

THE SOURCE OF ENERGY

FOR THE PEOPLE AND BUSINESSES OF BANGLADESH



CORPORATE STRATEGY

- GCM is primarily focused on and committed to the development of the Phulbari Coal Project (“the Project”) in Bangladesh. Through its contribution to energy security and power generation the Project will be a catalyst for significant and sustained economic growth
- GCM will strive to strengthen and develop the Group’s other investments and pursue other interests on a global scale, thereby adding to shareholder value
- Throughout its operations GCM is committed to meeting the strictest social and environmental standards and contributing to the sustainable development priorities of the countries where it operates
- GCM will utilise the wealth of experience and expertise of its management team by operating and managing projects



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COMPANY FINANCIAL STATEMENTS 2009

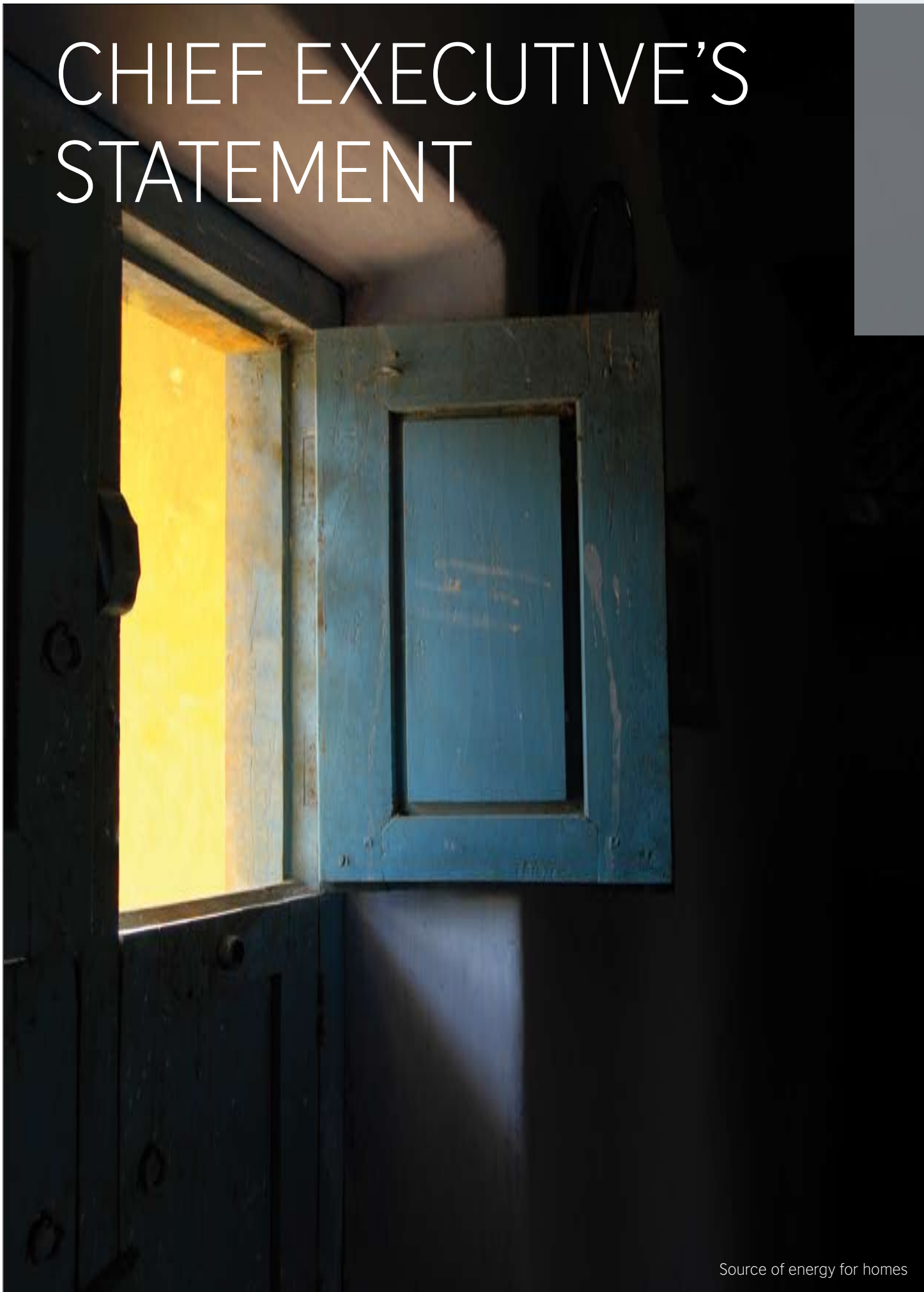
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GCM Resources plc ("GCM") is a London-based resource exploration and development company with its Phulbari Coal Project poised for development once the Government of Bangladesh provides approval. It also has a portfolio of investments in other junior mining and exploration companies. GCM's shares are quoted on the Alternative Investment Market ("AIM").

Ticker code : **GCM**

Source of energy for irrigation

CHIEF EXECUTIVE'S STATEMENT





Steve Bywater
Chief Executive

Phulbari Coal Project update

GCM Resources plc (GCM) remains fully committed to the Phulbari Coal Project (the Project) in Bangladesh. We believe it can provide the fastest, lowest risk and most reliable means of delivering the commercial energy required to bring a step-change in electricity access and availability for the people of Bangladesh.

The parliamentary elections held in Bangladesh on 29 December 2008 brought to an end a period during which the country was governed by Caretaker Governments under a state of emergency for almost two years. These democratic elections returned a government with an overwhelming majority and which publicly recognises the importance of energy security to the future development of Bangladesh. The provision of power and energy, including the development of coal mines and coal-fired power generation, was one of the five priority issues in the manifesto of the incoming Government.

Since the election, GCM has re-engaged and promoted the Project with the new Government and their advisors as they evaluate options to address the energy and electrical power shortfall that the country is experiencing.

We look forward to the Project receiving approval from the Government of Bangladesh and proceeding into the development phase.

Other investments

GCM has investments in a number of other junior mining companies. During the 2009 financial year we acquired an interest in Polo Resources Limited for £2.8 million and have continued to support joint venture activities with Aura Energy Limited in West Africa. In line with equity markets in general, and junior mining companies in particular, the value of our investments has fallen from the highs experienced in mid-2008 but overall, the market value of our listed investments is still double the cash we have invested.

Financial resources

As at 30 June 2009 GCM held cash of £1.4 million and listed equity investments of £20.2 million.

Financial results

The Group made a loss of £5.7 million after tax for the twelve months to 30 June 2009 (2008: profit of £0.9 million). An impairment charge of £5.6 million has been incurred, predominantly in relation to some of the Group's listed equity investments. The profit for 2008 included £2.5 million profit on the deemed disposal of GCM's investment in CCEC Ltd on its takeover by Regent Pacific Group Limited.

Evaluation expenditure relating to the Phulbari Coal Project was £2.8 million for the year to 30 June 2009 (2008: £2.5 million).

Our people

GCM values its employees and their contribution to the Company's development and growth. On behalf of the Board I would like to thank all our employees for their hard work and commitment over the last twelve months.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'S Bywater'. The signature is stylized and cursive.

Steve Bywater

23 September 2009

PHULBARI COAL PROJECT CONTEXT

Introduction

The Phulbari Coal Project (the Project) is a landmark project for Bangladesh. It embodies a unique opportunity to contribute to the energy security of one of the world's most populous countries while also being a catalyst for wider economic and social development. The Project is located in one of the least developed regions of the country. GCM will continue to manage the Project's social and environmental risks and engage with government, civil society and other stakeholders to ensure that the Project brings significant improvements to the living conditions and livelihoods of a large number of people, especially those living in the immediate Project area.

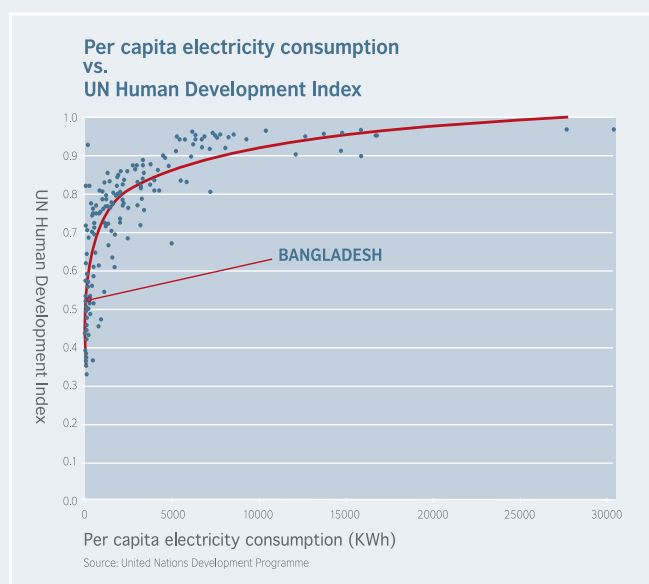
To fully understand the strengths, impacts and benefits of the Project it is necessary to understand the context in which it will be developed.

Bangladesh

Bangladesh is one of the most densely populated countries in the world with 160 million people living in an area two thirds the size of the United Kingdom. Less than one third of its population live in cities while the majority live in the rural areas relying on a predominantly subsistence lifestyle. According to the World Bank over 80% of the population survive on the equivalent of less than US\$2 a day and GDP per capita is around US\$1,500 per annum compared to the world average of US\$10,400.

Bangladesh is a country of enormous potential. It has the eighth largest work force in the world and is included in the "Next Eleven" countries that, after the BRICs (Brazil, Russia, India, and China), were identified by Goldman Sachs as having the potential to become the world's largest economies in the 21st century. It has enjoyed more than 6% economic

Source of energy for lighting streets



growth in real terms over the last five years as well as substantial improvements in measures of human development. For example, between 1980 and 2006 life expectancy improved from 48 years to 63 years and literacy rates improved from 29% to 53%.

It is one of the most climate vulnerable countries in the world with a significant proportion of the population living in remote or ecologically fragile areas such as river islands or in cyclone prone coastal areas. Most of the country consists of one of the largest river deltas in the world and two thirds of the country is less than five metres above sea level making it vulnerable to the predicted effects of climate change. The Bangladesh Government has invested heavily in physical measures and disaster management plans to increase its resilience to natural disasters and has also developed a climate change strategy. The medium term focus of this strategy is to adapt to the effects of climate change; a challenging task that will benefit from a strong and growing economy.

Electricity & human development

It is widely accepted that the availability of electricity is a necessary condition for sustainable economic and human development. According to the United Nations Development Programme greater access to electricity can improve nutrition, health facilities, education levels, water quality and sanitation.

The chart above shows the relationship between the availability of electricity in a country and its United Nations Human Development Index (UNHDI). The UNHDI is a generally accepted measure of human development incorporating measures of life expectancy, GDP per capita and education. For countries such as Bangladesh with relatively low per capita electricity consumption, small increases in electricity consumption are associated with substantial improvements in UNHDI.

Electricity generation in Bangladesh

Bangladesh is confronting an ever worsening energy and power crisis. The country's electricity generation of 3,800-4,200MW is inadequate for its current demand of 4,200-5,500MW. The majority of Bangladeshis do not have access to electricity and those that do experience frequent blackouts. The frequency of blackouts is also hampering the efficiency of existing industries and agriculture, and is a barrier to their expansion and the development of new industries.

The Government has linked the country's prosperity and the attainment of the Millennium Development Goals to achieving annual GDP growth rates of 8-10%. In order for economic growth to continue at even 6%, a 50% increase in electricity generation is needed within the next five years.

There are two significant naturally occurring sources of energy in Bangladesh; coal and natural gas. Natural gas is currently the country's main source of commercial energy, with 90% of electricity generation reliant on gas. However, the gas reserve is rapidly depleting and supply cannot meet current demand. With no recent gas field discoveries in Bangladesh and a growing demand for energy and electricity, the Government is pursuing diversification of its energy sources.

There are enormous coal reserves in Bangladesh that are, as yet, largely untapped. The estimated 2.9 billion tonnes coal resource is equivalent in energy terms to over five times the current proven and probable natural gas reserves in Bangladesh. The Phulbari coal deposit represents the country's largest proven coal resource and is the only coal mining project in Bangladesh that has been subject to a full Environmental and Social Impact Assessment (ESIA) and Feasibility Study in preparation for development. It could support a power generating capacity of some 4,000MW.

PHULBARI COAL PROJECT OVERVIEW



The Phulbari Coal Project has the means for delivering a significant increase in commercial energy and availability of electricity for the people of Bangladesh.

The coal mine should be viewed as one component of a wider Phulbari Energy Development Project, which also includes a 2,000MW mine mouth power plant, upgraded transmission lines connecting to major cities and associated regional infrastructure development.

Resource

GCM has established a world class coal resource of 572 million tonnes (JORC compliant) near the town of Phulbari in North West Bangladesh.

The growing domestic market and proximity to expanding Asian markets adds to the Project's competitive advantage and economic sustainability. High quality thermal coal represents 63% of the resource with low ash metallurgical coal, also known as semi-soft coking coal making up 21%. The remaining thermal coal is good quality and will be much sought after for the domestic industrial market.

The coal will be extracted by the open cut mining method using trucks and hydraulic excavators as this is the safest and most efficient approach for the thick Phulbari coal seams and general geological conditions. Open cut mining is an established mining method and will enable maximum extraction of the coal seams along with progressive land rehabilitation and restoration of agricultural activities. In addition to coal, a variety of valuable co-product industrial minerals will be recovered from the overburden which is removed in advance of coal excavation.

The coal seam thickness varies between 20-65 metres at depths between 165-270 metres and 99% of the open cut mining reserve is contained in two close, thick coal seams separated by a five metre band of sediments. The average strip ratio of 7.4 bcm per recoverable coal tonne is highly competitive.

Ownership

BHP Minerals International Exploration Inc (BHP) entered into a contract with the Government of Bangladesh in August 1994, giving it the right to explore, develop and mine coal in Northern Bangladesh. In February 1998 the contract was assigned to GCM's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited with the endorsement of the Government. GCM has fulfilled all its obligations under this legally binding contract and a mining lease was granted in 2004.

Current project status

GCM has invested over £25 million in the Project to 30 June 2009, in preparing the Feasibility Study, Scheme of Development, ESIA, Management Action Plans and more recently extensively explaining the Project to a wide range of stakeholders in Bangladesh.

The Department of Environment approved the Project's Environmental Impact Assessment in September 2005. The Project's Feasibility Study and Scheme of Development report was submitted to the Government on 2 October 2005 for approval. GCM has also delivered to the Government a proposal for developing a coal-fired power station with up to 1,000MW capacity at the mine site and subsequently a capacity increase to 2,000MW has been considered.

The approval of the Feasibility Study and Scheme of Development has been delayed by political and social uncertainty arising in the 2006/07 election year which continued into the period when Bangladesh was governed under a state of emergency by Caretaker Governments. The elections held in December 2008 returned a new democratic Government with a significant majority and a stated intention to address the country's energy and power problems which are impeding economic development.

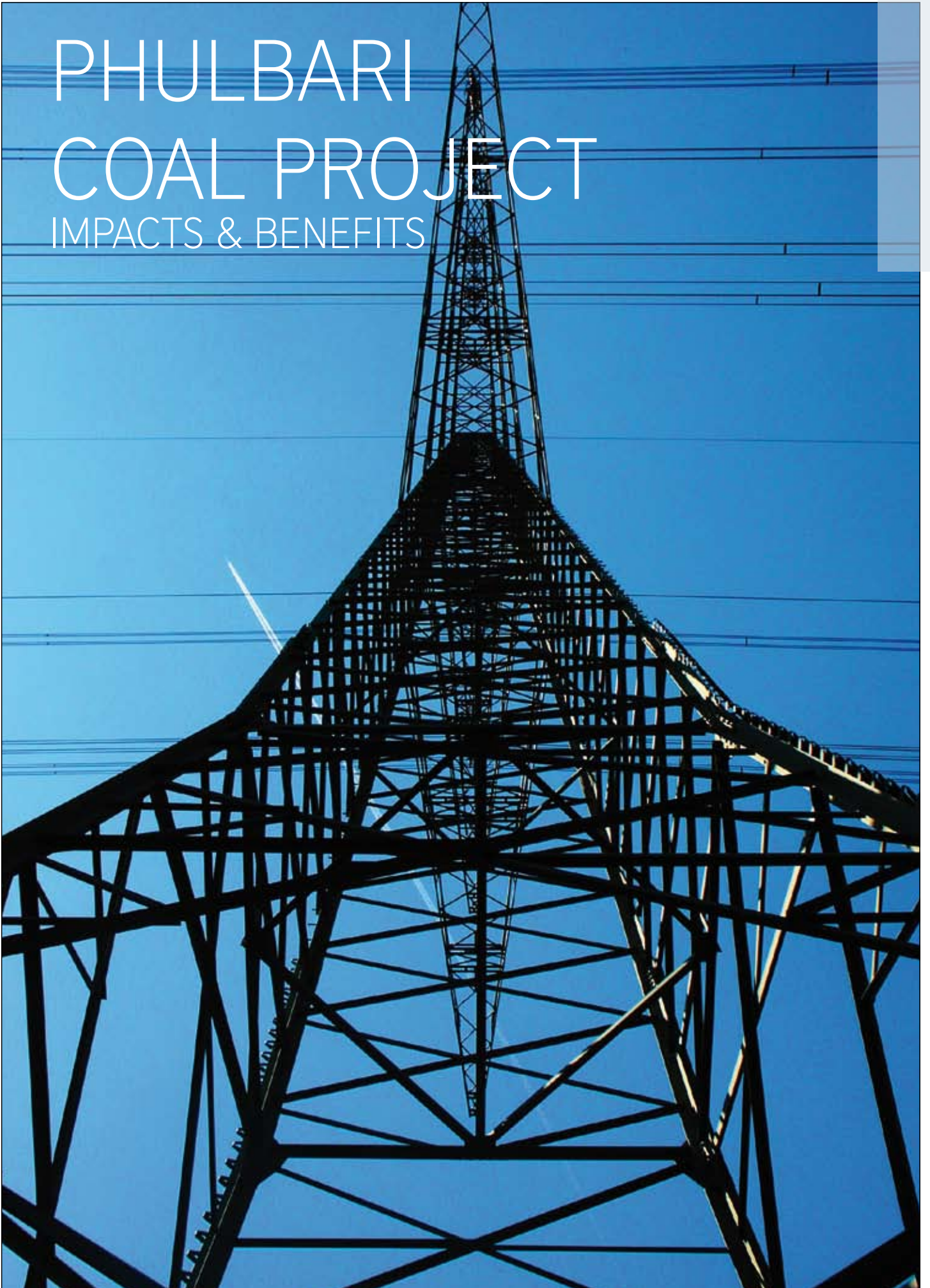
Project economics

The Phulbari deposit is conducive to a long life, low cost mining operation. The production costs will be in the lowest quartile of industry cost curves for both thermal coal and semi-soft coking coal. Substantial initial investment, relating to equipment costs, site preparation, box cut development, and initial resettlement and other community programmes, will take place over a three year period leading up to the commencement of commercial coal production. The ramp up to saleable coal production of 15 million tonnes per annum will take a further five years.

The combination of high quality export grade coal, a large coal resource, thick seams, highly competitive average stripping ratio, low operating costs, a project life of over 30 years and easy access to domestic and international markets make Phulbari a world class coal project.

PHULBARI COAL PROJECT

IMPACTS & BENEFITS



The Project represents a major foreign investment delivering energy and power to Bangladesh, bringing with it new jobs and local business development, training opportunities, large revenue flows to the Government and its agencies and significant opportunities for broader economic and social development both nationally and at the local level.

NATIONAL

Energy Security

The largest single Project benefit is the contribution to addressing Bangladesh's energy and power crisis. Government approval of the Project would lead to a new source of energy for Bangladesh which within four years could be supplying new power stations, helping to address the chronic shortage of electricity. Energy security is essential for the achievement of the Government's planned GDP annual growth rates. These are aimed at increasing prosperity and alleviating poverty, as laid out in the Government's Vision 2021 and Millennium Development Goals. It could also free up gas that would otherwise be used in power generation for more strategic uses such as fertilizer production.

Economy

In early 2006, GCM commissioned an independent study on the anticipated economic impacts of the Phulbari Coal Project. This study estimated that the Project would increase GDP by 1% and, based on an average coal price of US\$50 per tonne, deliver revenues of approximately US\$7 billion to the Government over the Project's life in service charges, royalties and taxes. To put this in perspective the tax revenue earned by the Government for the 2008-09 fiscal year was US\$7.9 billion.

The Project will also have a positive impact on the balance of payments as it will reduce the need to import coal and other hydrocarbons. Based on an estimated annual coal import of 5 million tonnes, the direct foreign expenditure saving would amount to US\$250-300 million per year. Listing on the Dhaka Stock Exchange would also provide an opportunity for local equity participation.

Infrastructure

The improved infrastructure necessary to support the Project will provide a catalyst for further development. For example, the fees paid for the transport of coal on the domestic rail network will finance the necessary network upgrades that would then be available to other rail users. Similarly the import of equipment for the mine and export of coal surplus to the domestic market will provide the impetus for improved port facilities.

REGIONAL

By their nature, mining operations can have a significant effect on the environment and communities in which they take place and managing these impacts is of critical importance to the long term success of any mining project. The potential impacts of the Project have been extensively studied and subjected to external review.

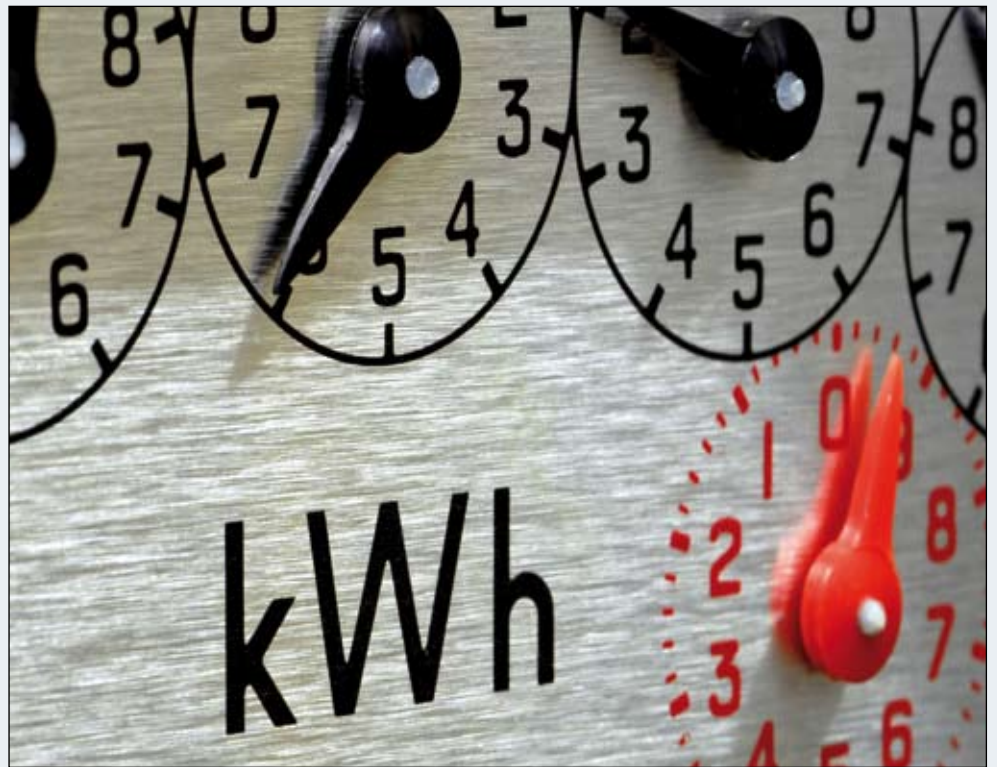
Resettlement

One of the Project's most significant impacts is the proposed resettlement over a 10 year period of approximately 40,000 people, including around 2,300 indigenous people. Wherever possible the impact on people will be avoided. Indeed, the original mine footprint was revised during the feasibility study to reduce the number of people who will be affected.

Where resettlement does occur, GCM will ensure that no one will be worse off and that each person adversely affected will be fairly and fully compensated. Specifically:

- Those who will be 'physically displaced' (resettled) will have their living conditions improved;
- A choice of resettlement options will be provided;
- Those who will be 'economically displaced' will have their livelihoods restored and, in many cases, also improved;
- Preferential employment opportunities will be given to those affected;
- The special circumstances and needs of indigenous people are incorporated into an Indigenous Peoples Plan; and
- A grievance mechanism will be established to ensure that communities can have any concerns addressed.

As part of the Resettlement Plan, GCM will be constructing a new western extension to Phulbari Township as well as a number of new resettlement villages in the area. The new resettlement sites will have improved services and infrastructure including electricity, the provision of sanitation and reticulated water supply and storm-water drainage. New schools, religious centres and medical centres will also be built.



Environment

The physical impacts of GCM's field activities to date have been limited to drilling 108 exploration holes together with associated hole-capping and site restoration. Landowners were consulted throughout the drilling operations and appropriately compensated. All of GCM's other activities, involving analysis, evaluation and preparation of social and environmental base line studies, have had no impact on the environment. Once operational the potential adverse environmental impacts of mining, such as dust, noise and water, will be closely monitored and mitigated against.

Open pit mining at Phulbari requires the ground water level at the mine site to be drawn down to maintain dry working conditions. This is a common activity in open pit mines around the world and will be achieved by pumping water continuously from deep tube wells (bores) around the mine area. Some water will then be injected into the ground at a distance from the mine so that ground water levels are not unduly affected in surrounding areas. The Phulbari Water Management Plan proposes a detailed reticulation system which will ensure that high quality water will be made available to the community for drinking, agricultural irrigation, and use by local businesses.

Water will also be released in a controlled manner into seasonal water courses, rivers and wetlands to preserve the environment.

There will also be some environmental benefits as a result of GCM's Project:

- A forest will be established and a wildlife corridor created to the remnant Ashoorar Beel (wetlands)
- The increased access to electricity will reduce the use of tree biomass for energy, thereby assisting with the preservation of biodiversity and improving regional and local air quality
- Improved quality of surface water due to better sanitation facilities

Furthermore, at present Bangladesh imports around five million tonnes of poor quality thermal coal with very high sulphur content. This coal is the main source of energy for the country's numerous brick kilns and replacing this coal with the high quality coal found at Phulbari will significantly improve air quality.



Source of energy for agriculture

Agriculture

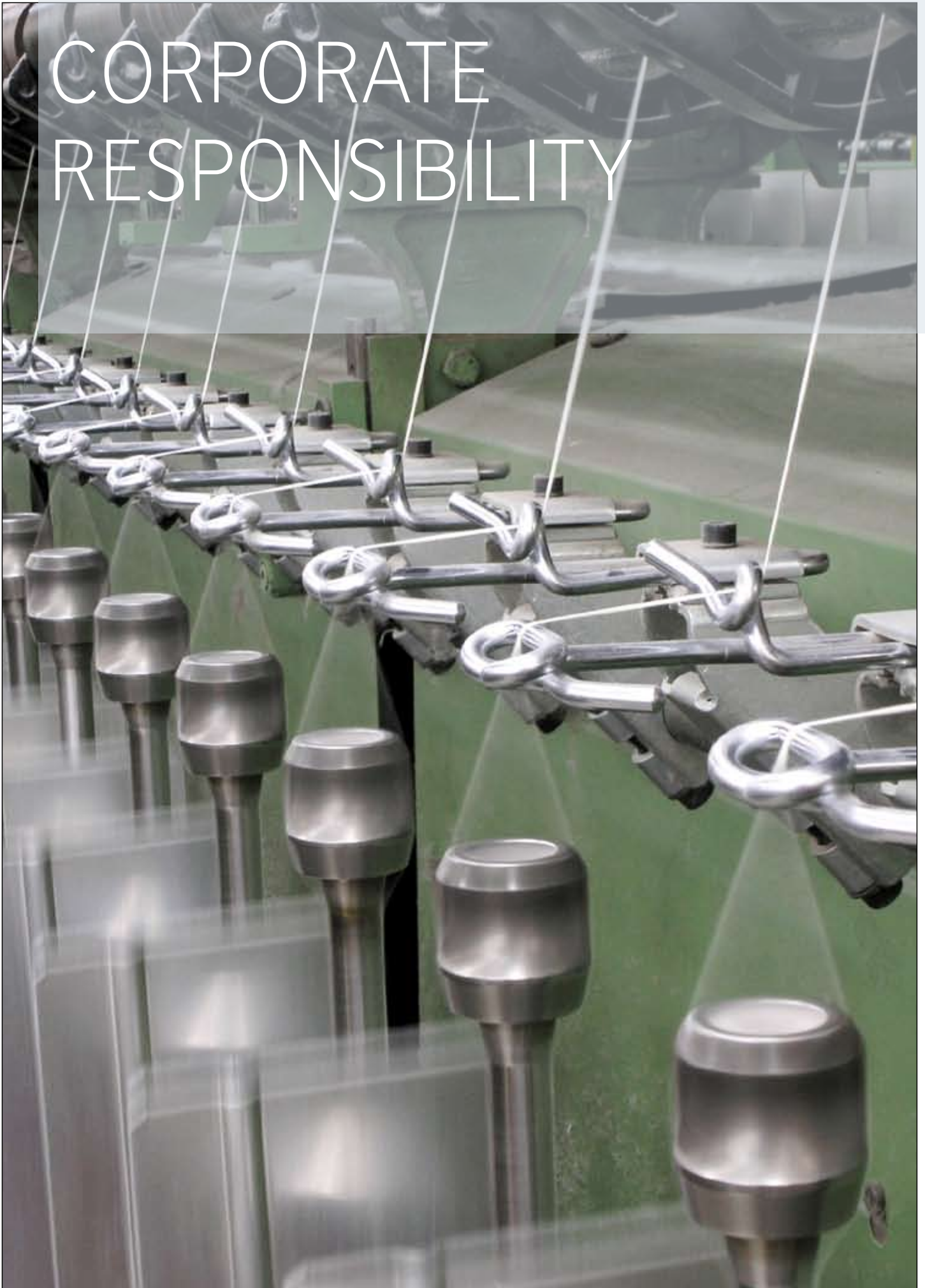
Over the life of the Project the mine footprint will occupy some 5,200 hectares although at any one time only a third will be actively mined and the rest will either still be cultivated (prior to mining) or rehabilitated back to productive use (post mining).

The farming community in the Phulbari area currently faces a number of challenges including a lack of power for irrigation pumps, shortages of fertiliser and poor quality inputs. Drawing on lessons learned through the agricultural programmes developed during the feasibility study, and working with local partners, GCM has developed an Agriculture Improvement Plan. This will deliver an additional crop per year and higher yields per crop. Rice production alone will more than double as a result. Specific measures include availability of water for year round irrigation, training and improved farming practices, moves to higher yield and higher value crops and improved inputs (seeds and fertilisers) including the provision of bio-fertiliser to reduce the dependence on pesticides and other chemicals.

Job creation

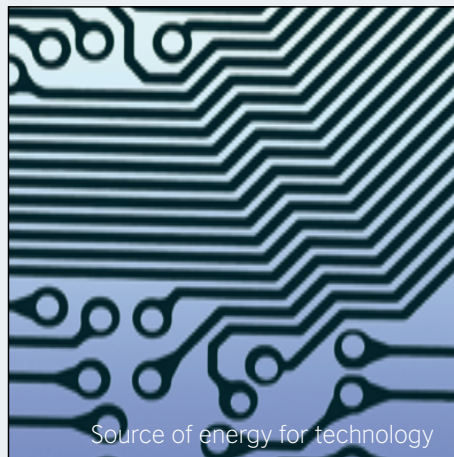
According to an independent study on the anticipated benefits of the Project, the Project will create an estimated 17,000 new jobs (both direct and indirect) and preferential employment policies will be applied to maximise the benefits to the region and the country. The use of Phulbari coal in power generation, combined with the co-products from the mine including sand, gravel, china clay and rock aggregate, have the potential to support many spin-off industries involving the creation of a significant number of new jobs.

CORPORATE RESPONSIBILITY

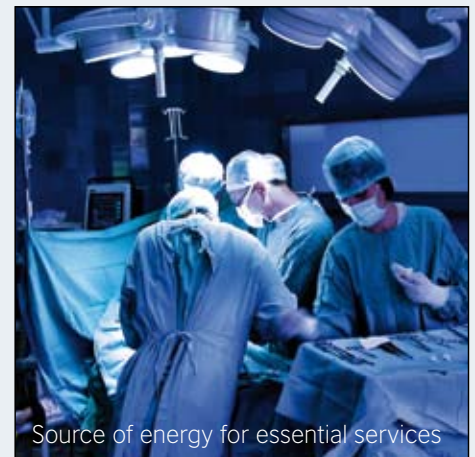




Source of energy for education



Source of energy for technology



Source of energy for essential services

The effective management of social and environmental risks is an essential component of any successful mining project. In the case of the Phulbari Coal Project, the Board and management recognise that value can only be created for our shareholders if social and economic benefits are produced and the environment protected at a national, regional and local level. In partnership with Government, civil society and the community, GCM will develop the Phulbari Coal Project, and any other project under its control, to the highest international social and environmental standards.

In addition to compliance with applicable national laws, GCM has committed to comply with the following external standards:

Equator Principles

The Equator Principles are a set of benchmarks for managing environmental and social impacts. Many commercial banks require that their clients meet the Equator Principles as a precondition to development project finance. Anticipating this, GCM ensured that its activities, including the preparation of the Feasibility Study, the ESIA and its associated Management Plans complied with the Equator Principles.

The Equator Principles cover:

- The preparation of ESIA's
- The mitigation, management and monitoring of identified impacts through Social and Environmental Management Plans
- Consultation with stakeholders, including non-governmental organisations and project affected people
- Requirements for an independent review of the ESIA and management plans

These standards and best practices have continued to evolve and upon approval of the Project there will need to be some minor updating of the ESIA and management plans to bring them into line with current standards.

IFC Performance Standards

The Equator Principles are, in part, based upon the International Finance Corporation's Performance Standards on Social and Environmental Sustainability. There are eight different Performance Standards which relate to different issues such as Involuntary Resettlement and Land Acquisition and Indigenous Peoples. In each case, the first principle is to avoid any adverse impacts and where this is not possible, to mitigate against these. For example where resettlement cannot be avoided, the standards require project developers to improve or at least restore the livelihoods of displaced persons and to improve their living conditions through provision of adequate housing with security of tenure.

United Nations Global Compact

In January 2009, GCM became a signatory to the UN Global Compact (UNGC), and shortly thereafter joined the UK Network and Bangladesh Local Network of the UNGC. In doing so, GCM has agreed to embrace, support and enact, within its sphere of influence, a set of principles in the areas of human rights, labour standards, the environment and anti-corruption. The ten principles of the UNGC are consistent with the core values of GCM. A full 'Communication On Progress' report, expected of all participants of the UNGC, will be included in our 2010 annual report.

BOARD OF DIRECTORS

Board of Directors

The Executive Directors of GCM have all held senior management positions in large coal mining operations developed and operated to the highest international standards. In addition, the Non-Executive Directors have a wealth of experience in financing and supporting junior mining companies through periods of significant growth. Collectively they have over 150 years of international experience in mine development, mine management and project finance. Upon approval, the existing GCM team will be augmented as necessary to support project development.

Executive Directors

STEVE BYWATER (Chief Executive) Steve has had a distinguished career in the resources industry, developing and operating a total of 14 large-scale open pit mining operations. Before joining GCM in January 2006 he was Chief Operating Officer of Rio Tinto Coal Australia where he oversaw seven mining operations, producing 60 million tonnes of coal per year. He was previously General Manager Operations for Robe River Mining, General Manager Mine Operations for Rio Tinto's Hamersley Iron operations and General Manager at Mount Isa Mines in both Mining and Metallurgical Operations. Steve has a BSc in Engineering Geology and Geotechnics from Portsmouth University and a MSc in Rock Mechanics and Excavation Engineering from Newcastle-Upon-Tyne University. He is a Fellow of both the Australasian Institute of Mining and Metallurgy and the Australian Institute of Management. Steve is also a Director of Coal of Africa Limited.

BILL MCINTOSH (Executive Director - Technical) Bill is a widely respected mining engineer with more than 36 years international experience during which he has played key roles in mining projects in Colombia, Indonesia, Zimbabwe, Argentina, India and Australia. He has worked in Asia for more than ten years including as General Manager – Mining and Acting Managing Director for PT Kaltim Prima Coal, an open pit mining operation in Indonesia with annual production of more than 20 million tonnes of coal. Bill has a mining engineering degree from the University of Melbourne and a MSc in Mining from Queen's University in Canada. He is a member of the Australasian Institute of Mining and Metallurgy as well as being a Chartered Professional (Management).

GRAHAM TAGGART (Finance Director and Company Secretary)

Graham has 27 years experience in the resources industry, mainly with Rio Tinto. Prior to joining GCM, Graham was Chief Financial Officer and Company Secretary for Rio Tinto Coal Australia, a group consisting of seven mining operations producing over 60 million tonnes of coal per year. He was previously General Manager – Commercial and Chief Financial Officer for PT Kaltim Prima Coal (annual production more than 20 million tonnes of coal) and Director of Finance for PT Kelian Equatorial Mining (annual production of 500,000 ounces of gold) both Indonesia based. Graham is a qualified Chartered Accountant.

Non Executive Directors

GERARD HOLDEN (Non-Executive Chairman) Prior to joining GCM as Chairman in 2006 Gerard had worked for over 20 years for Barclays Capital during which, as Managing Director and Global Head of Mining and Metals, he was instrumental in building Barclays Capital into a leading position in the Mining and Metals community around the world. Gerard provides advisory services to the global natural resources sector and was appointed as a Non-Executive Director of MMC Norilsk Nickel during the year. Gerard has a BSc in Chemical Engineering from University College London and he is an Associate of the Chartered Institute of Bankers.

STEPHEN DATTELS (Non-Executive Director) Stephen was appointed to the Board of GCM on 28 April 2009. He has founded and financed a number of mining ventures including Uramin which was sold in July 2007 for \$2.5 billion. Previously he was an executive at Barrick Gold Corporation during its formative years when it grew from a capital base of \$10 million to a market capitalisation of \$2 billion when he left in early 1987. Stephen has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University. He is the Executive Chairman of Polo Resources Limited which owns a 29.8% interest in GCM.

GREG JAMES (Non-Executive Director) Greg was appointed to the Board of GCM on 25 August 2009. He was previously CEO of Central Rand Gold Limited including the period of significant growth leading up to its listing on the London Stock Exchange in November 2007. Previously he held a number of roles with Glencore including Chief Financial Officer of its Coal Division. In addition to his commercial expertise he also has experience of developing comprehensive community programmes and managing relationships with a wide range of stakeholders.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 June 2009.

Principal activities

GCM Resources plc (GCM) was incorporated as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The Company's principal activities are that of a holding company and, through its subsidiaries, development of the Phulbari Coal Project in Bangladesh and investments in companies working in Bangladesh, China, Africa, Australia and Sweden.

Business review

Corporate

Mr Gary Lye resigned from the Board of the Company on 11 March 2009, to be Chairman of Asia Energy Corporation (Bangladesh) Pty Limited, GCM's subsidiary based in Bangladesh. Gary is now focusing exclusively on the Phulbari Coal Project.

Mr Stephen Dattels was appointed to the Board on 28 April 2009 as Non-Executive Director. Stephen has extensive experience of funding and supporting junior mining companies through periods of substantial development and growth. Stephen is currently the Executive Chairman of Polo Resources Limited, which owns 29.8% of the current issued share capital of GCM and of which GCM owns 4% of the current issued share capital. He is also the Non-Executive Co-Chairman of Regent Pacific Group Limited of which GCM owns 1.8% of the current issued share capital.

Mr David Lenigas resigned on 25 June 2009 from his position of Non-Executive Director. David has had a long history with GCM, being the founding Joint Manager Director from November 2003, and has made an invaluable contribution to the Company.

Mr Greg James was appointed to the Board on 25 August 2009 as Independent Non-Executive Director. He was previously CEO of Central Rand Gold Limited including the period of significant growth leading up to its listing on the London Stock Exchange. In addition to his commercial expertise he also has experience in developing comprehensive community programmes and managing relationships with a wide range of stakeholders.

Phulbari Coal Project

GCM remains fully committed to the Phulbari Coal Project (the Project) in Bangladesh. We believe it can provide the fastest, lowest risk and most reliable means of delivering the commercial energy required to bring a step-change in electricity access and availability for the people of Bangladesh.

The parliamentary elections held in Bangladesh on 29 December 2008 brought to an end a period during which Bangladesh was governed by Caretaker Governments under a state of emergency for almost two years. These democratic elections returned a government with an overwhelming majority and which publicly recognises the importance of energy security to the future development of Bangladesh. The provision of power and energy, including the development of coal mines and coal-fired power generation, was one of the five priority issues in the manifesto of the incoming Government.

Since the election, GCM has re-engaged and promoted the Project with the new Government and their advisors as they evaluate options to address the energy and electrical power shortfall that the country is experiencing.

We look forward to the Project receiving approval from the Government of Bangladesh and proceeding into the development phase.

Investments

GCM purchased a 4% interest in Polo Resources Limited during September and October 2008 for £2,800,000, and increased its investment in Aura Energy Limited by £248,000.

In line with equity markets in general and in particular junior mining and exploration companies, the market valuation of GCM's investments declined significantly during the first half of the financial year before partially recovering by the financial year end. As at 30 June 2009 the value of listed equity investments was £20,197,000, almost double the cash invested.

Coal of Africa Limited and Polo Resources Limited have recently announced first production from coal projects in South Africa and Mongolia, respectively, while continuing to explore and evaluate their other projects. Polo Resources Limited has invested in a number of companies with uranium exploration projects in Africa, Spain and Australia.

Regent Pacific Group Limited and Aura Energy Limited (Aura) continue to advance their coal and uranium projects, respectively. Aura raised A\$2.2 million through a share purchase plan and share placement.

The GCM and Aura alliance has successfully identified a number of prospective uranium projects in Western Africa. As a result GCM and Aura have formed joint ventures relating to four Mauritanian exploration licence areas.

Peoplestel, in which GCM has a 37% interest, has a licence to operate fixed, wireless local loop along with voice data, image and all forms of telecommunications services in Bangladesh. It continues to pursue its objective of providing reliable, widespread, convenient and cost effective telephone services to the people in Bangladesh irrespective of where they live.

Corporate Responsibility

The successful management of social and environmental risks is intrinsic to the success of any mining project. GCM is committed to undertaking its activities in accordance with the highest international social and environmental as well as operational standards. For detailed information please refer to page 14.

Financial review

The Group made a loss of £5,692,000 after tax for the year ended 30 June 2009 (2008: profit of £864,000). An impairment charge of £5,563,000 has been incurred, predominantly in relation to some of the Group's listed equity investments. The profit for the 2008 comparative period includes £2,486,000 book profit on the deemed disposal of GCM's investment in CCEC Ltd on its takeover by Regent Pacific Group Limited.

Evaluation expenditure relating to the Phulbari Coal Project was £2,861,000 for the year ended 30 June 2009 (2008: £2,494,000).

GCM held £1,355,000 in cash and £20,197,000 in listed equity investments as at 30 June 2009. The financial position of the Group as at 30 June 2009 was £51,541,000 in net assets (2008: £73,376,000). The decrease in net assets was mainly due to the fall in value of the listed investments.

Dividends

The Directors did not recommend the payment of a dividend.

Going concern

Based on a review of the Group's budgets and cash flow plans, the Directors are satisfied that the Group has sufficient resources to continue its operations and to meet its commitments for the foreseeable future. The financial statements have therefore been prepared on the going concern basis. Refer to note 1 for further information.

Future outlook

The Group is fully committed to the Phulbari Coal Project. GCM continues to re-engage with the Government of Bangladesh and other stakeholders to move the Project forward. Upon approval of the Project funding will be sought, and the mine developed.

Until approval is granted, GCM will continue to actively review other opportunities where possible with a view to increasing shareholder value.

Directors

The Directors who served during the year:

	Appointed	Resigned
Executive Directors		
Steve Bywater	10 February 2006	-
Graham Taggart	3 April 2006	-
Gary Lye	10 November 2005	11 March 2009
William McIntosh	20 December 2004	-
Non-Executive Directors		
Gerard Holden	9 May 2006	-
David Lenigas	5 November 2003	25 June 2009
Stephen Dattels	28 April 2009	-

Amounts paid for Directors' fees and services for the year ended 30 June 2009 was:

	Directors fees £	Services £	Total £	2008 £
Executive Directors				
Steve Bywater	173,247	413,738	586,985	569,302
Graham Taggart	79,444	263,440	342,884	378,042
Gary Lye	18,950	77,600	96,550	131,613
William McIntosh	31,755	127,310	159,065	171,037
Non-Executive Directors				
Gerard Holden	31,755	56,004	87,759	87,795
David Lenigas	31,755	36,000	67,755	67,791
Stephen Dattels	5,132	-	5,132	-
Neil Herbert	-	-	-	7,443
Total	372,038	974,092	1,346,130	1,413,023

Services provided by Directors included technical support, management and consulting services.

The Directors who held office at 30 June 2009 had the following interests in the ordinary shares and options of the Group:

	2009 Shares	2009 Options	2008 Shares	2008 Options
Executive Directors				
Steve Bywater	-	1,000,000 ⁽¹⁾	-	1,000,000
Graham Taggart	-	500,000 ⁽¹⁾	-	500,000
William McIntosh ⁽²⁾	25,000	-	25,000	25,000
Non-Executive Directors				
Gerard Holden	46,666	200,000 ⁽¹⁾	46,666	200,000
Stephen Dattels	-	100,000 ⁽³⁾	-	-

(1) Exercise price of £1.35, expiry date 29 November 2011.

(2) Conditional shares are held by William McIntosh (2009 and 2008: 80,000).

(3) Exercise price of £0.66, expiry date 3 years from vesting date.

Employees

The Group is committed to ensuring open communication with employees in matters that affect them.

A bonus payment scheme is in place in the Bangladesh subsidiary to strengthen employees' involvement and commitment to the Project.

On 16 July 2009 conditional shares were allotted to certain Directors, employees, consultants and associates of GCM or their nominees. Shares will be issued on the achievement of certain milestones, including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project.

Substantial shareholdings

As at 16 September 2009 the Group was aware of the following substantial interests or holdings of 3% or more of the voting rights of the ordinary called-up share capital of the Company.

	Number of Shares	% of Issued Capital
Polo Resources Limited	15,216,588	29.83
Luxor Capital Group	8,768,795	17.19
MN Services NV	2,611,256	5.12

Principal risks and uncertainties

The Group operates in the mining industry, and in politically changing and unstable regions. These both carry inherent risk associated with them. Not all can be controlled or mitigated by the Group, but at times may have an impact on the performance and reputation of the Group.

The Directors believe that the following, although not exhaustive, to be the key risks facing the Group.

Political instability in the regions in which we are operating and investing

The Group is awaiting approval of the Scheme of Development for the Phulbari Coal Project. An inherent risk associated with this is timing of and/or gaining government approval. While awaiting a decision we are actively reviewing new investment opportunities in other regions.

We review all potential investment opportunities and perform a risk assessment to ensure the political, environmental and social risks are identified. These can include changes in laws, taxation policies, renegotiation of contracts or changes to mining leases and permits, all of which can adversely affect the viability of a project.

Exploration and project development

The Group continues to explore for and invest in projects. There is no guarantee that existing and future expenditures will be recouped. Failure to do so could have a materially adverse affect on the Groups results.

Health, safety, social and environmental

The Group is committed to developing projects that meet the highest international social and environmental standards as detailed in our Corporate Responsibility section on page 14.

Increasing requirements and new regulations could increase costs and therefore adversely affect the economics of a project and financial results of the Group.

Corporate governance

The Company was successfully admitted to AIM on 19 April 2004. The Directors consider the corporate governance procedures are appropriate relevant to the size and stage of development of the Group.

Code of Practice

The Listing Rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Group is not required to comply with the Combined Code, the Group's corporate governance procedures take due regard of the principles of Good Governance set out in the Combined Code in relation to the size and the stage of development of the Group.

The Board of Directors

Following the appointment of Mr Greg James on 25 August 2009 the Board of Directors consists of six members; three Executive Directors and three Non-Executive Directors, including the Chairman, Mr Gerard Holden. Each of the Executive Directors has a wealth of minerals exploration and development experience. The Non-Executive Directors similarly have a wealth of experience in the minerals industry, finance and corporate development.

The structure of the Board ensures that no one individual or group dominates the decision making process. The composition of the Board, including the balance between Executive and Non-Executive Directors, will continue to be reviewed to ensure that the Board has the appropriate structure and skills to meet the needs of the Company as its business develops.

The Board meets regularly through the year, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the Group's forecast and budget, major capital expenditure, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to Board meetings. The Board delegates certain of its responsibilities to the Board committees which have clearly defined terms of references, and are listed below. For the 12 months ended 30 June 2009, the Board met six times in relation to normal operational matters.

All Directors have access to the advice and services of the Group's solicitors and the Company Secretary. Any Director may take independent professional advice at the Group's expense in the furtherance of their duties.

Retirement by rotation

One third of Directors are required to retire at every Annual General Meeting (AGM) of the Company by rotation, and may be re-elected by ordinary resolution. No Director has served more than six years.

The Audit Committee

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee consists of Non-Executive Directors and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

The Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It consists of Non-Executive Directors. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company.

The Nominations Committee

The Nominations Committee was formed during the year to make recommendations to the Board for the recruitment of Directors and senior executives. The Nominations Committee consists of Non-Executive Directors.

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. While the Directors are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management relative to forecasts.

Business risk

The Board regularly evaluates and reviews business risks when reviewing project timelines. The types of risks reviewed include:

- Regulatory and compliance obligations
- Environmental requirements
- Legal risks relating to contracts, licences and agreements
- Risks associated with potential investments
- Insurance risks – the Group holds insurance coverage for potential employee and liability claims
- Political risks arising from operating in Bangladesh – refer to note 1 for further information

Treasury policy

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer to note 19.

Capital management

Capital comprises equity attributable to the equity holders of the parent. The Group does not hold loans, financial leases, or other non-current finance obligations.

	2009 £000	2008 £000
Equity	51,541	73,376
Capital	51,541	73,376

Upon approval of the Phulbari Coal Project funding will be sought from a mix of equity and finance sources. The objective of the Group's capital management will be to manage gearing levels and capital ratios in order to support its business, maximise shareholder value and maintain a healthy capital position. The Group has a policy of not hedging currency exposures.

Relations with shareholders

The Board attaches great importance to maintaining good relationships with its shareholders. The Group's activities are detailed in the Annual Report and financial statements, the Interim Report and market announcements. Market sensitive information is always released to all shareholders concurrently in accordance with stock exchange rules. The AGM will provide an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Group maintains a corporate website where information on the Group is regularly updated and all announcements are posted. The Group welcomes communication from its shareholders.

Creditor payment policy

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. As at 30 June 09 the Company and Group had an average of 30 days purchases outstanding in creditors.

Website disclosure

The Group has a website www.gcmplc.com on which statutory information, press releases and background information on the Group and its operations can be found.

Annual General Meeting (AGM)

The Notice of the Company's AGM will be distributed to shareholders together with the Annual Report. Full details of the Resolutions proposed at that meeting can be found in the Notice.

Auditors

The auditors to the Group, Ernst and Young LLP, have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 16. Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the financial performance and cash flows of the Group for that period. In preparing these Group financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board,



Steve Bywater
Chief Executive
23 September 2009

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For year ended 30 June

	Notes	2009 £000	2008 £000
Operating expenses			
Exploration costs		353	139
Administrative expenses		1,578	1,806
Operating loss	3	(1,931)	(1,945)
Exceptional items	6	(5,563)	2,486
Finance revenue	7	188	742
(Loss)/profit before tax		(7,306)	1,283
Taxation	8	1,614	(419)
(Loss)/profit for the year		(5,692)	864
(Loss)/earnings per share			
Basic (pence per share)	9	(11.2)p	1.8p
Diluted (pence per share)	9	(11.2)p	1.6p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 30 June

	Share capital	Share premium	Other reserves account	Accumulated losses	Total
	£000	£000	£000	£000	£000
Balance at 1 July 2007	4,881	42,731	4,073	(1,901)	49,784
Change in fair value of available-for-sale financial assets	-	-	31,587	-	31,587
Tax on items taken directly to equity	-	-	(8,148)	-	(8,148)
Transfer to income statement on disposal of available-for-sale financial assets	-	-	(2,486)	-	(2,486)
Share based payments	-	-	122	-	122
Profit for the financial year	-	-	-	864	864
Equity share warrants exercised	220	1,433	-	-	1,653
Balance at 30 June 2008	5,101	44,164	25,148	(1,037)	73,376
Change in fair value of available-for-sale financial assets	-	-	(26,958)	-	(26,958)
Available-for-sale financial assets impaired	-	-	4,430	-	4,430
Tax on items taken directly to equity	-	-	6,308	-	6,308
Share based payments	-	-	72	5	77
Loss for the financial year	-	-	-	(5,692)	(5,692)
Balance at 30 June 2009	5,101	44,164	9,000	(6,724)	51,541

CONSOLIDATED BALANCE SHEET

As at 30 June

	Notes	2009 £000	2008 £000
Current assets			
Cash and cash equivalents	10	1,355	10,047
Receivables	11	542	776
Total current assets		1,897	10,823
Non-current assets			
Property, plant and equipment	12	173	241
Intangible assets	13	26,571	23,710
Financial assets	14	24,890	48,799
Total non-current assets		51,634	72,750
Total assets		53,531	83,573
Current liabilities			
Payables	15	358	643
Total current liabilities		358	643
Non-current liabilities			
Deferred tax liabilities	8	1,632	9,554
Total non-current liabilities		1,632	9,554
Total liabilities		1,990	10,197
Net assets		51,541	73,376
Equity			
Share capital	17	5,101	5,101
Share premium account	17	44,164	44,164
Other reserves	17	9,000	25,148
Accumulated losses		(6,724)	(1,037)
Total equity		51,541	73,376



Steve Bywater
Director
23 September 2009

CONSOLIDATED CASH FLOW STATEMENT

For year ended 30 June

	Notes	2009 £000	2008 £000
Cash flows from operating activities			
(Loss)/profit before tax		(7,306)	1,283
Adjusted for:			
Exceptional items		5,563	(2,486)
Finance revenue		(188)	(742)
Other non cash expenses		21	15
		<u>(1,910)</u>	<u>(1,930)</u>
Movements in working capital:			
(Increase) in operating receivables		(290)	(77)
(Decrease)/increase in operating payables		(257)	211
Cash used in operations		<u>(2,457)</u>	<u>(1,796)</u>
Interest received		226	770
Net cash used in operating activities		<u>(2,231)</u>	<u>(1,026)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(19)	(19)
Payments for intangible assets		(2,745)	(2,172)
Payments for investments		(3,697)	(5,321)
Net cash used in investing activities		<u>(6,461)</u>	<u>(7,512)</u>
Cash flows from financing activities			
Issue of ordinary share capital		-	1,653
Net cash generated by financing activities		<u>-</u>	<u>1,653</u>
Total decrease in cash and cash equivalents		<u>(8,692)</u>	<u>(6,885)</u>
Cash and cash equivalents at the start of the year		10,047	16,932
Cash and cash equivalents at the end of the year	10	<u>1,355</u>	<u>10,047</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2009

1. Accounting policies

GCM Resources plc is domiciled in England and Wales, was incorporated in England and Wales as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The financial report was authorised for issue by the Directors on 23 September 2009, and the Consolidated Balance Sheet was signed on the Board's behalf by Mr Steve Bywater.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2009 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2009.

The functional and presentational currency of each of the entities in the Group is pounds sterling, and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Political and economic risks

The principal asset is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country.

The Group's principal project relates to thermal coal and semi-soft coking coal, the markets for which are subject to international and regional supply and demand factors, and consequently future performance will be subject to variations in the prices for these products.

GCM, through its subsidiaries, is party to a Contract with the Government of Bangladesh which gives it the right to explore, develop and mine in respect of the licence areas. As provided by the Contract, the Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

In accordance with the terms of the Contract, GCM submitted a combined Feasibility Study and Scheme of Development report on 2 October 2005 to the Government of Bangladesh. Approval from the Government of Bangladesh is necessary to proceed with development of the mine. The Contract requires approval to be granted within three months of the submission of Scheme of Development. However, GCM continues to await approval.

The Group has received no notification from the Government of Bangladesh of any changes to the terms of the Contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law, and will consequently continue to endeavour to receive approval for development.

If for whatever reason the Scheme of Development is not ultimately approved, the Group would be required to impair all of its intangible mining assets. We draw your attention to the emphasis of matter in the Independent Auditor's Report in relation to the significant uncertainty in regards to the recoverability of the intangible mining assets.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval. Accordingly, the Directors consider that it is appropriate not to record any impairment in respect of the intangible mining assets.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt or other financial obligations, other than those disclosed in note 16. As at 30 June 2009, GCM held £1,355,000 in cash and £20,197,000 listed equity investments. Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Project have been prepared and, taking into account a number of factors including the liquidity and volatility of GCM's listed investments, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Use of assumptions and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Intangibles

When intangibles are tested for impairment on an annual basis, estimates are used to determine the likelihood of project approval, and the net return on investment. The estimated return on investment takes into account estimated recoverable reserves, coal prices, development and production costs, capital investment requirements, interest rates, discount rates, and environmental and social costs among other things.

Share based payments

Note 18 outlines the factors used to determine the valuation of options and conditional shares.

Basis of consolidation

The Group financial statements consist of the consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in preparation of the consolidated financial statements are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- buildings 7 - 40 years
- plant and equipment 3 - 15 years
- vehicles 5 - 7 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Intangible assets

Acquired intangible assets, are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives.

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area of interest basis in accordance with IFRS 6.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and mining of the area of interest, or by its sale; or
- (ii) activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing or planned for the future.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current

market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets

Financial assets are classified in accordance with IAS 39. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

The measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified as financial assets at fair value through profit or loss, held-to-maturity assets, or loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the income statement.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency transactions

Transactions in currencies other than pounds sterling are recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Share based payments

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations which will come into effect in future financial periods:

	Effective for financial periods beginning after	GCM adoption date
International Accounting Standards (IAS / IFRSs)		
IFRS 1 First time Adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements	1 January 2009	1 July 2009
Amendment to IFRS 2 – Vesting conditions and cancellations	1 January 2009	1 July 2009
Amendment to IFRS 2 – Group cash-settled share based payment arrangements	1 January 2010	1 July 2010
Amendment to IFRS 7 – Improving disclosures	1 January 2009	1 July 2009
IFRS 3 Business Combinations (revised January 2008)	1 July 2009	1 July 2009
IFRS 8 Operating Segments	1 January 2009	1 July 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009	1 July 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009	1 July 2009
IAS 27 Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009	1 July 2009
IAS 32 Financial Instruments: Disclosure and Presentation and IAS 1 Presentation of Financial Statements	1 January 2009	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement	1 January 2009	1 July 2009
Improvements to IFRSs (May 2008)	1 January 2009	1 July 2009
Improvements to IFRSs (April 2009)	1 July 2009	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 15 Agreements for the construction of real estate	1 January 2009	1 July 2009
IFRIC 16 Hedges of Net Investment in a Foreign Operation	1 October 2008	1 July 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	1 July 2009	1 July 2009
IFRIC 18 Transfer of Assets from Customers	1 July 2009	1 July 2009

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Adoption of the revised IAS1 will have no impact on the measurement of the Group's results or net assets. However it is likely to result in certain changes in the presentation of the Group's financial statements from 1 July 2009 onwards.

2. Segment analysis

The Group operates in one principal business segment being coal exploration and evaluation. The Group operates within one principal geographical segment, being Bangladesh.

There was no segment revenue during the financial year. The result for the period relates to one principal business segment and one principal geographical segment.

3. Operating loss

	2009 £000	2008 £000
The operating loss is stated after charging:		
Amounts paid for Directors' fees and services ⁽¹⁾	592	868
Share based payments ⁽²⁾	5	-
Other staff costs ⁽³⁾	180	110
Exploration costs	353	139
Regulatory expenses	177	183
Operating lease rentals ⁽⁴⁾	77	73
Depreciation of property, plant and equipment ⁽⁵⁾	16	15
Exchange differences	8	-

⁽¹⁾ Total amounts paid for Directors' fees and services for 2009 financial year was £1,346,000 of which £592,000 was expensed and £754,000 was capitalised (2008: £545,000 capitalised).

⁽²⁾ Total share based payments costs for 2009 was £77,000 of which £72,000 was fully capitalised (2008: £122,000 capitalised).

⁽³⁾ Staff costs for 2009 financial year was £708,000 of which £180,000 was expensed and £528,000 capitalised (2008: £334,000 capitalised).

⁽⁴⁾ Operating lease rentals for 2009 financial year were £318,000 of which £77,000 was expensed and £241,000 capitalised (2008: £72,000 capitalised).

⁽⁵⁾ Total depreciation for 2009 was £87,000 of which £16,000 was expensed and £71,000 capitalised (2008: £74,000 capitalised).

During the year ended 30 June 2009 GCM contributed £51,000 to the Alliance with Aura Energy Limited (2008: £139,000). As a result of the work undertaken by the alliance, GCM and Aura have identified projects for exploration. GCM has contributed £302,000 to these projects during the year ended 30 June 2009 (2008: nil), which has been expensed. There have been no funding commitments made in relation to these projects.

4. Auditor's remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2009 £000	2008 £000
Audit of the Group financial statements	64	57
Other fees to auditors: - auditing the accounts of subsidiaries	11	10
- corporate advisory	209	130
	<u>220</u>	<u>140</u>

5. Amounts paid for Directors fees and services and staff costs

Amounts paid for Directors fees and services

Amounts paid for Directors fees and services

	2009 £000	2008 £000
	1,346	1,413

Further breakdown of these amounts is provided in the Directors' Report.

Staff costs

Wages and salaries

Social security costs

	689	433
	19	11
	<u>708</u>	<u>444</u>

The average monthly number of employees during the year was:

Exploration and evaluation

Administration

	2009 Number	2008 Number
	69	66
	11	9
	<u>80</u>	<u>75</u>

6. Exceptional items

Impairment of financial assets

In line with equity markets, and in particular junior mining and exploration companies, the values of GCM's listed equity investments have fallen during the year ended 30 June 2009.

The Group impairs a listed equity investment when its fair value has declined significantly below its book cost or remained below book cost for a prolonged period. In assessing whether the decline is significant the Group considers the volatility of the investment's market share price. In assessing whether a decline is prolonged, the Group takes into account the length of time over which the decline has occurred, as well as the nature of the decline.

An impairment charge of £4,430,000 has been recorded for the year ended 30 June 2009 (2008: nil). Overall, the market value of the Group's listed investments exceeds the cash invested.

Abortive transaction costs

Transaction costs of £1,133,000 have been charged to the income statement related to a corporate transaction that did not proceed.

Profit on disposal of investment

In the comparative year, GCM sold its interest in CCEC Limited in exchange for shares in Regent Pacific Group Limited. A profit of £2,486,000 was recorded as a result of the transaction. In the comparative year the profit was shown in the income statement as "profit on disposal of investment". For the year ended 30 June 2009 this has been reallocated to "exceptional" to reflect current presentation practice.

7. Finance revenue

	2009 £000	2008 £000
Bank interest receivable	188	742

8. Taxation

Tax on profit/(loss) on ordinary activities

	2009 £000	2008 £000
Tax charged/(credited) in the income statement		
UK corporation tax	(372)	(288)
Amounts underprovided in previous years	-	12
Tax on ordinary activities	(372)	(276)
Origination and reversal of temporary differences	(1,242)	695
Total deferred tax	(1,614)	419
Tax charge/(credit) in the income statement	(1,614)	419
Tax relating to items charged to equity		
Available-for-sale financial assets	(6,308)	8,148
Total deferred tax	(6,308)	8,148
Tax charge/(credit) in statement of changes in equity	(6,308)	8,148

Reconciliation of the tax charge in the income statement

	2009 £000	2008 £000
Profit/(loss) on ordinary activities before tax	(7,306)	1,283
UK corporation tax @ 28%	(2,050)	359
Non-deductible expenditure	326	12
Unrecognised deferred tax assets	110	36
Amounts underprovided in previous years	-	12
Total tax expense/(credit) reported on the income statement	(1,614)	419

Deferred tax assets are only recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, arise.

Deferred tax

The deferred tax included in the balance sheet is as follows:

	2009 £000	2008 £000
Deferred tax asset		
Tax losses carried forward	966	594
Revaluation of available-for-sale financial assets	-	577
Impairment	1,240	-
Accelerated capital allowances	2	-
	<u>2,208</u>	<u>1,171</u>
Deferred tax liability		
Revaluation of available-for-sale financial assets	3,840	10,029
Deferred capital gain	-	696
	<u>3,840</u>	<u>10,725</u>
Disclosed on the balance sheet		
Deferred tax asset	-	-
Deferred tax liability	1,632	9,554
	<u>1,632</u>	<u>9,554</u>
The deferred tax included in the income statement is as follows:		
Tax loss for the year carried forward	(372)	(276)
Deferred capital gain	-	696
Accelerated capital allowances	(2)	(1)
Impairment	(1,240)	-
Deferred income tax expense/(credit)	<u>(1,614)</u>	<u>419</u>

9. Earnings per share

	2009 £000	2008 £000
(Loss)/profit for the period	<u>(5,692)</u>	<u>864</u>
	thousands	thousands
Weighted average number of shares		
Number of shares with voting rights	51,011	48,854
Dilutive potential ordinary shares:		
- Options	2,144	2,205
- Warrants	-	2,157
- Conditional shares	205	198
Diluted weighted average number of shares	<u>53,360</u>	<u>53,414</u>
Earnings per share		
Basic (pence per share)	(11.2)p	1.8p
Diluted (pence per share)	(11.2)p	1.6p

For the year ended 30 June 2009 diluted earnings per share is the same as basic earnings per share as the Group made a loss.

10. Cash and cash equivalents

	2009 £000	2008 £000
Cash at bank and in hand	1,355	10,047

11. Receivables

	2009 £000	2008 £000
Security deposits	43	47
Prepayments and accrued income	461	540
Other receivables	38	189
	<u>542</u>	<u>776</u>

12. Property, plant and equipment

	Buildings £000	Plant and equipment £000	Vehicles £000	Total £000
Cost				
At 1 July 2007	77	337	95	509
Additions	-	19	-	19
At 30 June 2008	<u>77</u>	<u>356</u>	<u>95</u>	<u>528</u>
Additions	-	19	-	19
At 30 June 2009	<u>77</u>	<u>375</u>	<u>95</u>	<u>547</u>
Depreciation				
At 1 July 2007	(7)	(150)	(41)	(198)
Depreciation during the year	(5)	(68)	(16)	(89)
At 30 June 2008	<u>(12)</u>	<u>(218)</u>	<u>(57)</u>	<u>(287)</u>
Depreciation during the year	(21)	(49)	(17)	(87)
At 30 June 2009	<u>(33)</u>	<u>(267)</u>	<u>(74)</u>	<u>(374)</u>
Net book value at 30 June 2009	<u>44</u>	<u>108</u>	<u>21</u>	<u>173</u>
Net book value at 30 June 2008	<u>65</u>	<u>138</u>	<u>38</u>	<u>241</u>

13. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
Cost			
At 1 July 2007	20,069	1,147	21,216
Additions – exploration & evaluation	2,494	-	2,494
At 30 June 2008	<u>22,563</u>	<u>1,147</u>	<u>23,710</u>
Additions – exploration & evaluation	2,861	-	2,861
Cost and net book value at 30 June 2009	<u>25,424</u>	<u>1,147</u>	<u>26,571</u>
Cost and net book value at 30 June 2008	<u>22,563</u>	<u>1,147</u>	<u>23,710</u>

The mineral rights will be amortised over the licence period (including extensions) once approval is obtained for the Phulbari Coal Project.

The exploration and evaluation expenditure will have an indefinite useful life until approval is obtained for the Phulbari Coal Project. At that time, the asset will be transferred to mining property and development assets within in property, plant and equipment in accordance with the accounting policy.

14. Financial assets

	2009 £000	2008 £000
Available-for-sale investments		
Listed equity shares ⁽¹⁾	20,197	44,106
Unlisted equity shares ⁽²⁾	4,693	4,693
	<u>24,890</u>	<u>48,799</u>

⁽¹⁾ Listed equity investments are valued at bid price as at the 30 June 2009 close.

⁽²⁾ Unlisted equity shares have been recorded at cost for the years ended 30 June 2008 and 2009.

Principal undertakings

Principal investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

	Country of Incorporation	Ownership interest	
		2009	2008
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	100%	100%
South African Coal Limited	England & Wales	100%	100%
GCM Africa Uranium Limited (previously Bangladesh Telecommunications Limited)	England & Wales	100%	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	37%	37%

The investment in PeoplesTel has been accounted for as an available-for-sale financial asset as GCM does not have significant influence.

15. Payables

	2009 £000	2008 £000
Trade and other payables	<u>358</u>	<u>643</u>

16. Commitments

Operating lease commitments

The Group has entered into operating leases on land and buildings and office equipment. These leases have a duration of between 1 and 6 years. Future minimum rentals on these operating leases are as follows:

	2009 £000	2008 £000
Operating leases expiring		
Within one year	349	143
After one year but not more than five years	1,012	99
After five years	121	-
	<u>1,482</u>	<u>242</u>

In addition, under the terms of the Prospecting License agreement with the Bangladesh authorities for contract license areas B, G and H respectively, an annual fee of 100 Taka (£0.86 at year-end exchange rate) is payable for each hectare within the license area. The Group currently leases 5,480 hectares within these license areas.

Other commitments

In April 2007 the Group formed an alliance with Aura Energy Limited (Aura) to identify and acquire uranium projects in Africa. GCM has agreed to provide funding up to A\$86,000 (£42,000) for the period to 31 December 2009. The alliance, including its associated commitment, expires on 31 December 2009, unless an extension is mutually agreed.

17. Authorised and issued share capital

	2009 thousands	2008 thousands	2009 £000	2008 £000
Authorised				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
Allotted, called up and fully paid				
At 1 July	51,011	48,806	5,101	4,881
Issued on exercise of options and warrants	-	2,205	-	220
At 30 June	51,011	51,011	5,101	5,101

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Reserves

Share capital

The balance held in share capital relates to the nominal net proceeds on issue of the Company's equity share capital, comprising £0.10 ordinary shares.

Share premium account

The share premium account represents the premium received over the nominal value of ordinary shares on issue of the Company's equity. The share premium account has been reduced by expenditure associated with issuing shares such as listing costs.

Other reserves

This reserve records the equity component of options and conditional shares awarded which have not yet been settled. It also includes unrealised fair value changes on available-for-sale investments, net of deferred tax.

	2009 £000	2008 £000
Share based payments not settled	915	843
Net movement in available-for-sale financial assets (net of tax)	8,085	24,305
	9,000	25,148

18. Share based payments

Options

When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

During the year ended 30 June 2009 100,000 options were issued (2008: nil). The options will vest upon GCM achieving certain milestones and will expire within three years of the vesting date. The fair value of the options is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value per option and the inputs to the model used are shown below.

Inputs

Grant Date	28 April 2009
Share price at grant date	£0.54
Exercise price	£0.66
Expected vesting period	0.67 years
Expected term	2.17 years
Risk-free rate	1.25%
Expected volatility	75%
Expected yield	0%
Number of options	100,000

Valuation results

Fair value per option	£0.21
Total fair value	£21,000

As stated above, the options issued are subject to achieving certain milestones. The time to achieving the milestones has been estimated, and accordingly the expected vesting period is 0.67 years, or eight months from grant date. With no history of employee exercise behaviour the term is expected to be the midpoint between the date on which the awards vest and the date on which the awards lapse. Accordingly, the expected term is 2.17 years.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The historic volatility has been measured from February 2007 to the date of grant, being a period of 2.17 years.

For the year ended 30 June 2009 £5,000 has been recognised in equity as the cost of options issued. The remaining £16,000 will be recognised over the remaining vesting period.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2009 Options thousands	2009 WAEP	2008 Options thousands	2008 WAEP
At 1 July	2,205	£1.25	2,205	£1.25
Granted	100	£0.66	-	
Lapsed	(385)	£0.75	-	
Outstanding at end of year	<u>1,920</u>	£1.31	<u>2,205</u>	£1.25
Exercisable at end of year	<u>1,820</u>	£1.35	<u>2,205</u>	£1.25

The options outstanding at 30 June 2009 have an exercise price in the range of £0.66 to £1.35 (2008: £0.75 to £1.35) and a weighted average contractual life of 2.4 years (2008: 3 years).

Conditional shares scheme

Under the conditional shares scheme ordinary shares will be issued conditional upon the Group achieving certain milestones. The awards granted are classified as equity-settled, and therefore the fair value is determined at the date of the grant, as required by IFRS 2.

The movement in non-vested conditional shares are as follows:

	2009 thousands	2008 thousands
At 1 July	205	210
Granted	-	15
Lapsed	-	(20)
30 June	<u>205</u>	<u>205</u>

The grant details of the conditional shares are as follows:

Grant date	Share price at grant date £	Conditional shares thousands
25 August 2005	£6.32	160
9 March 2006	£4.99	30
1 December 2007	£0.81	15
		<u>205</u>

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2009 is £856,000 (2008: £784,000) after taking into account:

- Expected timeframe for milestones to be achieved
- Probability of successful completion of milestones
- The conditional shares awarded to employees are subject to their employment at the time milestones are reached

The movement in the cost of conditional shares amounting to £72,000 is directly attributable to the Phulbari Coal Project, and accordingly capitalised on this basis.

19. Financial Instruments

The Group holds cash as a liquid resource and listed equity investments to fund the obligations of the Group.

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and periodic review of expenditure forecasts.

The Group's strategy for equity investments is to invest in companies where the Board identifies opportunities to create value for our shareholders by applying the experience and expertise of GCM's management team. Investments shall be realised when funds are required or when the Board sees fulfilment of its value expectations. GCM monitors the share prices of its listed equity investments and the underlying liquidity.

The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however it does review its currency exposures on an ad hoc basis.

Interest rate risk

The interest rate maturity profile of the financial assets of the Group is as follows:

	2009 £000	2008 £000
Floating rate – within 1 year		
Cash and cash equivalents	1,333	9,933
Receivables	42	42

Other financial instruments of the group are non-interest bearing and are therefore not subject to interest rate risk.

Equity price risk

The Group holds listed equity investments classified as available-for-sale. The equity investments are listed on the London Stock Exchange Alternative Investment Market (AIM), the Hong Kong Stock Exchange, the Australian Stock Exchange and the Johannesburg Stock Exchange. Accordingly sensitivity analysis, in respect of listed equity investments, is based on the assumption that if the respective market increased/ decreased by 10%, the equity share price of the relevant companies would move according to the historical correlation with the market it is listed on.

	Increase/ decrease in market index %	Effect on profit after tax £000	Effect on equity £000
2009	+10%	-	1,380
	-10%	(20)	(1,380)
2008	+10%	-	(1,604)
	-10%	-	1,604

Credit risk

The Group considers the credit ratings of banks in which it holds funds in order to manage exposure to credit risk.

During the year ended 30 June 2009 GCM has acted as guarantor for the activities of the Alliance with Aura Energy Limited, in relation to an exploration permit in Mauritania. In the event that £61,000 has not been incurred exploring the permit area by January 2012, GCM will be liable to pay £20,000 to the Government of the Islamic Republic of Mauritania.

Liquidity risk

The Group ensures that it has sufficient cash to meet all its commitments when required. The table below summarises the maturity profile of the Group's financial liabilities as 30 June 2009 and 2008.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	Total £000
2009				
Payables	265	77	16	358
2008				
Payables	265	353	25	643

Currency risk

The following table demonstrates the sensitivity to a 5% change in the Hong Kong dollar and Australian dollar exchange rates with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity (due to changes in the fair value of available for sale investments).

	Increase/ decrease in exchange rate %	Effect on profit after tax £000	Effect on equity £000
2009			
Australian Dollar	+5%	-	16
	-5%	(16)	(16)
Hong Kong Dollar	+5%	-	50
	-5%	-	(50)
2008			
Australian Dollar	+5%	(2)	21
	-5%	2	(21)
Hong Kong Dollar	+5%	-	103
	-5%	-	(103)

Fair values of financial assets and liabilities

	Book value		Fair value	
	2009 £000	2008 £000	2009 £000	2008 £000
Financial assets				
Cash and cash equivalents	1,355	10,047	1,355	10,047
Receivables	82	274	82	274
Listed equity investments	20,197	44,106	20,197	44,106
Unlisted equity investments ⁽¹⁾	4,693	4,693	4,693	4,693
Financial liabilities				
Creditors	358	643	358	643

⁽¹⁾ Unlisted equity investments have been recorded at cost, as fair value is not capable of reliable measurement.

20. Post-balance sheet events

On 16 July 2009 1,130,000 conditional shares were awarded to certain Directors, consultants, employees and associates. Ordinary shares will be issued, conditional upon the Group achieving certain milestones. The conditional shares are equity settled. The total fair value of the conditional shares is £948,000, which will be allocated over the vesting period of the conditional shares. There has been no impact to the financial statements for the year ended 30 June 2009 as a result of the award.

21. Contingent liabilities

The Group is obliged to pay Deepgreen Minerals Corporation Pty Limited US\$1 per tonne of coal produced and sold from the Phulbari mine. The Directors are of the opinion that a provision is not required in respect of these matters, as the amount is not capable of reliable measurement.

The Group has acted as guarantor for the activities of the Alliance with Aura Energy Limited, in relation to an exploration permit in Mauritania. In the event that £61,000 has not been incurred exploring the permit area by January 2012, GCM will be liable to pay £20,000 to the Government of the Islamic Republic of Mauritania.

22. Related Party Transactions

Key management personnel

The key management personnel for the Group consists of the Directors only. Refer to the Directors Report for information on amounts paid for Directors fees and services.

Other related party transactions

	2009 £000	2008 £000
Entities with significant influence over the Group		
Expenditure reimbursed from related party	6	38
Amount owed by related party	6	31

INDEPENDENT AUDITOR'S REPORT

To the members of GCM Resources plc

We have audited the Group financial statements of GCM Resources plc for the year ended 30 June 2009 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities statement set out on page 21, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of mining assets

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the political and economic risks faced by the Group in relation to the significant uncertainty over the recoverability of the intangible exploration assets. GCM has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. Despite elections in December 2008, the timing of approval remains uncertain. If for whatever reason the scheme of development is not ultimately approved, the intangible assets included in the balance sheet at £26,571,000 would be fully impaired.

The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the intangible exploration assets as at 30 June 2009.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require in our audit.

Other matter

We have reported separately on the parent company financial statements of GCM Resources plc for the year ended 30 June 2009. That report is modified by the inclusion of an emphasis of matter.



Steve Dobson (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 September 2009

COMPANY
FINANCIAL
STATEMENTS
2009

GCM RESOURCES PLC

COMPANY FINANCIAL STATEMENTS 2009

Statement of Directors Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COMPANY BALANCE SHEET

As at 30 June

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	5	21	36
Investments	6	11,143	12,452
Debtors	7	30,958	27,557
		<hr/>	<hr/>
		42,122	40,045
Current assets			
Debtors	7	138	712
Current asset investments	8	42	42
Cash at bank and in hand		1,335	9,933
		<hr/>	<hr/>
		1,515	10,687
Creditors: amounts falling due within one year	9	(223)	(480)
		<hr/>	<hr/>
Net current assets		1,292	10,207
Total assets less current liabilities		<hr/>	<hr/>
		43,414	50,252
Deferred tax liabilities	4	-	(102)
		<hr/>	<hr/>
Net assets		43,414	50,150
		<hr/>	<hr/>
Capital and reserves			
Called up share capital account	11	5,101	5,101
Share premium account	12	44,164	44,164
Other reserves	12	915	843
Profit and loss account	12	(6,766)	42
		<hr/>	<hr/>
Equity shareholders' funds		43,414	50,150



Steve Bywater
Director
23 September 2009

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

GCM Resources plc was incorporated as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The financial report was authorised for issue by the Directors on 23 September 2009.

Basis of preparation of financial statements

The company financial statements of GCM Resources plc are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

No profit and loss account is presented for GCM Resources plc as permitted by section 408 of the Companies Act 2006.

Political and economic risks

The Company's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited (AECB), controls the Phulbari Coal Project (the Project), the principal asset of the Company and its subsidiaries (the Group). The Project is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country.

The Project relates to thermal coal and semi-soft coking coal, which are subject to international and regional supply and demand factors, and consequently future performance will be subject to variations in the prices for these products.

AECB is party to a Contract with the Government of Bangladesh which gives it the right to explore, develop and mine in respect of the licence areas. As provided by the Contract, the Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

In accordance with the terms of the Contract, AECB submitted a combined Feasibility Study and Scheme of Development report on 2 October 2005 to the Government of Bangladesh. Approval from the Government of Bangladesh is necessary to proceed with development of the mine. The Contract requires approval to be granted within three months of the submission of Scheme of Development. However, AECB continues to await approval.

No notification has been received from the Government of Bangladesh of any changes to the terms of the Contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law, and will consequently continue to endeavour to receive approval for development.

If for whatever reason the Scheme of Development is not ultimately approved, the Company would be required to impair its investment and inter-company balances totalling £28,087,000 at 30 June 2009. We draw your attention to the emphasis of matter in the Independent Auditor's Report in relation to the significant uncertainty in regards to the recoverability of these assets.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval. Accordingly, the Directors consider that it is appropriate not to record any impairment in respect of the Company's investment and inter-company balances.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt or other financial obligations, other than those disclosed in note 10. As at 30 June 2009, the Company, and its wholly owned subsidiaries held £1,355,000 in cash and £20,197,000 listed equity investments. Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Project have been prepared and, taking into account a number of factors including the liquidity and volatility of GCM's listed investments, the Directors have satisfied themselves that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Tangible fixed assets

All fixed assets are stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

- Office furniture and equipment over 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments are recorded at the lower of cost or recoverable amount.

Deferred tax

The tax charge is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation purposes and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future. In particular:

- deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, with the exception of foreign currency differences directly attributable to exploration and evaluation activities, which are capitalised.

Share based payments

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Comparatives

Certain prior year figures have been reclassified to conform with 2009 presentation. This has had no impact on net assets.

2. Result of the parent company

The parent company recorded a £6,813,000 loss for year ended 30 June 2009 (2008: profit of £1,309,000).

3. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Company financial statements.

	2009 £000	2008 £000
Audit of the Company financial statements	10	10

4. Deferred tax

Deferred tax assets and liabilities are recognised as follows:

	2009 £000	Movement for the year £000	2008 £000
Deferred tax assets			
Tax losses	966	372	594
Share based payments	233	-	233
Impairment of investments	544	544	-
Accelerated capital allowances	1	1	-
	<u>1,744</u>	<u>917</u>	<u>827</u>
Deferred tax liabilities			
Deferred capital gain	-	(696)	696
	<u>-</u>	<u>(696)</u>	<u>696</u>
Net deferred tax assets/(liabilities)	<u>1,744</u>	<u>1,613</u>	<u>131</u>
Less: deferred tax assets not recognised	(1,744)	(1,511)	(233)
Net deferred tax assets/(liabilities) recognised	<u>-</u>	<u>102</u>	<u>(102)</u>

Deferred tax assets will be recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, arise.

5. Tangible fixed assets

	Office furniture and equipment £000
Cost	
Opening balance	67
Additions	2
At 30 June 2009	<u>69</u>
Depreciation	
Opening balance	(31)
Provided during the period	(17)
At 30 June 2009	<u>(48)</u>
Net book value at 30 June 2009	<u>21</u>
Net book value at 30 June 2008	<u>36</u>

6. Investments

	Subsidiary undertakings £000	Other investments £000	Total £000
Cost			
Opening balance	2,193	10,259	12,452
Additions	72	3,049	3,121
Impairment	-	(4,430)	(4,430)
As at 30 June 2009	<u>2,265</u>	<u>8,878</u>	<u>11,143</u>
Net book value at 30 June 2009	<u>2,265</u>	<u>8,878</u>	<u>11,143</u>
Net book value at 30 June 2008	<u>2,193</u>	<u>10,259</u>	<u>12,452</u>

The movement in the cost of conditional shares is capitalised as an investment in the Company's subsidiary. The effect for the current year is the addition of £72,000 (2008: £122,000).

Other investments include £4,185,000 listed equity investments (2008: £5,566,000) and £4,693,000 non-listed equity investments (2008: £4,693,000).

The principal investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

	Country of incorporation	Ownership interest	
		2009	2008
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	100%	100%
South African Coal Limited	England & Wales	100%	100%
GCM Africa Uranium Limited (previously Bangladesh Telecommunications Limited)	England & Wales	100%	100%
Other investments			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	37%	37%

7. Debtors

	2009 £000	2008 £000
Current debtors		
Other debtors	25	190
Prepayments and accrued income	113	522
	<u>138</u>	<u>712</u>
Non-current debtors		
Amounts due from subsidiaries	30,958	27,557
	<u>30,958</u>	<u>27,557</u>

The amount receivable in non-current debtors relates to wholly owned subsidiaries. A repayment schedule has not been agreed between the companies.

8. Current asset investments

	2009 £000	2008 £000
Security deposits	42	42

Security deposits represent rental deposits on premises in the United Kingdom.

9. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade and other creditors	223	480

10. Commitments

Operating lease commitments

The Company has entered into operating leases on buildings and office equipment. These leases have a duration or between 1 and 4 years. Annual commitments under these operating leases are as follows:

	2009 £000	2008 £000
Operating leases expiring		
Within one year	58	79
After one year but not more than five years	17	62
After five years	-	-
	<u>75</u>	<u>141</u>

11. Authorised share capital

	2009 thousands	2008 thousands	2009 £000	2008 £000
Authorised				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
Allotted, called up and fully paid				
At 1 July	51,011	48,806	5,101	4,881
Issued on exercise of options and warrants	-	2,205	-	220
At 30 June	51,011	51,011	5,101	5,101

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

12. Reserves

	Share Capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 July 2008	5,101	44,164	843	42	50,150
Share based payments	-	-	72	5	77
Loss for the financial year	-	-	-	(6,813)	(6,813)
Balance at 30 June 2009	5,101	44,164	915	(6,766)	43,414

13. Share based payments

Options

When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

During the year ended 30 June 2009 100,000 options were issued (2008: nil). The options will vest upon GCM achieving certain milestones and will expire within 3 years of the vesting date. The fair value of the options is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value per option and the inputs to the model used are shown below.

Inputs

Grant Date	28 April 2009
Share price at grant date	£0.54
Exercise price	£0.66
Expected vesting period	0.67 years
Expected term	2.17 years
Risk-free rate	1.25%
Expected volatility	75%
Expected yield	0%
Number of options	100,000

Valuation results

Fair value per option	£0.21
Total fair value	£21,000

The expected vesting period is 0.67 years, or 8 months from grant date. With no history of employee exercise behaviour the term is expected to be the midpoint between the date on which the awards vest and the date on which the awards lapse. Accordingly, the expected term is 2.17 years. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The historic volatility has been measured from February 2007 to the date of grant, being a period of 2.17 years.

For the year ended 30 June 2009 £5,000 has been recognised in equity as the cost of options issued. The remaining £16,000 will be recognised over the remaining vesting period.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2009 Options thousands	2009 WAEP	2008 Options thousands	2008 WAEP
At 1 July	2,205	£1.25	2,205	£1.25
Granted	100	£0.66	-	
Lapsed	(385)	£0.75	-	
Outstanding at end of year	<u>1,920</u>	£1.31	<u>2,205</u>	£1.25
Exercisable at end of year	<u>1,820</u>	£1.35	<u>2,205</u>	£1.25

The options outstanding at 30 June 2009 have an exercise price in the range of £0.66 to £1.35 (2008: £0.75 to £1.35) and a weighted average contractual life of 2.4 years (2008: 3 years).

Conditional shares scheme

Under the conditional shares scheme ordinary shares will be issued conditional upon the Group achieving certain milestones. The awards granted are classified as equity-settled, and therefore the fair value is determined at the date of the grant, as required by IFRS 2.

The movement in non-vested conditional shares:

	2009 thousands	2008 thousands
At 1 July	205	210
Granted	-	15
Lapsed	-	(20)
30 June	<u>205</u>	<u>205</u>

The grant details of the conditional shares are as follows:

Grant date

Grant date	Share price at grant date £	Conditional shares thousands
25 August 2005	£6.32	160
9 March 2006	£4.99	30
1 December 2007	£0.81	<u>15</u>
		<u>205</u>

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2009 is £856,000 (2008: £784,000) after taking into account:

- Expected timeframe for milestones to be achieved
- Probability of successful completion of milestones
- The conditional shares awarded to employees are subject to their employment at the time milestones are reached

The movement in the cost of conditional shares amounting to £72,000 is directly attributable to the Phulbari Coal Project, and accordingly capitalised on this basis.

14. Contingent liabilities

GCM has acted as guarantor for the activities of the Alliance with Aura Energy Limited in relation to an exploration permit in Mauritania. In the event that £61,000 has not been incurred exploring the permit area by January 2012, GCM will be liable to pay £20,000 to the Government of the Islamic Republic of Mauritania.

15. Post-balance sheet events

On 16 July 2009 1,130,000 conditional shares were awarded to certain Directors, consultants, employees and associates. Ordinary shares will be issued, conditional upon the Group achieving certain milestones. The conditional shares are equity settled. The total cost of the conditional shares is £948,000, which will be allocated over the vesting period of the conditional shares. There has been no impact to the financial statements for the year ended 30 June 2009 as a result of the award.

16. Related Party Transactions

	2009 £000	2008 £000
Entities with significant influence over the Company		
Expenditure reimbursed from related party	6	38
Amount owed by related party	6	31

In accordance with *FRS8 Related Party Disclosures* transactions with subsidiaries have not been disclosed.

INDEPENDENT AUDITOR'S REPORT

To the members of GCM Resources plc

We have audited the parent company financial statements of GCM Resources plc for the year ended 30 June 2009 which comprise the Company Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Section 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities statement set out on page 41, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of investment and inter-company loan

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the political and economic risks faced by the Company in relation to the significant uncertainty over the recoverability of the Company's investment and the inter-company balances. GCM's subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited, has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. Despite elections in December 2008, the timing of approval remains uncertain. If for whatever reason the scheme of development is not ultimately approved, the assets included in the parent company balance sheet at £28,087,000 would be fully impaired.

The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the Company's investment and the inter-company balances as at 30 June 2009.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of GCM Resources plc for the year ended 30 June 2009. That report is modified by the inclusion of an emphasis of matter.



Steve Dobson (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 September 2009

NOTES

Annual Report and Accounts **2009**

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