GCM RESOURCES

INTERIM REPORT
SIX MONTHS TO
31 DECEMBER 2009

CONTENTS

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

Ticker code : GCM

KEY DEVELOPMENTS

- The Bangladesh Government has consulted widely during the last nine months, and a consensus has developed within both the Government and the country as a whole that coal resources have a key role to play in meeting the country's energy needs and that open cut mining is an appropriate method for their extraction. GCM has facilitated Ministerial visits to a coal mine in Cologne, Germany, to demonstrate that the environmental and social impacts of modern-day coal mining can be effectively minimised and managed.

- The Bangladesh Government is actively encouraging the development of a coal based power sector. The State owned Power Development Board has recently formed a joint venture for the development of coal fired power stations in Bangladesh.

- GCM continues to work with the Government of Bangladesh and other stakeholders and remains ready to move the Phulbari Project forward when the Government approves the Scheme of Development. Discussions with the Government, which are now covering the detail of the Project and its implementation, are progressing well.

- The Group made a loss of £350,000 after tax for the six months ended 31 December 2009 (31 December 2008: £5,249,000). During the period GCM disposed of its investment in Regent Pacific Group for proceeds of £1,217,000 resulting in an accounting profit of £297,000 before tax. The loss for the comparative period includes an impairment charge of £5,182,000 before tax, predominantly in relation to the investment in Regent Pacific Group which has since been sold.

- As at 15 March 2010 GCM held £30.8 million in cash and listed equity investments, equivalent to 60p per share.

CHIEF EXECUTIVE'S STATEMENT

Steve Bywater
Chief Executive

Phulbari Coal Project update

GCM Resources plc (GCM) remains fully committed to the Phulbari Coal Project (the Project) in Bangladesh. We believe it can provide the fastest, lowest risk and most reliable means of delivering the commercial energy required to bring a step-change in electricity access and availability for the people of Bangladesh. Over the last six months our objective has been to cement relationships at all levels of the new Bangladesh Government and particularly to ensure that those who are evaluating the options for addressing the country's energy needs have access to accurate and unbiased information on the Project.

Since 30 June 2009 we have accompanied the State Ministers for Home Affairs; Environment and Forest; Power, Energy and Mineral Resources; and Land on technical visits to Europe. During these visits we have arranged tours of an active coal mine near Cologne, Germany and a coal fired power station in the United Kingdom. The Cologne mine has many similarities to the operation we are planning to build at Phulbari and has allowed us to demonstrate that the environmental and social impacts of modern-day coal mining can be effectively managed and minimised.

The Bangladesh Government has consulted widely during the last nine months, and a consensus has developed within both the Government and the country as a whole that coal resources have a key role to play in meeting the country's energy needs and that open cut mining is an appropriate method for their extraction. The feedback we have received in Bangladesh, including that from Ministers and elected representatives from the Phulbari region, continues to be positive. The Government is actively encouraging the development of a coal based power sector. The State owned Power Development Board has recently formed a joint venture for the development of coal fired power stations in Bangladesh.

Investments

GCM's investments have continued to perform well; overall the value has increased by 29% since 30 June 2009. During the period GCM disposed of its holding in Regent Pacific Group.

Results

As at 31 December 2009 GCM held £574,000 in cash and £24,307,000 in listed equity investments, equivalent to 49p per share.

The Group made a loss of £350,000 after tax for the six months ended 31 December 2009 (31 December 2008: £5,249,000). During the period GCM disposed of its investment in Regent Pacific Group resulting in an accounting profit of £297,000 before tax. The loss for the comparative period includes an impairment charge of £5,182,000 before tax, predominantly in relation to the investment in Regent Pacific Group which has since been sold.

Evaluation expenditure relating to the Phulbari Coal Project was £1,655,000 for the six months ended 31 December 2009 (31 December 2008: £1,539,000).

Outlook

GCM continues to work with the Government of Bangladesh and other stakeholders and remains ready to move the Phulbari Project forward when the Government approves the Scheme of Development. Discussions with the Government, which are now covering the detail of the Project and its implementation, are progressing well. As at 15 March 2010 GCM held £30.8 million in cash and listed equity investments to fund these activities.

Steve Bywater
Chief Executive

PHULBARI COAL PROJECT

Background

The Phulbari Coal Project (the Project) is a landmark development for Bangladesh. As one component of a wider Phulbari Energy Development Project which also includes a mine mouth power plant, upgraded transmission lines and associated regional infrastructure development, it embodies a unique opportunity to contribute to the energy security of one of the world's most populous countries while also being a catalyst for wider economic development.

Project status

The initial exploration in the Project area was carried out by BHP under a Contract with the Government of Bangladesh in the period 1994-97. Following the assignment of the Contract to a subsidiary of GCM in 1998, the company completed a detailed exploration program leading to a Feasibility Study and Scheme of Development that was submitted to the Government of Bangladesh for approval in late 2005. Approval has been delayed by political and social uncertainty arising in the 2006 election year and which continued into the period when Bangladesh was governed under a state of emergency by Caretaker Governments. The elections that were held in December 2008 returned a new democratic government with a significant majority and a stated intention to address the country's energy and power problems which continue to impede economic development. GCM continues to work with the Government of Bangladesh and other stakeholders to move the Project forward.

Project description

GCM has established a coal resource of 572 million tonnes (JORC compliant) near the town of Phulbari in North West Bangladesh. The Project has been extensively studied by an international team of employees, consultants and academics and its features, benefits and impacts are well understood. The Feasibility Study and Scheme of Development, and the Environmental and Social Impact Assessment have been subjected to extensive independent external review. The methods and techniques for managing the Project's impacts have been well tested and are widely used in other mines throughout the world.

The mine will produce a mix of high quality thermal coal, low ash metallurgical coal (also known as semi-soft coking coal) and a good quality thermal coal suitable for the domestic industrial market. The coal will be extracted by the open cut mining method using trucks and hydraulic excavators. Substantial initial investment, relating to equipment costs, site preparation, box cut development and initial resettlement and other community programs will take place over a three year period leading to the first commercial coal production. Ramp up to saleable coal production of 15 million tonnes per annum will take a further five years. The mine will have a life of over 30 years. The combination of high quality coal, a large resource, thick seams, highly competitive stripping ratio and low operating costs make Phulbari a world class deposit.

Management of Impacts

By their nature, mining operations can have a significant effect on the environment and communities in which they take place and managing these impacts is of critical importance to the long term success of any mining project. The potential impacts of the Project have been extensively studied and subject to external review. Over the life of the Project the mine footprint will occupy some 5,200 hectares and will be rehabilitated to productive use after mining.

One of the Project's most significant impacts is the proposed resettlement, over a 10 year period, of approximately 40,000 people. As part of the resettlement plan, GCM will be constructing a new western extension to the Phulbari Township as well as a number of new resettlement villages in the surrounding area. The new resettlement sites will have improved services and infrastructure including electricity, the provision of sanitation and reticulated water supply and storm-water drainage. New schools, religious centres and medical centres will also be built. The Project's environmental and social impacts, including the resettlement programme, will comply with the Equator Principles, an internationally recognised set of benchmarks for managing the impacts of large projects. One key component of these principles is the commitment that no one will be worse off and each person adversely affected will be fairly and fully compensated for all loss of land, property, and livelihood.

Benefits to Bangladesh

The Project will deliver a new source of energy for Bangladesh, helping to address the chronic shortage of electricity that is hampering the country's economic development. The co-products from the mine, including silica sand, kaolin and rock aggregates have the potential to support many spin-off industries resulting in the creation of a significant number of new jobs. The improved infrastructure, including rail and port upgrades, necessary to support the Project will be a catalyst for further development. The coal from Phulbari will displace lower quality imported coal predominantly used in the brickworks industry, which will have a positive effect on both air quality and the country's balance of payments.

INTERIM CONSOLIDATED INCOME STATEMENT

	Notes	6 months ended 31 December 2009 unaudited £000	6 months ended 31 December 2008 unaudited £000	Year ended 30 June 2009 audited £000
Operating expenses				
Exploration costs		83	184	353
Other operating expenses		677	874	1,578
Operating loss		(760)	(1,058)	(1,931)
Exceptional items	3	297	(5,182)	(5,563)
Finance revenue		28	178	188
(Loss) before tax		(435)	(6,062)	(7,306)
Taxation		85	813	1,614
(Loss) for the period		(350)	(5,249)	(5,692)
Loss per share				
Basic (loss) per share (pence)		(0.7)p	(10.3)p	(11.2)p
Diluted (loss) per share (pence)		(0.7)p	(10.3)p	(11.2)p

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

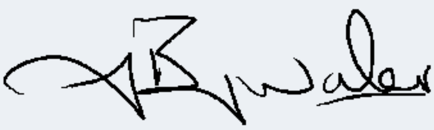
	6 months ended 31 December 2009 unaudited £000	6 months ended 31 December 2008 unaudited £000	Year ended 30 June 2009 audited £000
(Loss) for the period	(350)	(5,249)	(5,692)
Other comprehensive income			
Net gain/(loss) on revaluation of available-for-sale financial assets	5,328	(35,449)	(26,958)
Transfer to income statement: sale of available-for-sale financial assets	(297)	-	-
Transfer to income statement: impairment of available-for-sale financial assets	-	4,231	4,430
Income tax relating to components of other comprehensive income	(1,409)	8,741	6,308
Total comprehensive income	3,272	(27,726)	(21,912)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium account £000	Other reserves £000	Accumulated losses £000	Total £000
Balance at 1 July 2008	5,101	44,164	25,148	(1,037)	73,376
Total comprehensive income	-	-	(16,220)	(5,692)	(21,912)
Share based payments	-	-	72	5	77
Balance at 30 June 2009	5,101	44,164	9,000	(6,724)	51,541
Total comprehensive income	-	-	3,622	(350)	3,272
Share based payments	1	4	263	6	274
Balance at 31 December 2009 (unaudited)	5,102	44,168	12,885	(7,068)	55,087
Balance at 1 July 2008	5,101	44,164	25,148	(1,037)	73,376
Total comprehensive income	-	-	(22,477)	(5,249)	(27,726)
Share based payments	-	-	39	-	39
Balance at 31 December 2008 (unaudited)	5,101	44,164	2,710	(6,286)	45,689

INTERIM CONSOLIDATED BALANCE SHEET

	Notes	31 December 2009 unaudited £000	31 December 2008 unaudited £000	30 June 2009 audited £000
Current assets				
Cash and cash equivalents		574	3,543	1,355
Receivables		474	708	542
Total current assets		1,048	4,251	1,897
Non-current assets				
Property, plant and equipment		137	215	173
Intangible assets	4	28,226	25,249	26,571
Financial assets	5	29,000	16,399	24,890
Total non-current assets		57,363	41,863	51,634
Total assets		58,411	46,114	53,531
Current liabilities				
Payables		369	425	358
Total current liabilities		369	425	358
Non-current liabilities				
Deferred tax liabilities	6	2,955	-	1,632
Total non-current liabilities		2,955	-	1,632
Total liabilities		3,324	425	1,990
Net assets		55,087	45,689	51,541
Equity				
Share capital		5,102	5,101	5,101
Share premium account		44,168	44,164	44,164
Other reserves		12,885	2,710	9,000
Accumulated losses		(7,068)	(6,286)	(6,724)
Total equity		55,087	45,689	51,541



Steve Bywater
Chief Executive

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 31 December 2009 unaudited £000	6 months ended 31 December 2008 unaudited £000	Year ended 30 June 2009 audited £000
Cash flows from operating activities			
(Loss) before tax	(435)	(6,062)	(7,306)
Adjusted for:			
Exceptional items	(297)	5,182	5,563
Finance revenue	(28)	(178)	(188)
Other non cash expenses	19	8	21
	(741)	(1,050)	(1,910)
Movements in working capital:			
Decrease/(increase) in operating receivables	68	(448)	(290)
(Decrease) in operating payables	(73)	(190)	(257)
Cash used in operations	(746)	(1,688)	(2,457)
Interest received	1	209	226
Net cash used in operating activities	(745)	(1,479)	(2,231)
Cash flows from investing activities			
Payments for property, plant and equipment	(6)	(12)	(19)
Proceeds from sale of property, plant and equipment	16	-	-
Payments for intangible assets	(1,290)	(1,499)	(2,745)
Payments for investments	-	(3,514)	(3,697)
Proceeds from sale of investments	1,217	-	-
Dividends received	27	-	-
Net cash used in investing activities	(36)	(5,025)	(6,461)
Total decrease in cash and cash equivalents	(781)	(6,504)	(8,692)
Cash and cash equivalents at the start of the period	1,355	10,047	10,047
Cash and cash equivalents at the end of the period	574	3,543	1,355

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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

The unaudited interim report was authorised for issue by the Directors on 16 March 2010, and the Interim Consolidated Balance Sheet was signed on the Board's behalf by Steve Bywater.

Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union for the year ended 30 June 2009. The interim condensed consolidated financial statements for the six months ended 31 December 2009 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended June 2009, and have been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union.

The financial information contained herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2009 have been extracted from the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and contained an unqualified auditors' report which included an emphasis of matter reference concerning the uncertainty over the recoverability of the intangible mining assets and did not include a statement under section 498(2)(a) or (b), or section 498(3) of the Companies Act 2006.

Political and economic risks

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

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

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

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

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

If for whatever reason the Scheme of Development is not ultimately approved, the Group would be required to impair all of its intangible mining assets. The Directors are confident that the Phulbari Coal Project will ultimately receive approval. Accordingly, the Directors consider that it is appropriate not to record any impairment in respect of the intangible mining assets.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt. As at 31 December 2009, GCM held £574,000 cash and £24,307,000 listed equity investments. Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Project have been prepared and, taking into account a number of factors including the liquidity and volatility of GCM's listed investments, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2. Segment analysis

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

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

3. Exceptional items

During the period GCM disposed of its investment in Regent Pacific Group resulting in an accounting profit of £297,000 before tax. The exceptional item for the comparative period is an impairment charge of £5,182,000, predominantly in relation to the investment in Regent Pacific Group which has since been sold.

4. Intangible assets

Intangible assets increased by £1,655,000 during the six months to 31 December 2009 (December 2008: £1,539,000). The increase is due to the exploration and evaluation expenditure relating to the Phulbari Coal Project, and is capitalised in accordance with the Group's accounting policies.

5. Financial assets

	31 December 2009 £000	31 December 2008 £000	30 June 2009 £000
Available-for-sale investments			
Listed equity investments	24,307	11,706	20,197
Unlisted equity investments	4,693	4,693	4,693
	29,000	16,399	24,890

6. Deferred tax liabilities

The movement in deferred tax liabilities from £1,632,000 on 1 July 2009 to £2,955,000 at 31 December 2009 is predominantly due to the tax effect of the increase in fair value of investments for the same period.

Interim Report
Six months to 31 December 2009

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