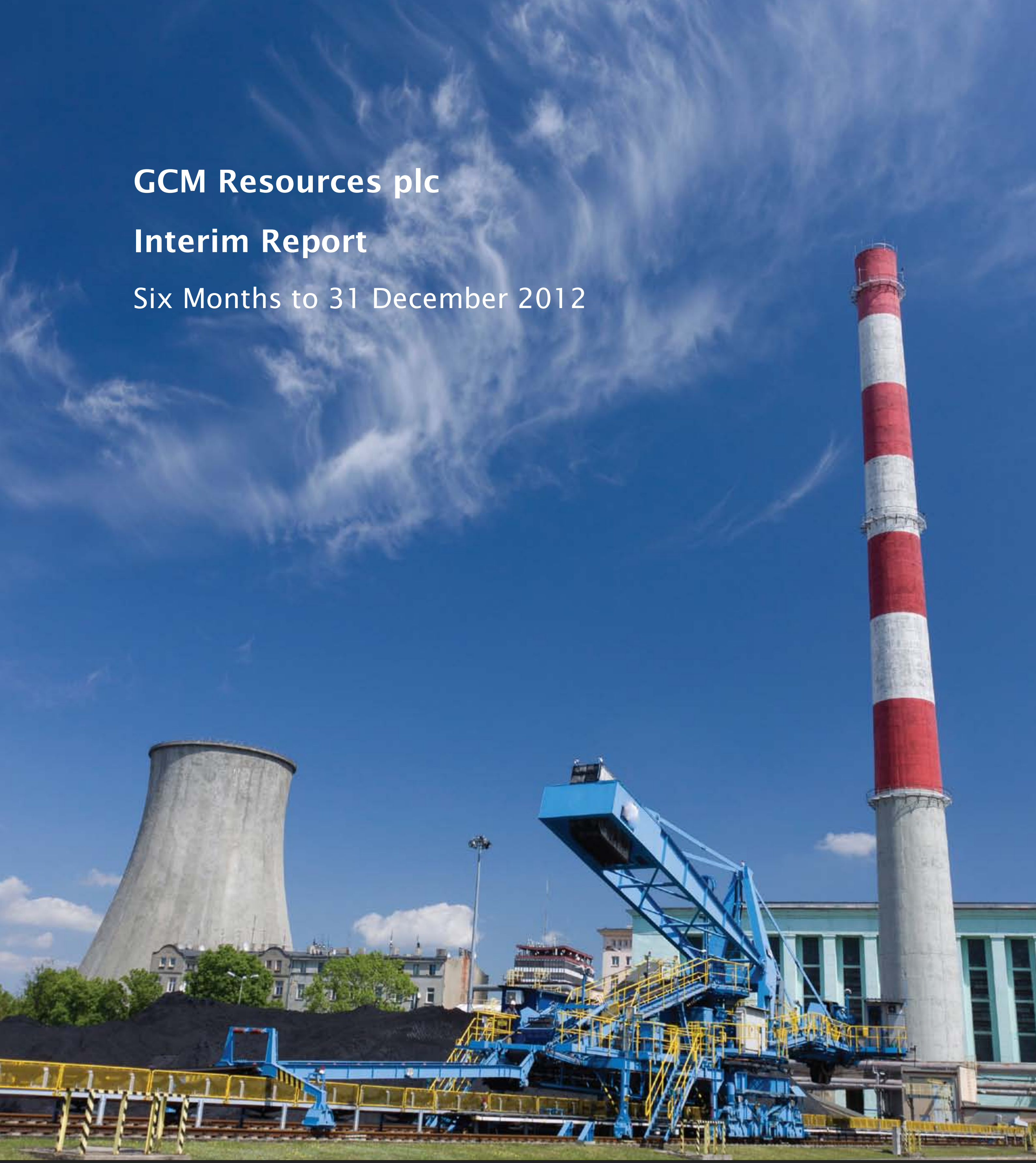
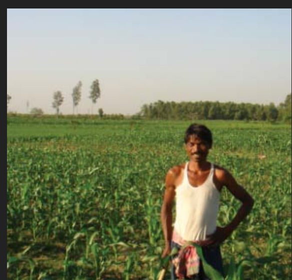
GCM Resources plc

Interim Report

Six Months to 31 December 2012





Highlights

GCM has continued to focus on direct engagement with the Government of Bangladesh and further engagement with local communities in the Phulbari Coal Project area.

A request has been made to meet with the Honourable Prime Minister of Bangladesh to discuss the role that the Project will have in solving the country's energy and power crisis.

Engagement with the local community has been progressing well and the Company has received very positive responses from community leaders in the Project area.

GCM is in discussions with potential partners to raise equity funding, which would fund operations through approval into the initial stages of development of the Phulbari Coal Project.

The Company recorded a loss after tax of £2.2 million for the period ended 31 December 2012 (December 2011: loss of £0.7 million).

Chairman's Statement

"We look forward to working with the local community and ensuring that the benefits they receive are real and tangible over the life of the Project."

Strategy and progress

Following our strategy review earlier in 2012, the Company has been active in focusing on direct engagement with the Government of Bangladesh as well as opening up new channels of communication with the local community.

Since mid-2012 progress continues to be made in raising the profile of the Phulbari Coal Project (the Project) in Bangladesh. The Company has renewed discussions with the Government of Bangladesh, including the Energy Advisor, the State Minister and senior officials in the Ministry for Power, Energy and Mineral Resources. We have also met with Ministers in Finance, Environment and Forest, and Land. This strategy has culminated in a request for a meeting with the Honourable Prime Minister of Bangladesh in her capacity as Minister for Power, Energy and Mineral Resources.

We look forward to meeting with the Honourable Prime Minister and being able to directly communicate the role the Project will have in solving the country's energy and power crisis as well as the positive benefits that would follow approval of the Project.

The Company's activities in the Dinajpur District are publicly supported by the Government's Home Ministry and the local Administration. We have met with and received positive responses from the local community who are eager to understand the consequences of the Project and how they can benefit from the progress of one of Bangladesh's largest development projects.

We have been encouraged by leaders of Upazilas (sub-districts) covering the Project area to open offices and establish a permanent presence in their areas as they are keen to see their Upazilas develop. It is important that we continue furthering a closer relationship to ensure that they are fully informed on the Project and that we are regularly updated on the views and needs of the community. Following approval the Company will be operating within the region for over 30 years and we look forward to working with the local community and ensuring that the benefits they receive are real and tangible over the life of the Project.

While some anti-mine protests in the Phulbari Township (located on the extreme western margin of the Project area) has drawn media attention, the protests themselves have generally been very poorly attended and not at all representative of the general community opinion in the Project area. The two groups seemingly behind the protests are embroiled in local politics and are pursuing a nationalist agenda, rather than considering the best interests of local residents and the benefits to Bangladesh.

We remain open to discussing the Project with all groups whether in favour of, or against the Project. Repeated offers to various activists groups, both in Bangladesh and overseas, to discuss their concerns have not been taken up to date. The Project has a unique contribution to make in addressing Bangladesh's power crisis. In addition it would be a catalyst for economic development as well as delivering new jobs, improved housing, infrastructure, water and agricultural production in the Dinajpur region.

Corporate responsibility

We are committed to developing the Project to the highest international and national environmental and social standards. International consultant Environmental Resources Management has recently completed their review of the Project's Environmental and Social Impact Assessment (ESIA) in light of the new performance standards released by the International Finance Corporation and work is underway to address the gaps identified and to update the ESIA accordingly.

GCM has demonstrated the values to which it adheres. For example, in the 3rd quarter of last year the Company funded agricultural workshops to directly assist local farmers. The knowledge gained from the exercise has generated targets for a range of longer-term improvement projects that would bring most benefit. More recently the Dinajpur District faced one of the worst winters on record and the Company responded by providing 2,500 blankets to families in need in the local community.

Management changes

In January and February 2013, the Company saw the departure of Graham Taggart and Bill McIntosh. Graham had been a Director of GCM since 2006 and Bill since 2004. Both Graham and Bill's services have been of tremendous benefit to the Company and the Project, and we wish them well for the future. Management of the Company is being augmented to support the next stage of GCM's growth.

Financials

The Company has recorded a loss of £2,172,000 for the period ended 31 December 2012 (31 December 2011: loss of £690,000). The majority of the change from the prior period is in relation to the Company's listed investments. No dividends were received this period (December 2011: £1,496,000). The share price of the Company's investments in Coal of Africa (CoAL) and Polo Resources declined over the period, and accordingly an impairment charge of £202,000 was incurred. A £784,000 loss was incurred on realising the sale of its CoAL shares to fund the Company's activities. Following 31 December 2012 GCM disposed of all of its CoAL shares and its 2.7% holding in Polo Resources, realising £2,187,000 in cash.

Outlook

We believe that approval of the Scheme of Development is possible in 2013 despite it being an election year in Bangladesh, and we continue to advocate the key role the Project would play in meeting the demand for Bangladesh's energy and power needs as well as bringing considerable benefits to the local community.

Discussions continue with potential partners to obtain equity funding, which would raise sufficient funds to continue operations through approval and into the initial stages of the development of the Project.

Gerard Holden
Chairman

Interim Consolidated Income Statement

	Notes	6 months ended 31 December 2012 unaudited £000	6 months ended 31 December 2011 unaudited £000	Year ended 30 June 2012 audited £000
Operating expenses				
Exploration and evaluation costs		**(151)**	(74)	(596)
Share based payments		**-**	-	(744)
Administrative expenses		**(564)**	(796)	(1,582)
Operating loss		**(715)**	(870)	(2,922)
Exceptional items	3	**(986)**	(291)	258
Finance revenue	4	**-**	1,497	1,498
(Loss)/profit before tax		**(1,701)**	336	(1,166)
Taxation	5	**(471)**	(1,026)	(2,138)
Loss for the period		**(2,172)**	(690)	(3,304)
Earnings per share				
Basic loss per share (pence)		**(4.3p)**	(1.4p)	(6.5p)
Diluted loss per share (pence)		**(4.3p)**	(1.4p)	(6.5p)

Interim Consolidated Statement of Comprehensive Income

	6 months ended 31 December 2012 unaudited £000	6 months ended 31 December 2011 unaudited £000	Year ended 30 June 2012 audited £000
Loss for the period	**(2,172)**	(690)	(3,304)
Other comprehensive income/(loss)			
Net loss on revaluation of available-for-sale investments	**(2,947)**	(5,068)	(8,646)
Transfer to income statement: sale of available-for-sale investments	**784**	(326)	(1,107)
Transfer to income statement: impairment of available-for-sale investments	**202**	617	849
Income tax relating to components of other comprehensive income/(loss)	**471**	1,242	2,354
Total comprehensive loss	**(3,662)**	(4,225)	(9,854)

Interim Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Share based payments not settled £000	Net movement in available-for-sale investments £000	Accumulated 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)	(2,172)	(3,662)
Shares issued during the period	2	8	-	-	-	10
Share based payments	-	-	29	-	-	29
Balance at 31 December 2012 (unaudited)	**5,112**	**44,254**	**1,345**	**-**	**(12,372)**	**38,339**
Balance at 1 July 2011	5,105	44,217	1,805	8,040	(7,640)	51,527
Total comprehensive loss	-	-	-	(3,535)	(690)	(4,225)
Shares issued during the period	2	13	-	-	-	15
Share based payments	-	-	100	-	1	101
Balance at 31 December 2011 (unaudited)	5,107	44,230	1,905	4,505	(8,329)	47,418

Interim Consolidated Balance Sheet

	Notes	31 December 2012 unaudited £000	31 December 2011 unaudited £000	30 June 2012 audited £000
Current assets				
Cash and cash equivalents		**369**	1,008	353
Receivables		**215**	315	303
Total current assets		**584**	1,323	656
Non-current assets				
Property, plant and equipment		**49**	67	66
Intangible assets	6	**36,163**	33,906	34,458
Financial assets	7	**2,065**	12,438	7,228
Total non-current assets		**38,277**	46,411	41,752
Total assets		**38,861**	47,734	42,408
Current liabilities				
Payables		**(522)**	(316)	(446)
Total current liabilities		**(522)**	(316)	(446)
Total liabilities		**(522)**	(316)	(446)
Net assets		**38,339**	47,418	41,962
Equity				
Share capital		**5,112**	5,107	5,110
Share premium account		**44,254**	44,230	44,246
Other reserves		**1,345**	6,410	2,806
Accumulated losses		**(12,372)**	(8,329)	(10,200)
Total equity		**38,339**	47,418	41,962

T. Gerard Holden

Gerard Holden
Chairman

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2012 unaudited £000	6 months ended 31 December 2011 unaudited £000	Year ended 30 June 2012 audited £000
Cash flows used in operating activities			
(Loss)/profit before tax	**(1,701)**	336	(1,166)
Adjusted for:			
Exceptional items	**986**	291	(258)
Finance revenue	**-**	(1,497)	(1,498)
Share based payments	**-**	-	744
Other non-cash expenses	**2**	2	270
	(713)	(868)	(1,908)
Movements in working capital:			
Decrease in operating receivables	**88**	58	69
(Decrease)/increase in operating payables	**(36)**	(65)	49
Cash used in operations	**(661)**	(875)	(1,790)
Interest received	**-**	1	2
Net cash used in operating activities	**(661)**	(874)	(1,788)
Cash flows from investing activities			
Payments for property, plant and equipment	**-**	(1)	(7)
Payments for intangible assets	**(1,549)**	(983)	(2,368)
Proceeds from sale of subsidiary	**-**	313	-
Proceeds from sale of investments	**2,216**	495	2,439
Dividends received	**-**	1,496	1,496
Net cash generated from investing activities	**667**	1,320	1,560
Cash flows from financing activities			
Issue of ordinary share capital	**10**	15	34
Net cash from financing activities	**10**	15	34
Total increase/(decrease) in cash and cash equivalents	**16**	461	(194)
Cash and cash equivalents at the start of the period	**353**	547	547
Cash and cash equivalents at the end of the period	**369**	1,008	353

Notes to the Interim Condensed Consolidated Financial Statements

1. Accounting policies

GCM Resources plc (GCM) is domiciled in England and Wales, 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 unaudited interim report was authorised for issue by the Directors on 21 February 2013, and the Interim Consolidated Balance Sheet was signed on the Board's behalf by Gerard Holden.

Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union for the year ended 30 June 2012. The interim condensed consolidated financial statements for the six months ended 31 December 2012 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2012, and have been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union.

There has been no impact on the Group's financial position or performance from new and amended IFRS and IFRIC interpretations mandatory as of 1 July 2012.

The financial information contained herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2012 have been extracted from the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and contained an unqualified auditors' report which included emphasis of matters to reference concerning the uncertainty over the recoverability of the intangible mining assets and significant doubt over the ability for the Group to continue as a going concern, and did not include a statement under section 498(2)(a) or (b), or section 498(3) of the Companies Act 2006.

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 coal in Northern Bangladesh. 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.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt. As at 20 February 2013, the Company held cash of £1,930,000 which will be used to finance the Group's activities. The Group has made significant reductions in overheads to manage cash outflows, but to maintain current activity levels for at least 12 months the Group is reliant on obtaining additional investment, which represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. To obtain this additional investment the Group is in developed discussions to obtain further equity funding.

Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Project have been prepared, which take account of the Group's plans to raise further equity funding. The Directors have satisfied themselves that the Group will have adequate financial resources to continue in operational existence for the foreseeable future, contingent upon the Group agreeing new equity funding. Accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would be required if the Group was unable to continue as a going concern.

2. Segment analysis

The Group operates in one segment: exploration and evaluation of energy related projects. The only significant project within this segment is the Phulbari Coal Project in Bangladesh. 'Other' non-current assets are primarily utilised to provide ongoing funding to the Phulbari Coal Project. For segmental reporting, all central costs are allocated to the Phulbari Coal Project.

Geographic analysis of non-current assets

	Bangladesh £000	Other £000	Total £000
As at December 2012			
Property, plant and equipment	42	7	49
Intangible assets	36,163	-	36,163
Financial assets	-	2,065	2,065
	36,205	**2,072**	**38,277**
As at June 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
As at December 2011			
Property, plant and equipment	61	6	67
Intangible assets	33,906	-	33,906
Financial assets	-	12,438	12,438
	33,967	12,444	46,411

3. Exceptional items

	6 months ended 31 December 2012 £000	6 months ended 31 December 2011 £000	Year ended 30 June 2012 £000
(Loss)/profit on sale of investments	**(784)**	326	1,107
Impairment of investments	**(202)**	(617)	(849)
	(986)	(291)	258

Sale of investments

During the period a loss of £784,000 was made on the disposal of available-for-sale financial assets. In the comparative period GCM recorded a profit of £326,000 on sale of available-for-sale financial assets.

Impairment of investments

An impairment charge of £202,000 was recorded during the period ended 31 December 2012 in relation to the decline in market value of listed investments held by the Group. In the comparative period, listed investments held by the Group were impaired by £617,000.

4. Finance revenue

	6 months ended 31 December 2012 £000	6 months ended 31 December 2011 £000	Year ended 30 June 2012 £000
Dividends received	**-**	1,496	1,496
Bank interest receivable	**-**	1	2
	-	1,497	1,498

During the comparative period GCM received a dividend of £1,496,000 from Polo Resources Limited.

5. Taxation

	6 months ended 31 December 2012 £000	6 months ended 31 December 2011 £000	Year ended 30 June 2012 £000
Tax on ordinary activities	**(314)**	(111)	(128)
Origination and reversal of temporary differences	**785**	1,137	2,045
Change in tax rate	**-**	-	221
Tax charge/(credit) in income statement	**471**	1,026	2,138
Available-for-sale financial assets	**(471)**	(1,242)	(2,270)
Change in tax rate	**-**	-	(84)
Tax (credit)/ charge in statement of changes in equity	**(471)**	(1,242)	(2,354)

During the period the decrease in value of available-for-sale financial assets resulted in a decrease in deferred tax liabilities. The decrease in deferred tax liabilities was credited to equity. As deferred tax assets are only recognised up to the value of deferred tax liabilities, deferred tax assets amounting to £785,000 were de-recognised and charged to the income statement.

6. Intangible assets

Intangible assets increased by £1,705,000 during the six months to 31 December 2012 (December 2011: £1,118,000). The increase is due to the exploration and evaluation expenditure relating to the Phulbari Coal Project, and is capitalised in accordance with the Group's accounting policies.

7. Financial assets

	31 December 2012 £000	31 December 2011 £000	30 June 2012 £000
Available-for-sale investments			
Listed equity investments	**2,065**	12,438	7,228
	2,065	12,438	7,228

Following 31 December 2012 the listed equity investments held by GCM were sold.