

G V M M E T A L S L I M I T E D

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NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

Date of Meeting

Wednesday, 28 November 2007

Time of Meeting

10.00 am (WDT)

Place of Meeting

The Park Business Centre
45 Ventnor Avenue
WEST PERTH WA 6005

YOUR 2007 ANNUAL REPORT IS AVAILABLE ONLINE, SIMPLY VISIT:

www.gvmreport.com

This is an important document. Please read it carefully.

If you are unable to attend the Annual General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on the Proxy Form.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the shareholders of GVM Metals Limited will be held at:

**The Park Business Centre
45 Ventnor Avenue
WEST PERTH WA 6005**

**Commencing at
10.00 am WDT
on Wednesday, 28 November 2007**

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10.00 am.

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- send the Proxy Form by facsimile to the Company on facsimile number (08) 9322 6778 (International: +618 9322 6778); or
- deliver or post the Proxy Form to the principal office of the Company at Level 1, 173 Mounts Bay Road, Perth, Western Australia.

so that it is received by no later than 48 hours before the commencement of the meeting.

Your Proxy Form is enclosed.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of GVM Metals Limited ABN 98 008 905 388 (“**Company**” or “**GVM**”) will be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on Wednesday, 28 November 2007 at 10.00 am, for the purpose of transacting the following business referred to in this Notice of Annual General Meeting (“**Notice**”).

Terms and abbreviations used in this Notice of Annual General Meeting and accompanying Explanatory Statement are defined in the glossary to the Explanatory Statement.

An Explanatory Statement containing information in relation to each of the following Resolutions and a Proxy Form accompany this Notice.

AGENDA

ORDINARY BUSINESS

Financial Reports

To receive and consider the annual Financial Statements of the Company for the year ended 30 June 2007 including the Directors’ Report and the Auditor’s Report.

Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass the following as a **non-binding resolution**:

"To adopt the Remuneration Report for the year ended 30 June 2007."

Resolution 2: Re-election of Director – Mrs Nonkqubela Mazwai

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, Mrs Nonkqubela Mazwai, having been appointed as an additional director of the Company on 7 June 2007, who retires in accordance with clause 3.3 of the Company's Constitution and, being eligible, offers herself for re-election, be elected as a director of the Company."

Resolution 3: Re- election of Director – Mr Nchakha Moloi

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, Mr Nchakha Moloi, having been appointed as an additional director of the Company on 7 June 2007, who retires in accordance with clause 3.3 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a director of the Company."

Resolution 4: Re- election of Director – Mr Stephen Bywater

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, Mr Stephen Bywater, having been appointed as an additional director of the Company on 8 February 2007, who retires in accordance with clause 3.3 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a director of the Company."

Resolution 5: Re- election of Director – Mr Graham Taggart

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, Mr Graham Taggart, having been appointed as an additional director of the Company on 8 February 2007, who retires in accordance with clause 3.3 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a director of the Company."

Resolution 6: Re-election of Director – Mr Peter Cordin

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, Mr Peter Cordin, being a director of the Company who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company."

Resolution 7: Ratification of Issue of Shares and Options

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of the ASX and all other purposes, the Company ratifies the allotment and issue of 3,274 Shares on 21 May 2007, 250,000 Class A Options on 29 May 2007, 555,575 Class B Options on 29 May 2007, 181,818 Shares on 5 June 2007, 11,250,000 Shares on 14 June 2007 and 181,818 Shares on 6 July 2007, to the parties and on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 7 by any of the persons who participated in the issue the subject of Resolution 7 and any associate of any of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8: Issue of up to 13,333,333 Shares to be used in part satisfaction of the completion of the CoAL Acquisition

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX and all other purposes, the Company approves the allotment and issue of up to a maximum of 13,333,333 Shares at a deemed issue price of 30 pence per Share to the parties and on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 8 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9: Change of Company Name

To consider, and if thought fit, to pass the following resolution as a **special resolution**:

"That pursuant to section 157(3) of the Corporations Act, the name of the Company be changed to "Coal of Africa Limited".

Resolution 10: Issue of up to 50,000,000 Shares to raise further working capital should the Company require

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

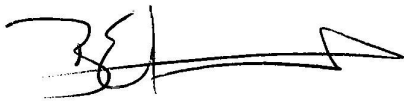
"That, for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX and all other purposes, the Company approves the allotment and issue of up to 50,000,000 Shares at an issue price of not less than 80% of the average market price of the Company's Shares on the ASX over the last 5 days on which sales of the Shares are recorded before the date of issue (or if there is a prospectus or admission document relating to the issue, over the last 5 days on which sales in the Shares are recorded before the date of the prospectus or admission document) as more particularly described in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 10 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other business

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

BY ORDER OF THE BOARD



Blair Sergeant
Company Secretary

Dated: 26 October 2007

PROXIES

1. Votes at the annual general meeting may be given personally or by proxy, attorney or representative.
2. A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on behalf of the member. A proxy need not be a member of the Company, but must be a natural person (not a corporation). A proxy may also be appointed by reference to an office held by the proxy (eg “the Company Secretary”).
3. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member’s voting rights. If no such proportion is specified, each proxy may exercise half of the member’s votes.
4. A proxy form is enclosed. A separate form must be used for each proxy. An additional form can be obtained by writing to the Company at Level 1, 173 Mounts Bay Road, Perth, Western Australia or by fax to (61-8) 9322 6778. Alternatively, you may photocopy the enclosed form.
5. A duly completed proxy form and (where applicable) any power of attorney or a certified copy of the power of attorney must be received by the Company at its registered office or the address or fax number set out below, not less than 48 hours before the time for commencement of the meeting. Please send by post to Level 1, 173 Mounts Bay Road, Perth, Western Australia 6000 or by fax to (61-8) 9322 6778.
6. The Company will accept proxy appointments by a corporate member executed in accordance with either section 127(1) (not under seal) or section 127(2) (under seal) of the Corporations Act.
7. For the purposes of section 1074E(2) of the Corporations Act 2001 and regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary shares at the close of business on Monday 26 November 2007 will be entitled to attend and vote at the Annual General Meeting.
8. The Explanatory Statement attached to this Notice forms part of this Notice.

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders with sufficient information to assess the merits of the resolutions contained in the preceding Notice of Annual General Meeting of the Company.

The Explanatory Statement and all attachments are important documents. They should be read carefully. The Directors recommend shareholders read this Explanatory Statement in full before making any decision in relation to the resolution.

Certain terms and abbreviations used in this Explanatory Statement have defined meanings which are explained in the glossary appearing at the end of this Explanatory Statement.

Financial Statements – Year ended 30 June 2007

Shareholders will be given an opportunity to ask questions in relation to the accounts of the Company at the Annual General Meeting.

RESOLUTION 1 – REMUNERATION REPORT

The Directors' Report for the year ended 30 June 2007 contains a Remuneration Report which sets out the policy for the remuneration of the Directors and executives of the Company. Section 250R(3) of the Corporations Act 2001 expressly provides that the vote on the resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MRS NONKQUBELA MAZWAI

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mrs Mazwai was appointed to the Board on 7 June 2007 to act as executive Director. In accordance with clause 3.3 of the Constitution, Mrs Mazwai now seeks re-election as a Director at this Annual General Meeting.

Mrs Nonkqubela Mazwai

Mrs Mazwai has considerable experience in the mining and related industries, having been a director of the following South African organizations:

- Lafarge Mining and Industries
- Central Energy Fund (Pty) Ltd
- Strategic Fuel Fund
- South African Mining Development Association (SAMDA)
- CIDA Empowerment Trust

Additionally, Mrs Mazwai has provided advisory services to blue chip companies such as Richards Bay Coal Terminal, Anglo American and De Beers as well as parastatals including Spoornet and Eskom. Mrs Mazwai has worked with the South African Government's Department of Minerals and Energy on implementing mining legislation and the mining charter promoting the participation by previously disadvantaged South Africans in the mining industry.

Mrs Mazwai was CEO of Motjoli Resources (Pty) Ltd, a South African diversified mining company that is a significant shareholder in the Company.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR NCHAKHA MOLOI

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr Moloi was appointed to the Board on 7 June 2007 to act as non-executive Director. In accordance with clause 3.3 of the Constitution, Mr Moloi now seeks re-election as a Director at this Annual General Meeting.

Mr Nchakha Moloi

Mr Moloi has over 15 years experience in the mining industry. He is currently the executive Chairman of Motjoli Resources (Pty) Ltd, former Director General of the Department of Minerals and Energy and director of the Minerals Development Board.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR STEPHEN BYWATER

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr Bywater was appointed to the Board on 8 February 2007 to act as non-executive Director. In accordance with clause 3.3 of the Constitution, Mr Bywater now seeks re-election as a Director at this Annual General Meeting.

Mr Stephen Bywater

Mr Bywater has a distinguished career in the resources industry, developing and operating a total of 14 large-scale open pit mining operations. Before joining Global Coal in January 2006, he was Chief Operating Officer for Rio Tinto Coal Australia. In this position Steve oversaw seven mining operations, producing 60 million tonnes of saleable coal a year.

He was previously General Manager Operations for Robe River Mining, a subsidiary of North which subsequently became a subsidiary of Rio Tinto in 2000. He was also General Manager, Mine Operations, for Hamersley Iron Limited and General Manager at Mount Isa Mines in both Mining and Metallurgical Operations. His position at Robe River Mining included management of both the port and rail facilities.

Born in Britain and now an Australian, Steve has a B.Sc. in Engineering Geology and Geotechnics from Portsmouth University and a M.Sc. in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne University. He is a Fellow of both the AUSIMM (Australasian Institute of Mining and Metallurgy) and the AIM (Australian Institute of Management).

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 5 – RE-ELECTION OF DIRECTOR – MR GRAHAM TAGGART

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr Taggart was appointed to the Board on 8 February 2007 to act as non-executive Director. In accordance with clause 3.3 of the Constitution, Mr Taggart now seeks re-election as a Director at this Annual General Meeting.

Mr Graham Taggart

Mr Taggart, an Australian, is a qualified Chartered Accountant with 25 years experience in the resources industry with Rio Tinto. Prior to joining Global Coal, Graham was Chief Financial Officer and Company Secretary for Rio Tinto Coal Australia, where he was responsible for a group producing some 60 million tonnes per annum of thermal and coking coal. He was previously General Manager Commercial and Chief Financial Officer for PT Kaltim Prima Coal (producing some 20 million tonnes of thermal coal per annum), and before that he was Director Finance for PT Kelian Equatorial Mining (producing some 500,000 oz of gold per annum), both Indonesian based.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 6 – RE-ELECTION OF DIRECTOR – MR PETER CORDIN

Mr Peter Cordin retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Peter Cordin

Mr Cordin has been a Director since December 1997. Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is well experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is the Managing Director of Dragon Mining Limited.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 7 – RATIFICATION OF ISSUE OF SHARES AND OPTIONS

As announced during the previous year, the Directors of the Company issued the following without shareholder approval:

- (a) 333 Shares at an issue price of 30 pence each and 2,941 Shares at an issue price of 34 pence each on 21 May 2007 to raise £1,100, before costs;

- (b) 250,000 Class A Options on 29 May 2007 at a nil issue price, each exercisable at 50 cents on or before 30 September 2011 and otherwise subject to the terms and conditions outlined in Annexure “A” in lieu of professional fees;
- (c) 555,575 Class B Options on 29 May 2007 at a nil issue price, each exercisable at 54 pence on or before 29 May 2009 and otherwise subject to the terms and conditions outlined in Annexure “B” in lieu of professional fees;
- (d) 181,818 Shares at an issue price of 11 pence each on 5 June 2007 in exercise of warrants granted in lieu of professional fees;
- (e) 11,250,000 Shares on 14 June 2007 of which 10,000,000 Shares were issued at deemed issued price of 30 pence each as part consideration for the acquisition of Coal of Africa Limited and 1,250,000 Shares were issued at a deemed issue price of 40 pence each as re-imbursement of associated due diligence costs associated with the acquisition of CoAL; and
- (f) 181,818 Shares at an issue price of 11 pence each on 6 July 2007 in exercise of warrants granted in lieu of professional fees.

Resolution 7 seeks that shareholders ratify the issues of those Shares and Options pursuant to ASX Listing Rule 7.4. Listing Rule 7.4 enables the shareholders of a company to ratify an issue of securities provided that the issue does not fall within one of the exceptions of Listing Rule 7.1 and does not breach the 15% restriction contained in Listing Rule 7.1.

If the issues are ratified by this resolution then the Company will be entitled to issue further securities in accordance with the terms and restrictions of ASX Listing Rule 7.1.

For the purpose of Listing Rule 7.5 the following information is provided:

(a) Placement of 3,274 Shares on 21 May 2007

1. A total of 3,274 Shares were issued;
2. 333 Shares were issued at an issue price of 30 pence each and 2,941 Shares at an issue price of 34 pence each;
3. The Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
4. The Shares were issued to the following parties:

<u>Investor</u>	<u>Amount of fully paid ordinary shares</u>
Oryx Investment Management	2,941
Roy Nominees Limited	333

5. The funds raised from the issue of the Shares were applied towards ongoing administrative costs of the Company and working capital.

(b) Placement of 250,000 Class A Options on 29 May 2007

1. A total of 250,000 Class A Options were issued;
2. The Class A Options were issued for nil consideration, in lieu of professional fees;
3. The Class A Options are exercisable at 50 cents each on or before 30 September 2011 and otherwise subject to the terms and conditions outlined in Annexure A;
4. The Class A Options were issued to Forest Nominees Limited;
5. No funds were raised from the issue.

(c) Placement of 555,575 Class B Options on 29 May 2007

1. A total of 555,575 Class B Options were issued;
2. The Class B Options were issued for nil consideration, in lieu of professional fees;
3. The Class B Options are exercisable at 54 pence each on or before 29 May 2009 and otherwise subject to the terms and conditions outlined in Annexure B;
4. The Class B Options were issued to Mirabaud Securities Limited;
5. No funds were raised from the issue.

(d) Placement of 181,818 Shares on 5 June 2007

1. A total of 181,818 Shares were issued;
2. The Shares were issued for 11 pence each in exercise of warrants granted in lieu of professional fees;
3. The Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
4. The Shares were issued to Giltspur Nominees Limited;
5. The funds raised from the issue of the Shares were applied towards ongoing administrative costs of the Company and working capital.

(e) Placement of 11,250,000 Shares on 14 June 2007

1. A total of 11,250,000 Shares were issued;
2. Of the 11,250,000 Shares issued, 10,000,000 Shares were issued at a deemed issue price of 30 pence each and 1,250,000 Shares were issued at a deemed issue price of 40 pence each;

3. The Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
4. The Shares were issued to Roy Nominees Limited;
5. No funds were raised from the issue as 10,000,000 Shares were issued as part consideration for the acquisition of CoAL and 1,250,000 Shares were issued as re-imbursement of associated due diligence costs associated with the acquisition of CoAL.

(f) Placement of 181,818 Shares on 6 July 2007

1. A total of 181,818 Shares were issued;
2. The Shares were issued for 11 pence each in exercise of warrants granted in lieu of professional fees;
3. The Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
4. The Shares were issued to Penson Financial Services;
5. The funds raised from the issue of the Shares were applied towards ongoing administrative costs of the Company and working capital.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 8 – ISSUE OF UP TO 13,333,333 SHARES TO BE USED IN PART SATISFACTION OF THE COMPLETION OF THE COAL ACQUISITION

On 7 February 2007, the Company announced that it had signed a Heads of Agreement whereby GVM intended to purchase 100% of Kelso Mining Limited (“**Kelso**”), whose principal asset was the right to acquire a 70% interest in the issued share capital of Coal of Africa Limited (“**CoAL**”). CoAL is a South African company that owns the Mooiplaats Coal Project and surrounding New Order prospecting rights. The properties owned by CoAL are located within 2 kilometres of the Camden Power Station near Ermelo and are beside the main rail line to the Richards Bay export coal terminal.

Total consideration payable to acquire both Kelso and CoAL was to be £40,000,000. Both the acquisition of Kelso and CoAL were subject to certain conditions precedent (“Conditions Precedent”).

As disclosed via an announcement to the market on 7 June 2007, it became apparent that the complexity of the above mentioned transaction was jeopardising settlement of the CoAL transaction. Therefore agreement was reached amongst the parties that GVM would directly acquire the 70% interest in CoAL and Kelso would be removed from the transaction (“Variation Agreement”). The Variation Agreement was reached subject to GVM agreeing to reimburse Kelso for due diligence and legal costs incurred up to a maximum of £500,000, to be satisfied by the issue of Shares at a deemed issue price of 40 pence each.

The total consideration payable to acquire a 70% interest in CoAL, including the above mentioned reimbursement, was therefore reduced to £35,500,000. Of that, the following consideration has already been paid:

1. £18,000,000 in cash;
2. £3,000,000 satisfied through the issue of Shares at a deemed issue price of 30 pence each; and
3. £500,000 satisfied through the issue of Shares a deemed issue price of 40 pence each.

Under the terms of the Variation Agreement, the balance of the consideration is payable is as follows:

1. £4,000,000 to be satisfied through the issue of Shares at a deemed issue price of 30 pence each (equating to 13,333,333 shares), payable upon satisfaction of the remaining Conditions Precedent or as otherwise agreed between the parties, and the subject of this Resolution 8; and
2. £10,000,000 in cash payable no later than 12 months after the satisfaction of the remaining Conditions Precedent or as otherwise agreed between the parties.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company where the securities proposed to be issued represent more than 15% of the Company's securities then on issue. Shareholder approval is therefore sought pursuant to Resolution 8.

For the purpose of ASX Listing Rule 7.3, the following information is provided:

1. the total number of Shares to be issued under Resolution 8 is 13,333,333;
2. the issue price of the Shares to be issued under Resolution 8 is a deemed issue price of 30 pence per Share;
3. the allottee of the Shares will be Roy Nominees Limited;
4. the Shares are ordinary fully paid shares in the capital of the Company and will rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
5. no funds will be raised in the issue as it forms part consideration for the acquisition of CoAL; and
6. the Shares will be issued and allotted on a date no later than 3 months from the date of this General Meeting, or such later date as approved by ASX.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 8.

RESOLUTION 9 – CHANGE OF COMPANY NAME

The Directors have resolved to seek approval to change the name of the Company to "Coal of Africa Limited". The Directors consider that the proposed new name more accurately reflects the activities of the Company.

This resolution seeks shareholder approval to this change of name.

Directors' Recommendation

The Board recommends shareholders vote in favour of the Resolution.

RESOLUTION 10 – ISSUE OF UP TO 50,000,000 SHARES

As described above, the total consideration that remains payable to complete the CoAL acquisition is £10 million. The manner in which this is funded largely depends on the outcome of a Competent Persons Report on the Mooiplaats Coal Project, the ability of the Company to secure debt funding for the project and the level of debt funding required. Furthermore it may be in the best interests of the Company to raise additional working capital to fund its other portfolio of assets.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company where the securities proposed to be issued represent more than 15% of the Company's securities then on issue. Shareholder approval is therefore sought pursuant to Resolution 10.

For the purpose of ASX Listing Rule 7.3, the following information is provided:

1. the maximum number of Shares to be issued under Resolution 10 is 50,000,000;
2. the issue price of the Shares to be issued under Resolution 10 is not less than 80% of the average market price of the Company's Shares on the ASX over the last 5 days on which sales of the Shares are recorded before the date of issue (or if there is a prospectus or offer information statement relating to the issue, over the last 5 days on which sales in the Shares are recorded before the date of the prospectus or offer information statement);
3. the allottees of the Shares will be certain sophisticated and professional investors but are as yet unknown. None of the allottees will be related parties of the Company;
4. the Shares are ordinary fully paid shares in the capital of the Company and will rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
5. the funds raised will be applied towards the CoAL Acquisition and/or general working capital, as noted above; and
6. the Shares will be issued and allotted on a date no later than 3 months from the date of this Annual General Meeting, or such later date as approved by ASX.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 10.

GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

"ASX" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"Board" means the board of Directors;

"Class A Option" means an Option exercisable at 50 cents each on or before 30 September 2011 and otherwise on the terms and conditions set out in Annexure A to this Explanatory Statement;

"Class B Option" means an Option exercisable at 54 pence each on or before 31 May 2009 and otherwise on the terms and conditions set out in Annexure B to this Explanatory Statement;

"CoAL" means Coal of Africa Limited a company incorporated pursuant to the laws of South Africa;

"Company" or **"GVM"** means GVM Metals Limited ABN 98 008 905 388;

"Constitution" means the constitution of the Company;

"Corporations Act" means the Corporations Act 2001 (Cth);

"Director" means a director of the Company;

"Kelso" means Kelso Mining Limited, registration number 5830821, a limited liability company duly incorporated in England;

"Listing Rules" means the Listing Rules of the ASX;

"Mooiplaats Coal Project" means the Mining Right on Farm Mooiplaats 290 IT and the Prospectus Rights on Farms Adrianople 296 IT, Welgelegen 322 IT, Klipbank 295 IT, Weltevreden 289 IT, Buhrmansvallei 297 IT, Mooiplaats 290 IT (Ext), Buhrmansklipkrans 331 IT, Klipfontein 442 IS, Uitkomst 292 IT and Mooiplaats 529 IT;

"Notice" or **"Notice of Meeting"** means the notice of annual general meeting accompanying this Explanatory Statement;

"Option" means an option to acquire a Share;

"Resolution" means a resolution the subject of the Notice;

"Share" means an ordinary fully paid share in the capital of the Company; and

"Variation Agreement" means the agreement to vary the Sale of Shares and Claims Agreement between Jannie Abraham Nel, GVM, Kelso, Pacific International Management Incorporated and Coal of Africa dated 30 May 2007;

"WDT" means Australian Western Daylight Time.

ANNEXURE A

TERMS AND CONDITIONS OF CLASS A OPTIONS EXERCISABLE AT 50 CENTS ON OR BEFORE 30 SEPTEMBER 2011

1. Each option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company.
2. The Options will expire at 5.00pm WST on 30 September 2011. Subject to Clause 6 hereof, options may be exercised at any time prior to the expiry date and options not so exercised shall automatically expire on the expiry date.
3. Each ordinary share allotted as a result of the exercise of any option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. A registered owner of an option ("Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
5. Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of options that may be imposed by the ASX in circumstances where the Company is listed on the ASX.
6. Method of Exercise of Options
 - (a) The Company will provide to each Option Holder a notice that is to be completed when exercising the options ("Notice of Exercise of Options"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise of Options must state the number of options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of options must be a multiple of 2,500 if only part of the Option Holder's total options are exercised, or if the total number of options held by an Option Holder is less than 2,500, then the total of all options held by that Option Holder must be exercised.
 - (b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of 50 cents (\$0.50) per share.
 - (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Option Holder's options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining options.
 - (d) Within 14 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of fully paid ordinary shares in the capital of the Company so subscribed for by the Option Holder.
 - (e) If the Company is listed on the ASX, the Company will within three (3) business days from the date of issue and allotment of shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such shares, in accordance with the Corporations Law and the Listing Rules of the ASX.
 - (f) The Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the options and the timetable outlined in the Listing Rules of the ASX, the timetable outlined in the Listing Rules shall apply.
7. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 business days after such new issues are announced (or such other date if required under the Listing Rules of the ASX) in order to afford the Option Holder an opportunity to exercise the options held by the Option Holder.
9. There are no rights to change the exercise price or the number of underlying ordinary shares if there is a pro-rata issue or bonus issue to the holders of ordinary shares.

ANNEXURE B

TERMS AND CONDITIONS OF CLASS B OPTIONS EXERCISABLE AT 54 PENCE ON OR BEFORE 31 MAY 2009

1. Each option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company.
2. The Options will expire at 5.00pm WST on 31 May 2009. Subject to Clause 6 hereof, options may be exercised at any time prior to the expiry date and options not so exercised shall automatically expire on the expiry date.
3. Each ordinary share allotted as a result of the exercise of any option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. A registered owner of an option ("Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
5. Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of options that may be imposed by the ASX in circumstances where the Company is listed on the ASX.
6. Method of Exercise of Options
 - (a) The Company will provide to each Option Holder a notice that is to be completed when exercising the options ("Notice of Exercise of Options"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise of Options must state the number of options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of options must be a multiple of 2,500 if only part of the Option Holder's total options are exercised, or if the total number of options held by an Option Holder is less than 2,500, then the total of all options held by that Option Holder must be exercised.
 - (b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of 54 pence (£0.54) per share.
 - (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Option Holder's options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining options.
 - (d) Within 14 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of fully paid ordinary shares in the capital of the Company so subscribed for by the Option Holder.
 - (e) If the Company is listed on the ASX, the Company will within three (3) business days from the date of issue and allotment of shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such shares, in accordance with the Corporations Law and the Listing Rules of the ASX.
 - (f) The Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the options and the timetable outlined in the Listing Rules of the ASX, the timetable outlined in the Listing Rules shall apply.
7. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 business days after such new issues are announced (or such other date if required under the Listing Rules of the ASX) in order to afford the Option Holder an opportunity to exercise the options held by the Option Holder.
9. There are no rights to change the exercise price or the number of underlying ordinary shares if there is a pro-rata issue or bonus issue to the holders of ordinary shares.

PROXY FORM

.....
(Name of member/s)

of

.....
(Address of member/s)

Appointment of Proxy

I/We being a member/s of GVM Metals Limited and entitled to attend and vote hereby appoint

the Chairman of the
Meeting
(mark with an 'X')

If you are appointing **someone other than** the
Chairman of the Meeting, write here the name
of the company or person you are appointing

or, failing a company or person named, or if no company or person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if not directions have been given, as the proxy sees fit) at the Annual General Meeting of GVM Metals Limited to be held at the Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on Wednesday, 28 November 2007 commencing at 10.00am and at any adjournment of that meeting.

Voting directions to your proxy – please mark ☒ to indicate your directions

	FOR	AGAINST	ABSTAIN*
1. Remuneration Report	☐	☐	☐
2. Re-election of Director – Mrs Nonkqubela Mazwai	☐	☐	☐
3. Re-election of Director – Mr Nchakha Moloi	☐	☐	☐
4. Re-election of Director – Mr Stephen Bywater	☐	☐	☐
5. Re-election of Director – Mr Graham Taggart	☐	☐	☐
6. Re-election of Director – Mr Peter Cordin	☐	☐	☐
7. Ratification of Issue of Shares and Options	☐	☐	☐
8. Issue of up to 13,333,333 Shares	☐	☐	☐
9. Change of Company Name	☐	☐	☐
10. Issue of up to 50,000,000 Shares	☐	☐	☐

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointing a second Proxy

I/We wish to appoint a second proxy

Mark with an 'X' if you
wish to appoint a second
proxy

AND

%

OR

State the percentage of your voting
rights or the number of securities
for this Proxy Form.

PLEASE SIGN HERE

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/ Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/ Company Secretary

.....
Contact Name

.....
Contact Daytime Telephone

.....
Date

HOW TO COMPLETE THE PROXY FORM

1. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the company or person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that company or person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company.

If you have appointed a company as your proxy and a representative of that company wishes to attend the meeting, the representative will be required to provide the Company with the appropriate written documentation evidencing that the person is a representative of the proxy. Should you require it, the Company will provide you with a corporate representative form free of charge. Please contact the Company Secretary if you require a corporate representative form.

2. Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

4. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 48 hours before the commencement of the meeting at 10.00am on Wednesday, 28 November 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by posting, delivery or facsimile to GVM Metals Limited:-

Level 1, 173 Mounts Bay Road
Perth WA 6000
Fax: (61-8) 9322 6778

GVM METALS LIMITED

ABN 98 008 905 388



ANNUAL REPORT

for the Year Ended 30 June 2007



Thuli coal project with the dry Limpopo river bed in the background

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CHAIRMAN'S LETTER

The 2006/07 financial year has been one of great success and considerable growth for the Company, during which net assets grew from A\$8 million to A\$150 million and based on the closing price at the time of writing, the Company's share price has increased by 300%.

The Company significantly expanded its coal assets, settling the acquisition of a 74% interest in the Thuli (Limpopo) project and agreeing to acquire a 70% interest in Coal of Africa Ltd ("CoAL"), which owns the Mooiplaats Coal Project.

It also increased its shareholding in the Holfontein and Baobab projects to 100% ownership via the acquisition of Motjoli Resources coal interests, empowering GVM by the issue of shares to Black Economic Empowerment parties.

NiMag, GVM's alloy manufacturing arm, which was acquired for R55 million in 2003, produced record earnings (EBIT) of R44 million and repaid all the bank debt associated with the purchase of the business.

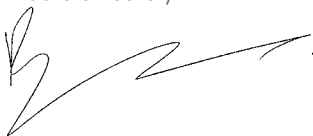
GVM was admitted to the Main Board of the Johannesburg Stock Exchange (JSE) and during the year over A\$70 million was raised by equity issues in the UK and South Africa.

It is clear that the financing requirements of the Company are going to continue growing over the next two years and management believes that it has these demands well in hand thanks to the quality of its coal assets, the strong contributions from NiMag and buoyant conditions in both the debt and equity markets. The Balance Sheet has grown to net assets in excess of A\$150 million and GVM has no long term debt.

Because of the attractive returns promised from our various coal projects, we are confident that the Company will continue to enjoy strong support from the various financial institutions who have invested in the Company.

On a final note, the success and growth achieved by the Company over the financial year were brought about by the hard work of our employees and I thank them sincerely.

Yours sincerely



Richard Linnell

Chairman

REVIEW OF PROJECTS AND OPERATIONS

MOOIPLAATS

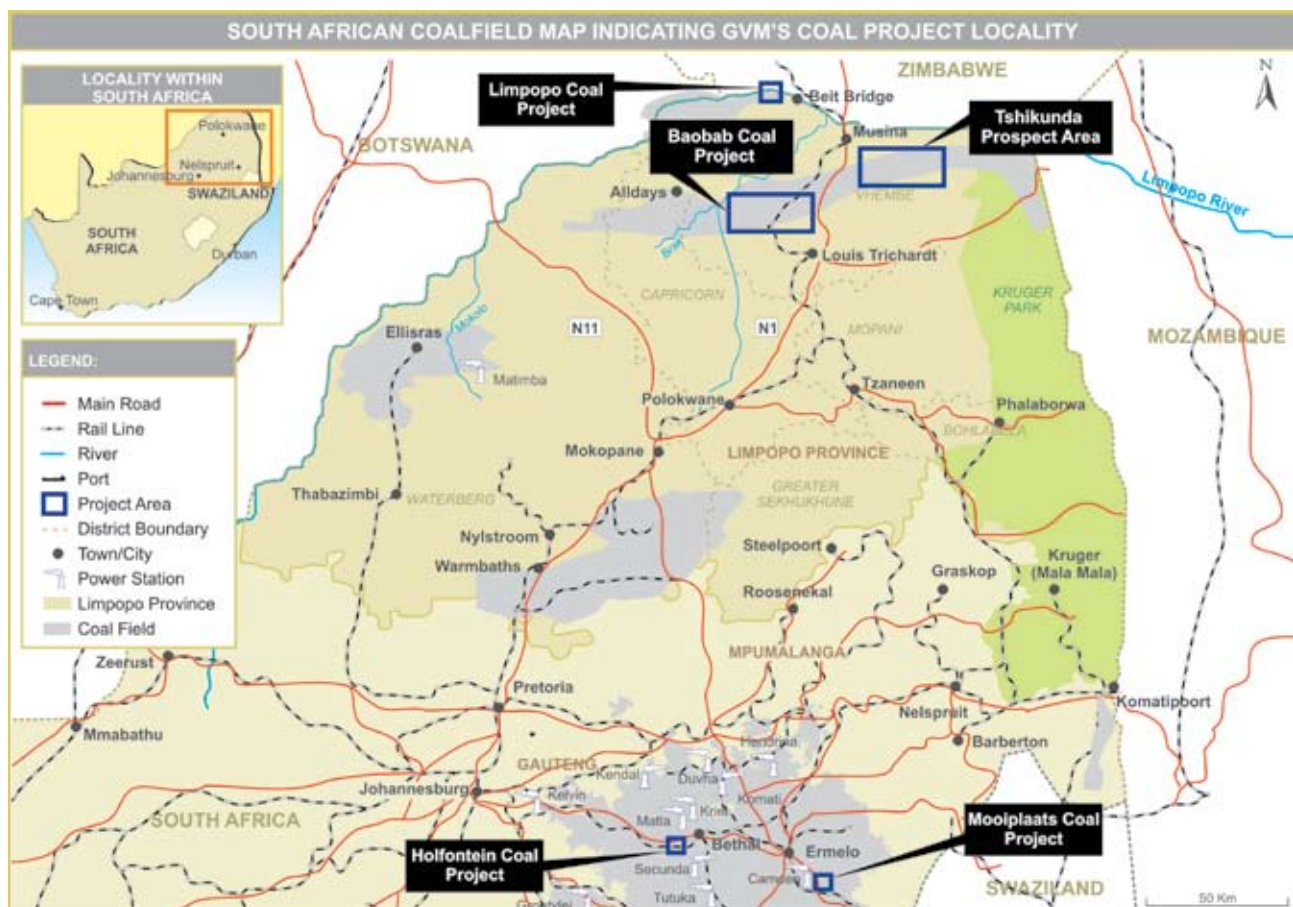
Some 55,000 metres of drilling have now been completed and an interim resource statement issued by SRK Consulting has confirmed an inferred resource of 240 million tonnes which at the time contained a measured resource of some 43 million tonnes in the upper B seam.

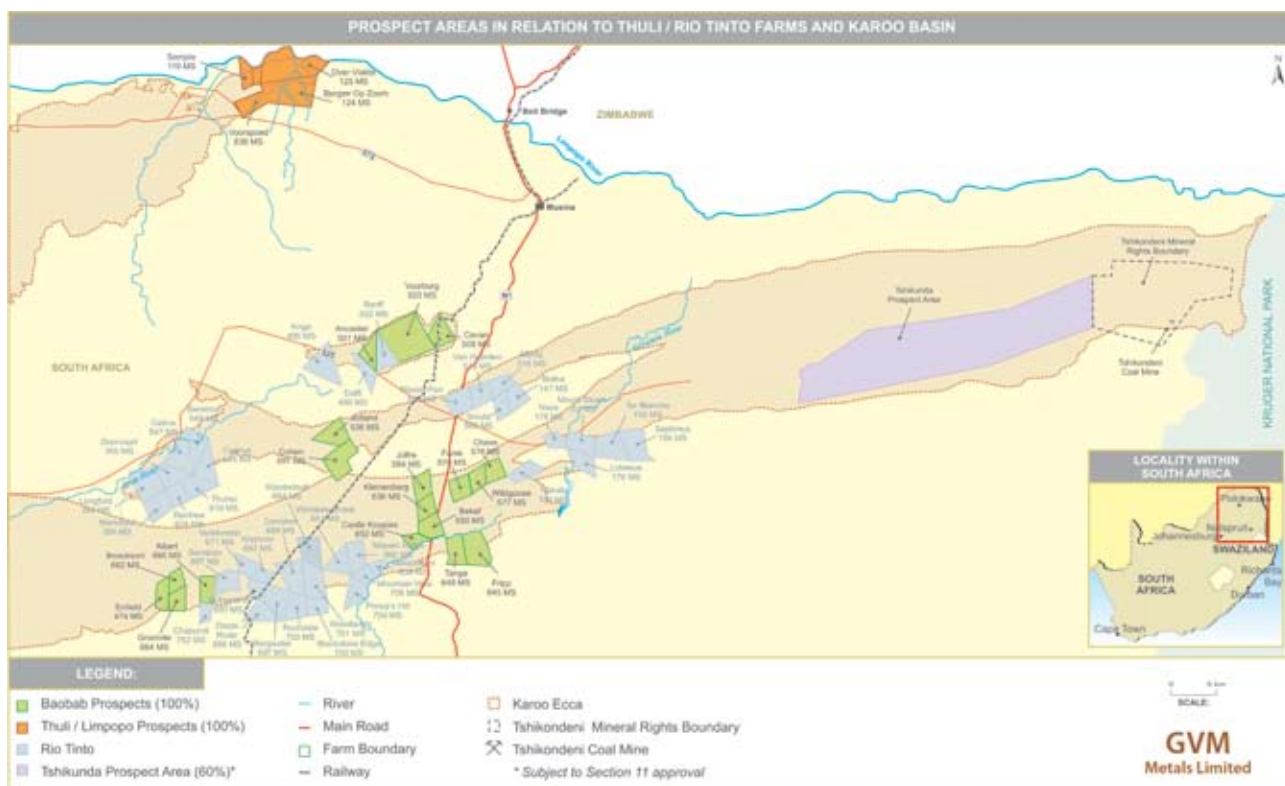
Since the release of SRK's report, the infill drilling program to complete Phase 1 & 2 has continued and it is expected that SRK will issue a final report on the completed drilling results around the end of November. It should be noted that the program covered only a third of the total holdings and Phase 3 drilling on other parts of the property will commence in the new year.

The Phase 1 & 2 program involved some 13 rigs and was one of the largest coal drilling campaigns in South Africa this year. Its goal was to delineate a resource sufficient in size to supply the adjacent Camden Power Station for its annual coal requirement of 6 million tonnes for at least 10 years.

Since agreement to acquire the project in February 2006, the price of export thermal coal has risen quite sharply and the original plan to initially supply raw coal to the power station has had to be reviewed. Studies are underway examining the economics and logistics of washing the coal for export and should be completed early in the new year.

At the time of writing, and post the granting of a Mining Right, discussions are proceeding with major mining contractors regarding the proposed first stage of the project which is to utilise two declines, each producing 200 – 250,000 tonnes per month close to the Camden Power Station. Negotiations are underway regarding long term off-take agreements with ESKOM, South Africa's power parastatal and various coal trading entities. It is extremely fortunate to be able to conduct these discussions with potential customers in a very buoyant market.





LIMPOPO COAL PROJECTS (THULI AND BAOBAB)

During the year, the Company completed the acquisition of the Thuli project (74%) and the Baobab project (100%). Post year end, the Company acquired a 60% interest in the 32,000 hectare Tshikunda coal project. The Company now believes it has the largest landholding in the Soutpansberg coalfield, which along with the Waterberg, will underpin the future growth of the South African coal industry.

The Soutpansberg and Thuli coalfields host South Africa's only significant hard coking coal deposits and have the promise of not only replacing high cost imports but creating a major new export industry for South Africa.

Since the end of the year under review, GVM has been very fortunate in acquiring a significant data base generated from extensive drilling and exploration programs undertaken by Exxaro Resources Limited (then Iscor) in the 1970's and 1980's. The information was generated from some 1,200 boreholes and a large boxcut on our Fripp farm. What is important for GVM is that this information should be able to accelerate commencement of mining

such that, subject to no untoward permitting delays by the Department of Minerals and Energy ('DME'), a start in 2009 appears realistic.

The Company's consultants and in-house geologists are now reviewing the data and at the same time we are drilling to twin some of the old holes to verify the results. The initial findings are very exciting and it is planned to release an interim Resource Statement towards the end of November.

East Coast Maritime (Pty) Ltd were contracted subsequent to the year end to generate an "order of magnitude" feasibility study for the rail and port infrastructure required for the Thuli and Baobab coal projects. Results of this study are expected by the middle of November.

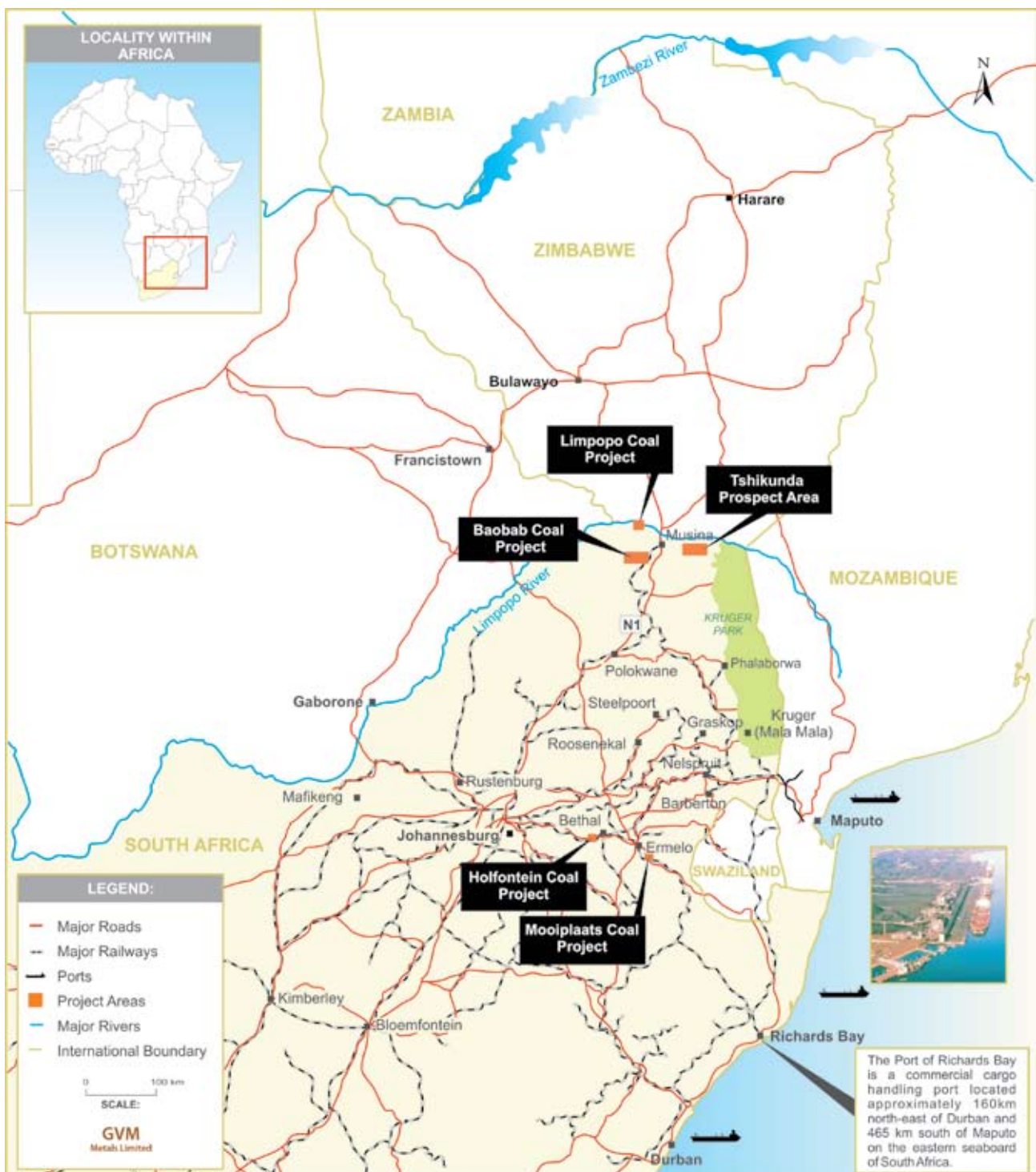
Discussions have already commenced with potential mining and washing contractors along with the various parastatal authorities who control the rail and port infrastructure.

REVIEW OF PROJECTS AND OPERATIONS

HOLFFONTEIN

Progress on the project was slower than anticipated due to poor performance of a drilling contractor, competing time demands on our consultants and the heavy workloads on our own technical staff from the far larger Mooiplaats and Limpopo projects. That said, the infill drill program to upgrade the existing inferred resources was completed.

Recently the Company acquired part of the adjoining Wildebeesfontein property, increasing GVM's holdings by approximately



a third to some 1,500 hectares and after completion of a small drill program, we will have brought all the resources in both properties into “measured” category.

Currently the BFS is underway along with Environmental Impact Studies, Environmental Management Plans and Social and Labour Plans, all of which are required to convert the prospecting licenses to a Mining Right.

The strong coal price growth in the export markets has dramatically improved the economics of mining the semi-soft coking coal in the 5 seam and management are optimistic that mine development will commence before the end of 2008.



NIMAG

Nimag is a world leader in the manufacture of specialised master alloys of nickel and magnesium for the specialised foundry industry including aerospace, aeronautical, heavy motor, steel mill roll and associated industries. The year under review was very satisfying with EBIT increasing from A\$2,596,816 to A\$7,839,059 in 2007 due to improved nickel prices, better exchange rates and tighter cost controls.

	2006	2007	% Increase
Sales turnover	R150.6 million	R350.1 million	132%
EBIT	R12.5 million	R44.5 million	256%
Tonnage	2,970mt	3,448mt	16%



DIRECTORS' REPORT

The Directors submit their report together with the financial statements of GVM Metals Limited ("GVM" or the "Company") and the consolidated accounts of the Company and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2007 and the Auditors' Report thereon.



Coking coal drill-core storage on the Thuli coal project

DIRECTORS

The names of Directors in office at the date of this report are:

Richard Linnell

Executive Chairman

Mr Linnell has been active in the resources and metals fields for over forty years and has significant global experience in the development and marketing of resources and commodities. He was the originator of the Bakubang Initiative, a Forum designed to revive the South African Mining Industry and which led to the establishment of the New Africa Mining Fund, of which he is Chairman of Trustees. He is Executive Chairman of Falklands Gold & Minerals Ltd, and holds a number of other Directorships.

Simon Farrell

Managing Director

Mr Farrell has a Bachelor of Commerce from the University of Western Australia and an MBA from the Wharton School of the University of Pennsylvania. He has held a number of senior management and Board positions, principally in the resources sector over the last twenty years. He is currently a Director of LSE listed Kenmare Resources plc.

Nonkubela Mazwai (appointed on 7 June 2007)

Deputy Managing Director

Ms Mazwai started her career as a consultant with Rennies Foreign Exchange and then progressed to Accenture. Her clients included Spoornet, Department of Justice and Eskom. She was a consultant on the 1 million tonne BEE Export Coal Allocation Project (Richards Bay Coal Terminal). Ms Mazwai recently designed business processes for the implementation of the new mining law at the Department of Minerals and Energy. She also developed the monitoring and measurement mechanisms for the equity ownership pillar of the Mining Charter in South Africa. In addition she wrote a report that explored the impact of the strengthening Rand on the mining sector for the DME on the Minister and President's request. Nonkubela Mazwai is currently a Director of Motjoli Resources (Pty) Ltd and Central Energy Fund.

Peter Cordin

Non-Executive Director

Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is well experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is the Managing Director of ASX listed Dragon Mining Limited.

Steve Bywater (appointed on 8 February 2007)

Non-Executive Director

Mr Bywater has a distinguished career in the resources industry developing and operating a total of 14 large-scale open pit mining operations. When working for Rio Tinto Coal Australia, he was Chief Operating Officer, and in this position oversaw seven mining operations, producing 60 million tonnes of saleable coal a year. Steve has a B.Sc. in Engineering Geology and Geotechnics from Portsmouth University and a M.Sc. in Rock mechanics and Excavation Engineering from Newcastle-upon-Tyne. He is also Chief Executive of Global Coal Management Plc.

Graham Taggart (appointed on 8 February 2007)

Non-Executive Director

Mr Taggart is a qualified Chartered Accountant with 25 years experience in the resources industry. When Chief Financial Officer and Company Secretary for Rio Tinto Coal Australia, he was responsible for a group producing some 60 million tonnes per annum of thermal and coking coal. He is also Finance Director and Joint Company Secretary of Global Coal Management Plc.



Nchakha Moloi (appointed on 7 June 2007)

Non-Executive Director

Mr Moloi has a BSc Geology (Honours) from University of Witwatersrand, and was part of the Senior Executive Program at Harvard University. Following employment as a business analyst at the Industrial Development Corporation, he joined the Department of Minerals and Energy where he played a key role in the development of South African mining sector reforms and the implementation mechanisms thereof. He is also Chairman of Alexcor (Pty) Ltd and Director of National Empowerment Fund, New Africa Mining Fund and Motjoli Resources (Pty) Ltd.

Blair Sergeant

Non-Executive Director and Company Secretary

Mr Sergeant graduated with a Bachelor of Business and a Post Graduate Diploma in Corporate Administration, both from Curtin University, WA. He is a member of the Chartered Institute of Company Secretaries and an Associate of the Australian Society of Certified Practising Accountants. Mr Sergeant is currently Director or Company Secretary to a number of ASX listed and non-listed companies, and Managing Director of boutique corporate advisory firm Evolution Capital Partners Ltd based in Perth, WA.

DIRECTORS' REPORT

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of directorship	
		From	To
Mr Richard Linnell	Namakwa Diamond Company NL	2003	Present
	GRD Minproc Ltd	2004	Present
	Chrome Corporation Limited	2005	Present
	GMA Resources plc	2003	Present
	Kalahari Diamonds Plc	2004	2006
	Kalahari Diamond Resources Plc	2004	2006
	Falkland Gold and Minerals plc	2004	Present
	SA Minerals Corporation Limited	2002	Present
Mr Simon Farrell	GMA Resources plc	2004	2007
	Kenmare Resources plc	2002	Present
	SA Minerals Corporation Ltd	2003	Present
Mr Peter Cordin	Dragon Mining Limited	2006	Present
Mr Steve Bywater	Global Coal Management Plc	2006	Present
Mr Graham Taggart	Global Coal Management Plc	2006	Present
Mr Blair Sergeant	Vmoto Limited	2004	Present
	Millepede International Limited	2002	Present





MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2007 and the number of meetings attended by each Director:-

Director	Board Meetings	
	Held	Attended
Mr R Linnell	13	13
Mr S Farrell	13	13
Ms N Mazwai	1	1
Mr P Cordin	13	6
Mr S Bywater	7	6
Mr G Taggart	7	5
Mr N Moloi	1	1
Mr B Sergeant	13	12

PRINCIPAL ACTIVITIES

Whilst the principal trading activity of the Consolidated Entity is the manufacture and distribution of nickel and magnesium alloys, the Company's primary focus is to expand its coal interests in South Africa. During the June 2007 financial year the Company completed the acquisition of significant coal interests, namely:

- Acquisition of a 74% interest in the Limpopo (Thuli) coal project in November 2006.
- Acquisition of 50% of the Baobab coal project, some 50km's south of the Limpopo coal project.
- Completion of the merger of the GVM and Motjoli Resources (Pty) Ltd coal projects. Motjoli are GVM's Black Economic Empowerment partner in South Africa. The merger increased the Company's interest in the Holfontein coal project from 49% to 100% and in the Baobab coal project from 50% to 100%.

DIRECTORS' REPORT

RESULTS

The loss of the Consolidated Entity for the 2007 financial year after income tax and minority interests was \$4,026,048 (2006: loss of \$587,011).

DIVIDENDS PAID OR RECOMMENDED

No amounts were paid or declared by way of dividend by the Company. The Directors do not recommend payment of a dividend in respect of the financial year ended 30 June 2007.



REVIEW OF OPERATIONS

During the year the operations of the Consolidated Entity included:

NiMag Group - manufacturing and distribution of nickel and magnesium alloys;

Master Alloy Traders Limited - trading of minerals from South Africa;

Holfontein Coal Project - coal project based in South Africa;

Baobab Coal Project – coal project based in South Africa; and

Thuli Coal Project – coal project based in South Africa.

Nimag Group (“NiMag”)

GVM Metals Limited acquired a controlling interest in the Nimag Group of Companies (Nimag Group) in December 2003, and acquired the remaining 26% in December 2006.

Nimag Group is engaged principally in the manufacture and distribution of nickel magnesium alloys, ferro silicon magnesium alloys and metal fibres and began producing alloys in 1962 and currently manufactures specialised master alloys of nickel and magnesium for the specialised foundry industry including aerospace, aeronautical, motor, steel mill roll and associated industries.

Ductile iron (also called spheroidal graphite iron or nodular cast iron) was discovered in the 1940s. The introduction of magnesium into the melt results in nodular rather than flaky graphite in the resultant cast iron, giving the cast iron properties approaching those of steel, while maintaining the advantages of the casting process. The magnesium is usually added as a nickel alloy, making it easier to add and contribute to product quality. NiMag supplies the ductile iron market as a specialist supplier with a world market share of about 35% in its core product line. 95% of sales are exported through 35 distributors world wide. Demand for NiMag's alloys is proportional with world demand for ductile iron, principally for automotive parts and industrial machinery. Demand for NiMag products has grown gradually to meet current capacity of 287 tonnes per month (all products). Potential for expansion of the core nickel-magnesium alloy product is presently limited by the size of end markets. NiMag is increasing the penetration of a variety of other products developed for alternative markets. NiMag produces approximately 300 tonnes of cast and slit fibres which are used in reinforced concrete by domestic mining and tunnelling operations.

NiMag's competitive advantages include low electricity and labour costs. The main input cost is locally sourced nickel raw material, which is matched with sales to minimise nickel price exposure.

GVM acquired 74% of NiMag from a management group in January 2004. The consideration was R37 Million (A\$8 million) comprising R7.5 million in cash up front, R20 million borrowed against the business and R9.5 million in vendor finance. On GVM's listing on the JSE, the Company exercised its option to acquire the balance of NiMag for 4,620,557 GVM shares.

Depreciation of the Rand and strengthening of nickel prices widened NiMag's profit margins resulting in NiMag generating substantially higher operational cash flows over the 2006/07 financial year. NiMag traded profitably, contributing approximately A\$4.6 million in surplus funds and repaying the remaining bank financed acquisition costs. At the end of June 2007, GVM's acquisition loans comprised A\$506,278 to the NiMag vendors.

Magberg Manufacturing

A specialised producer of ferro silicon magnesium alloys used to manufacture Ductile Iron. Capacity is limited and the production is split equally between local and export markets. This is a commodity product and almost all costs are Rand denominated.

Metalloy Fibres (Pty) Ltd

The only specialised cast fibre reinforcing manufacturer in Africa. A weakening of the Rand and the "go ahead" of the Gautrain rail project and the general increase in construction expenditure promises to substantially improve this business both in terms of volumes and margins.

Metal Alloy Traders Limited ("MATS")

MATS is incorporated in Jersey in the Channel Islands and it trades various metals purchased from NiMag in South Africa.

SA Mineral Resources Corporation Limited ("Samroc")

Samroc is a Johannesburg Stock Exchange listed company which produces manganese sulphate chemicals. During the latter half of 2005 GVM stated its intention to dispose of its entire investment in Samroc.

As a result of its intended disposal, the Samroc investment has been reclassified as a Non-current Investment Held for Sale.

Holfontein Coal Project

GVM acquired Motjoli Resources' 51% stake in the Holfontein coal project through the issue of 14,868,283 GVM shares and paid R21 million (A\$ 3.5 million) for the initial 49% acquisition.

Holfontein is situated in the traditional coal mining area south and west of Witbank where coal mining has taken place for over a hundred years. It is on the main road between Kinross and Trichard in Mpumalanga, South Africa, and a main line railway siding is situated on the property at Leven which can be upgraded for export purposes.

Currently the resources are in the inferred category and stand at 55 million tonnes. It is planned to produce 400,000 tpa of soft coking coal from the 5 seam and 800,000 tpa of thermal coal from the 4 seam. The Holfontein exploration program undertaken at the end of 2006 to confirm the structure, tonnage and quality of the Holfontein coal resource was completed during 2007. An additional 37 boreholes were completed constituting 5,557 metres drilled and yielding 150 samples for analysis. The geological model based on these results is currently being updated with Mine feasibility planning done once the laboratory results have been received. There are now 67 boreholes in the Holfontein resource area resulting in a drilling density of just less than 14 boreholes per hectare for the 5 seam resource and 12 boreholes per hectare for the 4 seam resource. Once modelling is completed, this will bring the Holfontein property into a measured resource category.

Geotechnical tests were conducted on the diamond drill cores to establish the competence of the roof and floor conditions of both the 5 Seam and 4 Seam resources. Initial perusal of the results has confirmed the low phosphorus metallurgical qualities of the 5 Seam with no change in



DIRECTORS' REPORT



expected yields. The 4 Seam resources still need to be modelled analytically but the indications are that the coal is suitable for SASOL or Eskom feedstock. Composite samples of the 5 Seam are to be reconstituted to test for certain metallurgical properties. Similarly, 4 Seam samples are to be reconstituted to test for the suitability of the coal for Eskom.

Baobab Coal Project

The acquisition of Petmin Ltd's 50% interest in the Baobab Coal Project was completed during 2007 through the issue of 8,333,333 GVM shares to raise the required purchase price of GBP2.5 million (A\$6.2 million). During June, GVM acquired the remaining 50% of the Joint Venture held by Motjoli Resources with the issue of 20,000,000 GVM shares.

Consultants have been mandated to assess railway and related transport infrastructure from GVM's Baobab and Thuli coal projects to the Richards Bay and Maputo coal terminals. Management envisage this project will be completed later in 2007. Drilling on the Baobab coal project is expected to commence early in the 2008 financial year.

Thuli Coal Project (Limpopo)

GVM acquired its 74% interest in the project by the issue of 20,812,500 shares in December 2006. Potential drilling contractors have performed site inspections, and drilling on the Thuli Coal Project started in August. Data collected in the terrain model completed earlier in the year will be used in the identification of drilling targets.

Preliminary discussions with various infra-structure participants are underway to ascertain the export capacity

of the coal mined. Management have received valuations from independent third parties mandated to assess the value of the surface rights comprising the Thuli Coal Project. Preliminary consultations with the current surface rights owners on GVM's potential acquisition of these rights have been undertaken. GVM will continue these discussions together with the Thuli Coal Project drilling program during the first quarter of the 2008 financial year.

Mooiplaats Coal Project

70% on Completion of the CoAL Acquisition

The major drilling programme continued at Mooiplaats during the fourth quarter of the 2007 financial year and 23,867 metres (164 holes) were drilled. Seven thousand of the total twenty-three thousand hectares have now been drilled on 'inferred' spacing densities and during the period infill drilling commenced on 'measured' and 'indicated' spacings. The goal of the programme is to bring a minimum of 60 million tonnes of the resource into measured and indicated categories. The tonnage represents ten years consumption at the adjacent Camden Power Station.

SRK Consultants are overseeing the drilling programme and a resource statement will be released during the first quarter of the 07/08 financial year. The results of the drilling program to date are in line with management expectations.



REVIEW OF FINANCIAL POSITION

Liquidity and funding

The net assets of the consolidated entity increased from A\$7,661,354 in June 2006 to A\$150,878,555 in June 2007. This was primarily due to the acquisition of the Thuli, Baobab and Holfontein coal projects. The Group also incurred A\$3,294,600 in expenses related to share based payments, A\$1,666,792 in diminution of investments, A\$629,033 in foreign currency losses, depreciation of A\$175,532 and A\$313,870 in expenses related to GVM's November 2006 listing on the JSE. When the previous mentioned accounting entries are excluded, the loss of A\$3,547,306 recorded for the year ended June 2007 is converted to an 'operational' profit of A\$4,994,231. The 'operational' profit is primarily due to Nimag's contributed profit to the Group of A\$4,823,494.

EBIT Reconstruction

	2007 \$	2006 \$
Profit/ (loss) after tax for the year	(3,547,306)	(233,141)
Tax	2,216,264	566,732
Interest paid	800,799	669,044
Interest received	(555,353)	(84,578)
EBIT	(1,085,596)	918,057
'Non-ordinary' items recognised		
Options granted	3,294,600	551,200
Diminution in value of investments	1,666,792	4,325
Currency adjustment	629,033	-
Depreciation	175,532	242,768
JSE listing expenses	313,870	404,335
'Operating' profit/ (loss)	4,994,231	2,120,685



DIRECTORS' REPORT



The Group raised over A\$70 million during the year through the placing of shares. The funds raised will be used to fund acquisitions, and to satisfy exploration working capital requirements in the development of the coal projects. As at 30 June 2007, GVM had no long term debt apart from the Nimag vendor loans of A\$506,261.

Impact of legislation and other external requirements

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Consolidated Entity.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Strategic direction

GVM is primarily focused on the acquisition, exploration and development of thermal and metallurgical coal projects in South Africa. The Company currently has four coal projects in various stages of exploration as well as Nimag, GVM's interim cash producing asset which manufactures nickel magnesium alloys. Nimag's growth strategy will be via the acquisition of similar alloy or foundry supply manufacturing enterprises.

The exploration and development of the four coal projects during the short and medium term will qualify GVM as a significant coal producer, supplying millions of tonnes of thermal and metallurgical coal annually to South African and export customers.

GVM's Mooiplaats coal project is 2km from the recently re-commissioned Camden Power Station - near Ermelo in Mpumalanga and is expected to start producing thermal and anthracitic coal in mid 2008.

Aerial photo of the Fripp farm in the Baobab coal project



Exploratory drilling on GVM's other coal projects - Baobab and Thuli - located in the Limpopo province of South Africa will commence late 2007. Consultants have been briefed to undertake feasibility studies on the transport infrastructure from these coal projects to the Matola (Maputo, Mozambique) and Richards Bay export coal terminals.

CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

Shares

Date	Consideration	Purpose	Issued	Balance
12/07/06	A\$7,876,923	Development costs in relation to Holfontein and Limpopo Coal Projects.	24,615,384	55,926,271
24/11/06	A\$1,848,223	As consideration to acquire the remaining 26% of Nimag (Pty) Ltd, the subject of a Put and Call Option Agreement dated 12/12/03.	4,620,557	60,546,828
30/11/06	A\$5,203,125	As consideration to acquire 74% of Limpopo Coal Company (Pty) Ltd as approved by shareholders on 30 June 2006.	20,812,500	81,359,328
03/01/07	GBP2,440,000	Working Capital.	12,200,000	93,559,328
24/05/07	GBP2,450,000	To acquire a 50% interest in Baobab JV	8,333,333	
24/05/07	GBP12,700,000	To be used in funding and completing the CoAL acquisition.	37,352,941	139,245,602
25/05/07	GBP12,000,420	To raise a total of approximately £12,000,000 to assist in the purchase of a 70% interest in Coal of Africa Limited and for general development capital of its coal projects.	22,223,000	161,468,602
05/06/07	A\$10,460,485	34,868,283 shares to acquire the remaining 51% interest in Holfontein, 50% interest in the Baobab Joint Venture and 100% interest in certain Limpopo prospecting rights.	34,868,283	196,336,885
05/06/07	GBP20,000	181,818 shares in consideration for services provided by Equity for Growth (Securities) Limited.	181,818	196,518,703
13/06/07	GBP3,500,000	Consideration for acquisition of Coal of Africa and reimbursement of associated due diligence costs.	11,250,000	207,768,703

DIRECTORS' REPORT

Options

Date	Purpose	Issued	Expiry Date	Exercise Price
27/11/06	Granted to employees in South Africa as an incentive for performance and in accordance with shareholder approval granted at the Company's 2006 AGM.	1,000,000	30/09/2011	A\$ 0.50
29/05/07	Part payment of brokerage fees in relation to recent placements.	555,575	31/05/2009	GBP 0.54
29/05/07	Part payment of brokerage fees in relation to recent placements.	786,751	17/05/2009	GBP 0.34
29/05/07	Part payment of brokerage fees in relation to recent placements.	250,000	30/09/2011	A\$ 0.50
05/06/07	as part payment of consideration for acquisition of 51% interest in Holfontein, 50% interest in the Baobab Joint Venture and 100% interest in certain Limpopo prospecting rights.	4,250,000	30/09/2011	A\$ 0.50
05/06/07	component of remuneration package for executive directors.	7,000,000	30/09/2012	A\$ 1.25

The Company acquired the Holfontein, Baobab and Thuli (Limpopo) coal projects during the year and over A\$70 million was raised through the issue of equity. The funds will be used for the acquisition, exploration and developments of the coal projects.

LIKELY DEVELOPMENTS

GVM will continue to expand its coal interests in South Africa and expects to establish its first operating coal mine in South Africa during 2008. The Company will also pursue further investment opportunities in the mining and metal processing industries during the forthcoming year.

EVENTS SUBSEQUENT TO BALANCE DATE

GBP 7 million was paid as part of the GBP 37 million Coal of Africa Limited acquisition. The remainder of the payments will occur when the remainder of the suspensive conditions have been satisfied.

The Company signed a Heads of Agreement to acquire 60% of Tshikunda Mining (Pty) Ltd which has the Prospecting Rights to 32,583 Ha in the Limpopo Province. The prospect is between GVM Baoabab project and Exxaro Ltd's Tshikondeni coking coal mine. GVM will be required to pay R20 million (approximately A\$3.3 million) and commit up to R50 million (approximately A\$8.3 million) on exploration expenditure.

OPTIONS

Options granted during the year

The Company granted a total of 7,000,000 options over unissued ordinary shares to its Directors during the financial year. No options over unissued shares were granted between the end of the financial year and the date of this report.

Unissued shares under option

The following options remain outstanding at the date of this report:

	Number	Exercise Price	Expiry Date
Unlisted Options	786,751	GBP 0.34	17 May 2009
Unlisted Options	555,575	GBP 0.54	31 May 2009
Unlisted Options	13,500,000	A\$ 0.50	30 September 2011
Unlisted Options	7,000,000	A\$ 1.25	30 September 2012

These options do not entitle the holder to participate in any share issue of any other body corporate.

No shares have been issued by virtue of the exercise of an option during the year or to the date of this report.

Lapse of options

The following options lapsed during the financial year:

Expiry Date	Exercise Price	Number of Options
30 September 2006	A\$ 1.92	75,000

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation but is subject to numerous environmental regulations in South Africa, including the Atmospheric Pollution Prevention Act (No. 45 of 1965), Environment Conservation Act (No. 73 of 1989), National Water Act (No. 45 of 1965) and National Environmental Management Act (No. 107 of 1998). However, the Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.



DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each Director of the Company in shares and options of the Company at the date of this report is:-

GVM Metals Limited

Director	Ordinary shares	Listed Options	Unlisted Options
Mr S Farrell ⁽¹⁾	3,221,791	-	9,000,000
Mr R Linnell ⁽²⁾	751,550	-	4,000,000
Ms N Mazwai ⁽³⁾	26,499,895	-	4,250,000
Mr P Cordin ⁽⁴⁾	412,759	-	1,000,000
Mr S Bywater	-	-	-
Mr G Taggart	-	-	-
Mr N Moloi ⁽⁵⁾	29,289,538	-	4,250,000
Mr B Sergeant ⁽⁶⁾	-	-	1,000,000

- 1,406,377 shares held by Cherek Pty Ltd, of which Mr Farrell is a director. The 9,000,000 options and balance of shares are held by Mr Farrell directly.
- 501,550 shares held by Ord Group Pty Ltd <No 2 Account> as trustee for Terra Africa Investments Ltd of which Mr Linnell is a beneficiary. The 4,000,000 options and balance of shares are held by Mr Linnell directly.
- 20,920,970 shares and 4,250,000 options are held by Motjoli (Pty) Ltd, of which Ms Mazwai is a director and shareholder. The balance of the shares is held by Ms Mazwai directly.
- All shares and options are held by Cordin Pty Ltd, of which Mr Cordin is a director.
- 20,920,970 shares and 4,250,000 options are held by Motjoli (Pty) Ltd, of which Mr Moloi is a director and shareholder. The balance of the shares is held by Mr Moloi directly.
- The 1,000,000 options are held directly by Mr Sergeant as trustee of a superannuation fund of which Mr Sergeant is a member.

REMUNERATION REPORT

The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Total remuneration for all Non-Executive Directors, approved by shareholders at the June 2007 General Meeting, is not to exceed A\$300,000 per annum.

The Board has nominated a remuneration committee which is made up as follows: Steve Bywater (Chairman), Richard Linnell, and Nchakha Moloi. The Company does not have any scheme relating to retirement benefits for non-executive Directors.

The remuneration packages applicable to the Board and executive officers of Nimag are reviewed annually by the Board of Nimag and terms and conditions documented in formal employment contracts.

Details of the nature and amount of each major element of the remuneration of each Director and other key management personnel of the Company and the Consolidated Entity for the year are:

Remuneration of Directors and Key Management Personnel

		SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
		Salary & fees \$	Non-monetary benefits \$	Super-annuation benefits \$	Options \$	Total \$
Non Executive Directors						
Mr P Cordin	2007	36,000	-	3,240	-	39,240
	2006	36,000	-	3,240	68,900	108,140
Mr B Sergeant	2007	22,018	-	1,982	-	24,000
	2006	32,196	-	1,321	68,900	102,417
Mr S Bywater	2007	19,583	-	-	-	19,583
Mr G Taggart	2007	11,750	-	-	-	11,750
Mr N Moloi ⁽¹⁾	2007	31,944	-	-	-	31,944
Executive Directors						
Mr R Linnell	2007	58,599	-	-	894,000	952,599
	2006	76,153	-	-	137,800	213,953
Mr S Farrell	2007	360,000	-	-	2,235,000	2,595,000
	2006	150,000	-	-	275,600	425,600
Ms N Mazwai ⁽¹⁾	2007	31,944	-	-	-	31,944
Total: All Directors	2007	539,894	-	5,222	3,129,000	3,464,116
	2006	294,349	-	4,561	551,200	850,110
Other Key Management Personnel						
Mr T Sinclair ⁽²⁾	2007	346,784	-	-	-	346,784
	2006	344,047	-	-	-	344,047
Mr P Dillon ⁽³⁾	2007	59,925	-	-	-	59,925
	2006	75,603	-	-	-	75,603
Mr B Sinclair ⁽⁴⁾	2007	62,128	-	-	-	62,128
	2006	76,773	-	-	-	76,773
Total: All Named Key Management Personnel		2007	468,837	-	-	468,837
		2006	496,423	-	-	496,423

Employment Contracts of Directors and Key Management Personnel

The Company has not entered into any formal contractual agreements with any member of the Board, including the Managing Director.

DIRECTORS' REPORT

The employment conditions of the following specified executives have been formalised in contracts of employment:

- 1 Mr N Moloi and Ms N Mazwai received share options valued at \$3,366,000 indirectly through GVM's acquisition of Motjoli Resources' (Pty) Ltd 51 % of Holfontein Exploration (Pty) Ltd and 50% of Baobab Mining and Exploration (Pty) Ltd.
Motjoli Resources charged GVM \$31,944 for consulting expenses from the period Mr N Moloi and Ms N Mazwai were appointed as Directors of GVM.
- 2 Mr T Sinclair is employed by Nimag (Proprietary) Limited in the capacity of Managing Director. The agreement commenced on 12 December 2003 for a minimum of 3 years and a maximum of 5 years. The agreement may be terminated by written notice of 12 months;
- 3 Mr P Dillon is employed by Nimag (Proprietary) Limited in the capacity of Chief Operations Officer. The agreement commenced on 12 December 2003 for a term of a minimum of 3 years and a maximum of 5 years. Mr Dillon's involvement in Nimag was reduced during the year as part of the company's succession program, though he remains the Director responsible for operations; and
- 4 Mr B Sinclair is employed by Nimag (Proprietary) Limited in the capacity of Financial Director and is entitled to receive R29,250 per month. The agreement commenced on 12 December 2003 for an initial term of 12 months. The agreement may be terminated by written notice of 3 months.

Share-Based Compensation - Options Granted to Directors and Officers of the Company

The following options were granted during the year pursuant to the GVM Metals Employee Option Plan:

Names of Directors	Number	Exercise Price	Expiry Date	Value per option at Grant Date	Date Exercisable
Mr SJ Farrell	5,000,000	125.0 cents	30 September 2012	44.7 cents	From grant date
Mr RJ Linnell	2,000,000	125.0 cents	30 September 2012	44.7 cents	From grant date





25 metre coal seams exposed in the box-cut at Fripp

All options are granted for no consideration and carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share.

The names of all persons who currently hold options granted under the Employee Option Plan are entered into a register kept by the Company pursuant to Section 216C of the Corporations Act 2001 and the register may be inspected free of charge.

DIRECTORS' INSURANCES

During the financial year the Company did not pay any insurance premiums in respect of directors' and officers' liability and legal expense insurance contracts for current directors and secretaries of the Company and its controlled entities.

NON-AUDIT SERVICES

During the prior year, the Company's auditor (Moore Stephens) performed certain other services in addition to their statutory duties in relation to GVM South African operations. The Board has reviewed this decision and from the 2008 financial year, the Company's auditors will fulfil secretarial and audit functions only.

The Board has considered the non-audit services provided during the prior year by the auditor and is satisfied that the provision of these non-audit services during the prior year by the auditor is compatible with, and did not compromise the audit independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included with the Independent Audit Report.



DIRECTORS' REPORT

The following fees for non-audit services were paid/ payable to the external auditors during the year ended 30 June 2007:

	Consolidated 2006 \$	Consolidated 2005 \$
Taxation services	9,225	13,636

AUDITORS' INDEPENDENCE DECLARATION TO THE DIRECTORS

Refer to page 74 of the Financial Report.

Signed on this 29th day of September 2007 in accordance with a resolution of the Directors.



Simon Farrell
Managing Director

STATEMENT OF CORPORATE GOVERNANCE

GVM Metals Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. This statement summarises some of these policies and procedures.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.gvm.com.au:

- Corporate governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- policy and procedure for selection and appointment of new directors;
- summary of code of conduct for directors and key executives;
- summary of policy on securities trading;
- Audit Committee Charter;
- policy and procedure for selection of external auditor and rotation of audit engagement partners;
- summary of policy and procedure for compliance with continuous disclosure requirements;
- summary of arrangements regarding communication with and participation of shareholders;
- summary of Company's risk management policy and internal compliance and control system;
- process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the latter part of this statement.

Role of the Board

The role of the Board is to provide leadership for and supervision over the Company's affairs. The Board is collectively responsible for promoting the success of the Company by:

- (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed, which includes but is not limited to (b) to (i);
- (b) ensuring the Company is properly managed for example by:
 - (i) appointing and removing the Managing Director of the Company;
 - (ii) ratifying the appointment and, where appropriate, the removal of the chief financial officer and the Company Secretary;
 - (iii) input into and final approval of management's development of corporate strategy and performance objectives;
 - (iv) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
 - (v) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;

STATEMENT OF CORPORATE GOVERNANCE

- (c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (d) approval of the annual budget;
- (e) monitoring the financial performance of the Company;
- (f) approving and monitoring financial and other reporting;
- (g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (h) liaising with the Company's external auditors and Audit Committee; and
- (i) monitoring and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

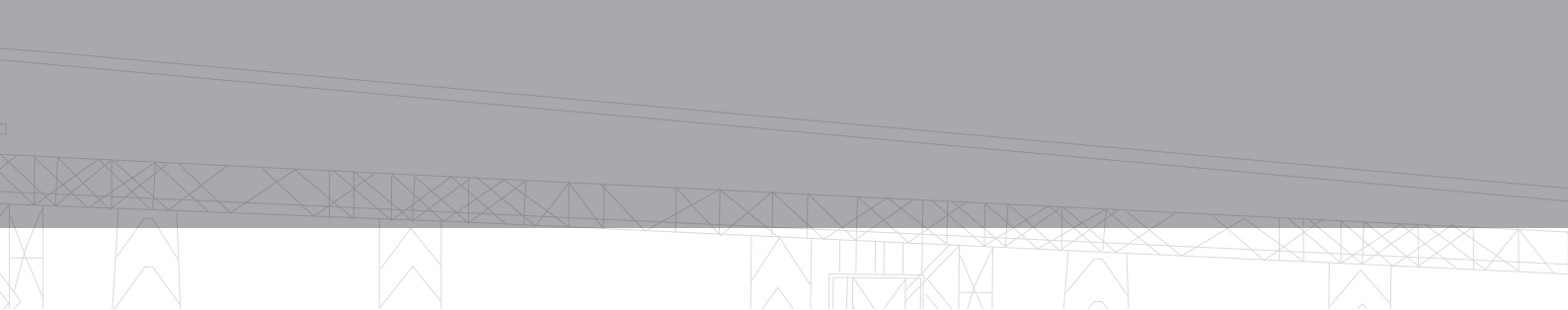
The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

Board Composition

The Board comprises eight Directors including two Executive Directors. The Directors are subject to election by shareholders. All Directors, apart from the Executive Directors, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation at each AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy since the date of the previous AGM. The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The Directors have a broad range of qualifications, experience and expertise in the mining, processing and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report. The names of the Directors in office at the date of this report, the year they were first appointed, their status as non-executive, executive or independent Directors, are set out in the Directors' Report.

Independence of Non-Executive Directors

The Board considers an independent Director to be a Non-Executive Director who satisfies the test for independence as set out in the ASX Best Practice Recommendations ("Independence Test"). The Board considers that Steve Bywater, Graham Taggart, Nchakha Moloi, Peter Cordin and Blair Sergeant meet these criteria. Messrs Bywater, Taggart and Cordin have no material business or contractual relationship with the Company, other than in their capacity as a director of the company, and no conflicts of interest which could interfere with the exercise of independent judgment. Accordingly, they are considered to be independent.



Blair Sergeant was previously a principal of the firm Anthony Ho & Associates and is currently a principal of the firm Evolution Capital Partners. Anthony Ho & Associates and Evolution Capital Partners provide company secretarial services to the Company. Despite being a principal of these firms, the Board notes that the fees paid in this regard are not high enough to be material to Mr Sergeant's practice or any of the firms and are also not material to the Company. Furthermore, the Board, in the absence of Mr Sergeant, considers he is capable of and demonstrates that he consistently makes decisions and takes actions which are designed to be in the best interests of the Company and therefore consider him to possess the characteristics required of a person who would be eligible to take the role of an independent director. Therefore the Board considers Mr Sergeant to be independent.

Independent Professional Advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The Company will pay the reasonable expenses associated with obtaining such advice, subject to the prior approval of the Chairman.

Meetings

The Board held thirteen scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and was available for questioning by Directors.

Evaluation of Board Performance

During the reporting period an evaluation of the Board and its members was carried out on an informal basis. The evaluation process comprised of an ongoing assessment of each member of the Board and the Board as a whole at each meeting by the Chairman. Further, an informal evaluation of key executives was carried out by the Board. The Company is currently reviewing and determining measurable milestones and performance criteria for evaluation of Board performance. This includes the intention to establish more formal evaluation procedures, including quantitative measures of performance.

Remuneration Policies

The Remuneration Committee operated in accordance with the Company's Remuneration Committee Charter required under best practice recommendation 9.2. Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-Executive Directors however receive a fixed monthly fee for their services, in accordance with the guidelines summarised by best practice recommendation 9.3. Non-Executive Directors' fees are capped at A\$300,000 per annum, although this is currently being reviewed to reflect the Company's current Board structure, operations in general and requirements placed on all Board members.

STATEMENT OF CORPORATE GOVERNANCE

Retirement benefits for Non-Executive Directors

The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

Board Committees

During the year the Company established the following committees which operate in accordance with their nominated charters as required by best practice recommendation 9.2:

Audit Committee

Blair Sergeant (Chairman)
Nchakha Moloi
Graham Taggart

Remuneration Committee

Steve Bywater (Chairman)
Richard Linnell
Nchakha Moloi

Welfare, Health & Safety Committee

Peter Cordin (Chairman)
Nonkqubela Mazwai
Steve Bywater

Arrangements Regarding Communications with and Participation of Shareholders

The Company maintains a website at www.gvm.com.au. Under the heading “Investor Relations” the Company makes the following information available on a regular and up to date basis:

- company announcements (for last 3 years);
- information briefings to media & analysts (for last 3 years);
- notices of meetings and explanatory materials;
- financial information (for last 3 years); and
- annual reports (for last 3 years).

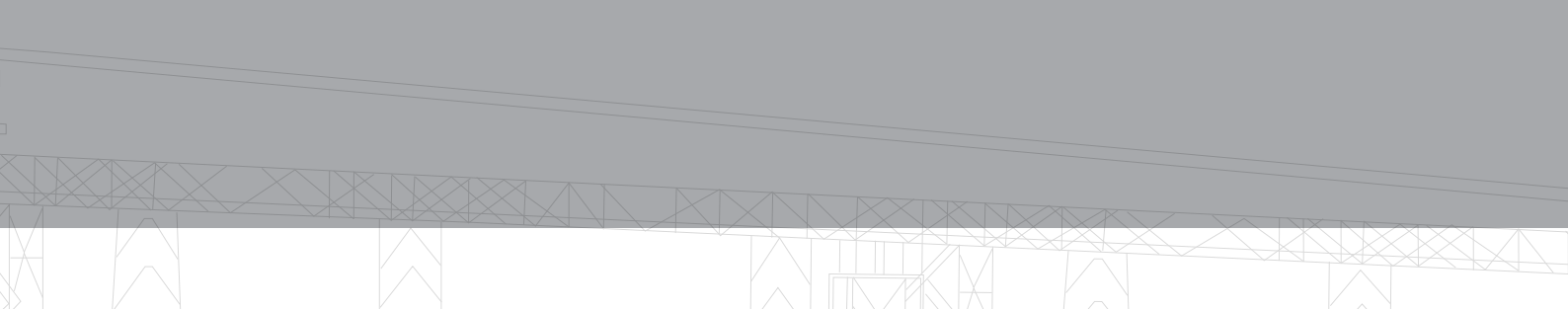
Risk Management Policy and Internal Compliance Control System

The Company has a detailed risk management policy and internal compliance and control systems which cover organisational, financial and operational aspects of the Company’s affairs. It appoints the Managing Director as being responsible for ensuring the systems are maintained and complied with.

Ethical Standards

The Board is committed to promoting the practice of high ethical standards. All Directors and employees are expected to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company, in the following areas:

- professional conduct;
- dealings with suppliers, advisers and regulators;
- dealings with the community; and
- dealings with other employees.



Policy on Securities Trading

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information. It also requires the chairperson of the Company to be notified when trading of securities in the Company occurs.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
	Note	\$	\$	\$	\$
REVENUE	2	62,595,362	32,340,604	1,105,766	380,250
Changes in inventories of finished goods and work in progress		-	(367,491)	-	-
Raw materials and consumables used		(48,078,842)	(23,529,689)	-	-
Consulting expenses		(328,744)	(400,187)	(328,744)	(342,066)
Employee expenses		(6,410,948)	(3,516,128)	(4,026,233)	(970,187)
Borrowing costs	3	(800,799)	(669,044)	-	-
Depreciation expenses	3	(175,532)	(242,768)	(12,923)	(16,043)
Office rental , outgoings and parking		(425,164)	(204,865)	(5,380)	(60,385)
Decrease/(increase) diminution in value of investments		(1,666,792)	(4,325)	(1,666,792)	(4,325)
Loss on investments disposed of		(40,197)	-	(40,197)	-
Bad debt expense		(306,066)	(1,159)	-	(1,159)
Provision for non-recoverability of loans/ debtors		(664,067)	-	(375,000)	-
Diminution in value of control entities		(6,488)	-	(6,488)	-
Other expenses from ordinary activities		(5,062,962)	(2,932,530)	(1,162,894)	(658,856)
Share of net profit/(losses) of associate accounted for using the equity method	8	-	(98,630)	-	-
Profit/(Loss) before income tax (expense)/benefit	3	(1,331,042)	333,591	(6,478,688)	(1,712,968)
Income tax (expense) / benefit	4	(2,216,264)	(566,732)	-	-
Profit/(Loss) after tax		(3,547,306)	(233,141)	(6,478,688)	(1,712,968)
Outside equity interest	20	(478,742)	(353,870)	-	-
Net profit/(loss) attributable to members of the parent entity		(4,026,048)	(587,011)	(6,478,688)	(1,712,968)
Basic earnings/(loss) per share (in cents)	5	(4.72)	(2.04)		
Headline earnings/(loss) per share (in cents)	5	(1.96)	(1.54)		

The accompanying notes form part of these financial statements

BALANCE SHEETS

AS AT 30 JUNE 2007

		Consolidated Entity		Parent Entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS & LIABILITIES					
Current assets					
Cash assets	27(a)	61,530,490	985,333	52,909,170	78,191
Receivables	7	8,984,168	6,374,684	4,809,348	722,916
Inventory	9	5,519,744	3,245,656	-	-
Total current assets		76,034,402	10,605,673	57,718,518	801,107
Non current assets					
Receivables	7	-	-	12,097,685	4,522,652
Assets held for sale	8	94,596	94,596	-	-
Intangibles	12	3,964,042	7,441,280	-	-
Other financial assets	10	12,928,598	699,992	82,942,434	4,465,409
Property, plant and equipment	11	1,648,834	1,803,312	29,134	27,845
Deferred tax assets	4	239,686	36,669	-	-
Mining assets	13	67,852,973	-	-	-
Exploration expenditure	13	1,123,850	-	-	-
Total non current assets		87,852,579	10,075,849	95,069,253	9,015,906
Total assets		163,886,981	20,681,522	152,787,771	9,817,013
Current liabilities					
Payables	14	9,319,361	5,940,126	218,856	328,915
Interest bearing liabilities	15	-	2,451,628	-	-
Provisions	16	95,355	125,790	232	212
Current tax liability		1,711,840	459,586	(7,776)	-
Total current liabilities		11,126,555	8,977,130	211,312	329,127
Non current liabilities					
Payables	14	1,375,608	1,340,777	7,046,990	6,601,208
Interest bearing liabilities	15	506,261	2,702,261	-	-
Total non current liabilities		1,881,869	4,043,038	7,046,990	6,601,208
Total liabilities		13,008,424	13,020,168	7,258,302	6,930,335
Net assets		150,878,557	7,661,354	145,529,468	2,886,678
Equity					
Contributed equity	17	177,189,359	35,396,353	177,189,359	35,396,353
Reserves	18	5,310,652	426,521	8,016,118	687,645
Accumulated losses	19	(34,692,704)	(30,666,656)	(39,676,009)	(33,197,320)
Total parent equity interest		147,807,306	5,156,218	145,529,468	2,886,678
Outside equity interest	20	3,071,250	2,505,136	-	-
Total equity		150,878,557	7,661,354	145,529,468	2,886,678

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Entity		Parent Entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Interest received		555,353	84,578	474,576	30,280
Cash receipts in the course of operations		59,382,997	31,482,520	241,337	312,266
Interest paid		(800,799)	(669,044)	-	-
Payments to suppliers and employees		(56,475,498)	(30,499,820)	(1,717,433)	(1,327,010)
Net cash generated by /(used in) operating activities					
	27(b)	2,662,053	398,234	(1,001,520)	(984,464)
Cash flows from investing activities					
Payments for property, plant and equipment		(198,163)	(148,489)	(14,212)	-
Proceeds from the sale of property, plant and equipment		3,350	-	-	-
Mineral assets acquired		(10,516,450)	-	-	-
Proceeds from sale of equity investments		-	226,511	-	226,511
Payments for equity investments		-	(47,576)	(10,516,450)	(47,576)
Loans (made to)/from other entities		-	-	-	34,084
Net cash received/ (paid) on acquisition of subsidiary	26(b)	(75,000)	-	-	-
Exploration costs		(477,667)	-	-	-
Net cash generated by / (used in) investing activities					
		(11,263,930)	30,446	(10,530,662)	213,019
Cash flows from financing activities					
Loans from controlled entities		-	-	-	175,391
Proceeds from issue of shares		78,334,038	543,750	78,334,038	543,750
Transaction costs from issue of shares		(2,778,509)	(57,707)	(2,778,509)	(57,707)
Loans to controlled entities		-	-	(10,563,335)	-
Loans repaid to other entities		(4,647,628)	(1,892,452)	-	-
Loans from other entities		34,831	-	-	-
Net cash generated by financing activities					
		70,942,732	(1,406,409)	64,992,194	661,434
Net increase/(decrease) in cash held					
Effect of exchange rates of cash holdings in foreign currencies		(820,129)	-	(629,033)	-
Cash at beginning of financial year		49,764	1,027,493	78,191	188,202
Cash at end of financial year	27(a)	61,530,490	49,764	52,909,170	78,191

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

AS AT 30 JUNE 2007

	Ordinary share capital \$	Capital profits reserve \$	Foreign currency translation reserve \$	Share options \$	Accumulated losses \$	Total \$	Outside Equity interests \$
Consolidated entity							
Balance at 1 July 2006	35,396,353	136,445	(261,124)	551,200	(30,666,656)	5,156,218	2,505,136
Shares issued during the year	144,571,514	-	-	-	-	144,571,514	-
Capital raising costs incurred	(2,778,509)	-	-	-	-	(2,778,509)	-
Adjustments from translation of foreign controlled entities	-	-	(2,444,342)	-	-	(2,444,342)	-
Share based payments	-	-	-	7,328,473	-	7,328,473	-
Loss attributable to members of parent entity	-	-	-	-	(4,026,048)	(4,026,048)	-
Profit attributable to minority shareholders	-	-	-	-	-	-	478,742
Minority interest in reserves	-	-	-	-	-	-	(31,133)
100% acquisition of a controlled entity	-	-	-	-	-	-	(2,952,745)
Minority interest in a controlled entity	-	-	-	-	-	-	3,071,251
Balance at 30 June 2007	177,189,359	136,445	(2,705,466)	7,879,673	(34,692,704)	147,807,306	3,071,251

Parent entity

Balance at 1 July 2006	35,396,353	136,445	-	551,200	(33,197,320)	2,886,678	-
Shares issued during the year	144,571,514	-	-	-	-	144,571,514	-
Transaction costs	(2,778,509)	-	-	-	-	(2,778,509)	-
Share based payments	-	-	-	7,328,473	-	7,328,473	-
Loss attributable to members of parent entity	-	-	-	-	(6,478,688)	(6,478,688)	-
Balance at 30 June 2007	177,189,359	136,445	-	7,879,673	(39,676,008)	145,529,468	-

STATEMENTS OF CHANGES IN EQUITY

AS AT 30 JUNE 2007

	Ordinary share capital \$	Capital profits reserve \$	Foreign currency translation reserve \$	Share options \$	Accumulated losses \$	Total \$	Outside Equity interests \$
Balance at 1 July 2005	34,500,935	136,445	1,108,117	-	(30,079,645)	5,665,852	3,306,117
Shares issued during the year	953,125	-	-	-	-	953,125	-
Capital raising costs incurred	(57,707)	-	-	-	-	(57,707)	-
Adjustments from translation of foreign controlled entities	-	-	(1,369,241)	-	-	(1,369,241)	-
Share based payments	-	-	-	551,200	-	551,200	-
Loss attributable to members of parent entity	-	-	-	-	(587,011)	(587,011)	-
Loss attributable to minority shareholders	-	-	-	-	-	-	(353,870)
Minority interest in reserves	-	-	-	-	-	-	221,480
Preference shares acquired by parent entity	-	-	-	-	-	-	(668,591)
Balance at 30 June 2006	35,396,353	136,445	(261,124)	551,200	(30,666,656)	5,156,218	2,505,136

Parent entity

Balance at 1 July 2005	34,500,935	136,445	-	-	(31,484,352)	3,153,028	-
Shares issued during the year	953,125	-	-	-	-	953,125	-
Transaction costs	(57,707)	-	-	-	-	(57,707)	-
Share based payments	-	-	-	551,200	-	551,200	-
Loss attributable to members of parent entity	-	-	-	-	(1,712,968)	(1,712,968)	-
Balance at 30 June 2006	35,396,353	136,445	-	551,200	(33,197,320)	2,886,678	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of GVM Metals Limited and controlled entities, and GVM Metals Limited as an individual parent entity. GVM Metals Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of GVM Metals Limited and controlled entities, and GVM Metals Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Principles of Consolidation

A controlled entity is any entity GVM Metals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in note 26 the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(c) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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.

(d) Mining Tenements and Exploration and Development Expenditure

Mining tenements are carried at cost, less accumulated impairment losses.

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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) 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.

(g) 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 shown at cost. The carrying amount of freehold and buildings are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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.

Increases in the carrying amount arising on revaluation of land and buildings and property plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

(h) Depreciation and Amortisation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on the straight line and reducing balance methods over their estimated useful lives to the economic

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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 – 2007	Range – 2006
• Furniture, fittings and office equipment	13% - 50%	13% - 50%
• 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. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(i) 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.

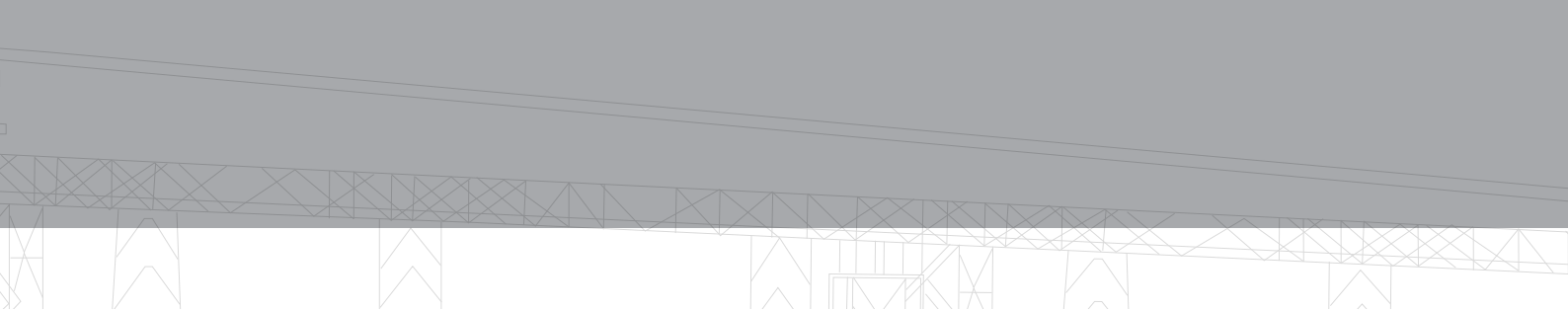
Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) 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 30 June 2007, 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 year 30 June 2007.

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(l) 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.

(m) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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:

1. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
2. Income and expenses are translated at average exchange rates for the period; and
3. 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.

(n) 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.

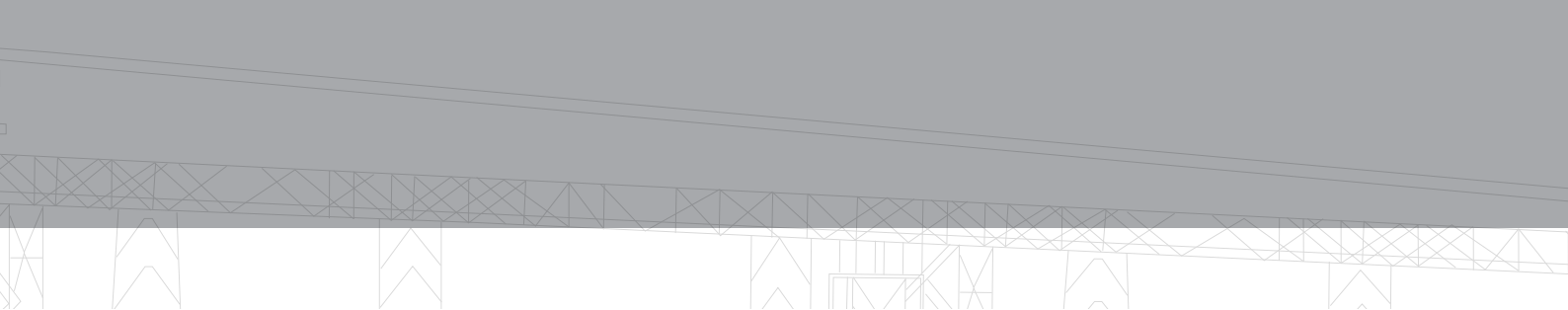
(o) Financial Instruments

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 unless they are designated as 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.

GVM Metals Limited and Controlled Entities designate certain derivatives as either;

1. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
2. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

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 transactions, 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.

(p) 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 acquisition 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.

(q) Accounts Payable

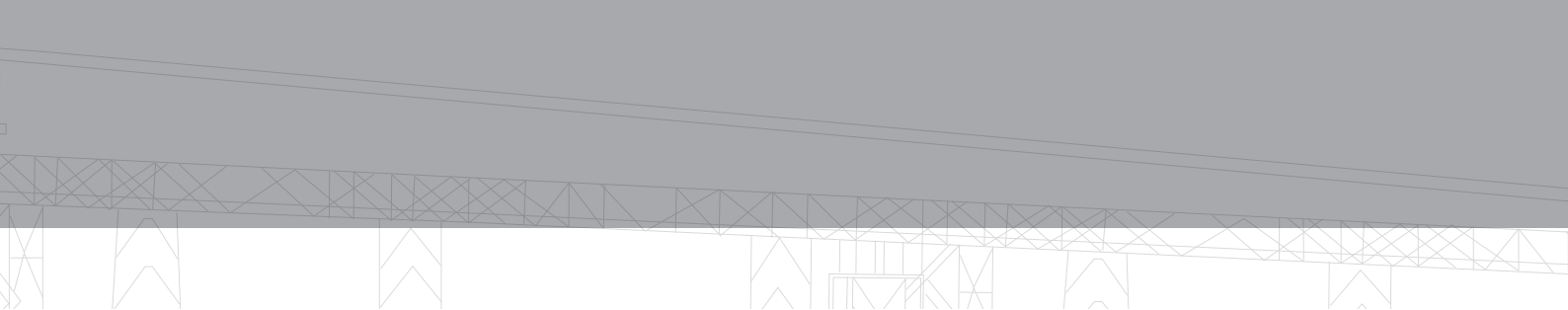
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity. Trade accounts payable are normally settled within 45 days.

(r) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

(s) Employee Benefits

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



Equity-settled compensation

Share-based compensation benefits are provided to employees via an Executive Share Option Scheme.

Share options granted before 7 November 2002 and/or vested before 1 July 2006

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and/or vested after 1 July 2006

The fair value of options under the Executive Share Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option valuation model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(t) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(u) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(v) 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.

(w) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

(x) Comparative Figures

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

(y) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. Information on such estimates and judgements are contained in the accounting policies and/or notes to the financial statements.

Key accounting estimates include:

- Asset carrying value and impairment charges;
- Capitalisation and impairment of exploration and evaluation expenditure.
- Critical judgements in applying the entity's accounting policies include determining:
- The effectiveness of forward foreign exchange contracts (Note 1(p)).

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
2. REVENUE				
Revenue from operating activities				
Sale of goods	61,738,646	31,324,714	-	-
Interest income	555,353	84,578	474,576	30,280
Other revenue	298,013	931,312	241,337	349,970
Revenue from outside operating activities				
Dividends received	-	-	389,853	-
Profit from sale of equity investments		-	-	-
Profit from sale of property, plant and equipment	3,350	-	-	-
Total revenue from ordinary activities	62,595,362	32,340,604	1,105,766	380,250

3. PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES

(a) Profit/(Loss) from ordinary activities before tax has been arrived at after charging/(crediting) the following items:

Depreciation of:

- office furniture, fittings & equipment	21,065	27,839	12,923	10,823
- leasehold improvements	6,394	5,220	-	5,220
- buildings	9,720	11,655	-	-
- motor vehicle	45,392	37,469	-	-
- plant & equipment	92,961	160,585	-	-
	175,532	242,768	12,923	16,043

Profit/(loss) on sale of property plant and equipment	3,350	-	-	-
Net foreign exchange gain/(loss)	(629,033)	539,096	(629,033)	-
Amount set aside to/(reversed from) provisions for:				
- employee entitlements	-	25,804		(1,041)
Borrowing costs - other	800,799	455,770	-	-
- related parties	-	213,274	-	-
Operating lease expenses	68,207	114,862	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(b) Individually significant items included in profit/(loss) from ordinary activities before income tax				
Profit/(loss) on disposal of equity investments	-	(40,197)	-	(40,197)
Provision for diminution in value of Investments	(1,666,792)	(4,325)	(4,325)	(4,325)
Share-based payments to Directors	(3,294,600)	(551,200)	(3,294,600)	(551,200)
Provision for non-recoverability of loans	(375,000)	-	(375,000)	-
AIM Listing Costs	-	(404,335)	-	(404,335)

4. INCOME TAX EXPENSE AND DEFERRED TAX

(a) Income tax expense

Current tax	2,419,281	581,107	-	-
Deferred tax	(203,017)	(14,375)	-	-
Over provision in prior year	-	-	-	-
Aggregate income tax expense	2,216,264	566,732	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit/(loss) before income tax expense	(1,331,042)	333,591	(6,478,688)	(1,712,968)
Tax at the Australian rate of 30% (2006: 30%)	(399,313)	100,077	(1,943,607)	(513,890)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Net loss / (gain) on sale of shares	-	12,059	-	12,059
Provision for diminution in value	500,038	1,298	500,038	1,298
Provision for non-recovery of loans	112,500	-	112,500	-
Share based payments	988,380	165,360	988,380	165,360
Sundry items	-	-	116,955	-
Other temporary differences not brought to account	1,014,659	287,938	225,734	335,173
Income tax expense	2,216,264	566,732	-	-

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

Net deferred tax – debited/ (credited) directly to equity	-	-	-	-
	-	-	-	-

Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Amounts recognised in profit or loss</i>				
Employee benefits/ accruals	182,121	36,669	-	-
Doubtful debts provision	57,565	-	-	-
Amounts recognised directly in equity	-	-	-	-
Net deferred tax assets	239,686	36,669	-	-
Movements				
Opening balance at 1 July	36,669	26,886	-	-
Charged to the income statement	218,795	14,375	-	-
Exchange rate movement	(15,778)	(4,592)	-	-
Closing balance at 30 June	239,686	36,669	-	-

The Company has approximately \$11 million and \$4.9 million in revenue and capital losses respectively not brought to account as deferred tax benefits because the directors do not believe it is appropriate to regard the utilisation of the tax benefits as probable.

	Consolidated Entity	
	2007	2006
	\$	\$
5. (LOSS) / EARNINGS PER SHARE		
Basic (loss) / profit per share		
(cents per share)	(4.72)	(2.04)
Headline (loss)/earnings per share (cents per share)	(1.96)	(1.54)
Weighted average number of ordinary shares used as the denominator	85,261,608	28,795,026

As at 30 June 2007, there were 21,842,326 (2006: 8,075,000) options outstanding over unissued capital exercisable at amounts ranging between \$0.500 and \$1.275 (2006: \$0.500 and \$1.923). Diluted EPS was not calculated for 2007 as the company incurred a loss per share.

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
6. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of the Company:				
Moore Stephens				
- audit and review of financial reports	55,727	24,895	55,727	24,985
- other services	-	12,636	-	-
	55,727	37,531	55,727	24,985

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Amounts received or due and receivable by the auditors of the subsidiaries				
- audit and review of financial reports	70,451	76,466	-	-
- other services	9,225	29,450	-	-
	79,676	105,916	-	-

7. RECEIVABLES

CURRENT

Receivable – associates	620,311	620,311	620,312	620,311
Provision for doubtful receivables – associate	(303,924)	(38,804)	(303,924)	(38,804)
Trade debtors	4,524,156	3,342,813	-	-
Other debtors	5,220,432	3,128,224	5,280,700	819,269
Provision for bad debts	(1,076,807)	(677,860)	(787,740)	(677,860)
	8,984,168	6,374,684	4,809,348	722,916

NON CURRENT

Amounts receivable from controlled entities	-	-	12,696,233	5,121,200
Provision for doubtful receivables	-	-	(598,548)	(598,548)
	-	-	12,097,685	4,522,652

Amounts receivable from controlled entities are interest free, unsecured and with no fixed term for repayment.

8. ASSETS HELD FOR SALE (INVESTMENT IN ASSOCIATE)

Carrying value of investments at beginning of year	94,596	222,806	-	-
Disposal of shares during the year	-	(29,580)	-	-
Diminution in value of investment	-	-	-	-
Share of associate's net (loss) / profit	-	(98,630)	-	-
Carrying value at end of year	94,596	94,596	-	-

The Company has a 26.18% interest in SA Mineral Resources Corporation Ltd ("SAMROC"), a resource company whose particular focus is the manufacture of manganese chemicals. It owns the rights to a manganese deposit near Graskop, Mpumalanga, South Africa and operates the Greenhills manganese chemical plant, which is located adjacent to the mineral deposit.

SAMROC is listed on JSE Securities Exchange South Africa ("JSE"). The closing price of SAMROC on JSE as at balance date was ZAR0.06, or A\$0.01. The investment was previously disclosed as an Investment in Associate. GVM has announced its intention to dispose of the investment and, therefore, the investment has been reclassified as Assets Held for Sale.

9. INVENTORY

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Raw Materials	938,711	704,617	-	-
Consumable Stores	45,002	33,670	-	-
Work in progress	-	-	-	-
Finished Goods	1,099,327	428,249	-	-
Residue Stock (Nickel)	3,436,704	2,079,120	-	-
	5,519,744	3,245,656	-	-

Inventory is stated at the lower of cost and net realisable value. Cost is determined according to the weighted average method. Finished products and work-in-progress include direct manufacturing costs.

10. OTHER FINANCIAL ASSETS

Available for Sale Financial Assets:

Investments:

Shares in other corporations listed on

Stock exchange at cost

Provision for diminution in value

At fair value

89,150	89,151	1,694,703	1,694,703
(76,175)	(69,688)	(1,488,502)	(1,482,014)
12,975	19,463	206,201	212,689

Shares in controlled entities at cost

Provision for diminution in value

Impairment write down

-	-	79,759,836	11,864,731
-	-	(8,292,540)	(8,292,540)
-	-	(1,666,792)	-
-	-	69,800,504	3,572,191

Shares in other corporations – at cost

12,915,623	680,529	12,935,729	680,529
12,928,598	699,992	82,942,434	4,465,409

Market value of above investments listed on a stock exchange as at 30 June 2007

12,975	19,463	206,201	212,689
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Shares in controlled entities are carried at cost. Refer to Note 26(a)

11. PROPERTY, PLANT & EQUIPMENT

Furniture, fittings and office equipment at cost

Less: Accumulated depreciation

275,987	241,535	97,616	83,404
(210,039)	(188,974)	(68,482)	(55,559)
65,948	52,561	29,134	27,845

Motor vehicle at cost

Less: Accumulated depreciation

247,318	181,732	-	-
(146,013)	(100,621)	-	-
101,305	81,111	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
11. PROPERTY, PLANT & EQUIPMENT (cont)				
Plant and equipment at cost	1,536,472	1,481,964	-	-
Less: Accumulated depreciation	(1,404,124)	(1,311,163)	-	-
	132,348	170,801	-	-
Leasehold Improvements at cost	45,702	45,702	37,784	37,784
Less: Accumulated amortisation	(45,702)	(39,308)	(37,784)	(37,784)
	-	6,394	-	-
Land and Buildings at cost	1,491,119	1,624,611	-	-
Less: Accumulated amortisation	(141,886)	(132,166)	-	-
	1,349,233	1,492,445	-	-
Total property, plant & equipment	1,648,834	1,803,312	29,134	27,845

Reconciliations of the carrying amount of each class of property, plant and equipment are set out below:

Furniture, fitting and office equipment

Carrying amount at the beginning of the year	52,561	109,218	27,845	38,667
Depreciation	(21,065)	(27,839)	(12,923)	(10,822)
Additions	47,503	2,210	14,212	-
Foreign exchange movements	(13,051)	(31,028)	-	-
Carrying amount at end of year	65,948	52,561	29,134	27,845

Motor Vehicles

Carrying amount at the beginning of the year	81,111	145,037	-	-
Depreciation	(45,392)	(37,469)	-	-
Additions	75,446	93,035	-	-
Disposals	-	(120,724)	-	-
Foreign exchange movements	(9,860)	1,232	-	-
Carrying amount at end of year	101,305	81,111	-	-

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
11. PROPERTY, PLANT & EQUIPMENT (cont)				
Plant & equipment				
Carrying amount at the beginning of the year	170,801	333,972	-	-
Depreciation	(92,961)	(160,585)	-	-
Additions	71,546	34,405	-	-
Foreign exchange movements	(17,038)	(36,991)	-	-
Carrying amount at end of year	132,348	170,801	-	-
Leasehold improvements				
Carrying amount at the beginning of the year	6,394	11,614	37,784	37,784
Depreciation	(6,394)	(5,220)	(37,784)	(37,784)
Carrying amount at end of year	-	6,394	-	-
Land and Buildings				
Carrying amount at the beginning of the year	1,492,445	1,834,404	-	-
Depreciation	(9,720)	(11,655)	-	-
Additions	3,668	18,839	-	-
Disposals	(3,256)	-	-	-
Foreign exchange movements	(133,904)	(349,143)	-	-
Carrying amount at end of year	1,349,233	1,492,445	-	-
Total property, plant & equipment	1,648,834	1,803,312	29,134	27,845

The land and buildings referred to above were subject to an independent valuation in 2003 by the Capgrow Business Group, at R7,993,593 (approximately \$1,330,933), on the basis of continued use.

12. INTANGIBLES

Goodwill on consolidation	3,964,042	7,441,280	-	-
Reconciliation:				
Goodwill on consolidation – Beginning of year	7,441,280	9,399,760	-	-
Accumulated amortisation	-	(193,472)	-	-
Increase/ (decrease) in Nimag investment	-	441,151	-	-
Discount on acquisition of 26% of Nimag	(1,029,522)	-	-	-
Goodwill attached to "B" Preference shares acquired by parent entity	-	(668,591)	-	-
Impairment write down	(1,666,792)	-	-	-
Exchange rate movement	(780,924)	(1,537,568)	-	-
Carrying value at end of year	3,964,042	7,441,280	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Consolidated Entity

2007 2006
\$ \$

13. COAL PROJECT INVESTMENT AND EXPLORATION EXPENDITURE

Exploration and evaluation expenditures in respect of mining areas of interest

Holfontein

Acquisition of tenements of Holfontein Exploration – fair value	23,494,793	-
Exchange differences	(122,070)	-
At fair value	23,372,723	-
Capitalised exploration expenditure – at cost	955,458	-
	24,328,181	-

Baobab

Acquisition of tenements of Baobab Exploration – fair value	33,130,547	-
Exchange differences	(384,750)	-
At fair value	32,745,797	-
Capitalised exploration expenditure – at cost	84,196	-
	32,829,993	-

Thuli

Acquisition of tenements of Limpopo Exploration – fair value	11,828,787	-
Exchange differences	(94,334)	-
At fair value	11,734,453	-
Capitalised exploration expenditure – at cost	84,196	-
	11,818,649	-

Total Mining Assets

67,852,973 -

Total capitalised exploration expenditure

1,123,850

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependant on the discovery of commercially viable resource deposits and their successful development and commercial exploitation or sale of the respective mining areas.

Consolidated Entity

2007 2006
\$ \$

Parent Entity

2007 2006
\$ \$

14. PAYABLES

Current

Trade creditors	7,098,669	3,817,457	123,282	293,118
Sundry creditors and accruals	186,605	278,488	95,574	35,797
Other	2,034,087	1,844,181	-	-
	9,319,361	5,940,126	218,856	328,915

Non current

Payables – controlled entities	-	-	5,671,382	4,835,746
Payables - other	1,375,608	1,340,777	1,375,608	1,765,462
	1,375,608	1,340,777	7,046,990	6,601,208

Amounts owing to controlled entities are interest free, unsecured and with no fixed term for repayment.

15. INTEREST BEARING LIABILITIES

Current liabilities

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Bank Overdraft	-	935,569	-	-
Secured Loans	-	764,364	-	-
Unsecured Loans	-	751,695	-	-
	-	2,451,628	-	-

Non-current liabilities

Secured Loans	-	1,577,292	-	-
Unsecured Loans	506,261	1,124,969	-	-
	506,261	2,702,261	-	-

Financial arrangements

The Consolidated Entity has the access to the following lines of credit:

General banking facility/bank overdraft	1,165,500	1,318,764	-	-
Term loan facility	3,330,000	3,767,897	-	-
Forward exchange contract facility	3,330,000	3,767,897	-	-
	7,825,500	8,854,558	-	-

Facilities utilised at reporting date

Bank Overdraft	-	935,569	-	-
Secured Loans	-	2,341,656	-	-
	-	3,277,225	-	-

Facilities not utilised at reporting date

Bank overdraft	1,165,500	383,195	-	-
Forward exchange contract facility	3,330,000	3,767,897	-	-
Term loan facility	3,330,000	1,426,241	-	-
	7,825,500	5,577,333	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

15. INTEREST BEARING LIABILITIES (cont)

Bank overdrafts, term facility and forward exchange contract facility

The various facilities described above are secured by:

- Unlimited cession of debtors;
- Registration of a first continuing covering mortgage bond over the farm Steenkoppies Magaliesburg for an amount of \$999,000 (ZAR6,000,000) supported by a cession of fire and Sasria policy;
- Registration of a general and special notarial bond over stock, plant and equipment for an amount of \$2,497,500 (ZAR15,000,000) supported by a cession of fire and Sasria policy;
- Unlimited suretyship by GVM Metals Ltd; and
- Limited suretyship by other shareholders to the amount of \$479,853 (ZAR2,882,000).

Secured Loans (ABSA Limited)

The loan was repaid during the year. The loan was repayable in annual instalments which comprise capital and interest with a final payment in March 2009. The loan interest rate was 1% above the South African prime interest rate.

Unsecured Loans (Loans from minority interests in controlled entity)

The loans are unsecured and bore interest at a rate of 8.5% during the year under review. The balance will be repaid when funds are available and can be delayed to a maximum of 5 years.

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
16. PROVISIONS				
CURRENT				
Employee entitlements	95,355	125,790	232	212
Number of employees				
Number of employees at year end	113	101	2	1

17. CONTRIBUTED EQUITY

(a) Issued and paid up capital

207,768,703 ordinary fully paid shares (2006:
31,310,887) ordinary fully paid shares –
adjusted for share consolidation)

177,189,359	35,396,353	177,189,359	35,396,353
177,189,359	35,396,353	177,189,359	35,396,353

17. CONTRIBUTED EQUITY (cont)

	2007 Number	2007 \$	2006 Number	2006 \$
(b) Movements in contributed equity				
Opening Balance	31,310,887	35,396,353	274,985,189	34,500,935
10:1 Share consolidation			(247,486,802)	-
Revised balance post consolidation			27,498,387	34,500,935
Capital raising for working capital at 25 cents per share	-	-	3,812,500	953,125
Capital raising for working capital at 32 cents per share	24,615,384	7,795,600	-	-
Acquisition of remaining 26% of Nimag at 40 cents per share	4,620,557	1,848,231	-	-
Acquisition of 74% of Limpopo Exploration at 25 cents per share	20,812,500	8,741,250	-	-
Capital raising for working capital at 20 pence per share	12,200,000	6,075,509	-	-
Capital raising for working capital at 34 pence per share	37,352,941	30,030,292	-	-
Part payment for Coal of Africa acquisition at 30 pence per share	8,333,333	5,991,085	-	-
Capital raising for working capital at 54 pence per share	22,223,000	28,573,881	-	-
Acquisition of 51% of Holfontein Investments at 30 cents per share	14,868,283	18,228,143	-	-
Acquisition of 50% of Baobab Exploration Investments at 30 cents per share	20,000,000	24,519,500	-	-
Part acquisition of Coal of Africa Investments at 30 pence per share	10,000,000	11,306,980	-	-
Part acquisition of Coal of Africa Investments at 40 pence per share	1,250,000	1,413,374	-	-
Payment for services rendered by Equity for Growth at 11 pence per share	181,818	47,670	-	-
Capital raising costs incurred	-	(2,778,509)	-	(57,707)
	207,768,703	177,189,359	31,310,887	35,396,353

Non-cash share issues disclosed above are recognised at fair value.

(c) Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(d) Options

Unissued ordinary shares of the Company under option at balance date are:-

	Number	Exercise Price	Expiry Date
Unlisted Options	786,751	GBP 0.34	17 May 2009
Unlisted Options	555,575	GBP 0.54	31 May 2009
Unlisted Options	13,500,000	A\$ 0.50	30 September 2011
Unlisted Options	7,000,000	A\$ 1.25	30 September 2012
Unlisted Options	4,250,000	A\$ 0.50	30 September 2011
Unlisted Options	250,000	A\$ 0.50	30 September 2011

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Consolidated Entity

Parent Entity

18. RESERVES

	2007	2006	2007	2006
	\$	\$	\$	\$
Capital profits reserve	136,445	136,445	136,445	136,445
Share based payments	7,879,673	551,200	7,879,673	551,200
Foreign currency translation reserve	(2,705,466)	(261,124)	-	-
	5,310,652	426,521	8,016,118	687,645
<i>Movement during the year</i>				
Foreign Currency Translation Reserve				
Opening balance	(261,124)	1,108,117	-	-
Foreign currency translation	(2,444,342)	(1,369,241)	-	-
Closing balance at year end	(2,705,466)	(261,124)	-	-
<i>Movement during the year</i>				
Share based payments				
Opening balance	551,200	551,200	551,200	551,200
Options granted	7,328,473	-	7,328,473	-
Closing balance at year end	7,879,673	551,200	7,879,673	551,200

Nature & Purpose of Reserves

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

Capital profits reserve

The capital profits reserve contains capital profits derived during previous financial years.

Share based payments

Share based payments represent the value of unexercised share options to directors.

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
19. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(30,666,656)	(30,079,645)	(33,197,320)	(31,484,352)
Net profit/(loss) attributed to members of parent entity.	(4,026,048)	(587,011)	(6,478,689)	(1,712,968)
Accumulated losses at the end of the financial year	(34,692,704)	(30,666,656)	(39,676,009)	(33,197,320)

20. OUTSIDE EQUITY INTERESTS

Outside equity interests in consolidated entities comprise:

	2007 \$	2006 \$
Interest in retained profits at the beginning of the year	2,505,136	303,671
Interest in profits from operating activities after income tax	478,742	353,870
Interests in reserves	(31,133)	(65,177)
Interests in profits/reserves at the end of the financial year	2,952,745	592,364
100% acquisition of Nimag	(2,952,745)	-
Interests in share capital	-	2,581,363
Disposal of "B" Preference shares to parent entity	-	(668,591)
Acquisition of 74% of Thuli coal project	3,071,250	-
Total Outside Equity Interests	3,071,250	2,505,136
Minority interest in a controlled entity (Limpopo)	3,071,250	-

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Financial Instruments

Forward exchange contracts

The economic entity enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in note 1 (p).

At balance date, the details of the outstanding forward exchange contracts are:

Buy SA Rands	Sell US Dollars		Average exchange rate	
	2007 US\$	2006 US\$	2007	2006
Settlement:				
- Less than 6 months	2,350,000	935,000	7.22	6.48
	Sell Euro Dollars			
	€	€		
Settlement:				
- Less than 6 months	70,000	18,800	9.41	8.26
	Sell SA Rand			
	ZAR	ZAR		
Settlement:				
- Less than 6 months	-	1,111,986	-	8.30

No unrealised profit from forward exchange contracts was recognised as it is immaterial.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

(b) Interest Rate Risk Exposures

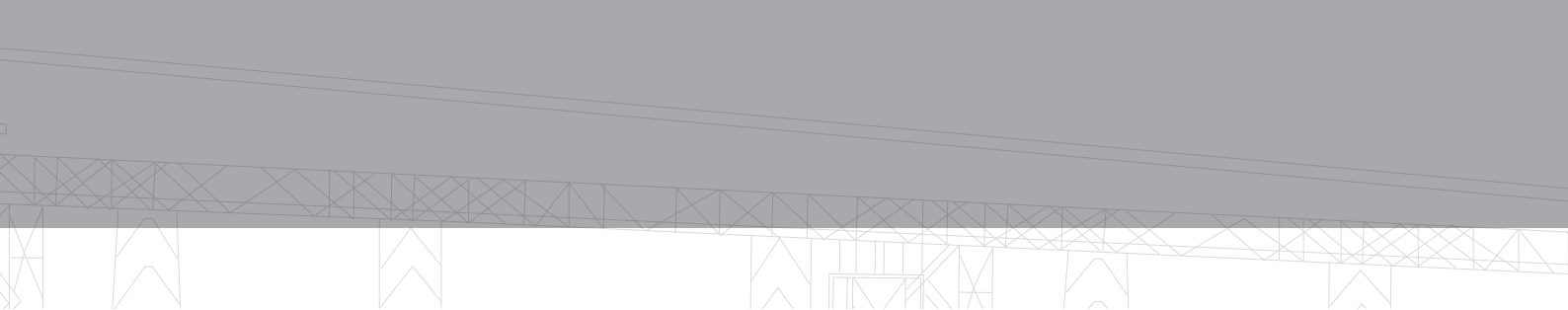
The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

Fixed interest maturing in:

2007	Note	Floating interest rate rate	1 year or less	Over 1-5 years	Non-interest bearing	Total	Weighted average interest rate
<i>Financial assets</i>							
Cash assets	27(a)	61,530,490	-	-	-	61,530,490	3%
Receivables	7	-	-	-	8,984,168	8,984,168	
Other financial assets	10	-	-	-	12,928,598	12,928,598	
		61,530,490	-	-	21,912,766	83,443,256	
<i>Financial liabilities</i>							
Payables	14	-	-	-	10,694,969	10,694,969	
Employee Entitlements	16	-	-	-	-	-	
Interest bearing liabilities	15	506,261	-	-	-	506,261	11%
		506,261	-	-	10,694,969	11,201,230	

Fixed interest maturing in:

2007	Note	Floating interest rate rate	1 year or less	Over 1-5 years	Non-interest bearing	Total	Weighted average interest rate
		\$	\$	\$	\$	\$	\$
<i>Financial assets</i>							
Cash	27(a)	985,333	-	-	-	985,333	3%
Receivables	7	-	-	-	6,374,684	6,374,684	
Other financial assets	10	-	-	-	699,992	699,992	
		985,333	-	-	7,074,676	8,060,009	
<i>Financial liabilities</i>							
Payables	14	-	-	-	5,940,126	5,940,126	
Employee Entitlements	16	-	-	-	125,790	125,790	
Interest bearing liabilities	15	935,569	1,516,059	2,702,261	-	5,153,889	10%
		935,569	1,516,059	2,702,261	6,065,916	11,219,805	



(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

Concentration of credit risk on trade and term debtors exists in respect of the business undertaken by Nimag. As at 30 June 2007, 94% (2006: 92%) of the Consolidated Entity's trade debtors were owed by United States and European customers.

Other than the concentration of credit risk described above, the Consolidated Entity is not materially exposed to any individual overseas country or individual customer.

Unrecognised financial instruments

Credit risk on derivative contracts, which have not been recognised on the statement of financial position, is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

As all futures contracts are transacted through a recognised futures exchange, credit risk associated with these contracts is minimal.

(d) Net Fair Values of Financial Assets and Liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following bases:

Listed shares included in "Other financial assets" are traded in an organised financial market. The net fair values of listed shares are determined by the last quoted sale price of the security as at balance date and are disclosed in Notes 8 & 10.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from counterparties (reduced for expected credit losses) or due to suppliers where appropriate. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, accounts receivable and accounts payable approximate net fair value.

22. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2007:

On 28 June 2006, 8,000,000 share options to accept ordinary shares in GVM Metals Limited were granted to GVM directors. The options allow the directors to take up ordinary shares at an exercise price of \$0.50 each. The options are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On the 24 November 2006, 1,000,000 share options to accept ordinary shares in GVM Metals Limited were granted to employees in South Africa as an incentive for performance. The options have an exercise price of \$0.50 each and are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On the 29 May 2007, 555,575 share options at GBP0.54 (to Mirabaud Securities Limited and Blue Oar Securities Plc) exercisable before the 31st of May 2009, 786,751 share options at GBP0.34 exercisable before the 17th of May 2009 (to Mirabaud Securities Limited and Blue Oar Securities Plc) and 250,000 share options exercisable at \$0.50 (to Jonathan Colville of Mirabaud Securities Limited) before the 30th of September 2011 were granted to accept ordinary shares in GVM Metals Limited. The options were part payment of brokerage fees in relation to recent placements. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On the 5 June 2007, 7,000,000 share options to accept ordinary shares in GVM Metals Limited were granted to Simon Farrell (Managing Director – 5,000,000 options) and Richard Linnell (Chairman – 2,000,000 options). The options allow the directors to take up ordinary shares at an exercise price of \$1.25 each. The options are exercisable on or before 30 September 2012. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

On 5 June 2007, 4,250,000 share options to accept ordinary shares in GVM Metals Limited were granted to Motjoli Resources (Pty) Ltd for 51% of the Holfontein coal project and the remaining 50% of the Baobab coal project. The options allow Motjoli Resources to take up ordinary shares at an exercise price of \$0.50 each. The options are exercisable on or before 30 September 2011. The options hold no voting or dividend rights and are not transferable. Upon conversion, of the options to shares, the shares will rank equally with existing shares. At reporting date, none of the options had been taken up or had lapsed.

All options granted are ordinary shares in GVM Metals Limited, which confer a right of one ordinary share for every option held.

	Consolidated Group				Parent entity			
	2007	Weighted average exercise price \$	2006	Weighted average exercise price \$	2007	Weighted average exercise price \$	2006	Weighted average exercise price \$
	Number of options		Number of options		Number of options		Number of options	
Outstanding at beginning of year	8,075,000	0.50	-	-	8,000,000	0.50	-	-
Granted	13,842,326	0.93	8,000,000	0.50	13,842,326	0.93	8,000,000	0.50
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	75,000	-	-	-	-	-	-	-
Outstanding at year end	21,842,326	0.77	8,000,000	0.50	21,842,326	0.77	8,000,000	0.50
Exercisable at year end	21,842,326	0.77	8,000,000	0.50	21,842,326	0.77	8,000,000	0.50

No options were exercised during the year ended 30 June 2007. The 75,000 options that expired on the 30th of September 2006 had an exercise price of \$1.92.

The options outstanding at 30 June 2007 had a weighted average exercise price of \$0.77 and weighted average remaining contractual life of 4.36 years. Exercise prices range from \$0.50 to \$1.31 in respect of options outstanding at 30 June 2007.

The weighted average fair value of the options granted during the year was \$0.93.

These option prices were calculated using the Binomial Option Valuation pricing model applying the following inputs:

Weighted average exercise price	\$0.77
Weighted average life of the option	4.79 years
Underlying share price	\$1.08-\$1.13
Expected share price volatility	50%
Risk free interest rate	6.25%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of an option is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$3,294,600 (2006 : \$551,200), and relates, in full, to equity-settled share-based payment transactions.

Consolidated Entity		Parent Entity	
2007	2006	2007	2006
\$	\$	\$	\$

23. COMMITMENTS

Non-cancellable operating lease expense commitments

Future operating lease rentals not provided for in the financial statements and payable:

Within 1 year	59,983	140,844	-	-
After 1 year but no later than 5 years	-	67,871	-	-
	59,983	208,715	-	-

The Consolidated Entity leases property under non-cancellable operating leases expiring in 1 years time. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated.

Contractual Commitments

Holfontein

GVM have undertaken that it will first mine all saleable seam 5 and thereafter seams 4 and 2 coal reserves in the Holfontein coal project in accordance with the prospecting work programme previously submitted to the Department of Minerals and Energy. Deviation from this can be made provided it is supported by a report prepared by an

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

independent person appointed by the parties. In the event of the other seams other than seam 5 being mined, a development fee will be payable to the vendor - the development fee will be five million tons at a minimum of ZAR4.00 per ton FOT.

Mooiplaats

GVM has entered an agreement to purchase 70% of the Mooiplaats coal project. The acquisition is subject to a number of conditions, principally S11 approval for the transaction from the South African Department of Minerals and Energy as well as approval from the Competition Commission.

The total purchase consideration of the project is GBP 37 million (\$87.3 million) of which GBP 10 million (\$23,600,000) is payable twelve months after the satisfaction of the suspensive conditions. The suspensive conditions may be satisfied as early as the end of 2007. The additional Mooiplaats loan accounts to be paid for by GVM may not exceed GBP 2 million (\$4,723,000).

An initial payment of \$12,900,353 was paid in the 2007 financial year. The amount will be refunded in the event of the transaction not proceeding. If the transaction proceeds, the initial payment will result in a 7% share in the Coal of Africa Limited.

24. CONTINGENT LIABILITIES

In accordance with normal industry practice the Company has agreed to provide financial support to its 100% controlled entities. There are no other contingent liabilities as at 30 June 2007.

25. RELATED PARTY DISCLOSURES

The names and positions held by key management personnel in office at any time during the financial year are:

Mr R Linnell	Executive Chairman & Director
Mr S Farrell	Managing Director
Ms N Mazwai	Deputy Managing Director & Executive Director
Mr P Cordin	Non-Executive Director
Mr S Bywater	Non-Executive Director
Mr G Taggart	Non-Executive Director
Mr N Moloi	Non-Executive Director
Mr B Sergeant	Non-Executive Director & Company Secretary

Key management personnel compensation is included in the Directors' Report as part of the Remuneration Report.

Equity instruments

Option holdings

Unlisted Options

The movement during the reporting period in the number of options over ordinary shares exercisable at 50 cents on or before 30 September 2011 held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2006	Granted as remuneration	Exercised	Others Changes	Held at 30 June 2007
Directors			-		
Mr R Linnell	2,000,000	-	-	-	2,000,000
Mr S Farrell	4,000,000	-	-	-	4,000,000
Ms N Mazwai	-	-	-	4,250,000	4,250,000
Mr P Cordin	1,000,000	-	-	-	1,000,000
Mr S Bywater	-	-	-	-	-
Mr G Taggart	-	-	-	-	-
Mr N Moloi	-	-	-	4,250,000	4,250,000
Mr B Sergeant	1,000,000	-	-	-	1,000,000

The 4,250,000 options reflected for Ms N Mazwai and Mr N Moloi are options granted to Motjoli Resources (Pty) Ltd, of which the above members are Directors. The options were granted in the acquisition of 51% of Holfontein Investments (Pty) Ltd (1,812,254 options) and Baobab Exploration (Pty) Ltd (2,437,746 options).

The movement during the reporting period in the number of options over ordinary shares exercisable at \$1.25 cents on or before 30 September 2012 held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2006	Granted as remuneration	Exercised	Others Changes	Held at 30 June 2007
Directors			-		
Mr R Linnell	-	2,000,000	-	-	2,000,000
Mr S Farrell	-	5,000,000	-	-	5,000,000
Ms N Mazwai	-	-	-	-	-
Mr P Cordin	-	-	-	-	-
Mr S Bywater	-	-	-	-	-
Mr G Taggart	-	-	-	-	-
Mr N Moloi	-	-	-	-	-
Mr B Sergeant	-	-	-	-	-

All options vested on the date of issue. No options held by specified directors are vested but not exercisable.

Equity holdings and transactions of key management personnel

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each key management personnel including their personally-related entities, is as follows:

	Held at 1 July 2006	Granted as remuneration	Exercised	Others Changes	Held at 30 June 2007
Directors					
Mr R Linnell	801,550	-	-	-	801,550
Mr S Farrell	2,737,416	484,375	-	-	3,221,791
Ms N Mazwai ⁽¹⁾	-	-	-	-	26,499,895
Mr P Cordin	412,759	-	-	-	412,759
Mr S Bywater	-	-	-	-	-
Mr G Taggart	-	-	-	-	-
Mr N Moloi ⁽¹⁾	-	-	-	-	29,289,538
Mr B Sergeant	-	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

(1) Ms N Mazwai and Mr N Moloi are directors and shareholders of Motjoli Resources (Pty) Ltd which owns 20,920,970 shares. These shares have been included in each of their holdings.

Loans and Other Transactions with Directors and other Key Management Personnel

Details regarding loans outstanding at the reporting date from directors and other key management personnel are as follows:

- (1) Certain key management personnel have provided unsecured loans in the amount of R3,040,710 (2006: R11,697,976), bearing interest at 9.5% per annum. Repayments of the balance will occur when funds are available and can be delayed for a maximum of 5 years.
- (2) Nimag (Proprietary) Limited leases on arm's length terms and conditions, the head office building facilities from Gamin Properties (Pty) Limited, a company controlled by certain key management personnel, for a total of R49,641 (A\$8,751) per month.

Other Transactions with the Company or its Controlled Entities

A number of directors or their personally-related entities hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate expense recognised during the year relating to specified directors or their personally-related entities were \$72,750. Details of the transactions are as follows:

Specified Directors	Transaction	Note	2007 \$	2006 \$
Mr B Sergeant	Company secretarial fees	(i)	72,750	45,399

(i) The Company engaged Evolution Capital Partners to provide certain company secretarial, accounting and administrative services to the Consolidated Entity. Mr Sergeant is Managing Director of Evolution Capital Partners.

26. CONTROLLED ENTITIES

(a) Particulars in Relation to Controlled Entities

	Country of Incorporation	Owned % 2007	2006
GVM Metals Limited	Australia		
<i>Controlled Entities:</i>			
Baobab Exploration (Pty) Ltd	South Africa	100	-
Chromet (Pty) Limited*	South Africa	100	74
Cove Mining NL	Australia	100	100
Evoc Mining NL	Australia	100	100

Golden Valley Investments Pty Ltd	Australia	-	100
Golden Valley Services Pty Ltd	Australia	100	100
Greenstone Gold Mines NL	Australia	100	100
GVM Metals (Administration) South Africa (Pty) Ltd	South Africa	100	-
Holfontein Investments (Pty) Ltd	South Africa	100	-
Limpopo Exploration (Pty) Ltd	South Africa	74	-
Magberg Manufacturing (Pty) Limited*	South Africa	100	74
Magnimount Properties (Pty) Limited*	South Africa	50	37
Master Alloy Traders Limited	Jersey	100	100
Metalloy Fibres (Pty) Limited*	South Africa	100	74
NiMag Limited*	South Africa	100	74
NiMag (Pty) Limited	South Africa	100	74
PetroAsia NL	Australia	-	100

* Subsidiary companies of NiMag (Proprietary) Limited

Petro Asia NL was disposed of during the year for a nominal amount of A\$1.00 to reduce administration costs. The company had no assets or liabilities.

(b) Acquisition of Controlled Entities

2007

The company acquired the following controlled entities during the year under review:

	Country of Incorporation	Parent entity's investment		Percentage owned (%)	
		2007	2006	2007	2006
		\$	\$		
Limpopo Mining & Exploration (Pty) Ltd	South Africa	<u>8,741,250</u>	-	74	-

On 30 November 2006, the Company acquired 74% of Limpopo Mining & Exploration (Pty) Ltd for a consideration of \$8,741,250. Details of this transaction are:

Purchase consideration:

20,812,500 GVM shares at 42 cents per share	<u>8,741,250</u>
---	------------------

Fair value of assets held at acquisition date:

Mineral exploration tenements in the exploration phase	11,828,787
Loans payable	(16,287)
Outside Equity interest	<u>(3,071,250)</u>
	<u>8,741,250</u>

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with GVM equity	8,741,250
Cash consideration paid	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

Holfontein Investments (Pty) Ltd

South Africa 23,494,885 - 100 -

On 5 June 2007 the Company acquired 100% of Holfontein Investments (Pty) Ltd for a consideration of \$23,494,885. The equity and options were the consideration paid for 51 % and the cash consideration for the remaining 49%. Details of this transaction are:

Purchase consideration:

14,868,283 GVM shares at \$1.23 cents per share 18,228,143

1,812,254 GVM share options 1,435,306

Cash consideration 3,831,436

23,494,885

Fair value of assets held at acquisition date:

Mineral exploration tenements in the exploration phase 23,494,793

Preliminary expenses 92

23,494,885

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with GVM equity 19,663,449

Cash consideration paid 3,831,436

23,494,885

Baobab Exploration (Pty) Ltd

South Africa 33,135,208 - 100 -

On 5 June 2007 the Company acquired 100% of Baobab Exploration (Pty) Ltd for a consideration of \$33,135,208. Details of this transaction are:

Purchase consideration:

20,000,000 GVM shares at \$1.23 cents per share 24,519,500

2,437,746 GVM share options 1,930,694

Cash consideration 6,685,014

33,135,208

Fair value of assets held at acquisition date:

Mineral exploration tenements in the exploration phase 33,130,547

Accounts receivable 4,661

33,135,208

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with GVM equity 26,450,194

Cash consideration paid 6,685,014

33,135,208

Nimag (Pty) Ltd

South Africa

3,811,579

-

On 30 November 2006 the Company acquired the remaining 26% of Nimag (Pty) Ltd for a consideration of \$75,000 and 4,620,557 GVM shares. Details of this transaction are:

Purchase consideration:

4,620,557 GVM shares at \$0.40 cents per share

1,848,223

Cash consideration

75,000

1,923,223

Fair value of assets held at acquisition date:

Assets on hand

2,952,745

Discount on acquisition – adjusted against Goodwill on consolidation

(1,029,522)

1,923,223

Cash flow on acquisition of the Controlled entity:

Purchase consideration paid with GVM equity

1,848,223

Cash consideration paid

75,000

1,923,223**2006**

The company did not acquire any controlled entities during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
27. NOTES TO THE STATEMENT OF CASHFLOWS				
(a) Reconciliation of cash				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position.				
Cash at Bank	61,530,490	985,333	52,909,170	78,191
Bank Overdraft	-	(935,569)	-	-
	<u>61,530,490</u>	<u>49,764</u>	<u>52,909,170</u>	<u>78,191</u>
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities				
Profit/(Loss) from ordinary activities after income tax	(3,547,306)	(233,141)	(6,478,688)	(1,712,968)
<i>Add/(less) non- cash items:</i>				
Amounts set aside (reversed from) provisions	375,000	(112,735)	375,000	(1,042)
Bad debt expense	306,066	-	-	-
Depreciation/amortisation of property, plant and equipment	175,532	242,768	12,923	16,043
(Profit)/loss on disposal of property, plant and equipment	(3,350)	-	-	-
(Profit)/loss on disposal of equity investments	-	40,197	-	40,197
Dividends	-	-	(389,853)	-
Diminution in value of investments	1,673,280	4,325	1,673,280	4,325
Provision for non-recoverability of loans	-	-	-	-
Share of associates (profit) / loss	-	98,630	-	-
Share based payments	3,294,600	551,200	3,294,600	551,200
Foreign exchange loss – unrealised	629,033	-	629,033	-
<i>Change in assets and liabilities:</i>				
(Increase) in trade debtors and other receivables	(2,653,662)	(773,506)	(7,775)	(37,704)
(Increase)/Decrease in inventory	(2,274,094)	118,023	-	-
Increase/(Decrease) in creditors	3,637,717	129,480	(110,039)	160,045
Increase/(Decrease) in Tax Payable, FITB, PDIT	1,049,237	332,993	-	(4,560)
Net cash provided by / (used in) operating activities	<u>2,662,053</u>	<u>398,234</u>	<u>(1,001,520)</u>	<u>(984,464)</u>

(c) Cash and non-cash investing and financing activities

The Parent entity acquired the following interests during the year:

	Interest obtained	Cash paid for acquisition	Fair value of Equity issued for the acquisition	Fair value of Options issued for the acquisition
Nimag (Pty) Ltd	26%	A\$75,000	A\$1,848,223	-
GVM (Administration) South Africa (Pty) Ltd	100%	A\$949	-	-
Limpopo Mining & Exploration (Pty) Ltd	74%	-	A\$8,741,250	-
Holfontein Investments (Pty) Ltd	49%	A\$3,831,436	-	-
Holfontein Investments (Pty) Ltd	51%	-	A\$18,228,143	A\$1,435,306
Baobab Exploration (Pty) Ltd	50%	A\$6,685,014	-	-
Baobab Exploration (Pty) Ltd	50%	-	A\$24,519,500	A\$1,930,694

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

28. 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. Segment results, asset and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprises 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 Australia, South Africa & United Kingdom
Coal exploration	Coal projects in South Africa

Industry	Manufacturing		Investing		Coal exploration		Consolidated	
	\$		\$		\$		\$	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue								
Total segment revenue	61,895,491	32,290,688	699,871	49,916	-	-	62,595,362	32,340,604
Unallocated revenue	-	-	-	-	-	-	-	-
Total Revenue							62,595,362	32,340,604
Result								
Segment result	4,823,494	1,321,276	(6,667,583)	9,719	(1,703,217)	-	(3,547,306)	1,330,995
Share of net profit/(loss) of equity accounted investments	-	(98,630)	-	-	-	-	-	(98,630)
Unallocated items	-	-	-	-	-	-	-	(1,819,376)
Net Profit/(Loss)							(3,547,306)	(587,011)
Depreciation and amortisation	(162,237)	(226,725)	(13,295)	(16,043)	-	-	(175,532)	(242,768)
Provision for diminution in investment	-	-	(1,673,280)	(4,325)	-	-	(1,673,280)	(4,325)
Assets								
Segment assets	20,780,334	16,590,079	74,035,228	699,990	68,976,823	-	163,792,385	17,290,069
Unallocated corporate assets	-	-	-	-	-	-	-	3,296,857
Assets held for sale	94,596	94,596	-	-	-	-	94,596	94,596
Consolidated total assets							163,886,981	20,681,522
Liabilities								
Segment liabilities	10,949,438	11,069,343	1,716,909	1,950,825	342,078	-	13,008,424	13,020,168
Unallocated liabilities	-	-	-	-	-	-	-	-
Consolidated total liabilities							13,008,424	13,020,168

Geographical segments

The Consolidated Entity has equity interests in an exploration and mining company listed in the United Kingdom, an unlisted trading company in Jersey, one listed and one unlisted manufacturing company and three unlisted exploration companies in South Africa and a biotechnology company listed in Australia.

29. SUBSEQUENT EVENTS

The Company signed a Heads of Agreement to acquire 60% of Tshikunda Mining (Pty) Ltd which has the Prospecting Rights to 32,583 Ha in the Limpopo Province. The prospect is between GVM Baobab project and Exxaro Ltd's Tshikondeni coking coal mine. GVM will be required to pay R20 million (approximately A\$3.3 million) and commit up to R50 million (approximately A\$8.3 million) on exploration expenditure.

Other than that stated above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

30. CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2005–10: Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 4: Insurance Contracts AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per Share AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 Jan 2007	1 July 2007

31. COMPANY DETAILS

The registered office of the Company is:

GVM Metals Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000
Australia

The principal places of business are:

GVM Metals Limited
1st Floor, GVM House
Pinewood Office Park
33 Riley Street
Woodmead 2191
South Africa

Portion 33
Farm Steenkoppies
Rustenburg road
Magaliesburg
Gauteng
South Africa

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 30 to 72, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. 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.

Dated at London, United Kingdom this 29th day of September 2007.

A handwritten signature in black ink, appearing to read 'Farrell', with a stylized, flowing script.

Simon Farrell
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

MOORE STEPHENS

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

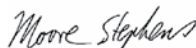
As lead auditor for the audit of GVM Metals Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of GVM Metals Limited and the entities it controlled during the period.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of September 2007.

Partners

Suan-Lee Tan
Syd Jenkins
Neil Pace

Moore Stephens ABN 75 368 525 284
Level 3, 12 St Georges Terrace, Perth, Western Australia, 6000
Telephone: +61 8 9225 5355 Facsimile: +61 8 9225 6181
Email: perth@moorestephens.com.au Web: www.moorestephens.com.au

An independent member of Moore Stephens International Limited - members in principal cities throughout the world

Paul Rengel
Ray Simpson
Ennio Tavani
Dino Travaglini

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GVM METALS LIMITED

MOORE STEPHENS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GVM METALS LIMITED

Report on the financial report

We have audited the accompanying financial report of GVM Metals Limited (the company) and GVM Metals Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 13 to 15 of the directors' report and not in the financial report.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: 'Presentation of Financial Statements', that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS. The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of GVM Metals Limited on 28th September 2007 would be in the same terms if provided to the directors as at the date of this auditor's report.

Partners

Suan-Lee Tan
Syd Jenkins
Neil Pace

Moore Stephens ABN 75 368 525 284
Level 3, 12 St Georges Terrace, Perth, Western Australia, 6000
Telephone: +61 8 9225 5355 Facsimile: +61 8 9225 6181
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Paul Rengel
Ray Simpson
Ennio Tavani
Dino Travaglini

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GVM METALS LIMITED

Auditor's opinion

In our opinion:

- a. the financial report of GVM Metals Limited and GVM Metals Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
- c. the remuneration disclosures that are contained in pages 13 to 15 of the directors' report comply with Accounting Standard AASB 124.



**NEIL PACE
PARTNER**



**MOORE STEPHENS
CHARTERED ACCOUNTANTS**

Signed at Perth this 28th day of September 2007.

Partners

Suan-Lee Tan
Syd Jenkins
Neil Pace

Moore Stephens ABN 75 368 525 284
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TENEMENT SCHEDULE

Tenements held by Controlled Entities:

Project Name	Tenement Number	Interest
Kanowna West*	M27/41	23.68%
	M27/47	23.68%
	M27/59	23.68%
	M27/72,73	23.68%
	M27/114	23.68%
	M27/181	21.31%
	M27/196	23.68%
	M27/206,207	<i>pending</i> 23.68%
	M27/224,225	<i>pending</i> 23.68%
	M27/227	<i>pending</i> 23.68%
	M27/414,415	23.68%
	M27/445	<i>pending</i> 23.68%
	P27/1113,1114	23.68%
	P27/1158-1162	23.68%
	P27/1164,1165	23.68%
	P27/1169-1175	23.68%
	P27/1546	23.68%
	P27/1826-1842	<i>pending</i> 23.68%
	P27/1887	<i>pending</i> 23.68%
Abbotshall Royalty	ML63/409,410	Royalty
Kookynie Royalty	ML40/061	Royalty
	ML40/135,136	Royalty
Holfontein	Holfontein 138 IS	100%
Baobab	Albert 686 MS	100%
	Ancaster 501 MS	100%
	Bekaf 650 MS	100%
	Castle Koppies 652 MS	100%
	Cavan 508 MS	100%
	Chase 576 MS	100%
	Cohen 591 MS	100%
	Enfield 521 MS	100%
	Fanie 578 MS	100%
	Fripp 645 MS	100%
	Joffre 584 MS	100%
	Jutland 536 MS	100%
	Kleinenberg 636 MS	100%
	Tanga 648 MS	100%
	Wildgoose 577 MS	100%
Limpopo	Overvlakte 125 MS	74%
	Bergen Op Zoom 124 MS	74%
	Semple 119 MS	74%
	Almond 120 MS	74%
	Voorspoed 836 MS	74%
	Riet 182 MS	74%
	Stayt 183 M8	74%

* These tenements are the subject of a joint venture (JV) arrangement with Barrick (PD) Australia Limited whereby Barrick have the right to earn a maximum of 60% interest having met certain criteria, including expended \$2 million in exploring the subject tenements. This would have the effect of reducing GVM's interest to a fully diluted position of 9.88%.

SHAREHOLDER INFORMATION

The following additional information is provided in compliance with Australian Stock Exchange Ltd requirements for listed public companies. This information is current as at 9 October 2007.

a. Distribution schedules

Shares: Ordinary fully paid

Shares Range	Holders	Units	%
1 - 1,000	532	272,591	0.13
1,001 - 5,000	728	2,061,778	0.99
5,001 - 10,000	267	2,188,519	1.05
10,001 - 100,000	329	10,855,815	5.22
100,001 - Over	108	192,571,818	92.60
Total	1,964	207,950,521	100.00

Unlisted Options: 17 May 2009 @ £0.34

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	786,751	100.00
Total	2	786,751	100.00

The following hold 20% or more of the Options in this class:

Mr Ian Christopher Ball	196,688
Mirabaud Securities Limited	590,063

Unlisted Options: 31 May 2009 @ £0.54

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1	555,575	100.00
Total	1	555,575	100.00

The following hold 20% or more of the Options in this class:

Mirabaud Securities Limited	555,575
-----------------------------	---------

Unlisted Options: 30 September 2011 @ \$0.50

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	10	13,500,000	100.00
Total	10	13,500,000	100.00

The following hold 20% or more of the Options in this class:

Mr Simon Farrell	4,000,000
Motjoli Resources	4,250,000

Unlisted Options: 30 September 2012 @ \$1.25

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	2	7,000,000	100.00
Total	2	7,000,000	100.00

The following hold 20% or more of the Options in this class:

Mr Richard Linnel 2,000,000

Mr Simon Farrell 5,000,000

b. Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares were 164.

c. Restricted securities

The Company currently has no restricted securities.

d. Other securities – Employee Option Scheme

The Company has not issued any options under Employee Option Scheme during the year.

e. Expired Options

75,000 Unlisted Options in the Company, not exercised, expired on 30 September 2006.

f. Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register as at 9 October are:

Shareholder	# of shares	% interest
Motjoli Resources (Proprietary) Limited	34,868,283	16.77
M&G Investment Funds (3)	26,107,000	12.55
M&G Investment Management Limited		
M&G Limited		
M&G Group Limited		
Prudential plc		
Global Coal Management plc	20,300,000	09.76
South African Coal Limited	17,200,000	08.27

g. Voting rights

Voting rights attached to ordinary shares are that upon poll, each share shall have one vote, and on show of hands every member present in person or by proxy shall have one vote.

SHAREHOLDER INFORMATION

h. Top holders

The 20 largest registered holders of each class of quoted securities as at 9 October 2007 were:

Fully paid ordinary shares

Name	No. of shares	%
Nortrust Nominees Limited	22,401,111	10.77
Motjoli Resources	20,920,970	10.06
South African Coal Limited	12,200,000	5.87
Credit Suisse Client Nominees (UK) Limited	11,445,000	5.50
Oryx Investment Management	9,222,657	4.44
Mr Nchakha Darius Moloi	8,368,388	4.02
Greenwood Nominees Limited	8,100,000	3.90
BBHISL Nominees Limited	7,928,800	3.81
Nutraco Nominees Limited	5,751,673	2.77
Mrs Nonkqubela Noloyiso Mazwai	5,578,925	2.68
Lavanren Nominees Pty Ltd	4,504,671	2.17
Goldman Sachs Securities (Nominees) Limited	4,500,000	2.16
Chase Nominees Limited	3,492,379	1.68
Citizens Administration Corp Pty Ltd	3,360,526	1.62
HSBC Global Custody Nominee (UK) Limited	3,350,000	1.61
JP Morgan Nominees Australia Limited	3,273,707	1.57
Clidet No 593 (Pty) Ltd	3,117,994	1.50
Prudential Client HSBC GIS Nominee (UK) Limited	2,894,971	1.39
The Bank of New York (Nominees) Limited	2,880,000	1.38
Nortrust Nominees Limited	2,838,327	1.36
	146,129,299	70.27

GVM

Metals Limited

Level 1, 173 Mounts Bay Road
Perth Western Australia 6000
Telephone: 61 8 9322 6776
Facsimile: 61 8 9322 6778
Email: adminau@gvm.com.au