b>	<b>10,705</b>	<b>10,705</b>

*Note: The 12,200,000 issued to Asia Energy Plc were issued prior to the 31<sup>st</sup> of December 2006 but not allotted until 2<sup>nd</sup> of January 2007, increasing the number of issued GVM Metals Ltd shares to 93,559,328 in January 2007.*

### Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	186
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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### Non-cash financing and investing activities

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

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

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### Financing facilities available

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	3,662	1,844
3.2	Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(900)
4.2 Development	-
<b>Total</b>	<b>(900)</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	10,705	7,698
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	(1,056)
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>10,705</b>	<b>6,642</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.2	Interests in mining tenements acquired or increased	Acquired Limpopo Coal (Pty) Ltd comprising the farms Overvlakte 125MS, Bergen Op Zoom 124MS, Simple 155MS and Voorspoed 836MS.	0%	74%

### Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of				

	capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	81,359,328	81,359,328		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	25,433,057	25,433,057		
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	9,000,000	-	<i>Exercise price</i> <b>See Note 6</b>	<i>Expiry date</i> <b>See Note 6</b>
7.8	Issued during quarter	1,000,000		<i>Exercise price</i> <b>See Note 6</b>	<i>Expiry date</i> <b>See Note 6</b>
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

## Compliance statement

1

This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 29 January 2007  
(Director)

Print name: Simon Farrell

## Notes

1

The quarterly report provides a basis for informing the market how the entity's activities have been financed for the

past quarter and the effect on its cash position.

An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2

The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period.

If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

### 3 Issued and quoted securities:

The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

### 5 Accounting Standards

ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

### 6 Issued and Quoted Securities as at 31 December 2006:

Number Issued	Number Quoted	Exercise Price	Expiry Date	Lapsed Since End of quarter
9,000,000	-	50.0	30 September 2011	-

The information in this announcement as it related to geology, geochemistry and geophysics, has been prepared and reviewed by Richard Linnell

who is a qualified person as described in Appendix 5A to the ASX Listing Rules and Part two of the AIM Guidance Notes for Mining and Oil and Gas Companies.

END

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