GCM RESOURCES

Annual Report & Accounts 2013
(LON : GCM)

Who is GCM Resources?

GCM Resources plc (GCM), the AIM listed resource exploration and development company, has identified a world class coal resource of 572 million tonnes (JORC compliant) at the Phulbari Coal Project (the Project) in North-West Bangladesh. GCM is awaiting approval from the Government of Bangladesh to develop the Project.

The Phulbari Coal Project

- The Phulbari Coal Project would be the largest regional development project undertaken in Bangladesh.
- Up to 4,000MW of power would be supported by the coal from the Project, helping alleviate the Bangladesh power crisis.
- Additional electricity would bring significant development to Bangladesh, and help the country meet its Millennium Development Goals.
- More than US$8 billion in revenue would be remitted to the Government over the Project's life and it would contribute 1% annually to Bangladesh's GDP.
- The Project would provide a stimulus for economic development in one of Bangladesh's poorest regions. An estimated 17,000 jobs would be created due to the mine development. In addition, the increase in power generated is expected to significantly increase economic activity and thus create thousands more jobs. New industries could also be developed utilising the industrial mineral co-products from the mine.
- Detailed plans are in place to support the local communities including new housing, schools, health centres and improved sanitation. There will also be training to ensure local people are in the best position to secure a job from the mining operation and associated service industries.
- Agricultural production in the area will be bolstered through farmers receiving training, higher quality inputs (seeds and fertiliser), and year round water and electricity for irrigation.
- Approximately 40,000 people (9,000 households) would be resettled over a ten year period. The Project would be of benefit to the whole country.

Highlights

Coal is now recognised as integral to Bangladesh's energy security and constructive steps are being made towards increasing power generation through coal-fired power plants.

Throughout the year GCM continued its strategy of significantly increasing its involvement with the local community and directly engaging with the Bangladeshi Government. Support for the Phulbari Coal Project is increasing within the local communities.

GCM recorded a loss after tax of £3.2 million for the year ended 30 June 2013 (2012: loss of £3.3 million). The Company has since reduced overheads to a minimum level.

The Company raised £2.3 million on 29 August 2013 via a share placement.

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Chairman's Statement

I take this opportunity to introduce myself as the new Executive Chairman of GCM, having been appointed on 26 June 2013.

Strategy

Despite substantial changes to the management of the Company following the appointment of new directors and resignation of the previous Board, I can assure our shareholders that the objectives of GCM have not changed; to achieve approval of the Scheme of Development of the Phulbari Coal Project (the Project) and to ensure the Project is developed for the benefit of all stakeholders.

The new Board recognises the efforts made by the previous Directors over the last seven years and appreciates the challenges they faced in trying to further the Project. These challenges still exist today.

The Board believes the best route to achieving approval is to present the Project in a way that is agreeable to the Government of Bangladesh. To this end our strategy is to continue Government advocacy, strengthen ties with the local community, and consider appropriate alliances and/or partners which may aid the approval process.

Year in review

The Phulbari Review on page 3 details the Company's activities since the 2012 Annual Report as the former Directors pursued approval of the Project. I commend the strong progress made in engaging with the communities in the four Upazilas (sub-districts of Dinajpur) that partly overlap the Project area.

The Group reported a loss of £3.2 million for the year ended 30 June 2013 (2012: £3.3 million). During the year GCM's listed equity investments were sold for a loss of £0.7 million. The loss for the year also included non-cash expenses of £0.9 million.

Since the appointment of the new Board the Company has reduced overheads to a minimal level, while retaining the capacity to continue its core activities.

On 29 August 2013 GCM undertook a share placement of 11.7 million shares at 19.8 pence per share, raising £2.3 million. While the Company was disappointed to issue shares at such a low price, the fundraising allows operations to continue and is a strong vote of confidence in the Company's prospects.

Corporate Responsibility

GCM remains committed to developing the Project in accordance with the highest international and national environmental and social standards. The Company has previously made specific commitments to a number of international standards including the Equator Principles, the International Finance Corporation's Performance Standards on Social and Environmental Sustainability, and the UN Global Compact. I take this opportunity to reiterate the Company's commitment to these standards on behalf of the new Board.

Further details of these standards can be found in the Corporate Responsibility section of this report on page 4, while the Phulbari Review on page 3 discusses the Company's engagement with local communities over the last twelve months.

The National Contact Point (NCP) to the Organisation for Economic Co-operation and Development (OECD) is examining some aspects of a complaint made by activists against the Company in December 2012. The complaint alleges that GCM has not complied with the OECD Guidelines for Multinational Enterprises (the Guidelines). The Guidelines are a voluntary set of principles but the underlying themes are consistent with the standards that GCM adheres to and any allegations against the Company are taken very seriously. As the newly appointed Executive Chairman, I can assure the shareholders that GCM continues to fully engage with the NCP to address the matter. We are confident that a thorough and impartial assessment will result in a favourable outcome for the Company.

Outlook

The upcoming Bangladesh national election has been dominating the political landscape throughout 2013 and this is likely to intensify as we draw closer to the poll date, which is currently expected to be between late-December 2013 and mid-January 2014.

Over the next 12 months the Company will be in discussions with the Government to progress the Project and shall strengthen ties with the local community. Our key goal remains to achieve approval of the Project in order to realise the aspirations of all shareholders and to develop the Project for the benefit of all stakeholders.

I would like to thank the previous Board and employees for their services to GCM, and the existing staff and new Board members for their confidence and support.

Michael Tang
Executive Chairman

Phulbari Review

Over the last twelve months Bangladesh has moved beyond simply accepting coal as integral to energy security and is now making constructive steps towards increasing power generation through coal-fired power plants. Throughout the year the Company progressed its strategy by directly engaging with the Government of Bangladesh and significantly increasing its involvement with the local community.

Coal in Bangladesh

The importance of coal for the country's future electricity requirements is widely recognised. The Power System Master Plan (PSMP) released in early 2011 articulated a roadmap by which the country can dramatically increase power generation to meet the anticipated demand and alleviate the power crisis. The fundamental pillars for success were diversification of commercial energy sources and a move to 50% coal-fired power generation.

The Government has continued to make important steps in implementing the PSMP and there has been considerable activity in negotiating contracts to construct coal-fired power plants throughout the country. Once in operation the coal-fired power plants will require millions of tonnes of high quality thermal coal to support their operations.

The domestic sector remains best placed to supply the necessary coal. Importing coal would result in a number of infrastructure issues, whilst developing Bangladesh's own resources will spur economic activity and employment in regional areas. If developed correctly, coal mining can greatly enhance the livelihoods and prospects of the local communities. The Corporate Responsibility section on page 4 details the commitments that the Company has made towards developing the Phulbari Coal Project and how the Project can benefit both the local communities and North-West Bangladesh overall.

The Phulbari Coal Project is the only undeveloped coal resource within the country that is technically ready for implementation. The Project has undergone a definitive feasibility study and environmental and social impact assessment in accordance with the highest international and national standards by internationally recognised consultants.

Advocacy

In pursuing its strategy, throughout the year the Company continued to engage directly with the Government and potential coal customers in Bangladesh and to increase engagement with community stakeholders.

Meetings were undertaken with all the appropriate Government officials, including those at the most senior levels. However 2013 has been an eventful year for the country with the upcoming elections, the war crime tribunals, and the tragic loss of life in several accidents within the garments industry. There have been an inordinate number of hartals (strikes) over the last nine months, severely impacting business activities in the country's main cities.

These events, along with the upcoming election, have slowed our progress and the amount of Government interaction. However, we remain active and alert to opportunities to promote the Project and explain its benefits.

Community Engagement

The Company actively pursued its engagement strategy with communities throughout the entire potentially affected area. Activities have included focus group discussions and agricultural improvement workshops. Our field teams regularly visit the Project area to respond to community requests for information and meetings with community leaders have been held both in the field and at our Dhaka office. It is important that we take the opportunity to spend time with the local community and discuss their views on the Project.

Particular care and attention has been taken to explain practically how communities will benefit from the Project as well as being transparent about the potential impacts and how these will be managed.

A recent survey was commissioned by the Company to gauge local views of the Project. We are delighted to see support for the Project growing with the communities on the whole embracing the Project as a driver of significant economic and social development in the region.

Summary

In Bangladesh the Company will maintain its efforts with the local community. Although the national elections are only a few months away, we will continue to advocate the Project with the Government of Bangladesh.

The country is restructuring its energy supply towards coal in accordance with the adopted Power System Master Plan, and the Phulbari Coal Project has a very important part to play in the country's future.

Gary Lye
Chief Operating Officer

Corporate Responsibility

Overview

GCM aspires to be a good corporate citizen and undertakes its activities with integrity and fairness. We not only respect and comply with all the applicable laws of each country in which we operate, but are also fully committed to the principles of the UN Global Compact which cover the areas of human rights, labour standards, the environment, and anti-corruption.

As a mining company we recognise the importance of partnering and engaging with all relevant stakeholders, particularly local communities, throughout the planning and operation of a project. For any mining project to be viewed as successful it is vital that the impacts on the local people and environment are managed effectively.

The Company's principal focus is the Phulbari Coal Project, located in the Dinajpur District in North-West Bangladesh. The Board and management reconfirm their commitment that the development of the Project will be in alignment with the highest international and national social and environmental standards. Specifically, the Company has committed to the Equator Principles and to the social and environmental standards of the International Finance Corporation.

GCM's standards are best demonstrated by the plans and operations that have occurred to date, most notably in preparing the Feasibility Study and Scheme of Development and the Environmental and Social Impact Assessment which were prepared in accordance with international best practice at the time. Standards have evolved since and the Company has reviewed its plans accordingly. There have also been internal reviews initiated within the Company to further improve these policies. While awaiting approval of the Project, we will endeavour to revise the documents as the standards we have committed to are updated. The timing of those revisions will be subject to the resources available.

Community

During the last twelve months the Company continued its engagement with the local communities within the Dinajpur district. The Company has had the opportunity to host agriculture improvement workshops with farmers across the district and was able to promptly assist the communities last year by donating blankets during one of the coldest winters experienced in the region.

There have been many consultations with the communities including focus group discussions and meetings with local community leaders to discuss the benefits and impacts of the Project. In these meetings we have been careful to listen in order to understand the views held by the local community. We have sought to explain practically how communities will benefit from the Project as well as being transparent about the potential impacts and how those will be managed.

The Project would be a catalyst for development for the region. An estimated 17,000 jobs would be created as a consequence of developing the Project. New housing, schools, community facilities and religious and medical centres would be constructed.

In addition, the provision of year-round irrigation, improved inputs and training will enable production of an additional crop per year and an increased yield per crop. Rice production alone is expected to more than double.

The benefits are not confined to the region. The Project is expected to contribute 1% to Bangladesh's GDP each year and pay over US$8 billion in taxes, royalties and service charges to the Government over the life of the Project. The nation will benefit economically from not having to import millions of tonnes of coal each year and the resultant increase in electricity will spur economic growth.

The Company has been consistently transparent about the need to resettle approximately 12,000 people (3,000 households) in the Phulbari Municipality area and approximately 28,000 people (6,000 households) in surrounding villages. Resettlement is planned to occur in phases linked to the 35 year mine development schedule. However, in order to give Project Affected People (PAP) access to their entitlements as quickly as possible the Company's Resettlement Plan has made provision for this to possibly occur over just a ten year period. GCM has committed to ensuring no one affected by the Project will be worse off and that each person will be fully and fairly compensated. To this end we have developed a comprehensive resettlement programme which recognises the rights of all PAP to safeguard their specific needs and circumstances.

GCM will continue building and maintaining a constructive relationship with the local communities to ensure a successful long-term project and realise its development potential for the people of Bangladesh.

Environment

GCM has conducted extensive studies into the potential impacts of mining at the Phulbari Coal Project as well as associated activities. As a result of these studies the Company has developed an in-depth understanding and appreciation of the ecology and geology of the region.

Over the 35 year life of the Project, the mine footprint will cover a total of 5,192 hectares. However, at any one time only one third of this will be under active mining, allowing cultivation to continue for most of the land while the mine is in operation.

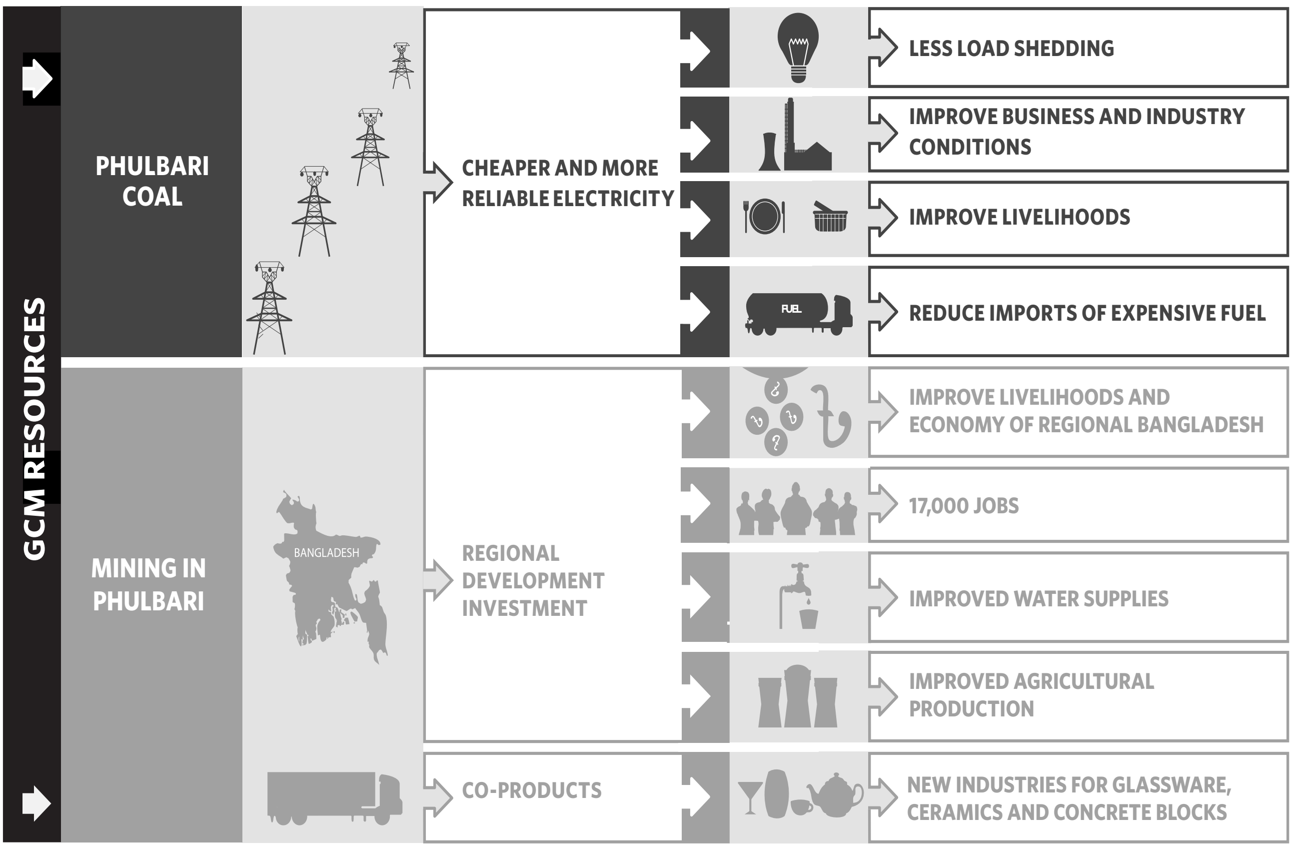
Rehabilitation will be progressive over the entire Project life as mined areas and overburden dump areas are completed. In the final land use plan the mine footprint will be comprised of approximately 1,946 hectares of native forest, 2,550 hectares of high value agricultural pursuits and 696 hectares of fresh water lake.

Overall water quality and availability for people in the affected area will be improved. The Project's Water Management Plan ensures that the clean water extracted for mining purposes remains a community asset which will be distributed for irrigation, village and town reticulated water supplies, local industries and the environment. Any surface water to be released from the Project site will be monitored and treated (as necessary) to ensure it complies with environmental standards.

Summary

GCM will continue to strive to be a good corporate citizen with the support of its shareholders. Having operated in Bangladesh for many years we are sensitive to the cultural, economic and social priorities of the country, particularly in the regional areas which many of our staff call home. After numerous extensive studies on the development of the Project, we are confident that the Phulbari Coal Project can be a catalyst for economic and social development. The Company remains committed to ensuring that the Project is developed with integrity and fairness for the benefit of all stakeholders.

Generating positive benefits for Bangladesh



Board of Directors

Executive Director

Michael Tang *(Executive Chairman)* is Executive Chairman and Managing Director of the Company's largest shareholder, Polo Resources Limited and is the principal of Mettiz Capital Limited, an investment company with significant corporate and financial experience in natural resources, power generation, manufacturing and real estate. Mr. Tang qualified as a barrister in London and holds a Bachelor of Laws degree from the London School of Economics and Political Science.

Non-Executive Directors

Guy Elliot *(Non-Executive Director)* was president and co-founder of Croesus Capital Management Corp., a specialist emerging markets hedge fund manager. He was a manager of proprietary trading at HSBC New York from 1992 to 1993 and worked for EBF & Associates as a portfolio manager from 1990 to 1992. He has also worked for Merrill Lynch International in New York focusing on fixed income securities and Cargill Inc. in London, Geneva and Minneapolis trading fixed income, foreign exchange and derivatives. Mr. Elliott is the Senior Non-Executive Director of Polo Resources Limited and Chief Investment Officer and a Non-Executive Director of Top Level Domain Holdings Ltd., an AIM-traded company focused on the top level domain space. He is also a Director of Copper Development Corporation, an AIM-traded copper exploration and mining company. Mr. Elliott has a BSc in Economics from the London School of Economics.

Dato' Md Wira Dani Bin Abdul Daim *(Non-Executive Director)* manages a diverse portfolio of investments. He and his family have interests in mineral resources, real estate and banking spanning Asia, Africa and Australia. Currently, he is the Chairman of ISR Capital Limited and Non-Executive Director of LionGold Corp Limited, both of which are listed on the Singapore Stock Exchange, and a Director of a number of private entities. He holds a Bachelor of Arts and a Master of Arts from the University of Cambridge.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2013.

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 activity, through its subsidiaries, is the development of the Phulbari Coal Project in Bangladesh.

Business review

Phulbari Coal Project

A detailed review of progress on the Phulbari Coal Project is included in the Phulbari Review on page 3.

Financial resources

As at 30 June 2013 GCM held £707,000 in cash (2012: £353,000 cash, £7,228,000 investments). On 29 August 2013 the Company agreed with new and existing investors to raise £2,317,000 by placing 11,700,000 shares. The placement was completed on 16 September 2013.

Corporate responsibility

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 4.

Financial review

The Group recorded a loss after tax of £3,168,000 for the year ended 30 June 2013 (2012: loss after tax of £3,304,000). During the year GCM sold investments at a loss of £662,000 (2012: profit of £1,107,000). Non-cash expenses of £863,000 were incurred during the year (2012: £3,736,000) including a share based payments charge of £186,000, impairment of £202,000 and depreciation of £4,000. In addition the taxation charge of £471,000 was due to the de-recognition of deferred tax assets.

Capitalised evaluation expenditure relating to the Phulbari Coal Project was £1,935,000 for the year ended 30 June 2013 (2012: £1,670,000).

Dividends

The Directors do not recommend the payment of a dividend (2012: nil).

Going concern

The Group's activities are funded by cash and the realisation of listed equity investments held. Additional funding was obtained subsequent to the end of the financial year through a share placement.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal Project have been prepared and the Directors have satisfied themselves that the Group has adequate financial resources to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development. Refer to note 1 for further information.

Future outlook

The Group is fully committed to the Phulbari Coal Project and is directly engaging with the Government of Bangladesh and other stakeholders to move the Project forward. A detailed review of progress on the Phulbari Coal Project is included in the Phulbari Review on page 3.

Principal risks and uncertainties

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

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

Political environment in which we are operating

The Group is awaiting approval of the Scheme of Development for the Phulbari Coal Project (the Project). An inherent risk associated with this is timing of and/or gaining government approval.

Exploration and project development

The Group continues to evaluate and pursue approval for the Phulbari Coal Project. There is no guarantee that existing and future expenditures will be recouped. Failure to do so could have a materially adverse effect on the Group's results.

Directors' Report (continued)

Health, safety, social and environmental
The Group is committed to developing the Project and meeting the highest international social and environmental standards as detailed in our Corporate Responsibility section on page 4.

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

Directors

The Chairman Statement on page 2 explains the change in composition of the Board. The Directors who served during the year:

	Appointed	Resigned
Executive Directors		
Michael Tang	26 June 2013	–
Gary Lye	23 April 2012	26 June 2013
Graham Taggart	3 April 2006	30 January 2013
Bill McIntosh	20 December 2004	8 February 2013
Non-Executive Directors		
Guy Elliott	26 June 2013	–
Dato' Md Wira Dani Bin Abdul Daim	2 October 2013	–
Neil Herbert	26 June 2013	2 October 2013
Gerard Holden	9 May 2006	26 June 2013
Stephen Dattels	28 April 2009	26 June 2013
Greg James	25 August 2009	26 June 2013
David Weill	21 July 2011	23 July 2012

Amounts paid for services of Directors for the year ended 30 June 2013 were:

	2013 £	2012 £
Executive Directors		
Michael Tang	**–**	–
Gary Lye	**188,196**	45,289
Graham Taggart(1)	**336,700**	297,492
Bill McIntosh(2)	**107,087**	220,833
Steve Bywater(3)	**–**	667,500
Non-Executive Directors		
Guy Elliott	**–**	–
Neil Herbert	**–**	–
Gerard Holden	**284,804**	134,804
Stephen Dattels	**95,467**	53,800
Greg James	**92,316**	71,600
David Weill	**39,267**	115,421
	1,143,837	1,606,739

(1) The amount paid for the services of Graham Taggart for the year ended 30 June 2013 includes a payment of £146,600 in accordance with a compensation agreement.

(2) The amount paid for the services of Bill McIntosh for the year ended 30 June 2013 includes a severance payment of £4,400.

(3) The amount paid for the services of Steve Bywater in the comparative year includes a payment of £267,000 in accordance with a compensation agreement.

The Directors who held office at 30 June 2013, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2013 Shares	2013 Conditional shares	2013 Options	2012 Shares	2012 Conditional shares	2012 Options
Executive Directors						
Michael Tang	–	–	–	–	–	–
Gary Lye	–	170,000	500,000 (1)	–	170,000	120,000 (2)
Graham Taggart	–	–	500,000 (3)	–	140,000	500,000 (3)
Bill McIntosh	25,000	–	80,000 (4)	25,000	160,000	80,000 (4)
Non-Executive Directors						
Guy Elliott	–	–	–	–	–	–
Neil Herbert	–	–	–	–	–	–
Gerard Holden	96,666	–	1,000,000 (1)	96,666	100,000	1,000,000 (5)
Stephen Dattels	–	–	500,000 (1)	–	100,000	500,000 (6)
Greg James	112,500	–	–	60,000	–	–
David Weill	25,000	–	800,000 (4)	25,000	–	800,000 (4)

(1) Exercise price of £0.40, expiry date 29 February 2016.

(2) Exercise price of £1.00, expiry date 29 November 2014, cancelled on 21 February 2013.

(3) Exercise price of £1.00, expiry date 29 November 2014.

(4) Exercise price of £1.00, expiry date 30 April 2015.

(5) 200,000 options with an exercise price of £1.00, expiry date of 29 November 2014, cancelled on 21 February 2013. 800,000 options with an exercise price of £1.00, expiry date of 30 April 2015, cancelled on 21 February 2013.

(6) 100,000 options with an exercise price of £0.66, expiry date three years from vesting date, cancelled on 21 February 2013. 400,000 options with an exercise price of £1.00, expiry date of 30 April 2015, cancelled on 21 February 2013.

Refer to note 16 of the financial statements for further information on conditional shares and options.

Corporate governance

The Directors consider the corporate governance procedures are appropriate relative to the size and stage of development of the Group. There has been no variation to the corporate governance procedures as a result of the change in Board composition.

Code of Practice
The Listing Rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code which sets out the principles of Good Governance and the Code of Best Practice for listed companies. Although the Company is not required to comply with the Code, the Board consider its principles, while also being mindful of the Company's size and activities, when assessing the adequacy of its Corporate Governance procedures.

Board composition
The Board consists of one executive director and two non-executive directors.

The Board considers that its composition is satisfactory, taking into account the size and scale of the Group's activities and 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 continues to have the appropriate structure and skills to meet the needs of the Group 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 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 reference and are listed below. For the 12 months ended 30 June 2013 the Board met three times.

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.

Directors' Report (continued)

The Audit Committee
The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee consists of Guy Elliott and Dato' Md Wira Dani Bin Abdul Daim, 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 Guy Elliott and Dato' Md Wira Dani Bin Abdul Daim. Non-Executive Directors' remuneration is considered by the Board. Financial packages for the 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 makes recommendations to the Board for the recruitment of Directors and senior executives. The Nominations Committee consists of Guy Elliott and Dato' Md Wira Dani Bin Abdul Daim.

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. Further reviews of internal controls will be undertaken as the Group develops to ensure that they remain adequate and effective.

Risk management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation and monitoring risks through regular reviews by senior management.

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 existing 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 currently finances its operations through equity and holds its cash and investments to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer to note 17.

Capital management
Capital comprises cash and listed equity investments. The Group does not hold loans, financial leases, or other non-current finance obligations.

	2013 £000	2012 £000
Cash	**707**	353
Listed equity investments	**–**	7,228
Capital	**707**	7,581

Additional funding for the Group's operations was obtained subsequent to the end of the financial year through equity funding. During the year, cash and the realisation of listed equity investments have been used to finance existing activities. Upon approval of the Phulbari Coal Project funding will be sought from a mix of equity and debt 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 incurs expenditure in a number of currencies including UK pounds, Bangladesh Taka, US dollars and Australian dollars. 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 provides 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.

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 2013 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)

Full details of the resolutions to be proposed at the company's AGM will be included in the Notice of Meeting which will be distributed to shareholders in due course.

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 6. 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 as adopted by the European Union 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;
- state that the Group has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable.

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,

Michael Tang
Executive Chairman

31 October 2013

Consolidated Financial Statements

For year ended 30 June

	Notes	2013 £000	2012 £000
Operating expenses			
Exploration and evaluation costs		**(405)**	(596)
Share based payments	16	**(186)**	(744)
Administrative expenses		**(1,242)**	(1,582)
Operating (loss)	3	**(1,833)**	(2,922)
Exceptional items	6	**(864)**	258
Finance revenue	7	**–**	1,498
(Loss) before tax		**(2,697)**	(1,166)
Taxation	8	**(471)**	(2,138)
(Loss) for the year		**(3,168)**	(3,304)
(Loss) per share			
Basic (pence per share)	9	**(6.2p)**	(6.5p)
Diluted (pence per share)	9	**(6.2p)**	(6.5p)

Consolidated Statement of Comprehensive Income

For year ended 30 June

	2013 £000	2012 £000
Loss for the year	**(3,168)**	(3,304)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Net loss on revaluation of available-for-sale financial assets	**(2,825)**	(8,646)
Transfer to income statement: sale of available-for-sale financial assets	**662**	(1,107)
Transfer to income statement: impairment of available-for-sale financial assets	**202**	849
Income tax relating to components of other comprehensive income	**471**	2,354
Total comprehensive loss	**(4,658)**	(9,854)

Consolidated Statement of Changes in Equity

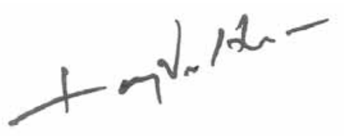
For year ended 30 June

	Share capital £000	Share premium account £000	Share based payments not settled £000	Net movement in available-for-sale investments £000	Accum-ulated losses £000	Total £000
Balance at 1 July 2011	5,105	44,217	1,805	8,040	(7,640)	51,527
Total comprehensive loss	–	–	–	(6,550)	(3,304)	(9,854)
Shares issued during the year	5	29	–	–	–	34
Share based payments	–	–	(489)	–	744	255
Balance at 30 June 2012	5,110	44,246	1,316	1,490	(10,200)	41,962
Total comprehensive loss	–	–	–	(1,490)	(3,168)	(4,658)
Shares issued during the year	5	12	–	–	–	17
Share based payments	–	–	(728)	–	280	(448)
Balance at 30 June 2013	**5,115**	**44,258**	**588**	**–**	**(13,088)**	**36,873**

Consolidated Balance Sheet

As at 30 June

	Notes	2013 £000	2012 £000
Current assets			
Cash and cash equivalents		**707**	353
Receivables	10	**178**	303
Total current assets		**885**	656
Non-current assets			
Property, plant and equipment	11	**47**	66
Intangible assets	12	**36,393**	34,458
Financial assets	13	**–**	7,228
Total non-current assets		**36,440**	41,752
Total assets		**37,325**	42,408
Current liabilities			
Payables		**(452)**	(446)
Total current liabilities		**(452)**	(446)
Total liabilities		**(452)**	(446)
Net assets		**36,873**	41,962
Equity			
Share capital	15	**5,115**	5,110
Share premium account	15	**44,258**	44,246
Other reserves	15	**588**	2,806
Accumulated losses		**(13,088)**	(10,200)
Total equity		**36,873**	41,962



Michael Tang
Executive Chairman

31 October 2013

Consolidated Cash Flow Statement

For year ended 30 June

	2013 £000	2012 £000
Cash flows used in operating activities		
(Loss) before tax	**(2,697)**	(1,166)
Adjusted for:		
Exceptional items	**864**	(258)
Finance revenue	**–**	(1,498)
Share based payments	**186**	744
Other non-cash expenses	**4**	270
	(1,643)	(1,908)
Movements in working capital:		
Decrease in operating receivables	**125**	69
(Decrease)/increase in operating payables	**(46)**	49
Cash used in operations	**(1,564)**	(1,790)
Interest received	**–**	2
Net cash used in operating activities	**(1,564)**	(1,788)
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment	**–**	(7)
Payments for intangible assets	**(2,502)**	(2,368)
Proceeds from sale of investments	**4,403**	2,439
Dividends received	**–**	1,496
Net cash generated from investing activities	**1,901**	1,560
Cash flows from financing activities		
Issue of ordinary share capital	**17**	34
Net cash from financing activities	**17**	34
Total decrease in cash and cash equivalents	**354**	(194)
Cash and cash equivalents at the start of the year	**353**	547
Cash and cash equivalents at the end of the year	**707**	353

Notes to the Consolidated Financial Statements

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 31 October 2013, and the Consolidated Balance Sheet was signed on the Board's behalf by Michael Tang.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2013 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 2013.

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. 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. 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.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved, the Group would impair all of its intangible mining assets totalling £36,393,000 as at 30 June 2013.

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 14. As at 28 October 2013 GCM held cash of £2,422,000.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal Project have been prepared and, the Directors have satisfied themselves that the Group has adequate financial resources to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

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 on-going 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

If an impairment trigger under IFRS 6 is identified and intangibles are tested for impairment, estimates are used to determine the expected net return on investment. The estimated return on investment takes into account estimated recoverable reserves, coal prices, development and production costs, capital investment requirements, discount rates and environmental and social costs among other things.

Share based payments

Note 16 outlines the significant assumptions made when accounting for options and conditional shares. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to the income statement.

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.

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.

Notes to the Consolidated Financial Statements (continued)

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.

The fair value of financial instruments is determined and disclosed using the following hierarchy of valuation techniques:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

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. An available-for-sale investment is impaired when there is a significant or prolonged diminution in fair value of the asset.

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 outside profit and loss, in which case it is recognised in other comprehensive income or directly in equity as appropriate.

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) or to conditions not related to performance or service (non-vesting 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 or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. 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.

Exceptional items
Exceptional items represent significant items of income and expense that, due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include profit or loss on sale of investments and impairment of investments

New standards and interpretations applied
IAS 1 – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in Other Comprehensive Income. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

Notes to the Consolidated Financial Statements (continued)

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

	Effective date	Adoption date
International Accounting Standards (IAS / IFRSs)		
IAS 19 Employee Benefits (Amendment)	1 January 2013	1 July 2013
IFRS 13 Fair Value Measurement	1 January 2013	1 July 2013
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2013	1 July 2013
Improvements to IFRSs (2009 – 2011)	1 January 2013	1 July 2013
IAS 27 Separate Financial Statements	1 January 2014	1 July 2014
IAS 28 Investments in Associates and Joint Ventures	1 January 2014	1 July 2014
IFRS 10 Consolidated Financial Statements	1 January 2014	1 July 2014
IFRS 11 Joint Arrangements	1 January 2014	1 July 2014
IFRS 12 Disclosure of interests in other entities	1 January 2014	1 July 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014	1 July 2014
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015	1 July 2015
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1 July 2013

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.

2. Segment analysis

The Group operates in one segment being the exploration and evaluation of energy related projects. The only significant project within this segment is the Phulbari Coal Project (the Project) in Bangladesh. "Other" non-current assets are primarily utilised to support the corporate activities of the Company. For segmental reporting, all central costs are allocated to the Project.

Geographic analysis of non-current assets

	Bangladesh £000	Other £000	Total £000
2013			
Property, plant and equipment	**41**	**6**	**47**
Intangible assets	**36,393**	**–**	**36,393**
	36,434	**6**	**36,440**
2012			
Property, plant and equipment	56	10	66
Intangible assets	34,458	–	34,458
Financial assets	–	7,228	7,228
	34,514	7,238	41,752

3. Operating loss

	2013 £000	2012 £000
The operating loss is stated after charging:		
Directors' remuneration [(1)]	**335**	734
Share based payments [(2)]	**186**	744
Other staff costs [(3)]	**172**	266
Operating lease rentals [(4)]	**79**	44
Depreciation of property, plant and equipment [(5)]	**4**	4
Exchange differences	**1**	(7)

(1) Total Directors' remuneration for 2013 financial year was £1,144,000 of which £335,000 was expensed in administrative expenses, £131,000 expensed in exploration and evaluation costs and £678,000 was capitalised (2012: £734,000 expensed in administrative expenses, £197,000 expensed in exploration and evaluation costs and £676,000 capitalised).

(2) During the 2013 financial year, the expense for share based payments was £186,000 while a credit of £634,000 was recorded against intangibles (2012: £744,000 expense and a credit of £489,000 credit to intangibles).

(3) Other staff costs for 2013 financial year were £584,000 of which £172,000 was expensed in administrative expenses, £37,000 expensed in exploration and evaluation costs and £374,000 capitalised (2012: £409,000 capitalised).

(4) Operating lease rental costs for 2013 financial year were £422,000 of which £79,000 was expensed and £343,000 capitalised (2012: £403,000 capitalised).

(5) Total depreciation for 2013 was £19,000 of which £4,000 was expensed and £15,000 capitalised (2012: £16,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £405,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2012: £596,000).

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.

	2013 £000	2012 £000
Audit of the financial statements	**48**	45
Audit of subsidiaries	**9**	10
Total audit	**57**	55
Other assurance services	**5**	5
Total non-audit services	**5**	5
Total fees	**62**	60

5. Amounts paid for Directors' services, and staff costs

	2013 £000	2012 £000
Amounts paid for Directors' services		
Amounts paid for Directors' services	**1,144**	1,607

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report on page 7.

Staff costs		
Wages and salaries[(1)]	**584**	626
Social security costs	**21**	49
	605	675

(1) Excludes amounts paid for Directors' services.

Financial Statements

Notes to the Consolidated Financial Statements (continued)

The average monthly number of employees during the year was:

	2013 Number	2012 Number
Exploration and evaluation	**49**	57
Administration	**9**	11
	58	68

6. Exceptional items

	2013 £000	2012 £000
(Loss)/profit on sale of investments	**(662)**	1,107
Impairment of investments	**(202)**	(849)
	(864)	258

Profit on sale of investments
During the year a loss of £662,000 was incurred on the disposal of available-for-sale financial assets (2012: profit of £1,107,000).

Impairment of investments
An impairment charge of £202,000 was recorded during the year ended 30 June 2013 in relation to the decline in market value of listed investments held by the Group (2012: £849,000).

7. Finance revenue

	2013 £000	2012 £000
Dividends received	**–**	1,496
Bank interest receivable	**–**	2
	–	1,498

8. Taxation

Tax on loss on ordinary activities

	2013 £000	2012 £000
Tax charged/(credited) in the income statement		
UK current tax	**–**	–
Deferred tax	**–**	–
Origination and reversal of temporary differences	**471**	1,917
Change in tax rate	**–**	221
Total deferred tax	**471**	2,138
Tax charge in the income statement	**471**	2,138
Tax relating to items charged outside the income statement		
Available-for-sale financial assets	**(471)**	(2,270)
Change in tax rate	**–**	(84)
Total deferred tax	**(471)**	(2,354)
Tax charge/(credit) in other comprehensive income	**(471)**	(2,354)

Reconciliation of the tax charge in the income statement

	2013 £000	2012 £000
(Loss) on ordinary activities before tax	**(2,697)**	(1,166)
UK corporation tax @ 23.75% (2013) and 25.5% (2012)	**(641)**	(297)
Change in tax rate	**–**	221
De-recognition of deferred tax assets on carried forward losses	**471**	1,917
Unrecognised deferred tax assets during the year	**596**	519
Non-deductible expenditure	**45**	190
Tax exempt income	**–**	(412)
Total tax expense reported in the income statement	**471**	2,138

At 30 June 2013 tax losses for which a deferred tax asset was not recognised amounted to £8,803,000 (2012: £5,871,000). 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, will arise.

Deferred tax
The deferred tax included in the income statement is as follows:

	2013 £000	2012 £000
De-recognise tax deferred assets on carried forward losses	**471**	1,917
Change in tax rate	**–**	221
Deferred income tax expense	**471**	2,138

The reduction in the rate of corporation tax from 24% to 23% from 1 April 2013 was enacted during the year and has been fully incorporated into the accounts. In addition, the UK government has announced its intention to reduce the UK corporation tax rate to 21% by 1 April 2014. As the 21% rate had not been substantively enacted at the balance sheet date it has no effect on current or deferred tax liabilities in these accounts.

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

	2013 £000	2012 £000
Deferred tax asset		
Tax losses carried forward	**2,017**	1,401
Impairment	**1,079**	1,330
Other	**1**	1
	3,097	2,732
Less: deferred tax assets de-recognised	**(3,097)**	(2,261)
	–	471
Deferred tax liability		
Revaluation of available-for-sale financial assets	**–**	471
	–	471
Disclosed on the balance sheet		
Deferred tax asset	**–**	–
Deferred tax liability	**–**	–
	–	–

Notes to the Consolidated Financial Statements (continued)

9. Earnings per share

	2013 £000	2012 £000
(Loss) for the year	**(3,168)**	(3,304)

	Thousands	Thousands
Weighted average number of shares		
Basic and diluted weighted average number of shares	**51,121**	51,067
(Loss) per share		
Basic (pence per share)	**(6.2p)**	(6.5p)
Diluted (pence per share)	**(6.2p)**	(6.5p)

There are 5,335,833 potentially dilutive options and conditional shares over the Ordinary Shares at 30 June 2013 (2012: 3,694,139), which are not included in the calculation of diluted earnings per share in 2013 because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

10. Receivables

	2013 £000	2012 £000
Security deposits	**21**	21
Prepayments and accrued income	**147**	260
Other receivables	**10**	22
	178	303

11. Property, plant and equipment

	Buildings £000	Plant and equipment £000	Vehicles £000	Total £000
Cost				
At 1 July 2011	77	305	18	400
Additions	–	7	–	7
At 30 June 2012	77	312	18	407
Additions	–	–	–	–
Disposals	–	(5)	(1)	(6)
At 30 June 2013	**77**	**307**	**17**	**401**
Depreciation				
At 1 July 2011	(38)	(265)	(18)	(321)
Depreciation during the year	(2)	(18)	–	(20)
At 30 June 2012	(40)	(283)	(18)	(341)
Depreciation during the year	(3)	(16)	–	(19)
Disposals	–	5	1	6
At 30 June 2013	**(43)**	**(294)**	**(17)**	**(354)**
Net book value at 30 June 2013	**34**	**13**	**–**	**47**
Net book value at 30 June 2012	37	29	–	66

12. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
At 1 July 2011	31,641	1,147	32,788
Additions – exploration & evaluation	1,937	–	1,937
Expenditure written off	(267)	–	(267)
At 30 June 2012	33,311	1,147	34,458
Additions – exploration & evaluation	1,935	–	1,935
Cost and net book value at 30 June 2013	**35,246**	**1,147**	**36,393**
Cost and net book value at 30 June 2012	33,311	1,147	34,458

The mineral rights will be amortised over the licence period (including extensions) once commercial production commences at 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 property, plant and equipment in accordance with the accounting policy.

13. Financial assets

	2013 £000	2012 £000
Available-for-sale investments		
Listed equity investments	**–**	7,228
	–	7,228

The listed equity investments held at the comparative balance sheet date were valued at the closing price as at 30 June 2012.

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 2013	Ownership interest 2012
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**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. The investment was fully impaired during the year ended 30 June 2010.

Notes to the Consolidated Financial Statements (continued)

14. Commitments

Operating lease commitments
The Group has entered into operating leases on land and buildings, vehicles and office equipment. The duration of the leases are between 1 and 5 years. Future minimum rentals on these operating leases are as follows:

	2013 £000	2012 £000
Operating leases expiring:		
Within one year	**210**	371
After one year but not more than five years	**–**	436
	210	807

In addition, under the terms of the Prospecting License agreement with the Bangladesh authorities for contract licence areas B, G and H respectively, an annual fee of 500 Taka (£4.27 at year-end exchange rate) is payable for each hectare within the licence area. The Group currently leases 5,480 hectares within these licence areas. The licence has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

15. Authorised and issued share capital

	2013 Thousands	2012 Thousands	2013 £000	2012 £000
Authorised				
Ordinary shares of 10p each	**200,000**	200,000	**20,000**	20,000
Allotted, called up and fully paid				
At 1 July	**51,096**	51,047	**5,110**	5,105
Shares issued	**53**	49	**5**	5
At 30 June	**51,149**	51,096	**5,115**	5,110

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.

During the year a company, in which Greg James has a beneficial interest, subscribed for 52,500 shares. The consideration of the issued shares was equal to the market price on the day of purchase, in accordance with the contract for the provision of service.

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.

	2013 £000	2012 £000
Share based payments not settled	**588**	1,316
Net movement in available-for-sale financial assets	**–**	1,490
	588	2,806

16. Share based payments

The charge/(credit) for share based payments during the year is shown in the following table:

	2013 £000	2012 £000
Charged to the income statement		
New options	**183**	318
Cancelled options	**3**	–
Modified options	**–**	425
Existing options not vested	**–**	1
	186	744
Charged/(credited) to intangibles		
Conditional shares	**(634)**	(524)
Modified options	**–**	35
	(634)	(489)

Options

Options are issued to incentivise Directors and other senior executives. When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

New options

2,100,000 options were granted during the year ended 30 June 2013 (2012: 2,080,000). The fair value of the options granted was £0.087 per option, for a cost of £183,000. As there were no vesting conditions, the cost was immediately expensed to the income statement.

The fair value of options at the grant date was determined using the Black-Scholes model. The following table lists the inputs to the model:

Grant date	21 February 2013
Share price at grant date	£0.29
Vesting period	None
Expected term	1.52 years
Exercise price	£0.40
Risk free rate	0.36%
Expected volatility	81%
Expected dividend yield	0%

Cancelled options

During the year 1,520,000 vested options and 100,000 non-vested options were cancelled (2012: nil). The unallocated cost of the non-vested options at the time of the cancellation amounting to £3,000 was charged to the income statement. As the vested options had been expensed in prior years there was no further charge to the income statement.

Movement in options

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

	2013 Options Thousands	2013 WAEP	2012 Options Thousands	2012 WAEP
At 1 July	**4,000**	**£1.08**	1,920	£1.31
Options granted	**2,100**	**£0.40**	2,080	£1.00
Options cancelled	**(1,620)**	**£0.98**	–	
Outstanding at 30 June	**4,480**	**£0.80**	4,000	£1.08
Exercisable at 30 June	**4,480**	**£0.80**	3,900	£1.08

Notes to the Consolidated Financial Statements (continued)

The options outstanding at 30 June 2013 have an exercise price in the range of £0.40 to £1.35 (2012: £0.66 to £1.35) and a weighted average contractual life of 2.1 years (2012: 2.7 years).

Conditional shares scheme
GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by IFRS 2.

Movement in non-vested conditional shares:

	2013 Thousands	2012 Thousands
At 1 July	**825**	1,535
Forfeited	**(512)**	(710)
30 June	**313**	825

The grant details of the conditional shares outstanding as at 30 June 2013 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6.32	60
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	208
		313

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2013 is £588,000 (2012: £1,222,000) 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 reduction in the cost of conditional shares amounting to £634,000 for the year ended 30 June 2013 is directly attributable to the Phulbari Coal Project, and accordingly credited to intangibles on this basis (2012: £524,000).

Share based payments for services
On 21 February 2013 a consultancy contract was entered into, which included the award of 2,500,000 options with an exercise price of 40p. The options were to vest upon the Government of Bangladesh granting approval of the Scheme of Development for the Phulbari Coal Project. The consultancy contract, including the options, was cancelled on 30 April 2013. In accordance with IFRS 2, share based payments to non-employees are recognised as services are rendered to the extent that vesting is probable. As the services were not rendered prior to cancellation, no expense was recognised during the year.

17. Financial Instruments

The Group holds cash as a liquid resource 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 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 a regular basis. The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

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

	2013 £000	2012 £000
Floating rate – within 1 year		
Cash and cash equivalents	**–**	20
Receivables – security deposits	**21**	21

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

Equity price risk
The Group held listed equity investments classified as available-for-sale during the year. As at 30 June 2013 all listed equity investments were sold and accordingly the Company face no equity price risk. The equity investments previously held were listed on the London Stock Exchange Alternative Investment Market (AIM), the Toronto Stock Exchange, the Australian Stock Exchange and the Johannesburg Stock Exchange. In the comparative year sensitivity analysis, in respect of listed equity investments, was 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.

	Change in market index %	Effect on profit after tax £000	Effect on equity £000
2013	**–**	**–**	**–**
	–	**–**	**–**
2012	10%	–	441
	(10%)	(97)	(441)

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

Liquidity risk
The Group ensures that it has sufficient cash to meet all its commitments when required. The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2013 and 2012.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	Total £000
2013				
Payables	**314**	**80**	**58**	**452**
2012				
Payables	226	75	145	446

Currency risk
The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

Notes to the Consolidated Financial Statements (continued)

Fair values of financial assets and liabilities

	Financial instrument classification	Book value 2013 £000	Book value 2012 £000	Fair value 2013 £000	Fair value 2012 £000
Financial assets					
Cash and cash equivalents		**707**	353	**707**	353
Receivables	Loans and receivables	**178**	303	**178**	303
Listed equity investments	Available-for-sale	**–**	7,228	**–**	7,228
Financial liabilities					
Creditors	Amortised cost	**452**	446	**452**	446

Fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
2013: Available-for-sale financial assets				
Listed equity investments	**–**	**–**	**–**	**–**
Unlisted equity investment	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
2012: Available-for-sale financial assets				
Listed equity investments	7,228	–	–	7,228
Unlisted equity investment	–	–	–	–
	7,228	–	–	7,228

Unlisted equity investment is categorised in level 3 of the fair value hierarchy and has been recorded at the lower of cost and net realisable value, as fair value is not capable of reliable measurement.

18. 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.

19. Related Party Transactions

Key management personnel

	2013 £000	2012 £000
Short-term benefits	**1,158**	1,756
Share based payments	**(404)**	647
	754	2,403

20. Post-balance sheet events

Share placement
On 29 August 2013 the Company agreed with new and existing investors to raise £2,317,000 by placing 11,700,000 shares. The placement was completed on 16 September 2013. The June 2013 financial statements have not been adjusted.

Options awarded
On 29 August 2013 options were awarded to the Directors of the Company as follows.

	Number of options	Exercise price
Michael Tang	2,500,000	19.8p
Guy Elliott	250,000	19.8p
Neil Herbert	250,000	19.8p

The options have a vesting date of 1 March 2014 and are due to expire on 28 February 2019 if not exercised earlier. The options awarded to Neil Herbert were forfeited on 2 October 2013, being the date of his resignation.

The June 2013 financial statements have not been adjusted.

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 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 20. 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 Chapter 3 of Part 16 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 11, 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 and express an opinion on the Group financial statements in accordance with applicable law 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 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 modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks" section of note 1 to the financial statements concerning 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. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, intangible assets included in the balance sheet at £36,393,000 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 in the financial statements.

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 for our audit.

Other matter
We have reported separately on the parent company financial statements of GCM Resources plc for the year ended 30 June 2013. That report includes an emphasis of matter paragraph.

Ernst & Young LLP

Steven Dobson
Senior statutory auditor

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 October 2013

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Financial Statements 2013

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:

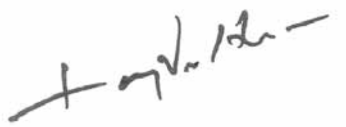
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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	2013 £000	2012 £000
Fixed assets			
Tangible assets	5	**6**	10
Investments	6	**1,938**	4,618
Loans to subsidiaries	7	**37,971**	34,778
		39,915	39,406
Current assets			
Debtors	7	**45**	97
Current asset investments	8	**21**	21
Cash at bank and in hand		**249**	317
		315	435
Creditors: amounts falling due within one year		**(213)**	(258)
Net current assets		**102**	177
Total assets less current liabilities		**40,017**	39,583
Net assets		**40,017**	39,583
Capital and reserves			
Called up share capital account	10	**5,115**	5,110
Share premium account	11	**44,258**	44,246
Other reserves	11	**588**	1,316
Profit and loss account	11	**(9,944)**	(11,089)
Equity shareholders' funds		**40,017**	39,583



Michael Tang
Executive Chairman

31 October 2013

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 31 October 2013.

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. 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 AECB'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. 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.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the assets relating to the Project. The Directors consider that it is appropriate to continue to record the investment in Asia Energy Corporation (Bangladesh) Pty Limited and related inter-company balances at cost. However if for whatever reason the Scheme of Development is not ultimately approved, the Company would be required to impair its investment and related inter-company balances totalling £39,482,000 at 30 June 2013.

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 9. As at 28 October 2013 GCM held cash of £2,422,000. Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal Project have been prepared and the Directors have satisfied themselves that the Company has adequate financial resources to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

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 due to 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.

Notes to the Company Financial Statements (continued)

- 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) or to conditions not related to performance or service (non-vesting 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 or non-vesting 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. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. 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.

2. Result of the parent company

The parent company recorded a profit of £865,000 for the year ended 30 June 2013 (2012: loss of £1,584,000).

3. Auditor's remuneration

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

	2013 £000	2012 £000
Audit of the Company financial statements	**10**	10

4. Unrecognised deferred tax assets

	2013 £000	Movement for the year £000	2012 £000
Deferred tax assets			
Tax losses	**1,803**	430	1,373
Impairment of investments	**1,080**	(250)	1,330
	2,883	180	2,703

As at 30 June 2013 the deferred tax asset amounting to £2,883,000 was not recognised (2012: £2,703,000). 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 assets

	Office furniture and equipment £000
Cost	
Opening balance	**51**
Additions	**–**
At 30 June 2013	**51**
Depreciation	
Opening balance	**(41)**
Provided during the period	**(4)**
At 30 June 2013	**(45)**
Net book value at 30 June 2013	**6**
Net book value at 30 June 2012	10

6. Investments

	Subsidiary under-takings £000	Listed equity investments £000	Total £000
Cost			
Opening balance	**2,666**	**1,952**	**4,618**
Reductions	**(728)**	**–**	**(728)**
Impairment	**–**	**(97)**	**(97)**
Disposal	**–**	**(1,855)**	**(1,855)**
As at 30 June 2013	**1,938**	**–**	**1,938**
Net book value at 30 June 2013	**1,938**	**–**	**1,938**
Net book value at 30 June 2012	2,666	1,952	4,618

Part of the cost of share based payments are capitalised as an investment in the Company's subsidiary. The effect for the current year is the reduction of £728,000 (2012: £489,000), representing the reversal of costs previously capitalised in relation to forfeited conditional shares and cancelled share options in the year. The liquid equity investments were sold during the year for a profit of £47,000 (2012: nil) however earlier in the year an impairment charge of £97,000 was recorded during the year ended 30 June 2013 in relation to the decline in market value of the listed investments then held (2012: £849,000).

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 2013	2012
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**100%**	100%
South African Coal Limited	England & Wales	**100%**	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd	Bangladesh	**37%**	37%

Notes to the Company Financial Statements (continued)

7. Debtors

	2013 £000	2012 £000
Current debtors		
Other debtors	**11**	22
Prepayments and accrued income	**34**	75
	45	97
Non-current debtors		
Amounts due from subsidiaries	**37,971**	34,778
	37,971	34,778

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

	2013 £000	2012 £000
Security deposits	**21**	21

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

9. Commitments

Operating lease commitments
The Company has entered into operating leases on premises and office equipment. These leases have a duration of less than 1 year. Commitments under these operating leases are as follows:

	2013 £000	2012 £000
Operating leases expiring:		
Within one year	**8**	41
After one year but not more than five years	**–**	2
	8	43

10. Authorised share capital

	2013 Thousands	2012 Thousands	2013 £000	2012 £000
Authorised				
Ordinary shares of 10p each	**200,000**	200,000	**20,000**	20,000
Allotted, called up and fully paid				
At 1 July	**51,096**	51,047	**5,110**	5,105
Shares issued	**53**	49	**5**	5
At 30 June	**51,149**	51,096	**5,115**	5,110

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.

During the year a company, in which Greg James has a beneficial interest, subscribed for 52,500 shares. The consideration of the issue shares was equal to the market price on the day of purchase, in accordance with the contract between the company and GCM for the provision of his service.

11. Reserves

	Share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 July 2012	5,110	44,246	1,316	(11,089)	39,583
Shares issued	5	12	–	–	17
Share based payments	–	–	(728)	280	(448)
Profit for the financial year	–	–	–	865	865
Balance at 30 June 2013	**5,115**	**44,258**	**588**	**(9,944)**	**40,017**

12. Share based payments

The charge/(credit) for share based payments during the year is shown in the following table:

	2013 £000	2012 £000
Charged to the income statement		
New options	**183**	318
Cancelled options	**3**	–
Modified options	**–**	425
Existing options not vested	**–**	1
	186	744
Charged/(credited) to investment in subsidiaries		
Conditional shares	**(634)**	(524)
Modified options	**–**	35
	(634)	(489)

Options

Options are issued to incentivise Directors and other senior executives. When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

New options

2,100,000 options were granted during the year ended 30 June 2013 (2012: 2,080,000). The fair value of the options granted was £0.087 per option, for a cost of £183,000. As there were no vesting conditions, the cost was immediately expensed to the income statement.

The fair value of options at the grant date was determined using the Black-Scholes model. The following table lists the inputs to the model:

Grant date	21 February 2013
Share price at grant date	£0.29
Vesting period	None
Expected term	1.52 years
Exercise prices	£0.40
Risk free rate	0.36%
Expected volatility	81%
Expected dividend yield	0%

Cancelled options

During the year 1,520,000 vested options and 100,000 non-vested options were cancelled (2012: nil). The unallocated cost of the non-vested options at the time of the cancellation amounting to £3,000 was charged to the income statement. As the vested options had been expensed in prior years there was no further charge to the income statement.

Notes to the Company Financial Statements (continued)

Movement in options

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

	2013 Options Thousands	2013 WAEP	2012 Options Thousands	2012 WAEP
At 1 July	**4,000**	**£1.08**	1,920	£1.31
Options granted	**2,100**	**£0.40**	2,080	£1.00
Options cancelled	**(1,620)**	**£0.98**	–	
Outstanding at 30 June	**4,480**	**£0.80**	4,000	£1.08
Exercisable at 30 June	**4,480**	**£0.80**	3,900	£1.35

The options outstanding at 30 June 2013 have an exercise price in the range of £0.40 to £1.35 (2012: £0.66 to £1.35) and a weighted average contractual life of 2.1 years (2012: 2.7 years).

Conditional shares scheme

GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by FRS 20.

Movement in non-vested conditional shares:

	2013 Thousands	2012 Thousands
At 1 July	**825**	1,535
Forfeited	**(512)**	(710)
30 June	**313**	825

The grant details of the conditional shares outstanding as at 30 June 2013 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6.32	60
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	208
		313

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2013 is £588,000 (2012: £1,222,000) 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

Share based payments for services

On 21 February 2013 a consultancy contract was entered into, which included the award of 2,500,000 options with an exercise price of 40p. The options were to vest upon the Government of Bangladesh granting approval of the Scheme of Development for the Phulbari Coal Project. The consultancy contract, including the options, was cancelled on 30 April 2013. In accordance with IFRS 2, share based payment to non-employees are recognised as services are rendered to the extent that vesting is probable. As the services were not rendered prior to cancellation, no expense was recognised during the year.

13. Related Party Transactions

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

14. Post-balance sheet events

Share placement

On 29 August 2013 the Company agreed with new and existing investors to raise £2,317,000 by placing 11,700,000 shares. The placement was completed on 16 September 2013. The June 2013 financial statements have not been adjusted.

Options awarded

On 29 August 2013 options were awarded to the Directors of the Company as follows.

	Number of options	Exercise price
Michael Tang	2,500,000	19.8p
Guy Elliott	250,000	19.8p
Neil Herbert	250,000	19.8p

The options have a vesting date of 1 March 2014 and are due to expire on 28 February 2019 if not exercised earlier. The options awarded to Neil Herbert were forfeited on 2 October 2013, being the date of his resignation.

The June 2013 financial statements have not been adjusted.

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 2013 which comprise the Company Balance Sheet and the related notes 1 to 14. 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 Chapter 3 of Part 16 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 35, 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 and express an opinion on the parent company financial statements in accordance with applicable law 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013;
- 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 modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks" section of note 1 to the Parent Company financial statements concerning the significant uncertainty over the recoverability of the Company's investment in Asia Energy Corporation (Bangladesh) Pty Limited and certain inter-company balances. 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. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, the investment and inter-company balances included in the Parent Company balance sheet with a carrying value totalling £39,482,000 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 in the financial statements.

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 matter
We have reported separately on the Group financial statements of GCM Resources plc for the year ended 30 June 2013. That report includes an emphasis of matter paragraph.

Ernst & Young LLP

Steven Dobson
(Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 October 2013

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes

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