



Interim Report
Six months to 31 December 2014

Chairman's Statement

I have great pleasure in presenting the December 2014 interim report of GCM Resources plc ("GCM"). GCM's key objective remains focused on developing the Phulbari Coal Project (the "Project"), a world class resource of 572 million tonnes (JORC 2004 compliant), located in North-West Bangladesh.

Over the last six months the Government of Bangladesh has continued to pursue its long-term strategy of re-balancing the country's energy sector towards coal-fired power, supported by a diversified mix of other energy sources. Implementation of the Government's Power Sector Master Plan (PSMP) will require adding 19,650MW of coal-fired power generation within 15 years, which would depend upon the equivalent of 58 million tonnes of high calorific coal. The PSMP envisages the coal supply will be 60% domestic and 40% imported. At this stage feasibility studies are progressing for 3,700MW public sector coal-fired power projects and two contracts amounting to 1,152MW have been awarded in the private sector. Construction and commissioning dates for these projects are yet to be finalised.

There is already a vibrant coal market in Bangladesh driven by the brick kiln industry. Historically this coal has been imported from the Meghalaya State of India and is extremely poor quality with very high sulphur content. An independent supply channel and market study commissioned by GCM concluded the annual demand is over five million tonnes for the brick industry. In May 2014 the Indian Government suspended coal mining in Meghalaya in an attempt to regulate the ad hoc activity. The Bangladesh brick industry, which is a crucial part of the country's construction sector, is looking for a more reliable long-term coal supply solution.

The in-country demand for thermal coal is therefore anticipated to substantially increase in the coming years. Of Bangladesh's five known coal deposits, the Phulbari coal deposit is the most advanced in preparation for extraction due to GCM's extensive and detailed exploration and evaluation studies. The Phulbari Coal Project is therefore well placed to meet the market needs.

GCM, through its subsidiaries, retains its legal right to explore, develop and mine in respect of its Contract with the Government of Bangladesh which has granted the licences and lease, subject to approval of the Scheme of Development submitted to the Government of Bangladesh. It is this approval which the Board continues to pursue in order to realise the benefits of the Project for all stakeholders.

Engagement with the communities over the entire project area remains a core focus of the Company's activities and community meetings with local citizens, community leaders and businesses have continued throughout the last six months. The objective of these discussions is to understand the needs and view of the local community and explain the potential benefits and implications of a mine and associated activities.

As announced on 20 November 2014 the UK National Contact Point to the OECD (the "NCP") reported on its examination into alleged breaches of the OECD Guidelines for Multinational Enterprises made by activists. All the allegations in respect of human rights were either rejected by the NCP on the basis of being unsubstantiated or rejected by the NCP after examination into the complaint.

The NCP found one partial breach due to GCM's reduced communication with local communities for the period 2006 - 2012, being the period following completion of the Project's Feasibility Study. However this matter has already been addressed and as from 2012 the Company substantially broadened its community communication and engagement activities with the aim of ensuring the local community remains fully informed on the Project.

The positive outcome of the examination was expected. From the outset the project exploration and evaluation activities were undertaken with the goal of building a world-class mining project. An international team of industry leading consultants was assembled to study and plan the project. The Environmental and Social Impact Assessment was prepared according to the highest international standards that existed at the time and was independently reviewed with guidance from the Asian Development Bank. Since then the Company has continued to update its plans in line with developments in international standards and continues to act with integrity and fairness.

The examination conducted by the NCP was a thorough and impartial process by a credible, internationally respected organisation and we look forward to the dialogue moving to the substantial benefits that the Project can deliver to the local communities and businesses.

Financials

The Company recorded a loss of £461,000 for the period ended 31 December 2014 (31 December 2013: £518,000), which included non-cash expenditure of £124,000. Capitalised evaluation costs relating to the Phulbari Coal Project was £356,000 for the six months ended 31 December 2014 (31 December 2013: £477,000).

GCM will seek to raise sufficient funds by June 2015 to enable the Company to maintain its operations for the foreseeable future. The Board are confident that a future fundraising will be successful.

Outlook

Over the next 12 months the Board will continue pursuing approval of the Project through its ongoing relationship with the Bangladesh Government while progressing community engagement activities. I would like to thank the Company's shareholders for their continued confidence and support.



Michael Tang
Executive Chairman

Interim Consolidated Income Statement

	6 months ended 31 December 2014 unaudited £000	6 months ended 31 December 2013 unaudited £000	Year ended 30 June 2014 audited £000
Operating expenses			
Exploration and evaluation costs	(15)	(55)	(109)
Share based payments	(124)	(225)	(570)
Administrative expenses	(325)	(242)	(633)
Operating loss	(464)	(522)	(1,312)
Finance revenue	3	4	10
(Loss)/profit before tax	(461)	(518)	(1,302)
Taxation	-	-	-
Loss for the period	(461)	(518)	(1,302)
Earnings per share			
Basic loss per share (pence)	(0.7p)	(0.9p)	(2.2p)
Diluted loss per share (pence)	(0.7p)	(0.9p)	(2.2p)

Interim Consolidated Statement of Comprehensive Income

	6 months ended 31 December 2014 unaudited £000	6 months ended 31 December 2013 unaudited £000	Year ended 30 June 2014 audited £000
Loss for the period	(461)	(518)	(1,302)
Total comprehensive loss	(461)	(518)	(1,302)

Interim Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Share based payments not settled	Accumulated losses	Total
	£000	£000	£000	£000	£000
Balance at 1 July 2013	5,115	44,258	588	(13,088)	36,873
Total comprehensive loss	-	-	-	(1,302)	(1,302)
Shares issued during the year	1,171	1,148	-	-	2,319
Share issue transaction costs	-	(120)	-	-	(120)
Share based payments	-	-	(3)	570	567
Balance at 30 June 2014	6,286	45,286	585	(13,820)	38,337
Total comprehensive loss	-	-	-	(461)	(461)
Share based payments	-	-	7	124	131
Balance at 31 December 2014 (unaudited)	6,286	45,286	592	(14,157)	38,007
Balance at 1 July 2013	5,115	44,258	588	(13,088)	36,873
Total comprehensive loss	-	-	-	(518)	(518)
Shares issued during the period	1,171	1,148	-	-	2,319
Share issue transaction costs	-	(120)	-	-	(120)
Share based payments	-	-	25	225	250
Balance at 31 December 2013 (unaudited)	6,286	45,286	613	(13,381)	38,804

Interim Consolidated Balance Sheet

	Notes	31 December 2014 unaudited £000	31 December 2013 unaudited £000	30 June 2014 audited £000
Current assets				
Cash and cash equivalents		628	2,072	1,332
Receivables		38	40	64
Total current assets		666	2,112	1,396
Non-current assets				
Property, plant and equipment		31	34	35
Intangible assets	3	37,509	36,870	37,153
Total non-current assets		37,540	36,904	37,188
Total assets		38,206	39,016	38,584
Current liabilities				
Payables		(199)	(212)	(247)
Total current liabilities		(199)	(212)	(247)
Total liabilities		(199)	(212)	(247)
Net assets		38,007	38,804	38,337
Equity				
Share capital	4	6,286	6,286	6,286
Share premium account	4	45,286	45,286	45,286
Other reserves		592	613	585
Accumulated losses		(14,157)	(13,381)	(13,820)
Total equity		38,007	38,804	38,337



Michael Tang
Chairman

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2014 unaudited £000	6 months ended 31 December 2013 unaudited £000	Year ended 30 June 2014 audited £000
Cash flows used in operating activities			
(Loss)/profit before tax	(461)	(518)	(1,302)
Adjusted for:			
Finance revenue	(3)	(4)	(10)
Share based payments	124	225	570
Other non-cash expenses	-	5	5
	(340)	(292)	(737)
Movements in working capital:			
Decrease in operating receivables	26	138	114
(Decrease) in operating payables	(71)	(156)	(111)
Cash used in operations	(385)	(310)	(734)
Interest received	3	4	10
Net cash used in operating activities	(382)	(306)	(724)
Cash flows from investing activities			
Payments for intangible assets	(322)	(528)	(849)
Payments for property, plant and equipment	-	-	(1)
Net cash generated from investing activities	(322)	(528)	(850)
Cash flows from financing activities			
Issue of ordinary share capital	-	2,319	2,319
Costs on issue of ordinary share capital	-	(120)	(120)
Net cash from financing activities	-	2,199	2,199
Total increase/(decrease) in cash and cash equivalents	(704)	1,365	625
Cash and cash equivalents at the start of the period	1,332	707	707
Cash and cash equivalents at the end of the period	628	2,072	1,332

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 27 February 2015, 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 (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2014 and applied in accordance with the Companies Act 2006. The interim condensed consolidated financial statements for the six months ended 31 December 2014 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2014, 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 2014.

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 2014 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 matters concerning the uncertainty over the recoverability of the intangible mining assets and significant doubt over the ability for the Group to continue as a going concern, and did not include a statement under section 498(2)(a) or (b), or section 498(3) of the Companies Act 2006.

Political and economic risks

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

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

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

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

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

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved, the Group would impair all of its intangible mining assets totalling £37,509,000 as at 31 December 2014.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt. As at 26 February 2015, the Company held cash of £432,000. With the resources available, further funding will be required by June 2015 in order for the Group to continue its operations.

Until the funds are secured this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. However, the Directors are confident that the necessary financial resources can be raised within the required timescale to continue to pursue project approval for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

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 2014</i>			
Property, plant and equipment	31	-	31
Intangible assets	37,509	-	37,509
	37,540	-	37,540
<i>As at June 2014</i>			
Property, plant and equipment	35	-	35
Intangible assets	37,153	-	37,153
	37,188	-	37,188
<i>As at December 2013</i>			
Property, plant and equipment	34	-	34
Intangible assets	36,870	-	36,870
	36,904	-	36,904

3. Intangible assets

Intangible assets increased by £356,000 during the six months to 31 December 2014 (December 2013: £477,000). 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.

4. Shares issued

There were no shares issued during the six months ended 31 December 2014. During the comparative 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.

In addition, a consultant subscribed for 12,500 shares during the comparative 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.