



Interim Report

Six Months to 31 December 2013

(LON:GCM)

Chairman's Statement

Update

The Phulbari Coal Project (the Project) continues to be the key opportunity for the Company and our objective remains to achieve Government of Bangladesh approval of the Scheme of Development and ensure the Project is developed for the benefit of all stakeholders.

During the last six months the Government has continued along the path of re-balancing the country's energy mix and moving towards coal-fired power plants in line with its Power System Master Plan, reportedly targeting contracts for 4,000MW of coal fired-power plants by the end of 2014. The future energy demand trend for Bangladesh is not unlike that predicted for the adjacent ASEAN countries for which the IEA¹ recently reported coal is emerging as the fuel of choice because of its relative abundance and affordability in the region.

The utilisation of Bangladesh's domestic coal resources is essential to long-term security of supply for its coal-fired power plants. As the Phulbari Coal Project is the only undeveloped coal resource that is technically ready for implementation, it remains the fastest and most viable means of unlocking Bangladesh's as yet unutilised coal resources.

Over the last six months the Company has continued to engage with the local community both within and surrounding the Project area to discuss and understand their views of the Project. An independent survey finalised in the last six months indicates that support for the Project has been growing.

The Bangladesh national elections were held on the 5th January leading to a second term of office for the Awami League Government. The Company looks forward to discussions on the Project with the Bangladesh Government in the very near future.

To ensure GCM's sustainability, the Company's operations were substantially restructured during the period to minimise costs, while retaining the capacity to continue its core activities. In addition, management successfully raised £2.3m by the placement of 11.7 million shares. The fundraising, the first since November 2005, was supported by a new substantial shareholder Magnus Energy Group who now holds 15% of GCM and by Polo Resources Limited, the Company's largest shareholder. I would like to thank both investors for their support and confidence in the Company's prospects as we seek approval of the Project in a new political and operating environment.

Financials


The Company recorded a loss of £518,000 for the period ended 31 December 2013 (31 December 2012: £2,172,000), which included non-cash expenditure of £230,000. Administrative expenses have reduced by over 50% from the comparative period as a result of reducing the Company's overheads.

Capitalised evaluation costs relating to the Phulbari Coal Project was £477,000 for the six months ended 31 December 2013 (31 December 2012: £1,705,000).

Outlook

Over the next 12 months the Company will be seeking to progress the Project with the Bangladesh Government while further strengthening our relationship with the local community.

I would like to thank the Board and the staff for their efforts and support over the last six months.



Michael Tang
Executive Chairman

¹ International Energy Authority: "Southeast Asian Energy Outlook", September 2013. <http://www.worldenergyoutlook.org/>

Interim Consolidated Income Statement

	Notes	6 months ended 31 December 2013 unaudited £000	6 months ended 31 December 2012 unaudited £000	Year ended 30 June 2013 audited £000
Operating expenses				
Exploration and evaluation costs		(55)	(151)	(405)
Share based payments		(225)	-	(186)
Administrative expenses		(242)	(564)	(1,242)
Operating loss		(522)	(715)	(1,833)
Exceptional items	3	-	(986)	(864)
Finance revenue		4	-	-
(Loss)/profit before tax		(518)	(1,701)	(2,697)
Taxation	4	-	(471)	(471)
Loss for the period		(518)	(2,172)	(3,168)
Earnings per share				
Basic loss per share (pence)		(0.9p)	(4.3p)	(6.2p)
Diluted loss per share (pence)		(0.9p)	(4.3p)	(6.2p)

Interim Consolidated Statement of Comprehensive Income

	6 months ended 31 December 2013 unaudited £000	6 months ended 31 December 2012 unaudited £000	Year ended 30 June 2013 audited £000
Loss for the period	(518)	(2,172)	(3,168)
Other comprehensive income/(loss)			
Net loss on revaluation of available-for-sale investments	-	(2,947)	(2,825)
Transfer to income statement: sale of available-for-sale investments	-	784	662
Transfer to income statement: impairment of available-for-sale investments	-	202	202
Income tax relating to components of other comprehensive income/(loss)	-	471	471
Total comprehensive loss	(518)	(3,662)	(4,658)

Interim Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Share based payments not settled	Net movement in available-for-sale investments	Accumulated losses	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 July 2012	5,110	44,246	1,316	1,490	(10,200)	41,962
Total comprehensive loss	-	-	-	(1,490)	(3,168)	(4,658)
Shares issued during the year	5	12	-	-	-	17
Share based payments	-	-	(728)	-	280	(448)
Balance at 30 June 2013	5,115	44,258	588	-	(13,088)	36,873
Total comprehensive loss	-	-	-	-	(518)	(518)
Shares issued during the period	1,171	1,028	-	-	-	2,199
Share based payments	-	-	25	-	225	250
Balance at 31 December 2013 (unaudited)	6,286	45,286	613	-	(13,381)	38,804
Balance at 1 July 2012	5,110	44,246	1,316	1,490	(10,200)	41,962
Total comprehensive loss	-	-	-	(1,490)	(2,172)	(3,662)
Shares issued during the period	2	8	-	-	-	10
Share based payments	-	-	29	-	-	29
Balance at 31 December 2012 (unaudited)	5,112	44,254	1,345	-	(12,372)	38,339

Interim Consolidated Balance Sheet

	Notes	31 December 2013 unaudited £000	31 December 2012 unaudited £000	30 June 2013 audited £000
Current assets				
Cash and cash equivalents		2,072	369	707
Receivables		40	215	178
Total current assets		2,112	584	885
Non-current assets				
Property, plant and equipment		34	49	47
Intangible assets	5	36,870	36,163	36,393
Financial assets	6	-	2,065	-
Total non-current assets		36,904	38,277	36,440
Total assets		39,016	38,861	37,325
Current liabilities				
Payables		(212)	(522)	(452)
Total current liabilities		(212)	(522)	(452)
Total liabilities		(212)	(522)	(452)
Net assets		38,804	38,339	36,873
Equity				
Share capital	7	6,286	5,112	5,115
Share premium account	7	45,286	44,254	44,258
Other reserves		613	1,345	588
Accumulated losses		(13,381)	(12,372)	(13,088)
Total equity		38,804	38,339	36,873



Michael Tang
Chairman

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2013 unaudited £000	6 months ended 31 December 2012 unaudited £000	Year ended 30 June 2013 audited £000
Cash flows used in operating activities			
(Loss)/profit before tax	(518)	(1,701)	(2,697)
Adjusted for:			
Exceptional items	-	986	864
Finance revenue	(4)	-	-
Share based payments	225	-	186
Other non-cash expenses	5	2	4
	(292)	(713)	(1,643)
Movements in working capital:			
Decrease in operating receivables	138	88	125
(Decrease) in operating payables	(156)	(36)	(46)
Cash used in operations	(310)	(661)	(1,564)
Interest received	4	-	-
Net cash used in operating activities	(306)	(661)	(1,564)
Cash flows from investing activities			
Payments for intangible assets	(528)	(1,549)	(2,502)
Proceeds from sale of investments	-	2,216	4,403
Net cash generated from investing activities	(528)	667	1,901
Cash flows from financing activities			
Issue of ordinary share capital	2,319	10	17
Share issue costs	(120)	-	-
Net cash from financing activities	2,199	10	17
Total increase/(decrease) in cash and cash equivalents	1,365	16	354
Cash and cash equivalents at the start of the period	707	353	353
Cash and cash equivalents at the end of the period	2,072	369	707

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 24 January 2014, and the Interim Consolidated Balance Sheet was signed on the Board's behalf by Michael Tang.

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 as they apply to the financial statements of the Group for the year ended 30 June 2013 and applied in accordance with the Companies Act 2006. The interim condensed consolidated financial statements for the six months ended 31 December 2013 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2013, and have been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union.

There has been no impact on the Group's financial position or performance from new and amended IFRS and IFRIC interpretations mandatory as of 1 July 2013.

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 2013 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 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 coal in Northern Bangladesh. The Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

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

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

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved, the Group would impair all of its intangible mining assets totalling £36,862,000 as at 31 December 2013.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt. As at 23 January 2014, the Company held cash of £1,988,000.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Project have been prepared and the Directors have satisfied themselves that the Group will have adequate financial resources to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would be required if the Group was unable to continue as a going concern. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

2. Segment analysis

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

Geographic analysis of non-current assets

	Bangladesh £000	Other £000	Total £000
<i>As at December 2013</i>			
Property, plant and equipment	34	-	34
Intangible assets	36,870	-	36,870
	36,904	-	36,904
<i>As at June 2013</i>			
Property, plant and equipment	41	6	47
Intangible assets	36,393	-	36,393
	36,434	6	36,440
<i>As at December 2012</i>			
Property, plant and equipment	42	7	49
Intangible assets	36,163	-	36,163
Financial assets	-	2,065	2,065
	36,205	2,072	38,277

3. Exceptional items

	6 months ended 31 December 2013 £000	6 months ended 31 December 2012 £000	Year ended 30 June 2013 £000
(Loss) on sale of investments	-	(784)	(662)
Impairment of investments	-	(202)	(202)
	-	(986)	(864)

Sale of investments

There were no investments sold during the period ended 31 December 2013. In the comparative period GCM recorded a loss of £784,000 on sale of available-for-sale financial assets.

Impairment of investments

There were no investments impaired during the period ended 31 December 2013. In the comparative period, listed investments held by the Group were impaired by £202,000.

4. Taxation

	6 months ended 31 December 2013 £000	6 months ended 31 December 2012 £000	Year ended 30 June 2013 £000
Tax on ordinary activities	-	-	-
Origination and reversal of temporary differences	-	471	471
Tax charge/(credit) in income statement	-	471	471
Available-for-sale financial assets	-	(471)	(471)
Tax (credit)/ charge in statement of changes in equity	-	(471)	(471)

A tax loss for which a deferred tax asset was not recognised amounted to £176,000 for the period. Deferred tax assets are only recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, arise.

5. Intangible assets

Intangible assets increased by £477,000 during the six months to 31 December 2013 (December 2012: £1,705,000). 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.

6. Financial assets

	31 December 2013 £000	31 December 2012 £000	30 June 2013 £000
Available-for-sale investments			
Listed equity investments	-	2,065	-
	-	2,065	-

The listed equity investments held by GCM were sold during the year ended 30 June 2013.

7. Shares issued

During the period the Company raised £2,317,000 by issuing 11,700,007 shares to participants at 19.8p per share. £120,000 was incurred in relation to the share issue.

A consultant subscribed for 12,500 shares during the period. The consideration of the issued shares was equal to the market price on the day of purchase, in accordance with the contract for provision of service.