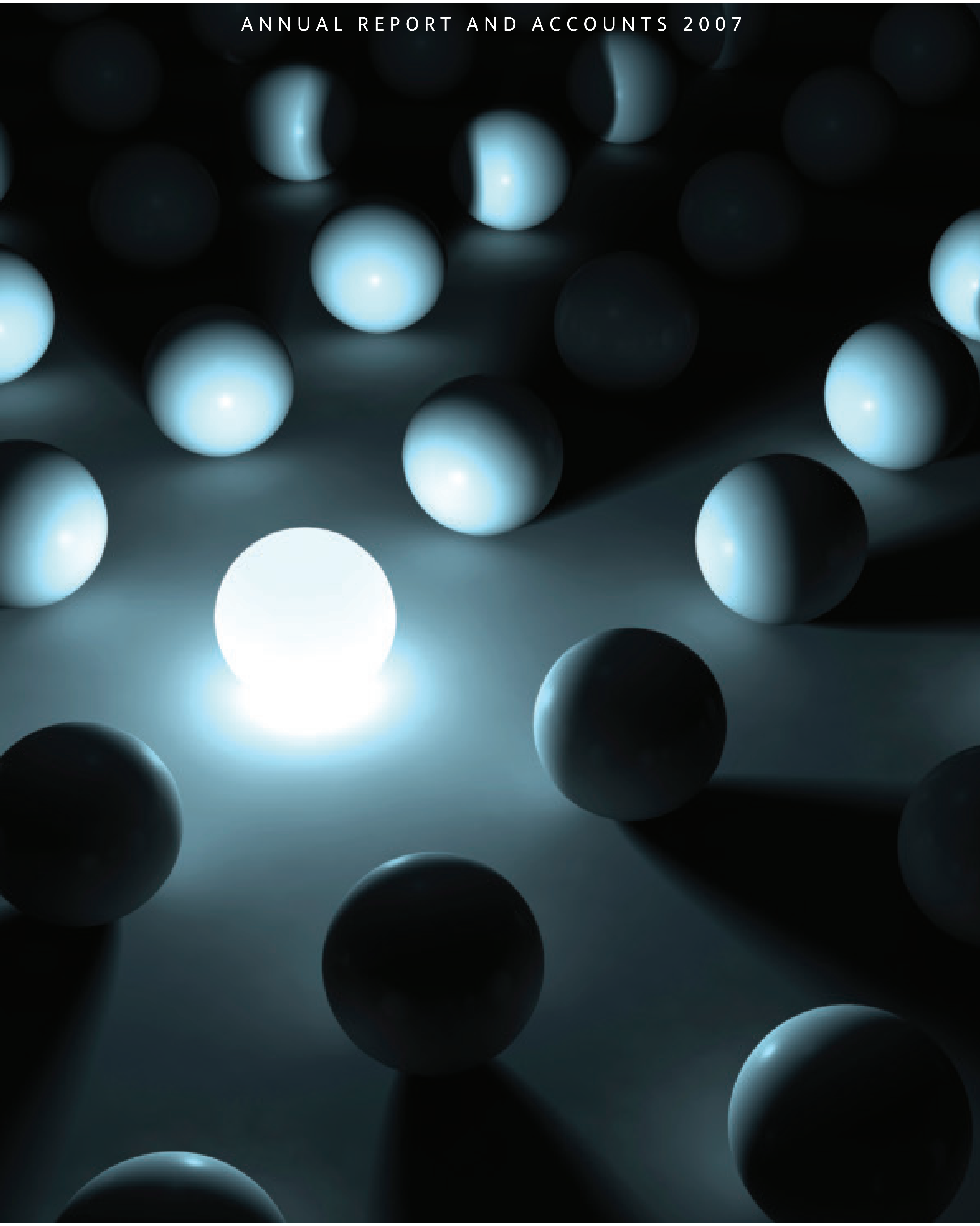
GCM plc

ANNUAL REPORT AND ACCOUNTS 2007

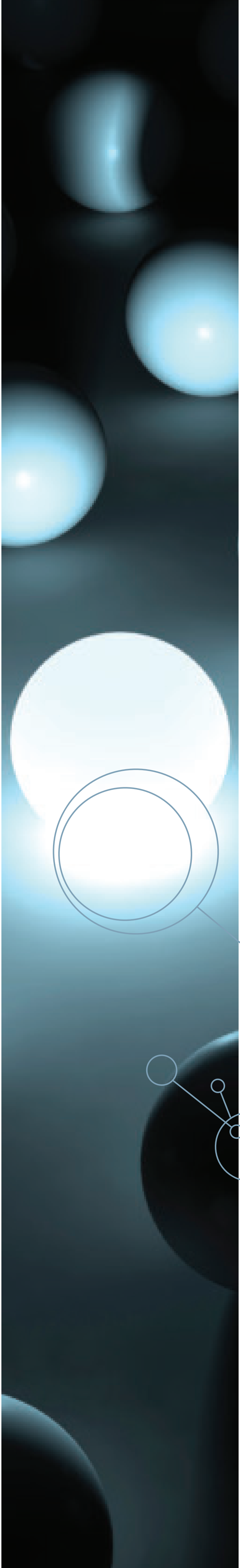


Global Coal Management plc (GCM) is a London-based resource development and exploration company with its Phulbari Coal Project poised for development once the Government of Bangladesh provides approval and with a portfolio of investments in South Africa and China coal businesses. The Company's shares are quoted on the Alternative Investment Market (AIM).

Ticker code : GCM

OUR VISION

To maximise shareholder value by developing the Phulbari Coal Project and investing in coal mining and other energy related projects which provide opportunities for positive returns.



CORPORATE STRATEGY

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

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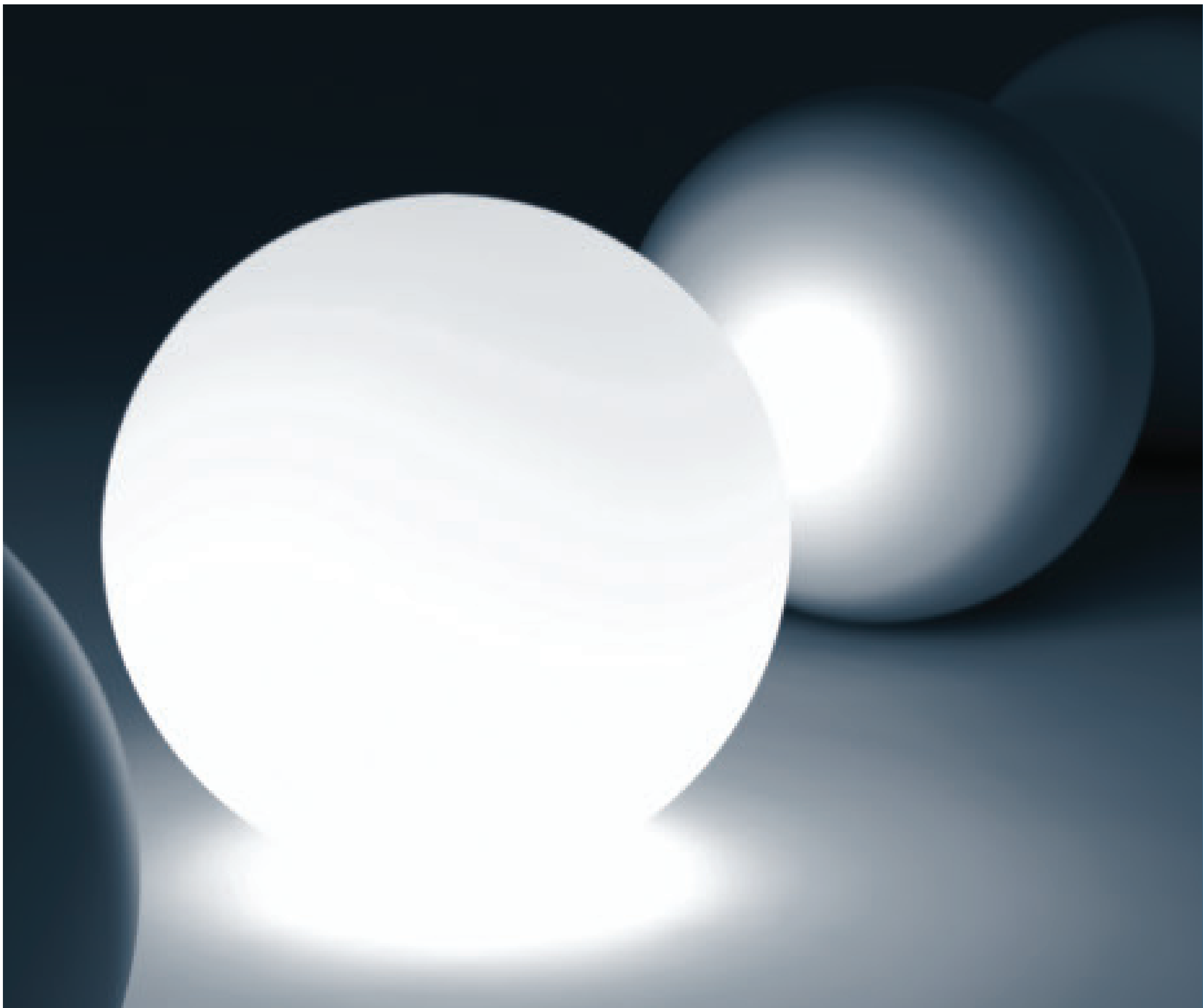
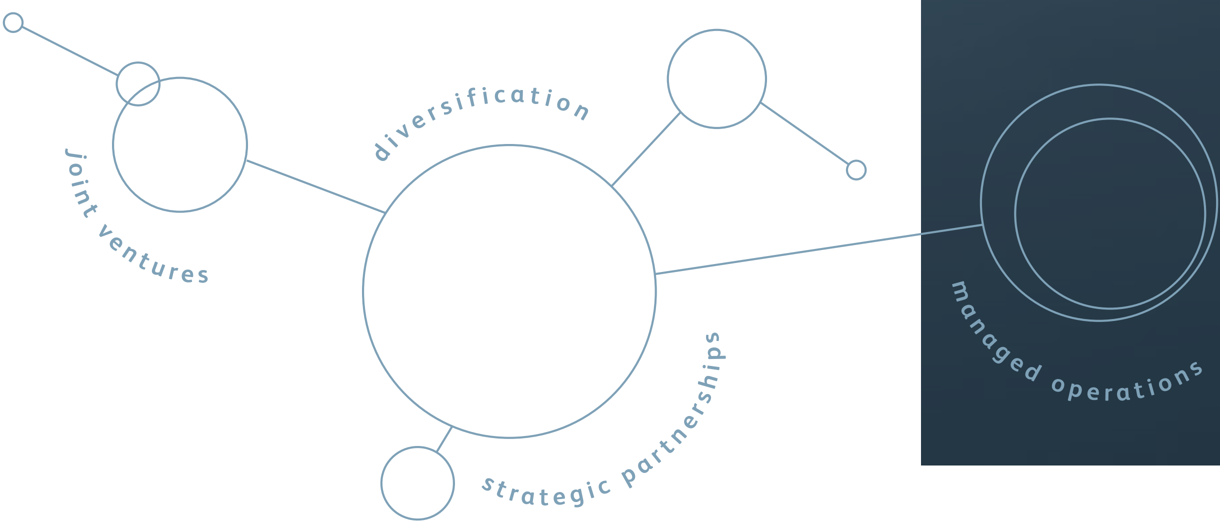


2007 KEY EVENTS

- Bangladesh elections were postponed and a new Caretaker Government was appointed.
- New Coal Policy was drafted and is being reviewed by a technical committee ahead of approval by the Government of Bangladesh.
- 6 % investment in CCEC Ltd provides entry into China's exciting coal mining and downstream activities.
- 10 % investment in GVM Metals Limited gives access to mature coal prospects in South Africa.
- Strategic alliance with Aura Energy Ltd provides an opportunity to move into uranium exploration in highly prospective ground with a very experienced team.
- 26.5 % investment in Peoples Telecommunications and Information Services Ltd.
- Launch this year of www.phulbaricoal.com which provides a comprehensive description of the Phulbari Coal Project in Bangla.



CHIEF EXECUTIVE'S STATEMENT

Stephen Bywater
Chief Executive

INTRODUCTION

This year has seen GCM develop as a company. Even though it has been a period of uncertainty regarding the Phulbari Coal Project, it has also been an exciting period with new additions to the Company's portfolio. The development of the Phulbari Coal Project has been delayed following the Government's failure to date to approve the Scheme of Development.

The many dynamic changes to the national political situation have placed a strain on the investment climate in Bangladesh. Under the terms of the Bangladesh Constitution the Bangladesh National Party (BNP) Government handed over to a caretaker government in October 2006 with the expectation that there would be an election within three months. The main opposition party decided in January this year to boycott the election, precipitating country-wide unrest. This ultimately led to a state of emergency being declared and a new caretaker government being appointed. At this stage the election is now planned by the end of 2008.

While the political situation remains uncertain, there is general optimism in the business community that the policy makers will address the critical issues facing the country today, including the key issue of energy and power supply. Despite these setbacks and the tragic events that occurred at Phulbari in August 2006 we remain committed to working with the Government to find an acceptable and harmonious way to implement the exciting Phulbari Coal Project for the benefit of the people of Bangladesh and our shareholders and all other stakeholders.

FINANCIAL RESULTS

The Group made a loss of £1,254,000 after tax for the twelve months to 30 June 2007 (June 2006: loss of £520,000). The increased loss was as a consequence of an £833,000 charge to earnings due to a new accounting policy with the introduction of FRS20.

Exploration expenditure relating to the Phulbari Coal Project amounted to £3,286,000 for the twelve months (June 2006: £7,643,000). The Group completed the feasibility study and reduced activity while awaiting approval from the Government of Bangladesh to proceed with the next stage of the Phulbari Coal Project.

The Profit and Loss, Balance Sheet and Cash Flow statements are included on pages 26 to 29.

STRATEGY

The Company's focus remains the development of the coal basin at Phulbari in Northwest Bangladesh into a world-class coal mine that meets the highest social and environmental standards. The mine life is expected to be in excess of thirty years, with production of fifteen million tonnes per annum at full capacity of mostly export quality metallurgical and thermal coal. The Phulbari Coal Project has additional value as it will add to Bangladesh's energy security by reliably delivering abundant and affordable coal to the domestic market.

Throughout the ongoing wait for the Government's approval of the Scheme of Development (Project Feasibility Study), we have been working to ensure that upon Approval, the early project development phase, including equipment purchasing, land acquisition and initial resettlement activities, and mine site construction works and associated public infrastructure will be implemented efficiently. We are committed to working with all stakeholders to find an acceptable way of making this vital source of long-term energy available to the Bangladesh economy.

Further information on the developments at Phulbari are on page 9.

Through my many years experience working in the mining industry I have been made very aware that mining companies around the world face a multitude of non-financial risks that need to be recognised. GCM understands that managing the social and environmental impacts of a mining operation and enhancing the project's contributions to sustainable development over the long term can help reduce these risks.

The tragic events that occurred on 26 August 2006 at Phulbari have re-emphasised that a sustainable, inclusive approach is critical to any mining project's long term success. GCM is committed to ensuring the strictest social and environmental standards, enhancing the sustainable development opportunities of the project, and working with all stakeholders – particularly local communities – towards those goals. This approach will be the same wherever GCM operates. GCM recognises that the key to success lies in the establishment and maintenance of strong and constructive relationships with local stakeholders, and acknowledges its responsibilities to its host communities.

Due to uncertainties in the timing of the Government of Bangladesh's approval of the Phulbari Coal Project, the Company has actively explored other investments throughout the year. GCM has made a number of key investments in its target sectors. The Board believes that this is of paramount importance in creating value for shareholders especially in the short to medium term.

In late 2006, the Company acquired a stake in GVM Metals Ltd (GVM), whose focus is to bring its South African coal properties to production. This investment provides GCM with a meaningful stake in this sector and the opportunity to assist in the development of underground and open-cut coal mines. GCM currently owns 10% of GVM. This has been a very successful investment with the investment increasing in value by 97% (based on 30 June 2007 share price).

In January 2007, the Company made a US$ 5 million strategic investment in Peoples Telecommunications and Information Services Ltd (PeoplesTel), an important player in the Bangladesh telecommunications market. PeoplesTel is an exciting business opportunity which also brings significant benefits to the Phulbari Coal Project by ensuring that modern and extensive telecommunication networks and infrastructure are in place across all areas (mine site, transport corridor, port operations etc.) of the Project. The investment is a 26.5% equity participation.

GCM announced in April this year an alliance with Aura Energy Ltd, an ASX listed uranium exploration company, to identify and acquire uranium projects in Africa. The alliance brings together the uranium exploration skills of Aura and the project development and mining experience of GCM.

In July 2007 the Company invested in CCEC Ltd (formerly China Coal & Energy Corporation) (CCEC), a company based in Beijing established for the purpose of acquiring coking and thermal coal projects in China. GCM acquired a 6% equity interest in CCEC. The companies will work together to evaluate opportunities at various stages of development with GCM providing management services and having the right to participate in equity or joint venture in any project which GCM believes will generate positive economic returns.

Please refer to pages 12 to 13 for more detail.

EMPLOYEES

GCM is committed to its employees and values their contribution to the Company's development and growth. The Company offers support and opportunities to its employees and their host communities. Wherever possible, GCM strives to employ and develop the skills of local people. Indeed, in Bangladesh 97% of staff are nationals of Bangladesh. We aim to reward staff for their loyalty through bonus structures.

OUTLOOK

The Company aims over the next few years to deliver shareholder value and benefit to all stakeholders by turning the Phulbari Coal Project into a highly productive mine, helping drive Bangladesh's economic growth, and at the same time working with our new partners to bring other projects on line.

Through our projects we aim to help bring about further economic and social development for the people and areas within which we work. We aim to do this in a safe and sustainable way, paying full regard to the interests and concerns of local communities and protecting the environment.

We look forward to keeping our shareholders informed of our progress as we work towards bringing the Phulbari Coal Project to production and continue to seek and evaluate new investment opportunities which will add value and minimise risk in our portfolio.

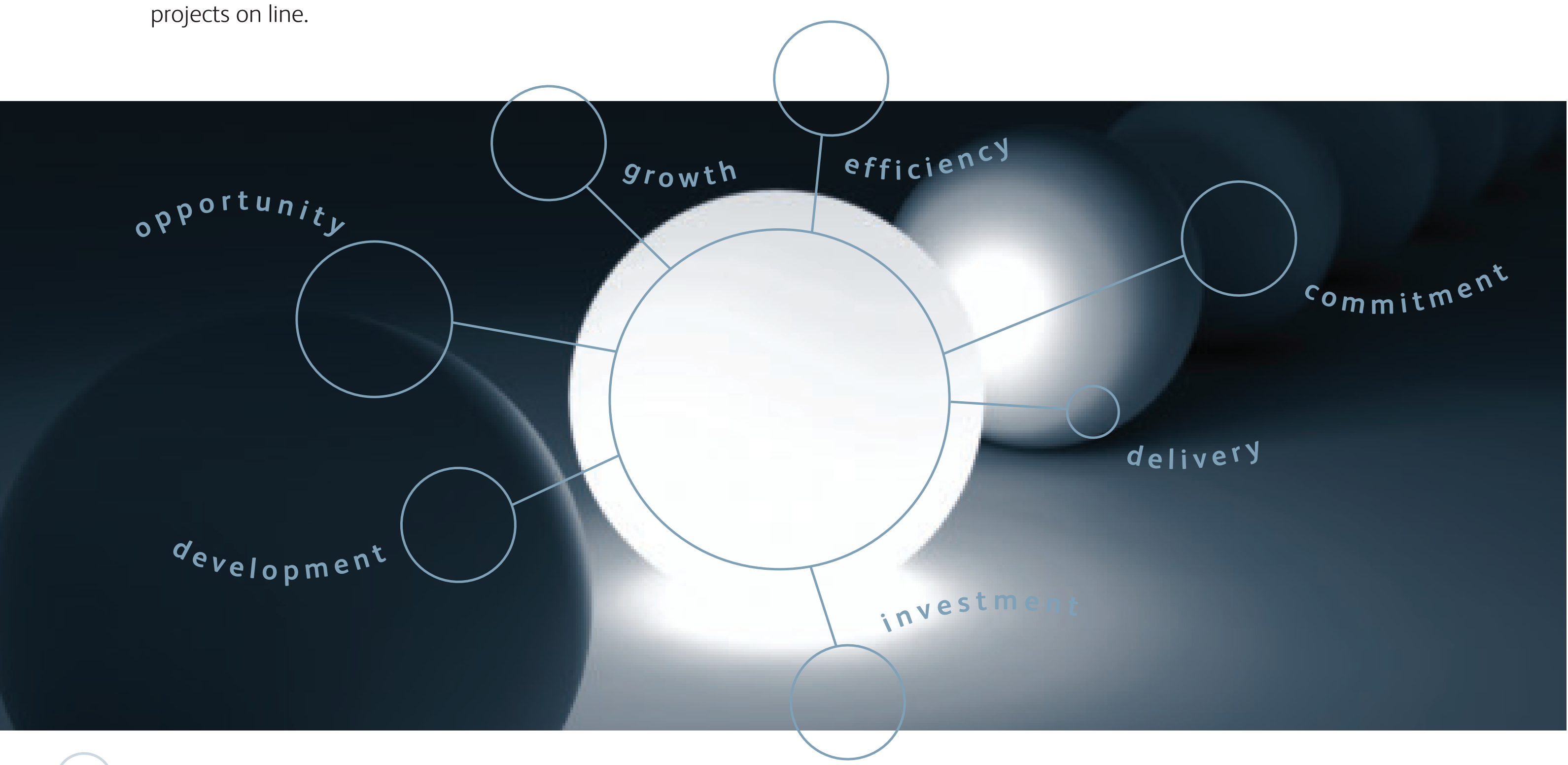
IN CONCLUSION

We hope this will lead to a productive year ahead and would like to thank all of the Company's staff and consultants for their hard work and contributions made throughout the year. We would also like to thank our shareholders for their continued confidence and support, as we seek to build GCM into a successful mining company.

On behalf of the Board,

S Bywater

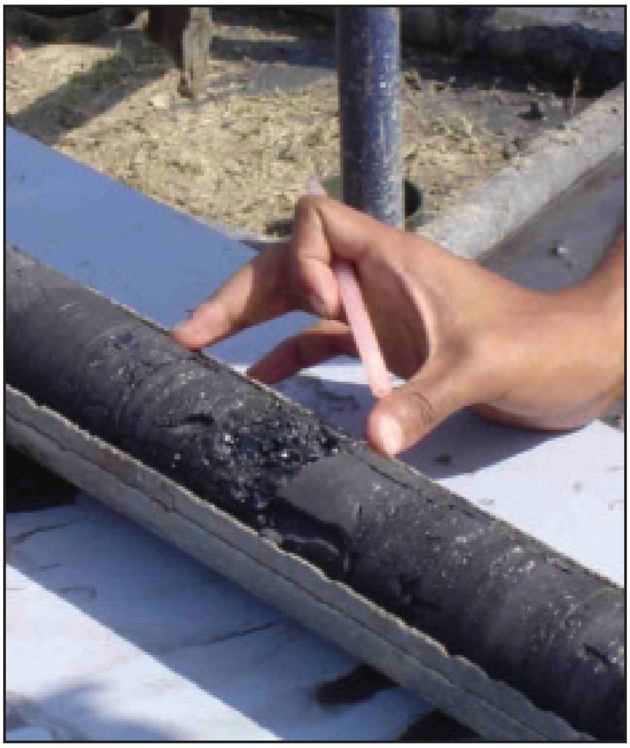
Chief Executive



THE PHULBARI PROJECT

GCM has established a world class coal resource near the small regional town of Phulbari in Northwest Bangladesh, approximately 350 kilometres from the country's capital Dhaka. The resource is calculated at 572 million tonnes in accordance with the 2004 Code of the JORC Committee of the Australasian Institute of Mining & Metallurgy. Of this 288 million tonnes is classified Measured, 244 million tonnes Indicated and 40 million tonnes Inferred.

The coal type at Phulbari varies between High Volatile A and High Volatile B bituminous grade which is suitable for both a mine-mouth power station and for export markets as both thermal and semi-soft coking coals.



The Company is still awaiting approval of the Scheme of Development.

Additional work has been completed on improving various social development plans at the request of the Asian Development Bank (ADB), lead financier. We are also working with ADB to satisfy their guidelines and requirements in relation to defining project benefits to Bangladesh.

The Indigenous Peoples Development Plan and Resettlement Plan completed in April 2006, continue to be reviewed and updated. Both documents have also been translated into Bangla.

BANGLADESH POLITICAL SITUATION UPDATE

The Bangladesh National Party (BNP) Government handed over to a Caretaker Government on 28 October 2006. Disagreement between political parties over a consensus candidate to lead the Caretaker Government led to protests and strikes.

With the election date scheduled for 22 January 2007, nationwide strikes continued. On 3 January 2007 the opposition party (Awami League) announced that it would boycott the proposed election.

On 11 January 2007 the Chief Advisor of the Caretaker Government stepped down and a State of Emergency was declared. Subsequently all Advisors forming the advisor council to the Caretaker Government resigned.

On 12 January 2007, a former Bangladesh Bank Governor and ex-Vice President of the World Bank became the new Chief Advisor. A new advisory council was appointed the following week.

On 21 June 2007, the Caretaker Government announced the formation of an eight member team to review, make recommendations and finalise the draft coal policy for submission to the Energy Ministry. The team was formed in an effort to address the energy crisis the country is experiencing. A target date of review of 15 July 2007 was given, however the committee is still active and the policy remains outstanding.

No exact date has been announced for the holding of the elections postponed from 22 January 2007, however the Caretaker Government has committed to holding them by the end of December 2008.

The Phulbari Coal Project remains our primary strategy to achieve our vision and we continue to remain committed to working with all stakeholders to provide a new and reliable source of energy to fuel the growth of the Bangladesh economy.

CORPORATE SOCIAL RESPONSIBILITY

GCM IS COMMITTED TO:

- Developing projects that meet the highest international social and environmental performance standards
- Promoting social, environmental and economic benefits at a national, regional and local level
- Working in partnership with relevant stakeholders
- Supporting the efforts of host country governments that choose to implement the Extractive Industries Transparency Initiative (EITI)
- The principles of transparency

GCM's management have continued commitment to corporate responsibility. In September 2006, GCM hired a Sustainable Development Manager with considerable expertise in corporate social responsibility programmes in the extractive industries.

Initiatives carried out during the year on the Phulbari Coal Project include:

MEETING INTERNATIONAL STANDARDS

International standards, such as the policies of the Asian Development Bank and the Equator Principles which reflect the International Finance Corporation's Performance Standards on Social and Environmental Sustainability, were duly followed in the development of the Environmental and Social Impact Assessment (ESIA). As part of the ESIA for the project, a detailed Resettlement Plan (RP) was prepared. The RP and the Indigenous People's Development Plan (IPDP) are comprehensive studies to take the best care for the project affected people for their timely and appropriate relocation, resettlement, rehabilitation, livelihood restoration and compensation. The process for developing these studies required very close involvement of the community; these plans were built from the grassroots upwards through a series of surveys and interviews with individuals and groups to establish viable options[1].

Around 40,000 people will be resettled (physically displaced) over the life of the mine. In keeping with the strictest international standards and best practices, GCM is committed to ensuring that those to be resettled will have their living conditions improved. Those who will be economically displaced will have their livelihoods and standard of living restored or improved. Training and support will be provided for the economically displaced to ensure they can gain access to economic opportunities.

Many volumes of reports were produced during the ESIA and were reviewed by a consulting firm, URS. They concluded that the ESIA for the Phulbari Coal Project was prepared in a manner consistent with international standards such as ADB's policies and the new Equator Principles which reflect the International Finance Corporation's new Performance Standards on Social and Environmental Sustainability.

GCM has been working with ADB to update the April 2006 RP and the IPDP. The updated versions reflect in greater detail ADB principles and policies and give further detail on income generating activities.

INFORMATION DISCLOSURE AND CONSULTATION

In August 2006 a protest in Phulbari against the proposed mine ended in tragedy. The protest included both local communities and a large number of people from outside the Phulbari area. The main concerns voiced by the protesters were the proposed mining method and the resulting resettlement, water management and other environmental issues and the proposal to export some of the resource and royalties.

The national debate on many issues relating to Bangladesh's coal industry continues. With the current energy crisis as a backdrop to these debates, the issues are all the more relevant and there is a sense of urgency for the country to finalise its Coal Policy so that the industry can be developed in earnest. GCM welcomes the public debate and sees it as a necessary step for a country that has to date very little experience with mining.

In mid-2007, GCM organised for a number of professionals, academics and leading Bangladeshi journalists to visit open cast coal mines in Germany at RWE in order that they may see first hand best practices in managing the social and environmental impacts of large scale mining including the much talked about issues of dewatering, water management, land rehabilitation and resettlement of

[1] The Demographic and Socioeconomic Survey at household level covered more than 25,000 households; the Resettlement Survey at household and business level covered 12,782 households and 1,524 businesses; the Town Planning Survey covered 4,000 holdings.

villages. This has proved useful as a means of building the capacity of the media to understand the issues and report further in the national debate on coal mining.

GCM is keen to ensure that information about the project is available. A sister website to the GCM plc site was therefore created in the Bangla language to enable stakeholders from Bangladesh to access information about the Company and the Phulbari Coal Project and a means to raise questions and concerns directly. This new site www.phulbaricoal.com, which is linked to the GCM site, was launched in April 2007. Since its launch various media articles have referred to the website and daily traffic to the site has been growing week on week.

The company understands that in Bangladesh not all stakeholders will have access to the internet and that bandwidth is often limited. Asia Energy Corporation (Bangladesh) Pty Ltd looks forward to reopening its Information Centres and increasing its engagement on the ground with local stakeholders in all areas impacted by the project.

MANAGEMENT SYSTEMS

Work is ongoing to ensure that our management systems can systematically and promptly record stakeholder engagement activities, keep track of any requests for information and consultation outcomes, and efficiently monitor any future grievances that may arise as the project moves into the next stage.

INVESTMENTS

CCEC LTD

What is CCEC?

CCEC Ltd is an unquoted BVI company operating in Beijing, which was established for the purpose of acquiring coking and thermal coal projects in China. Its focus is on high-quality, low capital coal operations in three regions; Shanxi Province, Inner Mongolia, and Xinjiang, all of which are designated as regional coal development centres earmarked by the government in the 11th Five Year Plan of China for significant development. CCEC has entered into several contracts and conditional Heads of Agreements pursuant to which it may, subject to funding, acquire or joint venture various coal projects, ranging from operating integrated coal mining and coke processing facilities to coal development projects with resources of several billion tonnes each.

What does the investment give GCM?

In July 2007 GCM announced that it had invested US$4 million in cash for 12,500 shares or 6% equity interest in CCEC.

GCM is providing CCEC with management services and mining, evaluation, project and feasibility study expertise on the properties within the CCEC portfolio. GCM will provide the management services for CCEC and the projects it acquires, develops and operates. GCM also has the first right to participate at a project level in equity, a joint venture or as a partner.

With the exception of an integrated coal mining and coke processing facility, the majority of coal properties under review are at pre-feasibility and exploration stage. Stephen Bywater and Graham Taggart have joined the Board of CCEC.

Latest update on activities

There are a number of specific acquisition and development targets that are being evaluated with the hope of significant growth potential. As of June 2007 a number of projects were being reviewed with the view to finalising acquisition of the assets as soon as detailed due diligence is completed.

In July 2007, CCEC raised US$20 million, primarily through US investors, to fund the initial project expenditures.

PEOPLESTEL

What is PeoplesTel?

Peoples Telecommunications and Information Services Ltd (PeoplesTel) has a licence to operate fixed, wireless local loop along with voice data, image and all forms of telecommunication services in Bangladesh. PeoplesTel has been in operation since 1989 as rural operator, and since 2003 has operated PSTN licenses for four zones in Bangladesh (North-West, North-East, South-West and South-East). PeoplesTel aims to provide reliable, widespread, convenient and cost-effective telephone services to the people in Bangladesh – irrespective of where they live.

What and why did GCM invest?

In February 2007 GCM subscribed to 26.5% of the equity in PeoplesTel. The US$5 million investment was approved by the Bangladesh Board of Investment in February 2007. GCM believes PeoplesTel is an exciting investment opportunity as it brings significant benefits to the development of the Phulbari Coal Project by ensuring that modern and extensive telecommunication networks and infrastructure are in place across all areas (mine site, transport corridor, port operations etc.) of the project. These increased lines of communication will help smooth the progression of development within the region.

Latest update on activities

The Bangladesh Telecommunication Regulatory Commission (BTRC) has decided to issue licences to existing PSTN operators to provide fixed and wireless phone services in Dhaka. PeoplesTel is one of the eligible companies for this licence and hope to be operating in Dhaka after the BRTC formalities are executed. With the Dhaka licence PeoplesTel will be a nationwide PSTN operator. PeoplesTel is currently undertaking a rapid expansion plan for the next five years and is aiming to provide world class voice and data services across Bangladesh, targeting one million new subscribers.

GVM METALS LTD

Update on GCM's investment

GVM Metals Limited (GVM) is an Australian company operating in the South African mineral processing and coal mining business. The company is listed on the Australian Stock Exchange (ASX), Alternative Investment Market (AIM) and also on the Johannesburg Stock Exchange (JSE).

South Africa Coal Ltd, a wholly owned subsidiary of GCM, holds an interest of 20,300,000 shares, or 10% of the issued share capital. Following the initial subscription in December 2006, the Board of GVM also invited Stephen Bywater to become Non-Executive Deputy Chairman and Graham Taggart to be a Non-Executive Director. The investment provides GCM with a significant stake in the South African coal sector and the opportunity to assist in the development of underground coal mines (Holfontein and Mooiplaats projects) and two open-cut coal mines (Limpopo and Baobab projects) in South Africa.

By diversifying into these assets and into South Africa (a country of moderate political risk and where a skilled workforce and contractors are readily available), GCM is continuing in its plan to become a profitable global coal mining company.

Investment to date

The investment made by GCM has already seen significant value appreciation. GCM has invested (including costs) £4,783,000 which is currently valued at £9,440,000 (as at 30 June 2007), an increase in value of 97%.

Latest update on GVM

GVM continues to work on a bankable feasibility study of its Holfontein project in South Africa's coal heartland. A drilling program has been completed and the Competent Persons Report is expected shortly.

Mooiplaats production is planned in the third quarter of 2008, and GVM hope to be bidding to supply the adjacent and recently re-commissioned Camden power station with an estimated initial six million tonnes of thermal coal annually for the next ten years. In order to bring the portion of ore to Measured Category an infill drilling program is nearing completion. Once the program is completed, work on mine planning will commence.

It is also planned to develop approximately two million tonnes per annum of anthracite and export thermal coal production.

Drilling is expected to commence at the Limpopo Project during July 2007. Contractors have been appointed and drilling has commenced at the Baobab Project to re-validate previous work to bring the resources to JORC standard. Work on the feasibility study for the rail and port infrastructure for both Limpopo and Baobab has commenced and is approximately 25% complete. It is expected to be finalised by the middle of November 2007.

AURA ALLIANCE

In April 2007 GCM announced it had formed an alliance with Aura Energy Ltd (Aura) to identify and acquire uranium projects in Africa. Aura is a uranium exploration company based in Perth, Western Australia which listed on the ASX in May 2006. Aura currently has a portfolio of exploration titles which are being actively explored for calcrete and sandstone-hosted uranium deposits. The Company's many strengths are its exploration team, the portfolio of exploration properties that it is exploring, and the opportunities that exist for future growth.

Together with GCM a business development programme to explore uranium prospects in Africa has been developed. GCM's obligation is to provide funding of £165,000 for the first two years' activities of the alliance. Aura will identify and present project opportunities to the alliance and GCM will have the right to decide whether it wishes to progress to the detailed exploration stage. The project would then be structured as a joint venture. Uranium as a fuel for power generation is expected to have a growing demand, and this diversification adds to GCM's portfolio of energy interests.

The alliance programme will be led by Mr Neil Clifford who has over thirty year's exploration experience. GCM will provide project management expertise and funding in the short term.

OUR PEOPLE

GCM is committed to utilising and retaining the wealth of experience and expertise of its management team and the contractors and consultants with whom it has established effective partnerships.

GCM's management team has a combined experience across various resources of over one hundred years in evaluating projects, feasibility studies, and managing, mining and financing projects.

The Company has focussed on utilising contractors and consultants while awaiting approval of the Phulbari Coal Project. In Bangladesh the Company has remained committed to invest in its people. This is evident by:

- Bonus payment structure in Bangladesh
- Driver training course held in Bangladesh
- 97% of nationals employed in Bangladesh

BOARD OF DIRECTORS

GERARD HOLDEN
(Non-Executive Chairman)

Gerard joined the Company as Chairman following a distinguished career with Barclays Group where he worked for over twenty years. In his last role as Managing Director and Global Head of Mining & Metals, he was instrumental in building Barclays Capital into a leading position in the Mining and Metals community around the world. British-born, Gerard has a B.Sc. in Chemical Engineering from University College London and he is an Associate of the Chartered Institute of Bankers. He is also Executive Chairman of Brinkley Mining plc and holds Directorships of the following; Western Uranium Pty Ltd and Five Forty Aviation Ltd. He is a Senior Advisor to Barclays Capital.

STEPHEN BYWATER
(Chief Executive Officer)

Stephen has had a distinguished career in the resources industry developing and operating a total of fourteen large-scale open pit mining operations. Before joining GCM in January 2006, he was Chief Operating Officer for Rio Tinto Coal Australia. In this position Stephen oversaw seven mining operations, producing sixty million tonnes of saleable coal a year. He was previously General Manager Operations for Robe River Mining, which subsequently became a subsidiary of Rio Tinto in 2000. He was also General Manager, Mine Operations, for Hamersley Iron Limited and General Manager at Mount Isa Mines in both Mining and Metallurgical Operations. His position at Robe River Mining included management of both the port and rail facilities.

Stephen has a B.Sc. in Engineering Geology and Geotechnics from Portsmouth University and a M.Sc. in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne University. He is a Fellow of both the Australasian Institute of Mining and Metallurgy and the Australian Institute of Management. Stephen is also a Director of GVM Metals Ltd and CCEC Ltd.

GARY LYE
(Chief Operating Officer)

Gary is a qualified geologist and geotechnical engineer with a Master's Degree in Rock Mechanics from the Royal School of Mines in London. He previously held senior mining positions with several leading mining companies. This included roles as Strategic Mine Development Manager with Kalgoorlie Consolidated Gold Mines at their Super Pit operations in Kalgoorlie, Western Australia, and as Manager of Mining Research for CRA in Perth, Western Australia. Gary has also had fifteen years experience at CRA's Bougainville Copper Mine in Papua New Guinea.

BILL MCINTOSH

(Executive Director - Technical)

Bill is a widely respected mining engineer with thirty-four years international experience who has played a key role in mining projects in Colombia, Indonesia, Zimbabwe, Argentina, India and Australia. The majority of his career has been involved with open cut coal mining developments, and he has lived and worked in Asia for more than ten years. Bill has a Mining Engineering degree from the University of Melbourne and a M.Sc. in Mining from Queen's University in Canada. He is a member of the Australasian Institute of Mining and Metallurgy and the Mineral Industry Consultants Association, as well as being a Chartered Professional (Management).

GRAHAM TAGGART

(Finance Director and Joint Company Secretary)

Graham is a qualified Chartered Accountant with twenty-five years experience in the resources industry. Prior to joining GCM, Graham was Chief Financial Officer and Company Secretary for Rio Tinto Coal Australia, where he was responsible for a group producing some sixty million tonnes per annum of thermal and coking coal. He was previously General Manager Commercial and Chief Financial Officer for PT Kaltim Prima Coal (producing twenty million tonnes of thermal coal per annum), and before that he was Director of Finance for PT Kelian Equatorial Mining (producing five hundred thousand ounces of gold per annum), both Indonesian based. He also holds directorships of GVM Metals Ltd and CCEC Ltd.

DAVID LENIGAS

(Non-Executive Director)

David holds a Bachelor of Applied Science Degree in Mining Engineering. He was a founding Joint Managing Director of GCM. Before that he was Managing Director of Emperor Gold Mines in Fiji, and he has served as Chairman, Managing Director and Chief Executive Officer of numerous other companies. He is also Executive Chairman of Lonrho plc, Chairman of Leni Gas & Oil Plc, Templar Minerals Limited and is a Non-Executive Director of Mediterranean Oil and Gas and River Diamonds Ltd. He is also Chairman of Norse Air Ltd, Luba Freeport Ltd, South Africa Independent Liner Services (Pty) Ltd.

DIRECTORS' REPORT

The Directors present their report and the Group financial statements for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Company's principal activities are that of a holding company and, through its subsidiaries (see Note 11), development of the Phulbari Coal Project in Bangladesh and investments in companies working in Bangladesh, China and South Africa.

A detailed review of activities, our strategy and projects are included within the Chief Executive's Statement, The Phulbari Project and Investment's section pages 6 to13.

KEY EVENTS

- Bangladesh elections were postponed and a new Caretaker Government was appointed.
- New Coal Policy was drafted and is being reviewed by a technical committee ahead of final approval by the Government of Bangladesh.
- 6% investment in CCEC Ltd.
- 10% investment in GVM Metals Limited.
- Strategic alliance with Aura Energy Ltd.
- 26.5% investment in Peoples Telecommunications and Information Services Ltd.

As at 30 June 2007 total cash held by the Group was £17 million.

PRINCIPAL RISKS AND UNCERTAINTIES

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

THE DIRECTORS BELIEVE THAT THE FOLLOWING, ALTHOUGH NOT EXHAUSTIVE, TO BE THE KEY RISKS FACING THE GROUP:

1. Political instability in the regions we are operating and investing in

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

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

2. Exploration and Projects Development

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

3. Health, Safety and Environment

The Group is committed to developing projects that meet highest international social and environmental standards as detailed in our Corporate Social Responsibility section on page 10.

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

We recognise the importance of engaging and approaching all stakeholders, establishing and maintaining strong relationships with local stakeholders and acknowledging our responsibilities' to host communities.

DISCLAIMER

This document contains certain forward looking statements with respect to the financial condition, results and business of the Group. These statements involve known and unknown risks, uncertainties, assumptions and other factors set forth in this document that are beyond the Group's control.

In light of these risks, uncertainties and assumptions, actual results could be materially different from any future results expressed or implied by these forward looking statements which speak only as at the date of this report. Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information or future events. The Group cannot guarantee that its forward looking statements will not differ materially from actual results.

FUTURE OUTLOOK

The Group is committed to developing the Phulbari Coal Project once approval is granted by the Government of Bangladesh.

Due to the protests organised by groups external to Phulbari on 26 August 2006, statements by a Junior Minister of the Government of Bangladesh and subsequent media reports, there has been a degree of public uncertainty surrounding the Group's Contract. GCM has received no notification from the Government of Bangladesh of any changes to the terms of the Group's Contract and the Directors do not believe that there are any grounds for the Contract to be cancelled.

During this period of uncertainty on the timing of the Phulbari Coal Project's approval, the Group is limiting expenditure in Bangladesh and is actively exploring other investment opportunities. This is evidenced by our investments in:

- GVM Metals Ltd
- CCEC Ltd
- Peoples Telecommunications and Information Services Ltd

We will continue to remain focused on our corporate strategy and actively review opportunities where possible with a view to increasing shareholder value. We will maintain our ready position to develop the Phulbari Coal Project when approval occurs.

RESULTS

There was a loss after taxation amounting to £1,254,000 for the year ended 30 June 2007 (2006: Loss of £520,000). A charge of £833,000 due to the valuation of options issued during the year ended 30 June 2007 to comply with the new accounting standard *FRS20 Share-Based Payments* represented the major difference to results for the prior year. Excluding the impact of this charge, the loss for the year ended 30 June 2007 was £421,000.

The financial position of the Group as at 30 June 2007 was £46,115,000 in net assets, which included £16,932,000 cash and £21,216,000 investment in the Phulbari Coal Project.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

GOING CONCERN

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

EMPLOYEES

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

A bonus payment scheme is in place in the Bangladesh subsidiary to strengthen employees' involvement and commitment to the Project. Refer to page 14 for further information.

DIRECTORS

Directors	Date of Appointment
Stephen Bywater	18 January 2006
Graham Taggart	3 April 2006
Gary Lye	10 November 2005
William McIntosh	20 December 2004

Non-Executive Directors	
Gerard Holden	9 May 2006
David Lenigas	5 November 2003

DIRECTORS' REMUNERATION

The Group remunerates the Directors at a level commensurate with the size of the Group and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Group with regard to this issue. The remuneration accrued/paid to the Directors for the year ended 30 June 2007 is detailed below:

Director	Director fees £	Services £	Total £	2006 £
Gerard Holden	74,648	14,001	88,649	13,223
Stephen Bywater	138,267	389,171	527,438	347,072
Graham Taggart	91,170	255,538	346,708	151,400
Gary Lye	25,453	96,000	121,453	102,146
William McIntosh	25,453	113,886	139,339	116,605
David Lenigas	25,453	46,000	71,453	120,000
Christopher Eager	-	-	-	24,000
Michael Frayne	-	-	-	130,000
Jonathan Malins	-	-	-	12,000
Total	380,444	914,596	1,295,040	1,016,446

Services provided by Directors included technical support and consulting services.

An amount of £3,000 was paid to Christopher Eager, a past Director, in accordance with his contract, in respect to him leaving the Board in May 2006.

The aggregate gain on exercising options for Directors during the year ended 30 June 2007 was £10,000 (2006: nil).

DIRECTORS' INTERESTS

The Directors who held office at 30 June 2007 had the following interests in the ordinary shares and options of the Group:

	30 June 2007			30 June 2006	
	Shares	Options		Shares	Options
Gerard Holden	26,666	200,000	(1)	26,666	200,000
Stephen Bywater	-	1,000,000	(1)	-	1,000,000
Graham Taggart	-	500,000	(1)	-	400,000
Gary Lye*	2,000	120,000	(1)	2,000	120,000
William McIntosh*	25,000	25,000	(2)	-	50,000
David Lenigas	160,000	180,000	(2)	160,000	180,000

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

(2) Exercise price of £0.75, expiry date 18 April 2009

* Conditional shares are held by Gary Lye (2007 and 2006: 30,000) and William McIntosh (2007 and 2006: 80,000).

SUBSTANTIAL SHAREHOLDINGS

As at 11 September 2007 the Company was aware of the following substantial interests or holdings of 3% or more of the voting rights of the ordinary called-up share capital of the Company.

Shareholders	Number of Shares	% of Issued Capital
RAB Capital	11,629,511	23.83
UBS AG	5,662,693	11.60
Fidelity Group	2,917,051	5.98
Barclays plc	2,106,700	4.32
Credit Suisse	1,904,724	3.90
L-R Global	1,824,087	3.74
Ospraie Management LLC	1,511,055	3.10
Capital Group	1,500,000	3.07
Argos Greater Europe Fund	1,490,000	3.05

ENVIRONMENTAL RESPONSIBILITY

The Group is aware of the potential impact that its subsidiary companies existing and future operations may have on the environment. The Group ensures that it and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles (www.equator-principles.com) with regard to the environment. For detailed information please refer to page 10 for our Corporate Social Responsibility.

CORPORATE GOVERNANCE

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

CODE OF PRACTICE

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

THE BOARD OF DIRECTORS

The Board of Directors is currently comprised of six members; four Executive Directors and two Non-Executive Directors including the Chairman, Mr Gerard Holden. Each of the Executive Directors has a wealth of minerals exploration and development experience. The Non-Executive Directors similarly have a wealth of experience either in the minerals industry or in finance and corporate development.

The structure of the Board ensures that no one individual or group dominates the decision making process.

BOARD MEETINGS

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

For the 12 months ended 30 June 2007, the Board met 11 times in relation to normal operational matters.

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

RETIREMENT BY ROTATION

One third of Directors are required to retire at every Annual General Meeting (AGM) of the Company by rotation, and may be re-elected by ordinary resolution.

THE AUDIT COMMITTEE

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

THE REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board of Directors' and senior executives' remuneration. It comprises the Non-Executive Directors and Chief Executive. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognised 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.

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. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

RISK MANAGEMENT

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

Project milestones and timelines are regularly reviewed.

BUSINESS RISK

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

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

TREASURY POLICY

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer Note 21.

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 regularly released to all shareholders concurrently in accordance with stock exchange rules. The AGM will provide an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Group maintains a corporate website where information on the Group is regularly updated and all announcements are posted. The Group welcomes communication from its shareholders.

CREDITOR PAYMENT POLICY

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. At 30 June 2007, the Company and Group had an average of 30 days purchases outstanding in trade creditors.

WEBSITE DISCLOSURE

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

ANNUAL GENERAL MEETING (AGM)

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

AUDITORS

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

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

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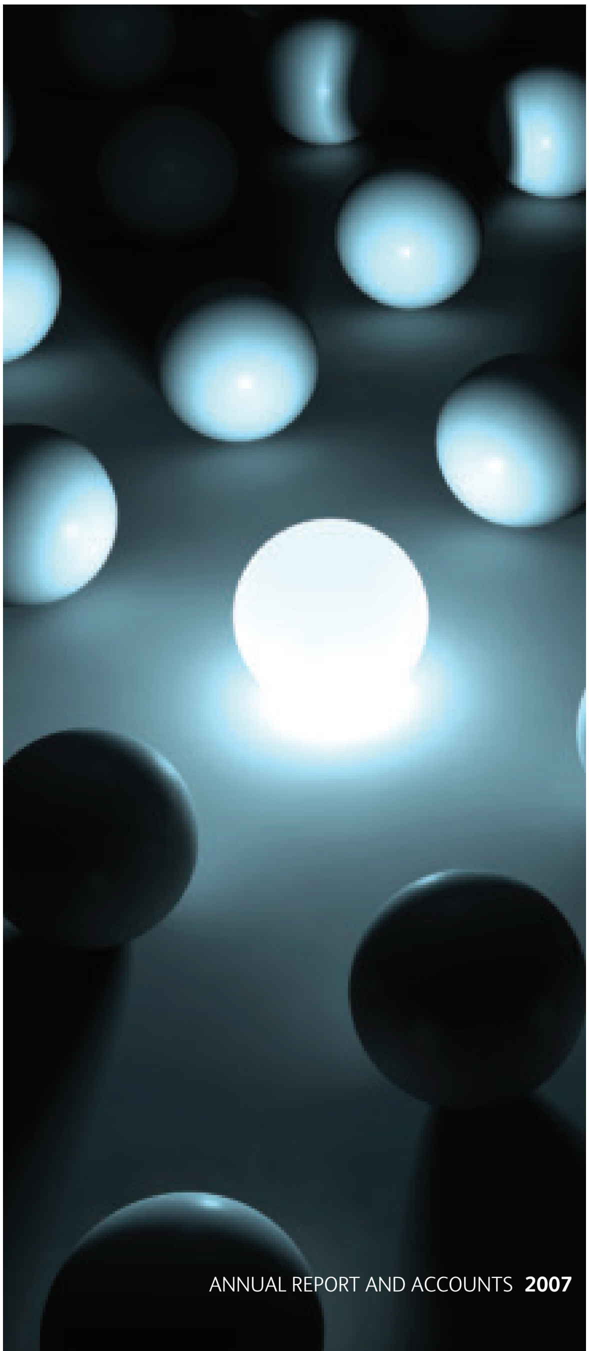
Stephen Bywater

Director

9 October 2007



GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	30 June 2007 £000's	30 June 2006 £000's
Share-based payments		833	-
Exploration costs		42	-
Administrative expenses		1,541	1,338
Group operating loss and loss on ordinary activities before interest and taxation	3	(2,416)	(1,338)
Interest receivable	6	1,163	817
Loss on ordinary activities before taxation		**(1,253)**	**(521)**
Tax on loss on ordinary activities	7	(1)	1
Loss on ordinary activities after taxation		**(1,254)**	**(520)**
Loss for the financial year attributable to members of the parent company		**(1,254)**	**(520)**
Retained loss for the period	**17**	**(1,254)**	**(520)**
Basic loss per share (pence)	8	(2.6)p	(1.2)p
Diluted loss per share (pence)	8	(2.6)p	(1.2)p

The above results relate solely to continuing operating activities of the Group.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007 £000's	30 June 2006 £000's
Loss for the financial year attributable to members of the parent company	(1,254)	(520)
Total recognised losses relating to the period	(1,254)	(520)

The net assets of £46,090,000 as at 30 June 2006 reflect an increase of £36,000 due to the adoption of FRS 20.

GROUP BALANCE SHEET

AS AT 30 JUNE 2007

	Notes	30 June 2007 £000's	30 June 2006 (restated) £000's
FIXED ASSETS			
Intangible assets	9	21,216	17,930
Tangible assets	10	310	343
Investments	11	7,412	-
		28,938	18,273
CURRENT ASSETS			
Debtors	12	506	155
Deferred tax asset	7	-	1
Current asset investments	13	45	46
Cash at bank and in hand	18(b)	16,932	28,083
		17,483	28,285
Creditors: amounts falling due within one year	14	(306)	(468)
Net current assets		**17,177**	**27,817**
Total assets less current liabilities		**46,115**	**46,090**
Net assets		**46,115**	**46,090**
CAPITAL AND RESERVES			
Called up share capital account	16	4,881	4,877
Share premium account	17	42,731	42,664
Other reserves	17	721	346
Profit and loss account	17	(2,218)	(1,797)
Equity shareholders' funds	17	**46,115**	**46,090**

The financial statements were approved by the Board on 9 October 2007 and resolved that they be signed by Mr Stephen Bywater on its behalf.

Bywater

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Stephen Bywater

Director

COMPANY BALANCE SHEET

AS AT 30 JUNE 2007

	Notes	30 June 2007 £000's	30 June 2006 (restated) £000's
FIXED ASSETS			
Tangible assets	10	48	43
Investments	11	4,700	1,696
		4,748	1,739
CURRENT ASSETS			
Debtors	12	25,674	18,299
Deferred tax asset	7	-	1
Current asset investments	13	41	41
Cash at bank and in hand		16,873	27,886
		42,588	46,227
Creditors: amounts falling due within one year	14	(270)	(166)
Net current assets		**42,318**	**46,061**
Total assets less current liabilities		**47,066**	**47,800**
Net assets		**47,066**	**47,800**
CAPITAL AND RESERVES			
Called up share capital account	16	4,881	4,877
Share premium account	17	42,731	42,664
Other reserves	17	721	346
Profit and loss account	17	(1,267)	(87)
Equity shareholders' funds	17	**47,066**	**47,800**

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	30 June 2007 £000's	30 June 2006 £000's
Net cash outflow from operating activities	18(a)	(1,536)	(1,140)
Returns on investment and servicing of finance			
Interest received		1,096	817
Taxation		-	-
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(3,112)	(7,680)
Payments to acquire tangible fixed assets		(47)	(124)
Payments to acquire investments		(7,623)	-
Payments for security deposits		-	(31)
Net cash outflow before management of liquid resources and financing		(11,222)	(8,158)
Financing			
Issue of ordinary share capital		26	31,807
Refund of (payments for) share issue costs		45	(1,209)
		71	30,598
Increase (decrease) in cash	18(b)	**(11,151)**	**22,440**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	30 June 2007 £000's	30 June 2006 £000's
Increase (decrease) in funds		(11,151)	22,440
Change in net funds resulting from cash flows	18(b)	(11,151)	22,440
Movement in net funds		(11,151)	22,440
Net funds at beginning of the year	18(b)	28,083	5,643
Net funds at end of the year	18(b)	**16,932**	**28,083**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of Global Coal Management plc are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

POLITICAL AND ECONOMIC RISKS

The Group's Bangladesh operations are currently subject to various political, social and economic risks inherent in an emerging market. The section entitled The Phulbari Project on page 9 explains the current political situation.

The Directors are hopeful of gaining approval from the Caretaker Government for the Scheme of Development for developing a mine at Phulbari to which the Group mining assets relate.

If the contract was to be cancelled or the Group does not secure approval for development of a mine, the Group would be required to impair all of its intangible mining assets. The Directors would then need to assess and proceed with alternative opportunities.

The Group has recently purchased new investments and the Directors continue to actively review investment opportunities.

The Group has taken legal advice concerning the Phulbari contract pertaining to any proposed cancellation or breach of contract. The Directors believe that they have a legally binding agreement and consequently will endeavour to receive approval for development. They believe approval will ultimately be secured.

Accordingly, the Directors consider that it is appropriate not to record any impairment in respect of the intangible mining assets.

GOING CONCERN

The Directors are of the opinion that the Group has sufficient funds to meet its obligations as they fall due in the foreseeable future. The Group is still awaiting approval of the Scheme of Development by the Government of Bangladesh.

The current Caretaker Government in place has advised that elections have been postponed until 2008. The Government continues to address the critical energy crisis in the country today. The coal policy is currently under review.

The Directors believe that the Contract for the Phulbari Coal Development will not be cancelled, that approval for its development will be granted and that the current funding is sufficient to determine and secure appropriate financing commitment from interested parties. Directors are of the opinion that the Group's coal interests will be commercially realised and are confident that the necessary funding will be obtained.

On this basis, the Directors believe that the adoption of the going concern basis is justified.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of Global Coal Management plc and all its subsidiaries have a 30 June balance date. No profit and loss account is presented for Global Coal Management plc as permitted by section 230 of the Companies Act 1985.

INTANGIBLE ASSETS

Acquisitions

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

1. ACCOUNTING POLICIES (Continued)

Exploration and evaluation

Costs carried forward

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area.

Accumulated costs in relation to an abandoned area are written off against profit in the period in which the decision to abandon the area is made.

Amortisation

Costs on productive areas will be amortised over the life of the area of interest to which such costs relate on a unit of production output basis.

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
- Field equipment – over 3 to 15 years
- Vehicles – over 5 to 7 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.

DEFERRED TAX

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

- deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

FOREIGN CURRENCIES

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

Where the trade of a foreign enterprise is more dependent on the economic environment of the parent company then the financial statements of the undertaking are consolidated using the temporal method on the following basis:

- Fixed assets are translated into sterling at the rates ruling on the date of acquisition.

- Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the foreign exchange rates ruling at the balance sheet date.

- Revenue and expenses in foreign currencies are recorded in sterling at the rates ruling at the date of the transactions.

1. ACCOUNTING POLICIES (Continued)

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 by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

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

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

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

The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 July 2006.

CHANGES IN ACCOUNTING POLICY

In preparing the financial statements for the current year, the Group has adopted *FRS 20 Share-Based Payments.* The adoption of FRS 20 has resulted in a change in accounting policy for share-based payment transactions. This policy is stated above.

In the audited annual report for the year ended 30 June 2006 the 210,000 conditional shares were valued at £310,000. As the conditional shares had not vested at 30 June 2006, the transitional provisions of FRS 20 have been applied. The cost in accordance with FRS 20 has been calculated at £346,000, and the 30 June 2006 Group and Company balance sheet has been restated accordingly. In the Group the difference has been capitalised on the basis of it being directly attributable to the Phulbari Coal Project. In the Company the cost of the share-based payments has been recorded as an investment in the Company's subsidiary on the basis that it represents a capital contribution made by the Company to its subsidiary.

The effect on the Group results of the current year is to recognise a charge of £833,000. In the Group £375,000 was capitalised during the year being attributable to the Phulbari Coal Project. The Company recorded an additional investment of £375,000 in the Company's subsidiary.

2. TURNOVER AND SEGMENT ANALYSIS

There was no turnover during the financial year.

The Group operates in one principal area of activity being coal exploration and evaluation.

The Group operates within one geographical segment, being Bangladesh, and is supported by management and administrative functions in Australia and the United Kingdom.

The Group also holds investments in China and South Africa.

3. OPERATING LOSS

	30 June 2007 £000's	30 June 2006 £000's
This is stated after charging:-		
Directors' remuneration (1)	502	202
Other staff costs (2)	26	11
Depreciation of tangible fixed assets (3)	14	2
Operating lease rentals	-	18
Exploration costs	42	-
Share-based payments (4)	833	-
Loss from sale of fixed assets	-	12

(1) Total Directors remuneration for 2007 financial year was £1,295,000 of which £502,000 was expensed and £793,000 capitalised (2006: £814,000 capitalised).

(2) Total staff costs for 2007 was £311,000 of which £285,000 was capitalised (2006: £276,000 capitalised).

(3) Total depreciation and amortisation for 2007 financial year was £80,000 of which £14,000 was expensed and £66,000 capitalised (2006: £63,000 capitalised).

(4) Total share-base payments cost for 2007 £1,208,000 of which £833,000 was expensed and £375,000 capitalised (2006: £346,000 capitalised)

4. AUDITORS' REMUNERATION

	30 June 2007 £000's	30 June 2006 £000's
Audit of the financial statements	79	49
Other fees to auditors – local statutory audits for subsidiaries	9	11
Audit of the financial statements	**88**	**60**

5. DIRECTORS' REMUNERATION AND STAFF COSTS

DIRECTORS' REMUNERATION

	30 June 2007 £000's	30 June 2006 £000's
Directors' remuneration consists of:		
Directors fees and service fees	1,295	1,016
Highest paid director:		
Directors fees and service fees	527	347

An amount of £3,000 was paid to Christopher Eager, a past Director, in accordance with his contract, in respect to him leaving the Board May 2006.

The aggregate gain on exercising options for Directors during the year ended 30 June 2007 was £10,000 (2006: nil).

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

STAFF COSTS

The average monthly number of employees during the year was:

	30 June 2007 Number	30 June 2006 Number
Group		
Exploration and evaluation	66	65
Administration	6	6
	72	**71**
Company		
Administration	1	1
	1	**1**

The Company relies on contractors and consultants while awaiting the Phulbari Coal Project decision. The total staff costs for 2007 excluding Directors was £311,000 (2006: £287,000), being salaries and wages only.

6. INTEREST

	30 June 2007 £000's	30 June 2006 £000's
Bank interest receivable	**1,163**	**817**

7. TAX

TAX ON LOSS ON ORDINARY ACTIVITIES

	30 June 2007 £000's	30 June 2006 £000's
The tax charge is made up as follows:		
Current tax:		
UK corporation tax	-	-
Overseas tax	-	-
Current tax on ordinary activities	**-**	**-**
Deferred tax:		
Origination and reversal of timing differences	1	(1)
Total deferred tax	**1**	**(1)**
Tax on loss on ordinary activities	**1**	**(1)**

The difference between the effective provision for income tax and the statutory tax provision at the statutory tax rate is reconciled as follows:

	30 June 2007 £000's	30 June 2006 £000's
Loss on ordinary activities before tax	(1,253)	(521)
UK Corporation Tax @ 30%	(376)	(156)
Permanent differences:		
- non-deductible expenditure	1	28
Timing differences :		
- Accelerated capital allowances	-	(1)
- Share-based payments	250	-
- Other	35	42
Tax losses not recognised	90	87
Current tax on ordinary activities	**-**	**-**

7. TAX (Continued)

DEFERRED TAX

Deferred tax assets and liabilities are recognised as follows:

	30 June 2006 (restated) £000's	Movement during year £000's	Foreign exchange difference £000's	Reduction of tax rate to 28% £000's	30 June 2007 £000's
Deferred Tax Assets:					
Accumulated tax losses	251	90	-	(23)	318
Losses deductible in future (Bangladesh)	115	-	6	(8)	113
Share-based payments	-	250	-	(17)	233
Other	81	35	-	(7)	109
	447	375	6	(55)	773
Less Deferred Tax Liabilities:					
Accelerated capital allowances	(1)	-	-	-	(1)
Net Deferred Tax Asset	446	375	6	(55)	772
Net Deferred Tax Asset not recognised	(445)	(376)	(6)	55	(772)
Net Deferred Tax Asset recognised	**1**	**(1)**	**-**	**-**	**-**

The Group has tax losses arising in the UK of £1,134,000 (2006: £836,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses. For the year ended 30 June 2006 tax losses totalling £4,000 had been recognised.

Expenditure relating to the Phulbari Coal Project will be deductible in Bangladesh against future income. No net deferred tax asset has been recognised.

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

8. LOSS PER SHARE

The basic loss per ordinary share was 2.6p for the year ended 30 June 2007 (2006: 1.2p). The calculation of the basic loss per ordinary share is based on a loss of £1,254,000 to 30 June 2007 (2006: Loss of £520,000) and the weighted average number of ordinary shares outstanding of 48,773,667 for the year ended 30 June 2007 (2006: 44,996,501 shares). As the Group made a loss there are no potentially dilutive shares.

9. INTANGIBLE FIXED ASSETS

	Exploration and evaluation expenditure £000's	Mineral rights £000's	Total £000's
Cost:			
Opening balance	16,783	1,147	17,930
Increase during the year	3,286	-	3,286
As at 30 June 2007	20,069	1,147	21,216
Amortisation:			
Opening balance	-	-	-
Provided during the year	-	-	-
As at 30 June 2007	-	-	-
Net book value at 30 June 2007	**20,069**	**1,147**	**21,216**
Net book value at 30 June 2006	16,783	1,147	17,930

The exploration and evaluation activities in Phulbari have at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Activities continue in the area of interest.

The mineral rights intangible asset acquired on acquisition has an expected life of 30 years from the commencement of commercial production.

The ultimate recoupment of intangible assets is dependent on the successful development and commercial operation or sale of the respective mining area. For further information refer to Note 1, 'Political and economic risks'.

10. TANGIBLE FIXED ASSETS

	Field equipment £000's	Buildings £000's	Office furniture & equipment £000's	Vehicles £000's	Lease premium £000's	Total £000's
GROUP						
Cost:						
Opening balance	97	55	194	95	20	461
Additions	-	22	25	-	-	47
Disposals	-	-	-	-	-	-
At 30 June 2007	97	77	219	95	20	508
Depreciation:						
Opening balance	(40)	(3)	(48)	(26)	(1)	(118)
Provided during the period	(22)	(4)	(34)	(15)	(5)	(80)
At 30 June 2007	(62)	(7)	(82)	(41)	(6)	(198)
Net book value at 30 June 2007	**35**	**70**	**137**	**54**	**14**	**310**
Net book value at 30 June 2006	57	52	146	69	19	343

	Field equipment £000's	Buildings £000's	Office furniture & equipment £000's	Vehicles £000's	Lease premium £000's	Total £000's
COMPANY						
Cost:						
Opening balance	-	-	25	-	20	45
Additions	-	-	19	-	-	19
Disposals	-	-	-	-	-	-
At 30 June 2007	-	-	44	-	20	64
Depreciation:						
Opening balance	-	-	(1)	-	(1)	(2)
Provided during the period	-	-	(9)	-	(5)	(14)
At 30 June 2007	-	-	(10)	-	(6)	(16)
Net book value at 30 June 2007	**-**	**-**	**34**	**-**	**14**	**48**
Net book value at 30 June 2006	-	-	24	-	19	43

11. INVESTMENTS

	Listed investments £000's	Unlisted investments £000's	Total £000's
GROUP			
Cost:			
Opening balance	-	-	-
Additions	4,783	2,629	7,412
Disposals	-	-	-
As at 30 June 2007	**4,783**	**2,629**	**7,412**
Amounts provided:			
Opening balance	-	-	-
Provided during the year	-	-	-
As at 30 June 2007	-	-	-
Net book value at 30 June 2007	**4,783**	**2,629**	**7,412**
Net book value at 30 June 2006	-	-	-

LISTED INVESTMENTS

Listed investments comprised of 20.3 million shares (10%) held in GVM Metals Ltd. The market value of this investment at 30 June 2007 was £9,440,000 (2006 nil).

UNLISTED INVESTMENTS

On 21 January 2007 a Memorandum of Understanding (MOU) was signed to acquire 26.5% equity in Peoples Telecommunication and Information Services Ltd (PeoplesTel) for $US5 million, and was approved by the Bangladesh Board of Investment on 13 February 2007. On 11 March 2007 the 2,055,048 shares were issued to the Group. The total cost of the investment has been recognised at £2,629,000.

The Group does not have Board representation in PeoplesTel. In addition, the Group has not exercised any influence over the operation or financial matters of PeoplesTel. Accordingly, the investment is not classified as an associate. Details of the investment, in which the Group holds more than 20% or more of the nominal value of any class of share capital, are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Peoples Telecommunication and Information Services Ltd	Ordinary shares	26.5%	Telecommunications

The net assets of PeoplesTel as at 30 September 2006 were £5,190,000 and the loss recorded for the year ended was £1,077,000.

11. INVESTMENTS (Continued)

	Subsidiary undertakings £000's	Joint ventures and associates £000's	Other investments £000's	Total £000's
COMPANY				
Cost:				
Opening balance	1,696	-	2,629	4,325
Additions	375	-	-	375
Disposals	-	-	-	-
As at 30 June 2007	2,071	-	2,629	4,700
Amounts provided:				
Opening balance	-	-	-	-
Provided during the year	-	-	-	-
As at 30 June 2007	-	-	-	-
Net book value at 30 June 2007	**2,071**	**-**	**2,629**	**4,700**
Net book value at 30 June 2006 (restated)	1,696	-	-	1,696

As disclosed in Note 1, following the adoption of FRS 20, the cost of the share-based payment transactions is capitalised as an investment in the Company's subsidiary. Accordingly, the comparative figure has been re-stated and the effect for the current year is the addition of £375,000.

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

Name of company	Holding	Proportion of voting rights and shares held	Nature of business	Country of incorporation
Asia Energy Corporation Proprietary Limited	Ordinary shares	100%	Exploration and evaluation	Australia
Asia Energy Holdings Private Limited	Ordinary shares	100%	Holding company	Singapore
South African Coal Limited	Ordinary shares	100%	Holding company	United Kingdom
Bangladesh Telecommunications Limited	Ordinary shares	100%	Holding company	United Kingdom
China Coal Limited	Ordinary shares	100%	Holding company	United Kingdom
Peoples Telecommunication and Information Service Ltd	Ordinary shares	26.5%	Telecommunications	Bangladesh

12. DEBTORS

	30 June 2007 Group £000's	30 June 2006 Group £000's	30 June 2007 Company £000's	30 June 2006 Company £000's
Amounts due from subsidiaries	-	-	25,188	18,173
Other debtors	121	134	120	119
Prepayments and accrued income	385	21	366	7
	506	155	25,674	18,299

There were no debtors falling due after more than one year at 30 June 2007 (2006: nil).

13. CURRENT ASSET INVESTMENTS

	30 June 2007 Group £000's	30 June 2006 Group £000's	30 June 2007 Company £000's	30 June 2006 Company £000's
Security deposits	45	46	41	41

Security deposits represent rental deposits on premises in London and Bangladesh.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2007 Group £000's	30 June 2006 Group £000's	30 June 2007 Company £000's	30 June 2006 Company £000's
Trade and other creditors	306	468	270	166

15. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable land and buildings operating leases are as follows:

	30 June 2007 £000's	30 June 2006 £000's
Operating leases which expire:		
Within one year	105	105
In two to five years	40	80
Over five years	-	-
	145	**185**

In addition, under the terms of the Prospecting License agreement with the Bangladesh authorities for contract license areas B, G and H respectively, an annual fee of 100 Taka (£0.71 at year-end exchange rate) is payable for each hectare within the license area. The Group currently leases 5,480 hectares within these license areas.

(b) OTHER COMMITMENTS

During the year, the Company signed a legally binding Heads of Agreement to form an alliance with Aura Energy Ltd to identify and acquire uranium projects in Africa. The initial term of the alliance is for two years. The Company's obligation is to provide funding of £165,000 for the first two years' activities of the alliance.

As at 30 June 2007, the Company has provided £42,000 as exploration expenses. The Company policy is to recognise the expenses in the profit and loss account as incurred.

16. SHARE CAPITAL

SHARES

	30 June 2007 £000's	30 June 2006 £000's
Called up share capital		
Authorised		
200,000,000 Ordinary shares of 10p each (2006: 200,000,000)	20,000	20,000
Allotted Called Up and Fully Paid		
48,806,024 Ordinary shares of 10p each (2006: 48,771,024 shares)	4,881	4,877

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.

16. SHARE CAPITAL (Continued)

During the year, the Company issued ordinary shares as follows:

	30 June 2007		30 June 2006	
	Shares 000's	Consideration received £000's	Shares 000's	Consideration received £000's
Balance at start of year	48,771		40,011	
Share placing	-	-	6,740	30,330
Options exercised	35	26	1,270	952
Warrants exercised	-	-	700	525
Conditional shares issued	-	-	50	318
Balance at end of year	**48,806**		**48,771**	

OPTIONS

	30 June 2007 000's	30 June 2006 000's
Outstanding at start of year	2,140	1,690
Granted	1,820	1,720
Exercised	(35)	(1,270)
Cancelled	(1,720)	-
Outstanding at end of year	**2,205**	**2,140**

As at 30 June 2007 the options in issue were:

Exercise Price	Expiry Date	Options in issue 30 June 2007 000's	Options in issue 30 June 2006 000's
£0.75	18 April 2009	385	420
£3.70	17 Jan 2011	-	1,000
£4.60	8 March 2011	-	520
£4.32	8 May 2011	-	200
£1.35	29 November 2011	1,820	-
		2,205	**2,140**

All options are currently exercisable.

16. SHARE CAPITAL (Continued)

WARRANTS

	30 June 2007 000's	30 June 2006 000's
Outstanding at start of year	2,205	2,905
Granted	-	-
Exercised	-	(700)
Outstanding at end of year	**2,205**	**2,205**

The 2,205,000 warrants on issue have an exercise price for ordinary shares at 75p and expire 18 April 2009. All warrants are currently exercisable.

Conditional shares

210,000 shares will be awarded conditional upon the Group achieving certain milestones. The fair value of these shares as at 30 June 2007, calculated in accordance with *FRS 20 Share-Based Payments*, was £662,000 (30 June 2006: £346,000) and is reflected in the Other reserves (refer Note 17).

There were no conditional shares issued during the year ended 30 June 2007 (2006: 50,000 conditional shares issued).

Refer to Note 19 for further information on share-based payments valuation.

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT OF RESERVES

GROUP – 2007

	Called up share capital account £000's	Share premium account £000's	Other reserves £000's	Profit and loss account £000's	Total share-holders' funds £000's
Opening balance (re-stated)	4,877	42,664	346	(1,797)	46,090
Share issues	4	22	-	-	26
Recovery of costs of shares issued	-	45	-	-	45
Share-based payments	-	-	375	833	1,208
Loss for the year	-	-	-	(1,254)	(1,254)
At 30 June 2007	**4,881**	**42,731**	**721**	**(2,218)**	**46,115**

GROUP – 2006

	Called up share capital account £000's	Share premium account £000's	Other reserves £000's	Profit and loss account £000's	Total share-holders' funds £000's
Opening balance	4,001	12,624	-	(1,277)	15,348
Share issues	871	30,936	-	-	31,807
Costs of shares issued	-	(1,209)	-	-	(1,209)
Conditional shares issued	5	313	-	-	318
Share-based payments	-	-	310	-	310
Loss for the year	-	-	-	(520)	(520)
At 30 June 2006 (as reported)	4,877	42,664	310	(1,797)	46,054
Adoption of FRS 20 Share-Based Payments	-	-	36	-	36
30 June 2006 (restated)	**4,877**	**42,664**	**346**	**(1,797)**	**46,090**

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT OF RESERVES (Continued)

COMPANY – 2007

	Called up share capital account £000's	Share premium account £000's	Other reserves £000's	Profit and loss account £000's	Total share-holders' funds £000's
Opening balance (restated)	4,877	42,664	346	(87)	47,800
Share issues	4	22	-	-	26
Recovery of costs of shares issued	-	45	-	-	45
Share-based payments	-	-	375	833	1,208
Loss for the year	-	-	-	(2,013)	(2,013)
At 30 June 2007	**4,881**	**42,731**	**721**	**(1,267)**	**47,066**

COMPANY - 2006

	Called up share capital account £000's	Share premium account £000's	Other reserves £000's	Profit and loss account £000's	Total share-holders' funds £000's
Opening balance	4,001	12,624	-	(583)	16,042
Share issues	871	30,936	-	-	31,807
Costs of shares issued	-	(1,209)	-	-	(1,209)
Conditional shares issued	5	313	-	-	318
Share-based payments	-	-	310	-	310
Profit for the year	-	-	-	496	496
At 30 June 2006 (as reported)	4,877	42,664	310	(87)	47,764
Adoption of FRS 20 Share-Based Payments	-	-	36	-	36
30 June 2006 (restated)	**4,877**	**42,664**	**346**	**(87)**	**47,800**

Other reserves comprise the credit for share-based payments under FRS 20 in respect of conditional shares to be issued upon the Group achieving Phulbari Coal Project milestones.

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities

	30 June 2007 £000's	30 June 2006 £000's
Operating loss	(2,416)	(1,338)
Decrease/ (increase) in debtors	(72)	131
Increase in creditors	105	53
Depreciation of fixed assets	14	2
Loss on sale of fixed assets	-	12
Share-based payments	833	-
Net cash outflow from operating activities	**(1,536)**	**(1,140)**

(b) Analysis of net funds

	30 June 2006 £000's	Cash flow £000's	30 June 2007 £000's
Cash at bank and in hand	28,083	(11,151)	16,932
	28,083	**(11,151)**	**16,932**

19. SHARE-BASED PAYMENTS

The Group has adopted Accounting Standard *FRS20 Share-Based Payments* from 1 July 2006, and accordingly the transitional provisions apply for equity instruments granted after 7 November 2002 which had no yet vested at 1 July 2006, and all new equity instruments granted thereafter.

The effects of adopting FRS 20 are disclosed in Note 1.

OPTIONS SCHEME

Under the options scheme, when the option is vested the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

The number of options on issue as at 30 June 2006 was 2,140,000. The options are outside the scope of FRS 20 as the options had vested before 1 July 2006, and accordingly the options have not been treated under FRS 20.

During the year ended 30 June 2007 1,820,000 options were issued. The options issued expire 5 years after the grant date and have no vesting conditions. The fair value of the equity-settled share options is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value per option granted and the inputs to the model used for the year ended 30 June 2007 are shown below.

Grant date	**29 November 2006**
Inputs	
Share price at grant date	£1.01
Exercise price	£1.35
Expected term	2.5 years
Vesting period	None
Risk-free rate	4.92%
Expected volatility	91.20%
Expected yield	0.00%
Number of options	1,820,000
Valuation results	
Fair value per option	£0.49
Total fair value	£892,000

The exercise period of the awards is 5 years and they vest immediately. In the absence of historic evidence of employee exercise behaviour the term is expected to be the midpoint between the date on which the awards vest and the date on which the awards lapse. Accordingly, the expected term is 2.5 years.

The historic volatility has been measured from 28 May 2004 to the date of grant. The volatility rate is high due to a number of uncertainties, including that coal sales are forecast in 2011.

The Group recognised a total cost of £892,000 for the options issued, of which £59,000 has been capitalised on the basis of being directly attributable to the Phulbari Coal Project. The remaining £833,000 has been charged to the Profit and Loss Statement (June 2006: nil).

19. SHARE-BASED PAYMENTS (Continued)

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

	2007 Options 000's	2007 Weighted average exercise price	2006 Options 000's	2006 Weighted average exercise price
Outstanding at start of year	2,140 [1]	£3.40	1,690	£0.75
Granted	1,820	£1.35	1,720	£4.04
Exercised	(35)	£0.75	(1,270)	£0.75
Cancelled	(1,720)	£4.04	-	-
Outstanding at end of year	**2,205**	**£1.25**	**2,140**	**£3.40**
Exercisable at end of year	**2,205**	**£1.25**	**2,140**	**£3.40**

[1] The 2,140,000 options outstanding at 1 July 2006 have not been valued in accordance with FRS 20 as the options were vested before 1 July 2006.

The options outstanding at 30 June 2007 have an exercise price in the range of £0.75 and £1.35 (2006: £0.75 and £4.60) and a weighted average contractual life of 4 years (2006: 4.3 years).

The weighted average share price at the date of exercise for share options exercised during the 2007 financial year was £1.25 (2006: £5.43).

CONDITIONAL SHARES SCHEME

210,000 ordinary shares will be issued conditional upon the Group achieving certain milestones. The awards granted under the conditional shares scheme are classified as equity-settled, and therefore the fair value is determined at the date of the grant, as required by FRS 20. The grant details of the conditional shares are follows:

Grant date	25 August 2005	9 March 2006
Share price at grant date	£6.32	£4.99
Conditional shares awarded	180,000	30,000

The cost related to the conditional shares at 30 June 2007 is calculated at £662,000 (2006: £346,000) after taking into account:

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

The movement in the cost of conditional shares amounting to £316,000 is directly attributable to the Phulbari Coal Project, and therefore capitalised on this basis.

20. POST BALANCE SHEET EVENTS

CCEC LTD

On 23 July 2007 the Group purchased 12,500 shares for a 6% equity stake in CCEC Ltd. The costs associated with the acquisition up to 30 June 2007, amounting to £210,000, has been included in prepayments.

21. DERIVATIVES AND OTHER 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 monthly review of expenditure forecasts. Investments in listed and unlisted companies are held on a long-term basis for the purpose of maximising shareholder value.

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

With the exception of the analysis of currency exposures, the disclosures below exclude short-term debtors and creditors in accordance with *FRS 13 'Derivatives and Other Financial Instruments'*.

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

INTEREST RATE RISK PROFILE OF FINANCIAL ASSETS

The interest rate profile of the financial assets of the Group as at 30 June 2007:

	Fixed rate £000's	Floating rate £000's	Non interest bearing £000's	Total £000's
Sterling	14,000	2,874	4,824	21,698
Australian dollars	-	-	4	4
United States dollars	-	-	32	32
Bangladesh taka	-	-	2,655	2,655
	14,000	**2,874**	**7,515**	**24,389**

The interest rate profile of the financial assets of the Group as at 30 June 2006:

	Fixed rate £000's	Floating rate £000's	Non interest bearing £000's	Total £000's
Sterling	-	27,887	41	27,928
Australian dollars	-	2	-	2
United States dollars	-	-	174	174
Bangladesh taka	-	-	25	25
	-	**27,889**	**240**	**28,129**

INTEREST RATE RISK PROFILE OF FINANCIAL LIABILITIES

The Group has no financial liabilities with the exception of short-term creditors, which are excluded from this disclosure.

CREDIT RISK

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

LIQUIDITY RISK

The Group ensures that it has sufficient cash to meet all its commitments when required.

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

CURRENCY EXPOSURES

Currency exposures comprise the monetary assets and liabilities that are not denominated in the operating currency of the operating unit. The currency exposures of the Group as at 30 June 2007 are shown below:

2007

NET FOREIGN CURRENCY MONETARY ASSETS

Functional currency	Australian dollars £000's	United States dollars £000's	Other currencies £000's	Total £000's
Sterling	**(56)**	**32**	**11**	**(13)**

2006

NET FOREIGN CURRENCY MONETARY ASSETS

Functional currency	Australian dollars £000's	United States dollars £000's	Other currencies £000's	Total £000's
Sterling	**2**	**174**	**25**	**201**

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

All financial assets and liabilities of the Group have been recorded at their book value, which equates to their fair value, with the exception of the investment in GVM Metals Ltd.

The investment in GVM Metals Ltd has been recorded at cost amounting to £4,783,000. Based on the closing price at 30 June 2007, the investment has a fair value of £9,440,000.

	2007 Book value £000's	2007 Fair value £000's	2006 Book value £000's	2006 Fair value £000's
FINANCIAL ASSETS				
Cash at bank and in hand	16,932	16,932	28,083	28,083
Current asset investments	45	45	46	46
Long-term investments	7,412	12,069	-	-
	24,389	**29,046**	**28,129**	**28,129**

22. CONTINGENT LIABILITIES

The Group is obliged to pay Deepgreen Minerals Corporation Proprietary Limited $1USD 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.

23. RELATED PARTY TRANSACTIONS

FINGALS CAVE PTY LTD

Payments for consulting services to the Group by Fingals Cave Pty Ltd, including the provision of the services of Mr W. McIntosh, a Director of Global Coal Management plc, amounting to £114,000 were made during the year ended 30 June 2007 (2006: £84,000). As at 30 June 2007, £15,000 was owing to Fingals Cave Pty Ltd (2006: £9,000).

24. PRINCIPAL OPERATING SUBSIDIARY UNDERTAKINGS

Global Coal Management plc owns and controls the following subsidiaries:

	Country of incorporation	Ownership interest 2007	2006
PARENT ENTITY			
Global Coal Management plc	United Kingdom		
SUBSIDIARIES			
Asia Energy Corporation Proprietary Ltd	Australia	100%	100%
Asia Energy Corporation (Bangladesh) Proprietary Ltd*	Australia	100%	100%
Asia Energy (Bangladesh) Private Limited*	Bangladesh	100%	100%
Asia Mining (Bangladesh) Private Limited**	Bangladesh	100%	100%
Asia Energy Holdings Private Limited	Singapore	100%	100%
South African Coal Limited	United Kingdom	100%	-
Bangladesh Telecommunications Limited	United Kingdom	100%	-
China Coal Limited	United Kingdom	100%	-

* Indirectly held through Asia Energy Corporation Proprietary Ltd

** Indirectly held through Asia Energy Corporation (Bangladesh) Proprietary Ltd

Foreign subsidiary undertakings in Australia and Bangladesh participate in mineral exploration and evaluation activity. The remaining subsidiaries are holding companies.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLOBAL COAL MANAGEMENT PLC

We have audited the group and parent company financial statements (the "financial statements") of Global Goal Management plc for the year ended 30 June 2007 which comprises the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Reconciliation of Net Cash Flow to Movement in Net Funds, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the Chief Executive's Statement, the Phulbari Project and Investments sections. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

EMPHASIS OF MATTER –RECOVERABILITY OF MINING ASSETS

While not qualifying our opinion, we draw attention to note 1 in the financial statements concerning the material uncertainty over Global Coal Management plc's Contract with the Bangladeshi Government and consequently the recoverability of the intangible exploration assets. The recoverability of these assets is dependent on the Group being permitted to develop the mine at Phulbari and at present there is a risk that the government may cancel the existing Contract. The intangible assets are included in the balance sheet at £21,216,000, and in the event that the Contract was cancelled, these and related amounts would be fully impaired.

The ultimate outcome of these matters cannot be presently determined and no impairment charge has been recorded in the current year financial statements.

Ernst & Young LLP
Registered auditor
London

9 October 2007

4 YEAR SUMMARY

A summary has been provided for the four years from commencement of trading on 23 September 2003 to the year ended 30 June 2007.

	1 July 06 to 30 June 07 £000's	1 July 05 to 30 June 06 £000's	1 July 04 to 30 June 05 £000's	23 Sept 03 to 30 June 04 £000's
Share-based payments	833	-	-	-
Exploration costs	42	-	-	-
Administrative expenses	1,541	1,338	1,329	497
Group operating loss and loss on ordinary activities before interest and taxation	**(2,416)**	**(1,338)**	**(1,328)**	**(497)**
Interest receivable	1,163	817	448	101
Loss on ordinary activities before taxation	**(1,253)**	**(521)**	**(880)**	**(396)**
Tax benefit on loss on ordinary activities	(1)	1	-	-
Loss on ordinary activities after taxation	**(1,254)**	**(520)**	**(880)**	**(396)**
Loss for the financial year attributable to members of the parent company	(1,254)	(520)	(880)	(396)
Retained loss for the period	**(1,254)**	**(520)**	**(880)**	**(396)**
Basic loss per share (pence)	(2.6)p	(1.2)p	(2.3)p	(2.2)p
Diluted loss per share (pence)	(2.6)p	(1.2)p	(2.3)p	(2.2)p

RESTATEMENT OF FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2007
UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (UNAUDITED)

INTRODUCTION

GCM plc currently prepares its consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP). The Group will be required to prepare the 2007/08 financial statements in accordance with International Financial Reporting Standards (IFRS).

The general principle in adopting IFRS is that all applicable accounting standards should be applied fully retrospectively. *IFRS 1 First time adoption of International Financial Reporting Standards* allows certain exemptions which companies are allowed to apply.

The exemptions the Group has applied are as follows:

- *IFRS 2 – Share-Based Payments* has not been applied to equity settled share-based awards granted before 7 November 2002 or vested before 1 July 2006;
- *IFRS 3 – Business Combinations* has not been applied retrospectively to business combinations prior to 1 July 2006;

The following information explains how the Group's performance for the year ended 30 June 2007 and its financial position as at that date presented under IFRS differs to that reported under UK GAAP.

The following information presented is unaudited.

RESTATED IFRS CONSOLIDATED FINANCIAL STATEMENTS

Global Coal Management plc

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

	2007 (under UK GAAP) (Audited) £000's	IFRS adjustments £000's		2007 (restated for IFRS) (Unaudited) £000's
Administrative expenses	2,416	-		2,416
Operating loss	(2,416)	-		(2,416)
Finance revenue	1,163	-		1,163
Loss before tax	(1,253)	-		(1,253)
Taxation	(1)	331	(b)	330
Loss for the period	**(1,254)**	**331**		**(923)**
Basic loss per share	(2.6)p	(0.7)p	(c)	(1.9)p
Diluted loss per share	(2.6)p	(0.7)p	(c)	(1.9)p

RESTATEMENT OF FINANCIAL INFORMATION (Continued)

Global Coal Management plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Share Capital £000	Share premium account £000	Other reserves £000		Accumulated losses £000	Total £000
Balance at 1 July 2006	4,877	42,664	346		(1,811)	46,076
Change in fair value of available for sale financial assets	-	-	4,656	(a)	-	4,656
Tax on items taken directly to equity	-	-	(1,304)	(a)	-	(1,304)
Share-based payments	-	-	375		833	1,20
Loss for the financial period	-	-	-		(923)	(923)
Equity share options issued	4	22	-		-	26
Refund of share issue costs	-	45	-		-	45
Balance at 30 June 2007	**4,881**	**42,731**	**4,073**		**(1,901)**	**49,784**

RESTATEMENT OF FINANCIAL INFORMATION (Continued)

Global Coal Management plc

CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	2007 (under UK GAAP) (Audited) £000's	IFRS adjustments £000's		2007 (restated for IFRS) (Unaudited) £000's	2006 (restated for IFRS) (Unaudited) £000's
CURRENT ASSETS					
Cash and cash equivalents	16,932	-		16,932	28,083
Receivables	551	-		551	201
Total current assets	17,483	-		17,483	28,284
NON-CURRENT ASSETS					
Property, plant and equipment	310	-		310	343
Intangible assets	21,216	-		21,216	17,930
Other investments	7,412	4,656	(a)	12,068	-
Total non-current assets	28,938	4,656		33,594	18,273
Total assets	**46,421**	**4,656**		**51,077**	**46,557**
CURRENT LIABILITIES					
Payables	306	-		306	468
Total current liabilities	306	-		306	468
NON-CURRENT LIABILITIES					
Deferred tax liabilities	-	987	(b)	987	13
Total non-current liabilities	-	987		987	13
Total liabilities	**306**	**987**		**1,293**	**481**
Net assets	**46,115**	**3,669**		**49,784**	**46,076**
EQUITY					
Share capital	4,881	-		4,881	4,877
Share premium account	42,731	-		42,731	42,664
Other reserves	721	3,352	(a)	4,073	346
Accumulated losses	(2,218)	317	(b)	(1,901)	(1,811)
Total equity	**46,115**	**3,669**		**49,784**	**46,076**

REVIEW OF MAIN CHANGES ARISING FROM ADOPTION OF IFRS

The following describes the most significant adjustments arising from transition to IFRS.

a) Financial instruments (IAS 39)

An investment previously held at cost under UK GAAP has been recorded at fair value as at 30 June 2007. The resulting increase in assets at 30 June 2007 is:

	30 June 2007 000's
Movement in fair value of investments	4,656
Less: Deferred tax liability (Note (b) below)	(1,304)
Net movement in assets	**3,352**

As the investment is classified as "available for sale" the movement in fair value and deferred tax adjustment have been taken to equity in accordance with IAS 12.

b) Deferred tax (IAS 12)

Under UK GAAP, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future.

Deferred tax liabilities under IAS 12 is recognised in respect of all temporary difference at the balance sheet date between the tax bases of assets and liabilities and their carrying value for financial reporting purposes. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or carried forward tax losses can be utilised.

Due to this change in method as at 30 June 2006, a deferred tax liability of £13,000 was recorded.

As at 30 June 2007, the deferred tax liabilities and deferred tax assets recorded are as follows:
The deferred tax liability arising from the application of IAS 39 (as described above), was reduced by the carried forward tax losses as at 30 June 2007.

	30 June 2007 000's
Deferred tax liability	
Fair value movement (as described in Note (a) above)	1,304
Deferred tax asset	
Tax losses carried forward	(317)
Net deferred tax liability	**987**

c) Earnings per share

The calculation of the basic loss per ordinary share of 1.9p is based on a loss of £923,000 to 30 June 2007 and the weighted average number of ordinary shares outstanding of 48,773,667 for the year ended 30 June 2007. As the Group made a loss there are no potentially dilutive shares.

IFRS ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial information presented has been prepared on the basis of all International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are applicable to 2007/08 financial reporting. These are subject to possible amendment by the International Accounting Standards Board (IASB), and are therefore subject to possible change. Further standards or interpretations may also be issued that could be applicable for 2007/08. These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that being presented.

The functional and presentation of the Group is pounds sterling.

The standard, *IFRS 1 First-time Adoption of International Financial Reporting Standards,* requires the Group to establish its IFRS accounting policies for the 2007-08 reporting date and, in general, apply these retrospectively.

IFRS 1 allows a number of optional exemptions on transition to help companies simplify the move to IFRS. The exemptions selected by GCM are set out below:

Share-based payments (IFRS 2)

IFRS 2 Share-Based Payments has not been applied to share-based awards granted before 7 November 2002 or vested before 1 July 2006.

Business combinations (IFRS 3)

The Group has elected to apply IFRS prospectively from the date of transition to IFRS rather than to restate previous business combinations.

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 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.

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

In accordance with IFRS 2 the Group records the fair value of the award of share options to its Directors. This fair value has been assessed by external consultants. A key parameter included in their calculations was the expected volatility in share price.

The Group has recorded the fair value of conditional shares in accordance with requirements of IFRS 2. In calculating the fair value the following estimates are used:

- 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

PROPERTY, PLANT AND EQUIPMENT

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

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- field equipment 3 - 15 years
- office furniture 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, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis.

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 exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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 in the scope of IAS 39 are classified as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and reevaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments.

Assets are carried in the balance sheet at fair value with gains or losses on financial assets at fair value through profit or loss are recognised in the income statement

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. Investments intended to be held for an undefined period are not included in this classification.

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 in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values

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

IMPAIRMENT OF FINANCIAL ASSETS

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

Assets carried at amortised cost

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

INCOME TAX

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

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

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

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

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

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than 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 by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

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

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

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

APPENDIX:

DETAILED RECONCILIATIONS

RECONCILIATION OF LOSS

For the year ended 30 June 2007

	Reported under UK GAAP £000	Deferred tax IAS 12 £000	Restated under IFRS £000
Administrative expenses	2,416	-	2,416
Operating loss	**(2,416)**	**-**	**(2,416)**
Finance revenue	1,163	-	1,163
Loss before tax	**(1,253)**	**-**	**(1,253)**
Taxation	(1)	331	330
Loss for the period	**(1254)**	**331**	**(923)**

RECONCILIATION OF EQUITY

As at 30 June 2006

(Opening balance sheet for IFRS)

	Reported under UK GAAP £000	Deferred tax IAS 12 £000	Restated under IFRS £000
CURRENT ASSETS			
Cash and cash equivalents	28,083	-	28,083
Receivables	201	-	201
Total current assets	28,284	-	28,284
NON-CURRENT ASSETS			
Property, plant and equipment	343	-	343
Intangible assets	17,930	-	17,930
Deferred tax asset	1	(1)	-
Total non-current assets	18,274	(1)	18,273
Total assets	**46,558**	**(1)**	**46,557**
CURRENT LIABILITIES			
Payables	468	-	468
Total current liabilities	468	-	468
NON-CURRENT LIABILITIES			
Deferred tax liabilities	-	13	13
Total non-current liabilities	-	13	13
Total liabilities	**468**	**13**	**481**
Net assets	**46,090**	**(14)**	**46,076**
EQUITY			
Share capital	4,877	-	4,877
Share premium account	42,664	-	42,664
Other reserves	346	-	346
Accumulated losses	(1,797)	(14)	(1,811)
Total equity	**46,090**	**(14)**	**46,076**

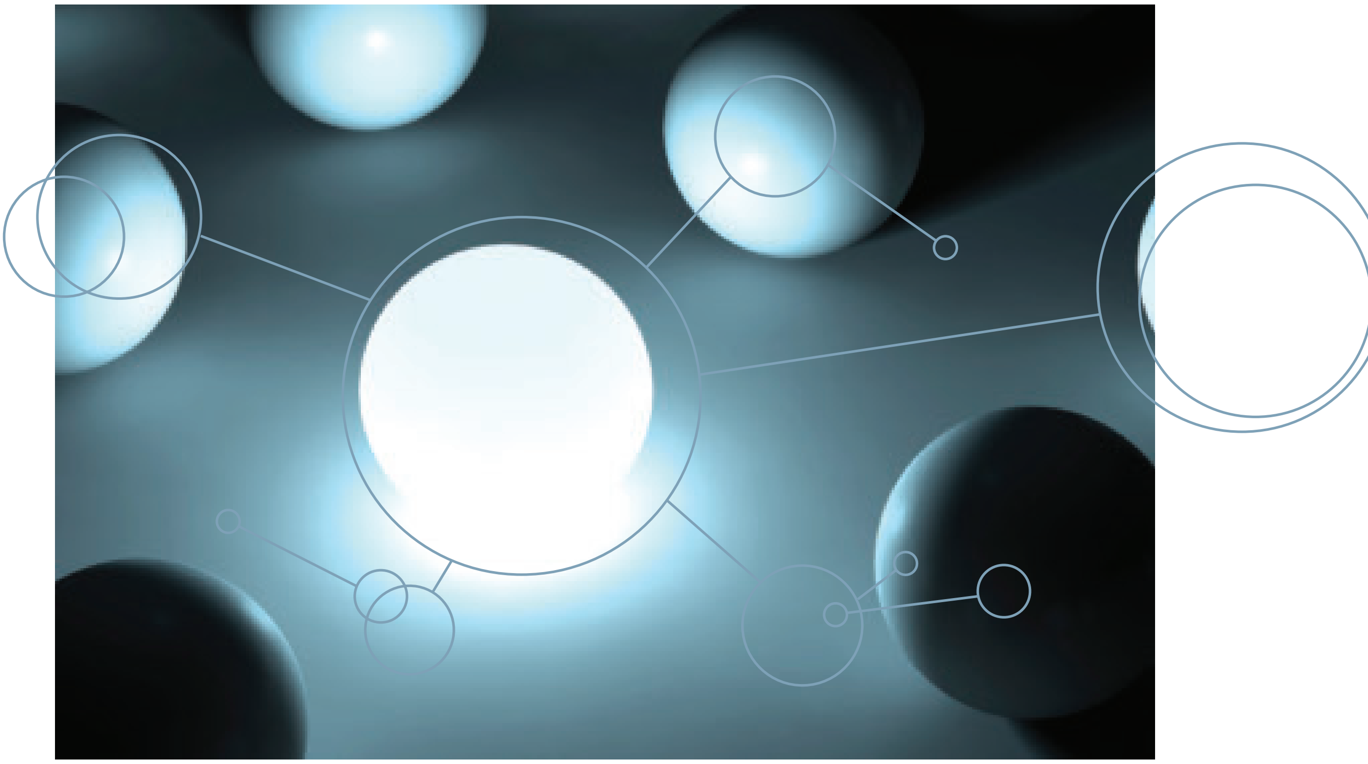
RECONCILIATION OF EQUITY

As at 30 June 2007

	Reported under UK GAAP £000	Financial instruments IAS 39 £000	Deferred tax IAS 12 £000	Restated under IFRS £000
CURRENT ASSETS				
Cash and cash equivalents	16,932	-	-	16,932
Receivables	551	-	-	551
Total current assets	17,483	-	-	17,483
NON-CURRENT ASSETS				
Property, plant and equipment	310	-	-	310
Intangible assets	21,216	-	-	21,216
Other investments	7,412	4,656	-	12,068
Total non-current assets	28,938	4,656	-	33,594
Total assets	**46,421**	**4,656**	**-**	**51,077**
CURRENT LIABILITIES				
Payables	306	-	-	306
Total current liabilities	306	-	-	306
NON-CURRENT LIABILITIES				
Deferred tax liabilities	-	1,304	(317)	987
Total non-current liabilities	-	1,304	(317)	987
Total liabilities	**306**	**1,304**	**(317)**	**1,293**
Net assets	**46,115**	**3,352**	**317**	**49,784**
EQUITY				
Share capital	4,881	-	-	4,881
Share premium account	42,731	-	-	42,731
Other reserves	721	3,352	-	4,073
Accumulated losses	(2,218)	-	317	(1,901)
Total equity	**46,115**	**3,352**	**317**	**49,784**

COMPANY INFORMATION

Company Number	04913119	
Directors	Gerard Holden Stephen Bywater Gary Lye Bill McIntosh Graham Taggart David Lenigas	(Non-Executive Chairman) (Chief Executive) (Chief Operating Officer) (Executive Director - Technical) (Finance Director and Joint Company Secretary) (Non-Executive Director)
Company Secretary	Graham Taggart Lisa Mitchell	(Finance Director and Joint Company Secretary) (Chief Financial Officer and Joint Company Secretary)
Registered Office	Foxglove House 166 - 168 Piccadilly London, W1J 9EF Tel: Fax: Email: Website:	 +44 (0)20 7290 1630 +44 (0)20 7290 1631 info@gcmplc.com www.gcmplc.com
Reporting Accountants	United Kingdom **Ernst & Young LLP** 1 More London Place London SE1 2AF United Kingdom	Australia **Ernst & Young** 120 Collins Street Melbourne Victoria 3000 Australia
Solicitors	United Kingdom **Towers & Hamlins** Sceptre Court 40 Tower Hill London EC3N 4DX United Kingdom	
Nominated Adviser and Brokers	**JP Morgan Cazenove Limited** 20 Moorgate London EC2R 6DA United Kingdom	
Registrars	**Capita Registrars** Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 OLA	
Principal Bankers	**Bank of Scotland** 14/16 Cockspur Street London SW1Y 5BL United Kingdom	
Financial Advisors	**Barclays Capital** 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom	
Bangladesh Office	**Asia Energy Corporation (Bangladesh) Pty Ltd** Plot-2$^{(B)}$, Block SE (c) Road – 138, Gulshan-1 Dhaka 1212 Bangladesh Tel: +88(02) 885 0205	



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