Regulatory Announcement

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Company	GVM Metals Ltd
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GVM METALS LIMITED

(i) ABN 98 008 905 388

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2005

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2005 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:

Name	Period of directorship
Mr Richard Linnell Chairman	Appointed 1 August 2001
Mr Simon J Farrell (1)	Director since 21 December 2000 Managing Director
Mr Peter G Cordin Director	Director since 1 December 1997
Mr Blair E Sergeant Director	Appointed 30 June 2004

2. Results

The results of the Consolidated Entity for the half-year ended 31 December 2005 after income tax was a loss of $141,447.

3. Review of Activities

Highlights

- Shares commenced trading on the Alternative Investment Market (AIM) of the London Stock Exchange on 16 December 2005.

- Nimag (Pty) Ltd's nickel magnesium alloy business operated ahead of budget despite continued pressure as a result of the strong Rand and reported a profit before interest and tax for the half year of R5,050,000 (A$1,034,000). The Rand strengthened by some 8% against the US Dollar over the six month period.

- Following the completion of the scoping study, the Holfontein Coal Project (GVM 49%) is estimated to contain an indicated resource of 56 million tonnes.

- R4,325,000 (A$936,800) of Nimag debt and US$151,800 (A$208,000) of MATS debt was repaid during the period under review.

Discussion of the Results

NiMag Group of Companies ("Nimag")
(GVM - 74% with option to acquire balance by share issue)

The overall results of Nimag were pleasing despite the continued strengthening of the Rand during the period under review. Nickel Magnesium alloy sales remain very strong and are the core income generator for the group. The smaller FeSi Mag and Fibres performed below budget as a result of the strong Rand, though both business units recovered towards the end of the six month period and are expected to report profits during the latter half of the financial year.

Nimag traditionally earns about 60% of its annual profits during the second half of its financial year. Though the continued strong performance of the Rand is less than ideal for the company, it is partly off-set by the high nickel price. Nimag also continues to seek expansion into new markets and the outlook for the rest of the year remains positive. In summary, continued earnings growth through to the end of the financial year is anticipated.

SA Mineral Resources Corporation Limited ("SAMROC")

The company was severely affected by the absence of orders from its major customer during the first six months of the year. The company commenced operating at normal levels during January 2006 and is expected to be cash flow positive during the remainder of the year.

GVM recently announced its intention to dispose of the Samroc investment. It is anticipated that the disposal will realise approximately A$750,000. Accordingly, the investment in Samroc has been reclassified as a Non-Current Asset Held for Sale in the balance sheet. Under applicable accounting standards, GVM will no longer recognize its share of SAMROC's trading results from 1 January 2006.

Holfontein Coal Project - GVM 49%

The project is estimated to contain an indicated resource of 56 million tonnes following a scoping study.

The study was based on mining of 140,000 tonnes per month yielding 870,000 tonnes of steaming coal and 420,000 tonnes of coking coal per annum. At current prices this equates to annual revenue of R200 million. GVM's share of the NPV is estimated at $19million using a 10% discount rate and its share of the annual after tax cash flow is $3million, once full production is reached.

The bankable feasibility study will commence once the "new mining titles" are issued. This is expected during the first quarter of 2006.

Exploration Activities

No exploration activities were undertaken on the Company's limited properties.

Financial review

The Nimag Group's financial results were in line with the results achieved during the comparative 2004 period and the operations, except for Samroc, performed in line with budget. The difference between the 2004 and 2005 half year results are mainly due to:

- $215,000 once-off listing expenses in relation to the AIM listing;
- $366,328 profit on the sale of GMA shares during 2004 compared to a loss of $67,992 during the December 2005 half year. GVM has now completed its divestment from GMA; and
- The share of the Samroc loss of $98,630.

The Rand as at 31 December 2005 was 9.4% stronger against the A$ compared to 30 June 2005, resulting in a significant increase in the A$ equivalent of the Nimag loans at the balance sheet date. However, R4,325,000 (A$936,800) of Nimag debt and US$151,800 (A$208,000) of MATS debt was repaid during the period under review.

The December 2004 profit excluding the profit on the sale of the GMA shares (i.e. profit from normal operations) comprised 33% of the 2005 annual profit. This is mainly due to the fact that Nimag earns between 60 and 65% of its profits in the latter half of its financial years. The 2006 forecast is in line with this tendency and strong profits are expected during the latter half of the financial year. The Rand has increased on average by 5% against the Australian Dollar during the first two months. The strong performance of the Rand against the Australian Dollar could further underpin the Nimag profits during the second half of the year.

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 25.

Dated at Perth, Western Australia, this 28th day of February 2006.

Signed in accordance with a resolution of the directors:

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S.J. Farrell
Director

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated 31.12.2005 $	Consolidated 31.12.2004 (IFRS restated) $
Sale of goods		15,137,300	15,532,256
Gain/(Loss) from disposal of investments		(67,992)	366,328
Other		176,737	225,293
Total revenue		15,246,045	16,123,877
Changes in inventory of finished goods		(947,957)	(571,136)
Raw materials and consumables used		(10,623,356)	(11,372,530)
Consulting, accounting & professional expenses		(217,469)	(251,056)
Employee expenses		(1,438,889)	(1,470,353)
Depreciation and amortisation expenses		(126,441)	(161,167)
Diminution in investments		(1,081)	(273,768)
Bad debt expense		(1,159)	-
Exploration expense		-	(1,598)
Office rent and outgoings		(75,326)	(37,768)
Borrowing costs		(346,902)	(478,899)
Other expenses from ordinary activities		(1,377,445)	(727,667)
Share of net profit/(losses) of associate accounted for using the equity method		(98,630)	176
(Loss)/Profit from continuing operations before income tax		(8,610)	778,111
Income tax expense		(132,837)	(223,692)
(Loss)/Profit from continuing operations after related income tax expense		(141,447)	554,419
Outside equity interest		(124,690)	(124,203)
Net (loss)/profit attributable to members of the parent entity		(266,137)	430,216
Basic (loss)/profit per share for GVM Metals Limited		(0.96 cents)	1.64 cents

There are no dilutive potential ordinary shares therefore diluted profit per share has not been calculated or disclosed. The GVM shares were consolidated in the ratio 10:1 during the period under review and the comparative earnings per share is restated accordingly.

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	Consolidated 31 December 2005 $	Consolidated 30 June 2005 (IFRS re-stated) $
CURRENT ASSETS			
Cash assets		1,333,937	1,806,353
Receivables		3,942,083	4,216,583
Inventory		2,709,101	3,363,679
Other financial assets		885,446	1,498,009
Total Current Assets		8,870,567	10,884,624
NON CURRENT ASSETS			
Assets held for sale (Investment in an associate)	3	124,176	222,806
Intangibles		9,206,288	9,206,288

Other financial assets		711,556	925,645
Property, plant and equipment		2,407,471	2,434,245
Deferred tax		26,887	26,886
Total Non Current Assets		12,476,378	12,815,870
TOTAL ASSETS		21,346,945	23,700,494
CURRENT LIABILITIES			
Payables		3,726,408	6,178,289
Interest bearing liabilities		3,316,466	2,016,220
Provisions		(3,110)	99,986
Current tax liability		123,909	116,810
Total Current Liabilities		7,163,673	8,411,305
NON CURRENT LIABILITIES			
Payables		1,367,951	1,580,489
Interest bearing liabilities		4,228,738	4,736,731
TOTAL NON CURRENT LIABILITIES		5,596,689	6,317,220
TOTAL LIABILITIES		12,760,362	14,728,525
NET ASSETS		8,586,583	8,971,969
EQUITY			
Issued Capital	4	34,550,936	34,500,935
Reserves		1,030,566	1,244,562
Accumulated losses		(30,345,782)	(30,079,645)
TOTAL PARENT EQUITY INTEREST		5,235,719	5,665,852
OUTSIDE EQUITY INTEREST		3,350,864	3,306,117
TOTAL EQUITY		8,586,583	8,971,969

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2005	Note	$ Share Capital Ordinary	$ Capital Profit	$ Foreign Translation Reserves	$ Retained profits Reserve	$ Total
Balance at 1.7.2004		33,469,250	136,445	599,872	(30,872,984)	3,332,583
Profit attributable to members of parent entity					430,216	430,216
Foreign currency translation adjustments				45,543		45,543
Balance at 31.12.2004		33,469,250	136,445	645,415	(30,442,768)	3,808,342
Balance at 1.7.2005		34,500,935	136,445	1,108,117	(30,079,645)	5,665,852
Shares issued during the period		50,000				50,000
Loss attributable to members of parent entity					(266,137)	(266,137)
Foreign currency translation adjustments attributable to members of parent				(213,996)		(213,996)

entity					
Balance at 31.12.2005	34,550,935	136,445	894,121	(30,345,782)	5,235,719

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2005	Consolidated	Consolidated
	31.12.2005	31.12.2004
	$	$
Cash Flows used in Operating Activities		
Cash receipts in the course of operations	15,574,251	15,936,129
Interest received	14,287	34,990
Cash payments in the course of operations	(15,966,308)	(14,667,157)
Interest paid	(346,902)	(478,899)
Tax paid	(125,739)	(205,149)
Net cash generated by/(used in) operating activities	(850,411)	619,914
Cash Flows used in Investing Activities		
Proceeds from sale of equity investments	169,137	939,827
Payments for investments	(24,121)	(2,256,168)
Payments for property, plant and equipment	(99,668)	(39,234)
Net cash provided by investing activities	45,348	(1,355,575)
Cash Flows from Financing Activities		
Proceeds from issues of shares and options to outside equity interest	50,000	-
Proceeds from borrowings	-	1,796,183
Repayment of borrowings	(533,487)	(1,134,773)
Net cash provided by financing activities	(483,487)	661,410
NET INCREASE IN CASH HELD	(1,288,550)	(74,251)
Cash at the beginning of the half-year	1,027,493	767,070
Exchange rate adjustment	(297,069)	20,063
Cash at the end of the half-year	(558,126)	712,882

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 1 - BASIS OF PREPARATION

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, Urgent Issues Group Interpretations 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 2005 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.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

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

ACCOUNTING POLICIES

(a) 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 income statement 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.

(b) 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 recognised 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.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cashflows are included in the statement of cash flows on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

(d) Cash assets

For the purposes of the Statement of Cashflows, cash includes deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(e) 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.

(f) 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 measured on the cost basis, less subsequent depreciation (for buildings) and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from theses assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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.

(g) Depreciation and Amortisation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a 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 - 2005 Range - 2004

- Furniture, fittings and office equipment 13% - 50% 13% - 33%
- 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.

(h) 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.

(i) 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 31 December 2005, 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 half year 31 December 2005.

(j) Leases

Operating leases

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

(k) Exploration and evaluation expenditure

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.

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance 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.

(m) 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.

(n) 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:

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

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

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.

(o) 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.

(p) 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 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.

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 transaction, 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.

(q) 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 acquisitions 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.

(r) Investments in Associates

Investment in an associate company is capitalised in the financial statements by applying the equity method of accounting where significant influence is exercised over the investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

GVM recently announced its intention to dispose of its associate, Samroc. It is anticipated that the disposal will realise approximately A$750,000. Under applicable Accounting Standards, the investment in Samroc has been reclassified as a Non-Current Asset Held for Sale in the balance sheet and is measured at the lower of its carrying amount and fair value less costs to sell. The carrying value of the Samroc investment at balance date has been reduced by GVM's share of Samroc's trading loss for the half year. As the Samroc investment is now classified as a Non-Current Asset Held for Sale, GVM will no longer recognize any future share of Samroc's trading results from 1 January 2006.

(s) 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.

(t) 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.

(u) Comparative Figures

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

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 31 December 2004	Note	Previous GAAP at 31.12.2004 $	Adjustments on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 31.12.2004 $
CURRENT ASSETS				
Cash assets		712,822	-	712,822
Receivables		3,073,572	-	3,073,572
Inventory		2,132,725	-	2,132,725
Total Current Assets		5,919,119	-	5,919,119
NON CURRENT ASSETS				
Investment accounted for using the equity method		257,301	-	257,301
Intangibles	2a	8,934,461	271,827	9,206,288
Other financial assets		455,652	-	455,652
Property, plant and equipment		2,469,987	-	2,469,987
Total Non Current Assets		12,117,401	271,827	12,389,228
(a) TOTAL ASSETS		18,036,520	271,827	18,308,347
CURRENT LIABILITIES				
Payables		1,978,909	-	1,978,909
Interest bearing liabilities		1,548,719	-	1,548,719
Provisions		51,127	-	51,127
Current tax liability		254,885	-	254,885
Total Current Liabilities		3,833,640	-	3,833,640
NON CURRENT LIABILITIES				
Payables		1,662,763	-	1,662,763
Interest bearing liabilities		6,122,477	-	6,122,477
Deferred tax liability		50,093	-	50,093
TOTAL NON CURRENT LIABILITIES		7,835,333	-	7,835,333
TOTAL LIABILITIES		11,668,973	-	11,668,973
NET ASSETS		6,367,547	271,827	6,639,374
EQUITY				
Issued Capital		33,469,250	-	33,469,250
Reserves		781,860	-	781,860
Accumulated losses	2 a	(30,665,588)	222,820	(30,442,768)
TOTAL PARENT EQUITY INTEREST		3,585,522	222,820	3,808,342
OUTSIDE EQUITY INTEREST	2 a	2,782,025	49,007	2,831,032
TOTAL EQUITY		6,367,547	271,827	6,639,374

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30.6.2005	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30.6.2005
		$	$	$
CURRENT ASSETS				
Cash assets		1,806,353	-	1,806,353
Receivables		4,216,583	-	4,216,583
Inventory		3,363,679	-	3,363,679
Other financial assets	2b		1,498,009	1,498,009
Total Current Assets		9,386,615	1,498,009	10,884,624
NON CURRENT ASSETS				
Investment accounted for using			-	
the equity method		222,806		222,806
Intangibles	2 a	8,736,300	469,988	9,206,288
Other financial assets		925,645	-	925,645
Property, plant and equipment		2,434,245	-	2,434,245
Deferred tax		26,886		26,886
Total Non Current Assets		12,345,882	469,988	12,815,870
(b) TOTAL ASSETS		21,732,497	1967,997	23,700,494
CURRENT LIABILITIES				
Payables	2b	4,680,280	1,498,009	6,178,289
Interest bearing liabilities		2,016,220	-	2,016,220
Provisions		99,986	-	99,986
Current tax liability		116,810	-	116,810
Total Current Liabilities		6,913,296	1,498,009	8,411,305
NON CURRENT LIABILITIES				
Payables		1,580,489	-	
Interest bearing liabilities		4,736,731	-	1,580,489
			-	4,736,731
TOTAL NON CURRENT LIABILITIES		6,317,220	-	6,317,220
TOTAL LIABILITIES		13,230,516	1,498,009	14,728,525
NET ASSETS		8,501,981	469,988	8,971,969
EQUITY				
Issued Capital		34,500,935	-	34,500,935
Reserves		1,244,562	-	1,244,562
Accumulated losses	2 a	(30,449,104)	369,459	(30,079,645)
TOTAL PARENT EQUITY INTEREST		5,296,393	184,729	5,665,852
OUTSIDE EQUITY INTEREST	2 a	3,205,588	100,529	3,306,117
TOTAL EQUITY		8,501,981	469,988	8,971,969

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

	Note	Previous GAAP	Effect of transition	Australian equivalents

Reconciliation of Profit for the half-year 31 December 2004			to Australian equivalents to IFRS	to IFRS
		$	$	$
Revenue	2c	16,607,029	(483,152)	16,123,877
Changes in inventory of finished goods		(571,136)		(571,136)
Raw materials and consumables used		(11,372,530)		(11,372,530)
Consulting, accounting & professional expenses		(251,056)		(251,056)
Employee expenses		(1,470,353)		(1,470,353)
Depreciation and amortisation expenses	2 a	(432,994)	271,827	(161,167)
Diminution in investments		(273,768)		(273,768)
Carrying value of GMA Resources Plc investment disposed of	2c	(483,152)	483,152	-
Exploration expense		(1,598)		(1,598)
Office rent and outgoings		(37,768)		(37,768)
Borrowing costs		(478,899)		(478,899)
Other expenses from ordinary activities		(727,667)		(727,667)
Share of net profit/(losses) of associate accounted for using the equity method		176		176
(Loss)/Profit from continuing operations before income tax		506,284	271,827	778,111
Income tax expense		(223,692)		(223,692)
Profit from continuing operations after related income tax expense		282,592	271,827	554,419
Outside equity interest		(75,196)	(49,007)	(124,203)
Net profit attributable to members of the parent entity		207,396	222,820	430,216

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of Profit for the full year 30 June 2005	Note	Previous GAAP	Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
		$	$	$
REVENUE	2c	31,520,378	(519,849)	31,000,529
Changes in inventories of finished goods and work in progress		66,834		66,834
Raw materials and consumables used		(22,480,207)		(22,480,207)
Consulting expenses		(413,652)		(413,652)
Employee expenses		(2,865,537)		(2,865,537)
Borrowing costs		(904,206)		(904,206)
Depreciation expenses		(366,226)		(366,226)
Amortisation of goodwill	2 a	(469,988)	469,988	-
Office rental , outgoings and parking		(324,941)		(324,941)
Decrease/(increase) diminution in value of investments		(442,265)		(442,265)
Carrying value of investments disposed of	2c	(483,152)	483,152	-
Carrying value of property, plant and equipment disposed of	2c	(36,697)	36,697	-

Provision for non-recoverability of loans		(137,866)		(137,866)
Other expenses from ordinary activities		(1,651,559)		(1,651,559)
Share of net profit/(losses) of associate accounted for using the equity method		23,230		23,230
Profit from continuing operations before income tax (expense)/benefit		1,034,147	469,988	1,504,135
Income tax expense		(323,535)	-	(323,535)
Profit from continuing operations after related income tax (expense)/ benefit		710,612	469,988	1,180,600
Outside equity interest	2 a	(286,733)	(100,529)	(387,262)
Net profit attributable to members of the parent entity	2 a	423,879	369,459	793,338

2 a) Under AASB 3: Business Combinations, goodwill is no longer amortised but subject to annual impairment testing. All goodwill amortised under previous GAAP from 1 July 2004 has been reversed. Goodwill amounting to $469,988 previously amortised in the 2005 full financial year has been reversed in the income statement for the year ended 30 June 2005. Goodwill amounting to $271,827 previously amortised for the 2004 half year has been reversed in the income statement for the half year ended 31 December 2004.

2 b) Under AASB 139: Financial Instruments-Recognition and Measurement, derivative financial instruments are measured at fair value at reporting date. Gains and losses resulting from changes to fair value are taken to the income statement unless they are designated as hedges, in which case the difference is taken directly to equity. The group held a number of forward exchange contracts at 30 June 2005 (31 December 2004: Nil). These forward exchange contracts have been recorded in the 30 June 2005 balance sheet as "Other Financial Assets" and reflected at fair value. A corresponding increase in current payables has also been recognised in the balance sheet at 30 June 2005. Under the previous accounting policy, these forward exchange contracts were not recorded on the balance sheet. The effect of this change in accounting policy has been to increase total assets and liabilities at 30 June 2005 by $1,498,009 with no effect on net assets.

2 c) Under AIFRS, revenue from the sale of non-current assets must be reflected as the gain or loss on sale rather than the proceeds from sale of those assets. This reclassification has been adjusted in both the 30 June 2005 and 31 December 2004 Income Statements. The effect of this change in accounting policy was to reduce reported revenue from outside operating activities in 30.6.2005 and 31.12.2004 by $519,849 and $483,152 respectively. There is however, no effect on the net results for both years as this is purely a reclassification adjustment within the Income Statement.

2 d) The reconciliation of equity as at 1 July 2004 has not been disclosed on the basis that there are no material differences between the financial statements presented under previous Australian GAAP and Australian equivalents to IFRS.

3. MOVEMENTS IN ASSETS HELD FOR SALE (PREVIOUSLY INVESTMENTS EQUITY ACCOUNTED)	Consolidated 31 Dec 2005 $	Consolidated 30 June 2005 $
Carrying amount of investments in associates at beginning of half-year	222,806	525,270
Share of associate's net profit/(loss) for the half year / full year	(98,630)	23,230
Diminution in investment	-	(325,694)

Foreign currency translation adjustment	-	-
Carrying amount of investments in associates at end of half-year	124,176	222,806

GVM Metals owns a 30.19% interest in SA Mineral Resources Corporation Limited ("Samroc"), a company listed on the Johannesburg Stock Exchange. Up till 31 December 2005, the investment was accounted for on the equity method. GVM Metals announced its intention to dispose of the investment during the period under review. In accordance with applicable Accounting Standards, the investment must, therefore, be classified as an Asset Held for Sale and be measured at the lower of its carrying amount and fair value less cost of sale. GVM will no longer recognize its share of Samroc's trading results from 1 January 2006.

On 31 December 2005, the investment traded on the Johannesburg Stock Exchange at 0.43cents. Hence, the market value of GVM's investment in Samroc was $489,516.

	Consolidated 31 Dec 2005 $
4. ISSUED CAPITAL	
Issued and Paid-Up Capital	
27,698,387 (2005: 274,985,189) fully paid ordinary shares	34,550,936
Movements in Issued Capital (number of shares)	
Opening balance at beginning of the half-year	274,985,189
10:1 share consolidation	(247,486,802)
Revised Opening balance post 10:1 consolidation	27,498,387
Movement during 6 month period under review	200,000
Total equity at the end of the half-year	27,698,387

The GVM shares were consolidated in the ratio 10:1 during the period under review.

The company has entered into an Option Agreement whereby GVM has a call option granting GVM the right to acquire the remaining 26% of Nimag, for a total consideration of 6.5 million shares in GVM at 40 cents per share. Similarly, the shareholders of the remaining 26% of Nimag have a put option granting them the right to dispose of their holding in Nimag to GVM, for the consideration of 6.5 million shares in GVM at 40 cents per share. The Option Agreement is subject to certain terms and conditions. The issuing of the GVM shares is also subject to shareholder approval.

Options

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

Number Issued	Number Quoted	Exercise Price	Expiry Date
750,000	-	$0.1923	30 September 2006

56,460,000 quoted options expired during the six months under review.

5. 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 Samroc and Nimag in South Africa
Investing	Equity investments in Australia, Canada and United Kingdom

31 December 2005

Primary reporting industry	Manufacturing $	Investing $	Consolidated $
Revenue			
Total segment revenue	15,280,359	(67,992)	15,212,367
Unallocated revenue	-	-	33,678
Total revenue			15,246,045
Results			
Segment results	862,004	(67,992)	794,012
Share of loss of equity accounted investment	(98,630)	-	(98,630)
Unallocated items	-	-	(703,992)
Net profit			(8,610)
Depreciation and amortisation	126,441	-	126,441
Provision for diminution of investment	-	1,081	1,081
Assets			
Segment assets	17,944,883	22,706	17,967,589
Unallocated corporate assets	-	-	3,255,180
Equity accounted investment	124,176	-	124,176
Consolidated total assets			21,346,945
Liabilities			
Segment liabilities	10,737,188	-	10,737,188
Unallocated liabilities	-	-	2,023,174
Consolidated total liabilities			12,760,362

5. SEGMENT INFORMATION (cont'd)

31 December 2004

Primary reporting industry	Manufacturing $	Investing $	Consolidated $
Revenue			
Total segment revenue	15,532,256	366,328	15,898,584
Unallocated revenue	-	-	225,293
Total revenue			16,123,877
Results			
Segment results	887,860	366,328	1,254,188
Share of profit of equity accounted investment	176	-	176
Unallocated items	-	-	(476,253)
Net profit			778,111
Depreciation	151,764	9,403	161,167
Provision for diminution of investment	(273,768)	-	(273,768)
Assets			
Segment assets	15,336,385	455,652	15,792,037
Unallocated corporate assets	-	-	2,259,009

Equity accounted investment	257,301	-	257,301
Consolidated total assets			18,308,347
Liabilities			
Segment liabilities	9,916,028	-	9,916,028
Unallocated liabilities	-	-	1,752,945
Consolidated total liabilities			11,668,973

6. CONTINGENT LIABILITIES

A controlled entity, Nimag (Proprietary) Ltd, is currently involved in a dispute with the South African Revenue Service ("SARS") regarding Value Added Tax ("VAT") claimed by SARS. The VAT in dispute is approximately R10m (A$2.2m). This is in itself not a contingent liability as any VAT paid is claimed back. SARS may claim interest of R2m (A$447k) and penalties of R1m (A$223k). Should such a claim arise Nimag would have a counter claim against its supplier or their import agent.

Other than that disclosed above, the consolidated entity has no contingent liabilities.

7. EVENTS SUBSEQUENT TO REPORTING DATE

There are no 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.

DIRECTORS DECLARATION

The directors of the company declare that:

(a) the financial statements and notes set out on pages 5 to 22

(i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

(ii) give a true and fair view of the economic entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date.

(b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

S. J. Farrell

Director

Dated at Perth, Western Australia, this 28th day of February 2006.

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF GVM METALS LTD

SCOPE

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements for the consolidated entity comprising both GVM Metals Ltd (the company) and the entities it controlled during the half year, and the directors' declaration, for the company, for the half year ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of Company personnel, and
- analytical procedures applied to financial data.

A review is limited primarily to inquiries of Company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, as defined in the scope section, of the consolidated entity GVM Metals Ltd and the entities it controlled during the for the half year ended 31 December 2005 is not in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 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 financial reporting requirements in Australia.

NEIL PACE MOORE STEPHENS
PARTNER CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of February 2006.

24

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 2005 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 MOORE STEPHENS
PARTNER CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of February 2006

END

Close