

Regulatory Announcement

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Company	GVM Metals Ltd
TIDM	GVM
Headline	Heads of Agreement
Released	08:57 07-Feb-07
Number	8473Q

GVM METAL LIMITED

Heads of Agreement reached to acquire Kelso Mining Limited

GVM Metals Limited ('GVM' or the 'Company') today announces that it has agreed terms for the acquisition of Kelso Mining Limited ('Kelso') whose principal asset is the right to acquire 70% of the issued share capital of CoAL of South Africa Limited ('CoAL').

CoAL is a South African company that owns the Mooiplaats coal project and surrounding New Order prospect rights.

The properties owned by CoAL are located within 2 kilometres of the Camden Power Station near Ermelo and beside the main rail line to the Richards Bay export coal terminal.

A Competent Persons Report ('CPR') on the CoAL properties is currently being prepared by SRK Consulting and it is a condition of the Kelso acquisition of CoAL that the CoAL properties contain a JORC and SAMREC coal resource in excess of 450 million tonnes of coal. The CPR is expected to be made available by April 2007.

The terms of the CoAL agreement contain a number of preconditions including regulatory and Kelso shareholder consent and the completion of due diligence satisfactory to the Company. As well as the precondition to the JORC and SAMREC status of the resources, the transaction is to complete 90 days after South African Ministerial consent to the transfer of New Order Mining Title.

Kelso also owns the Itawes nickel project located in the northern Mindanao province in the Philippines. Whilst the Mineral Production Sharing Agreement is expected to be granted by the Department of Environment and Resources shortly, GVM will have the right to sell the Itawes project back to the Itawes vendors for a nominal consideration whilst retaining a minority interest, should the CoAL transaction not close and/or the Mineral Production Sharing Agreement not be granted.

The maximum consideration for the Kelso acquisition is approximately £10 million. This consideration is made up as follows:

- a. An initial consideration of £3.7 million, comprising cash of £2 million and £1.7 million in new GVM shares to be issued at its mid-market price with but within a minimum and maximum price range of 20-30 pence per share;
- b. Subject to completion of the CoAL acquisition, a deferred consideration £4 million in new GVM shares to be issued at its mid-market price with a minimum and maximum price range of 20-30 pence per share; and
- c. Subject to completion of both the CoAL acquisition and receipt by the Itawes project of its Mineral Production Sharing Agreement, an additional deferred consideration of £2.2 million of which £1.5 million is payable in cash and the balance in new GVM shares to be issued at its mid-market price with a minimum maximum price range of 20-30 pence per share.

The acquisition of Kelso requires the approval of GVM shareholders. Once final agreements have been executed, a Notice of Meeting will be sent to GVM shareholders providing full details of the acquisition. This is expected by no later than 31 March 2007.

Following completion of the acquisition, should GVM decide to exercise the option to acquire 70% of CoAL, consideration will be £30 million of which a £3 million deposit has already been paid by Kelso. The balance is

payable as to £17 million on completion in cash and the balance in cash 12 months thereafter. The CoAL agreement is not expected to be completed for at least four months to allow time for the completion of the Competent Person's Report and to receive relevant regulatory consents.

The Company will provide further technical details regarding the potential resources, development, production and other indicative technical data when SRK Consulting report is completed.

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