

## Regulatory Announcement

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<b>Company</b>	<a href="#">GVM Metals Ltd</a>
<b>TIDM</b>	GVM
<b>Headline</b>	Quarterly Report
<b>Released</b>	11:43 31-Oct-06
<b>Number</b>	2837L

### 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 1st quarter ended 30 September 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 \$A1.6 million for the first three months of the year.
- UK Institutional placement of 24,615,384 shares raised GBP3.2 million (\$A7.8 million) in July 2006 to facilitate development of the Holfontein and Limpopo coal programmes. Cash at the end of the quarter was \$A6.6 million.
- GVM Metals Ltd executes a binding Heads of Agreement to acquire the remaining 51% interest in the Holfontein coal project and 50% of the Baobab JV coal project.
- Nimag (Pty) Ltd's nickel magnesium alloy business continued to operate well ahead of budget. Its smaller FeSi Mag and fibre businesses reported growing profit levels for the quarter.

#### Discussion of Results

#### Nimag Group of Companies - GVM 74% interest with option to acquire balance by share issue)

The Nimag Group's quarterly profit before interest and tax increased by 30% compared to the June 06 quarter. The nickel magnesium business continued to outperform its budget, whilst the smaller FeSi Mag and Fibres business reported profits for the quarter compared to losses recorded for the June 06 financial year.

The operational cash flow was however, negatively influenced by the payment of R1.5 million provisional tax and an increase in working capital (excluding cash) of R7.5 million. The increase was primarily due to a reduction in trade creditors and increases in both trade debtors and inventory. The trade debtors and inventory are expected to decrease to normal levels during the next quarter, which will significantly improve the operational cash position. Cash was further consumed by the R1.2 million repayment of long term loans during the quarter.

Continuation of a weaker Rand and high nickel price indicate a highly positive outlook for the rest of the financial year.

#### Coal Activities

GVM executed binding Heads of Agreement with Motjoli Resources (Pty) Ltd to merge the two companies' interests. The acquisition will result in the Holfontein project being wholly owned by GVM. However, the specific conditions of the transaction and regulatory approval in Australia and South Africa are yet to be satisfied.

The Heads of Agreement includes the acquisition of Motjoli's 51% interest in the Baobab joint-venture coal project and its 100% interest in three Limpopo prospecting licences adjacent to those held by the Baobab joint-venture. A detailed description of these projects contained in the Annual Report which is to be posted to shareholders in the next week.

The consideration payable for the Holfontein and Baobab J.V. interests is 34,863,226 ordinary shares plus a 3,417,964 ordinary shares to be issued on the grant of an export allocation to GVM at the Richards Bay coal terminal for a minimum of 100,000 metric tonnes of coal per annum.

The in-fill Holfontein drilling programme is continuing and the estimated completion horizon is the quarter ending 31 December 2006. The results of drilling so far are closely in line with expectations. The bankable feasibility study is expected to be completed by the end of March 2007.

### **Limpopo Coal Project - GVM 74% interest**

GVM expects to finalise the Limpopo coal transaction dependent on the satisfaction of various conditions precedent. Additional exploration work commissioned during the next quarter together with a high level scoping study of the coal area. Preliminary discussions with various infra-structure participants to ascertain capacity for possible coal exports are ongoing.

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