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GCM Resources plc

Annual Report and Accounts 2010

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Registered office Foxglove House, 166-168 Piccadilly, London W1J 9EF

Contents

GCM Resources plc (GCM) is a London based resource exploration and development company. Its principal asset is its undeveloped coal deposit in the Phulbari region of Bangladesh, the development of which is awaiting approval from the Government of Bangladesh

The Phulbari Coal Project is a substantial, world class coal resource that will support a long life, low cost operation and is the only such deposit in Bangladesh that has been subjected to a full Feasibility Study including an Environmental and Social Impact Assessment prepared to international standards

It is a landmark project for Bangladesh and will deliver substantial benefits to the country and Phulbari community

- **Energy security and diversity** – The Project has a unique role to play in addressing the country's electricity shortfall as its development will provide the basis for a step change in the country's electricity generating capacity

- **Regional development** – The Project will provide 17,000 jobs (direct and indirect) and the development of new industries using the co-products from the mine will create thousands more jobs The living conditions of all affected people will be improved and their livelihoods will be restored and in many cases improved Improved water supplies will lead to increased agricultural production

- **Huge economic impact** – Phulbari will contribute 1% to Bangladesh's GDP each year and pay US$7 0 billion in taxes, royalties and service charges to the Government over the life of the Project The replacement of high sulphur imported coals and other hydrocarbons will have a positive effect on balance of payments and air quality

In partnership with the Bangladesh Government, civil society and the community, GCM is committed to developing the Phulbari Coal Project to the highest international social and environmental standards By doing this, GCM seeks to maximise the value of the Project for both the company's shareholders and the people and communities of Bangladesh

Key Developments

- The Bangladesh Government continues to consult widely and the consensus that coal and open pit mining have a key role to play in meeting the country's energy needs continues to grow Discussions with the Government have moved onto the detail of Project implementation and continue to progress GCM remains ready to move the Project forward when it receives approval for its Scheme of Development

- As at 30 June 2010 GCM held cash of £0 9 million (2009 £1 4 million) and listed equity investments of £21 8 million (2009 £20 2 million)

- The Group made a loss of £3 2 million after tax for the year to 30 June 2010 (2009 loss of £5 7 million) Evaluation expenditure relating to the Phulbari Coal Project was £3 2 million for the year to 30 June 2010 (2009 £2 9 million)

- GCM disposed of its holding in Regent Pacific Group Limited and 1 9 million shares in Coal of Africa Limited at a combined profit of £2 3 million An impairment charge of £4 7 million has been incurred in relation to the investment in PeoplesTel

Chief Executive's Statement

Phulbari Coal Project update

GCM Resources plc (GCM) remains fully committed to the Phulbari Coal Project (the Project) in Bangladesh We continue to believe that it can provide the fastest, lowest risk and most reliable means of delivering the commercial energy required to bring a step-change in electricity availability for the people of Bangladesh

The energy crisis in Bangladesh continues to worsen, highlighting the need for a significant increase in electricity generating capacity Load shedding has been averaging 8 to 12 hours per day and power shortages continue to adversely affect industry, business and daily life Gas supplies are insufficient and the Government is continually confronting the need to ration supply between industry, especially fertiliser production, and power generation The problem is especially acute during the irrigation period when demand is highest in the provincial farming areas The frequent load shedding in Dhaka has seriously affected the quality of life with the quality and availability of drinking water also affected In the short term the Government has taken steps to reduce peak demand by mandating staggered business hours, limiting retail opening, providing free high efficiency light bulbs and reducing the use of air conditioning in Government offices Private businesses have been encouraged to take similar electricity saving steps In parallel, the existing generating capacity is being augmented by temporary rental diesel and heavy fuel oil powered generators although progress towards a targeted rental capacity of 1,300 MW is slow

To deliver longer term solutions, the energy budget has been increased by 42% and the Government has prioritised the development of new power plants In December 2009 and January 2010 the Government hosted road-shows in London, New York and Singapore to attract external investment into the Bangladesh energy sector and in February 2010 a joint venture was signed with an Indian state owned power company to carry out a feasibility study for a 1300 MW power station at Khulna, in southern Bangladesh

GCM's activities continue to be focused on ensuring that those with the responsibility for addressing the country's energy needs have access to accurate and reliable information on the benefits that the Phulbari Coal Project can deliver and how the environmental and social impacts will be managed As part of this process GCM has facilitated Ministerial visits to existing coal operations outside Bangladesh to demonstrate how large scale open pit coal mines, similar to that proposed at Phulbari, can be effectively mitigated and managed

A consensus has developed that coal has a key role to play in the development of Bangladesh's electricity capacity A conference organised by the International Chamber of Commerce, including contributions from Government and industry and from both domestic and international experts, concluded that investment was required in both gas and coal fired power generation to enable Bangladesh to meet its future energy needs

Discussions between GCM and the Government of Bangladesh continue The dialogue has moved on to the detail of the Project and its implementation, including the effective management of social and environmental issues

We look forward to the Project receiving approval from the Government of Bangladesh and proceeding into the development phase

Financial resources

As at 30 June 2010 GCM held cash of £0 9 million (2009 £1 4 million) and listed equity investments of £21 8 million (2009 £20 2 million)

GCM continues to hold 18 4m shares in Coal of Africa Limited, 74 8 million shares in Polo Resources Limited, 7 9 million shares in Aura Energy Limited as well as participating interests in joint ventures in West African uranium projects

Financial results

The Group made a loss of £3 2 million after tax for the year to 30 June 2010 (2009 loss of £5 7 million) During the year GCM disposed of its holding in Regent Pacific Group Limited and 1 9 million shares in Coal of Africa Limited at a combined profit of £2 3 million An impairment charge of £4 7 million has been incurred in relation to the investment in PeoplesTel

The loss for the comparative period includes an impairment charge of £4 4m before tax, predominantly in relation to the investment in Regent Pacific Group Limited which has been sold

Evaluation expenditure relating to the Phulbari Coal Project was £3 2 million for the year to 30 June 2010 (2009 £2 9 million)

Our people

GCM values its employees and their contribution to the Company's development and growth On behalf of the Board I would like to thank all our employees for their hard work, commitment and continued patience over the last twelve months

On behalf of the Board

Steve Bywater
28 September 2010

Phulbari Coal Project - Context

Introduction

The Phulbari Coal Project (the Project) is a landmark project for Bangladesh 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 and social development The Project is located in north-west Bangladesh, one of the least developed regions of the country

To fully understand the strengths, impacts and benefits of the Project it is necessary to understand the context in which it will be developed

Bangladesh

Bangladesh is one of the most densely populated countries in the world with some 160 million people living in an area two thirds the size of the United Kingdom or about the size of New York State Less than one third of its population live in cities while the majority live in rural areas relying on a predominantly subsistence lifestyle GDP per capita is around US$1,600 per annum compared with a world average of US$10,500 Less than half the population have access to electricity

Bangladesh is a country of enormous potential It has the eighth largest work force in the world and is included in the "Next Eleven" countries that, after the BRICs (Brazil, Russia, India, and China), were identified by Goldman Sachs as having the potential to become the world's largest economies in the 21st century It has enjoyed more than 6% economic growth in real terms over the last five years as well as substantial improvements in measures of human development For example, between 1980 and 2006 life expectancy has improved from 48 years to 63 years and literacy rates have improved from 29% to 53%

Bangladesh is one of the most climate vulnerable countries in the world with a significant proportion of the population living in remote or ecologically fragile areas such as river islands or cyclone prone coastal areas Two thirds of the country is less than five metres above sea level making it vulnerable to the predicted effects of climate change The Bangladesh Government has invested heavily in physical measures and disaster management plans to increase its resilience to natural disasters The medium term focus of the Government's climate change strategy is to adapt to the effects of climate change, a challenging task that will benefit from a strong and growing economy

Although Bangladesh is vulnerable to the effects of climate change, it is not itself a significant emitter of carbon dioxide Per capita carbon dioxide emissions (0 3t/capita) are substantially below other countries in the region (Pakistan 0 9t/capita, India 1 4t/capita, China 4 9t/capita) which themselves are substantially less than emissions from developed countries (UK 8 9t/capita, USA 18 9t/capita) Even with the addition of the 4,000MW of electricity capacity which Phulbari coal could support, Bangladesh would still be one of the lowest emitters of carbon dioxide in the world, substantially less per capita than its neighbouring countries

Electricity & human development

It is widely accepted that the availability of electricity is a necessary condition for sustainable economic and human development According to the United Development Programme greater access to electricity can improve nutrition, health facilities, education levels, water quality and sanitation

[UNHDI CHART TO BE INSERTED]

The chart above shows the relationship between the availability of electricity in a country and its United Nations Human Development Index (UNHDI) The UNHDI is a generally accepted measure of human development incorporating measures of life expectancy, GDP per capita and education For countries such as Bangladesh with relatively low per capita electricity consumption, small increases in electricity consumption are associated with substantial improvements in UNHDI

Electricity generation in Bangladesh

Bangladesh is confronting a worsening energy and power crisis as electricity generation is currently unable to match demand Less than half the population have access to electricity and those that do experience frequent blackouts of 8 to 12 hours per day The frequency of blackouts hampers existing industries and agriculture, and is a barrier to expansion and to the development of new industries Electricity generation is highly dependent on Bangladesh's gas reserves, with around 90% of electricity generated using gas However, the gas reserves are rapidly depleting and are in high demand for other uses such as fertiliser production With no recent gas field discoveries in Bangladesh and with Government anticipating demand for electricity to quadruple by 2021 to 20,000MW, the Government is prioritising the diversification of its energy sources

There are only two significant naturally occurring sources of commercial energy in Bangladesh, gas and coal There are enormous coal reserves in Bangladesh that are, as yet, largely untapped The estimated 2 9 billion tonnes coal resource is equivalent in energy terms to over five times the current proven and probable natural gas reserves in Bangladesh The Phulbari Coal Deposit represents the country's largest proven coal resource and is the only coal mining project in Bangladesh that has been subject to a full Environmental and Social Impact Assessment (ESIA) and Feasibility Study in preparation for development It could support a power generating capacity of some 4,000MW and, subject to approval, can be in production within three years

Phulbari Coal Project - Overview

Resource

GCM Resources plc has identified a world class coal resource of 572 million tonnes (JORC compliant) near the town of Phulbari in North West Bangladesh The resource is made up of 63% high quality thermal coal, with low ash metallurgical coal, also known as semi-soft coking coal, making up 21% The remaining thermal coal is also good quality and will have applications in industry and power generation The coal seam thickness varies between 20 and 65 metres at depths between 165 and 270 metres and 99% of the open cut mining reserve is contained in two thick coal seams separated by a stone band that is typically 1-2 metres thick The average strip ratio of 7 4 bcm per recoverable coal tonne is highly competitive

The coal will be extracted by the open cut mining method using trucks and hydraulic excavators as this is the safest and most efficient approach for the thick Phulbari coal seams and general geological conditions Open cut mining is an established mining method and will enable maximum extraction of the coal seams along with progressive land rehabilitation and restoration of agricultural activities In addition to coal, a variety of valuable industrial mineral co-products will be recovered from the overburden which is removed to expose the coal prior to excavation

Ownership

BHP Minerals International Exploration Inc (BHP) entered into a Contract with the Government of Bangladesh in August 1994, giving it the right to explore, develop and mine coal in Northern Bangladesh In February 1998 the Contract was assigned to GCM's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited with the endorsement of the Government GCM has fulfilled all its obligations under this legally binding Contract and a mining lease over the core of the Project area was granted in 2004

Project economics

The Phulbari deposit is conducive to a long life, low cost mining operation The production costs will be in the lowest quartile of industry cost curves for both thermal coal and semi-soft coking coal Substantial initial investment relating to equipment costs, site preparation, box cut development, and initial resettlement and other community programmes, will take place over a three year period leading up to the commencement of commercial coal production The ramp up to saleable coal production of 15 million tonnes per annum will take a further five years The coal will be used in domestic power generation and domestic industries such as brick production Coal surplus to domestic requirements will be exported For example, semi-soft coking coal which is used in the steel industry will be exported until a steel industry is developed in Bangladesh

The combination of high quality coal, a large coal resource, thick seams, highly competitive average stripping ratio, low operating costs, a project life of over 30 years and easy access to markets make Phulbari a world class coal project

Current Project status

GCM has invested over £28 million in the Project to 30 June 2010 in preparing the Feasibility Study, Scheme of Development, ESIA, Management Action Plans and more recently extensively refining and updating the work carried out in the Feasibility Study Explaining the Project to a wide range of stakeholders in Bangladesh also continues

The Department of Environment approved the Project s Environmental Impact Assessment in September 2005 The Project's Feasibility Study and Scheme of Development report was submitted to the Government on 2 October 2005 for approval At the same time, GCM delivered to the Government a proposal for developing a coal-fired power station with up to 1,000MW capacity at the mine site and subsequently a capacity increase to 2,000MW has been considered At full production, the coal mined at Phulbari could support a generating capacity of 4,000MW

The approval of the Feasibility Study and Scheme of Development has been delayed by political and social uncertainty arising in the 2006/07 election year which continued into the period when Bangladesh was governed under a state of emergency by Caretaker Governments The elections 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 are impeding economic development Discussions with the Government have moved onto the detail of Project implementation and continue to progress GCM remains ready to move the Project forward when it receives approval for its Scheme of Development

Phulbari – Impacts & Benefits

The Project represents a major foreign investment delivering energy and power to Bangladesh, bringing with it new jobs, local business development, training opportunities as well as large revenue flows to the Government and its agencies It will also provide significant opportunities for broader economic and social development both nationally and at the local level

National

Energy Security

The largest single Project benefit is its contribution to addressing Bangladesh's energy and power crisis Government approval of the Project would lead to a new source of energy for Bangladesh which, within three years, could be supplying new power stations and helping to address the chronic shortage of electricity

Energy security is essential for the achievement of the Government's planned GDP annual growth rates These are aimed at increasing prosperity and alleviating poverty, as laid out in the Government's Vision 2021 and Millennium Development Goals It would also free up gas that would otherwise be used in power generation for more strategic uses such as fertiliser production

Economy

An independent study commissioned by GCM estimated that the Project would increase GDP by 1% and, based on an average coal price of US$80 per tonne, deliver revenues of approximately US$7 0 billion to the Government over the Project's life in service charges, royalties and taxes

The Project will also have a positive impact on the balance of payments as it will reduce the need to import coal and other hydrocarbons

Listing on the Dhaka Stock Exchange would also provide an opportunity for local equity participation

Infrastructure

The improved infrastructure necessary to support the Project will provide a catalyst for further development For example, the fees paid for the transport of coal on the domestic rail network will finance the necessary network upgrades that would then be available to other rail users Similarly the import of equipment for the mine and shipment of coal will provide the impetus for improved port facilities

Regional

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 plans prepared in accordance with the highest international standards The Environment and Social Impact Assessment has been approved by the Bangladesh Government's Department of Environment

Job creation

According to an independent study the Project will create an estimated 17,000 new jobs (both direct and indirect) and preferential employment policies will be applied to maximise the benefits to the region and the country The use of Phulbari coal in power generation, combined with the co-products from the mine including sand, gravel, china clay and rock aggregate, have the potential to support many spin-off industries involving the creation of many thousands of new jobs

Resettlement

One of the Project's most significant impacts is the resettlement over a ten year period of approximately 40,000 people, including around 2,300 indigenous people Wherever possible the impact on people will be avoided Indeed, the original mine footprint was revised during the Feasibility Study to reduce the number of people who will be affected

Where resettlement does occur, GCM will ensure that no one will be worse off and that each person adversely affected will be fairly and fully compensated Specifically

- Those who will be 'physically displaced' (resettled) will have their living conditions improved,
- A choice of resettlement options will be provided,
- Those who will be 'economically displaced' will have their livelihoods restored and, in many cases, also improved,
- Preferential employment opportunities will be given to those affected,
- The special circumstances and needs of indigenous people are incorporated into an Indigenous Peoples Plan, and
- A grievance mechanism will be established to ensure that communities can have any concerns addressed

As part of the Resettlement Plan, GCM will be constructing a western extension to Phulbari Township as well as a number of new resettlement villages in the 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

Environment
The physical impacts of GCM's field activities to date have been limited to drilling 108 exploration holes together with associated hole-capping and site restoration Landowners were consulted throughout the drilling operations and appropriately compensated All of GCM's other activities, involving analysis, evaluation and preparation of social and environmental base line studies, have had no impact on the environment

The environmental impact of mining will be managed in accordance with the highest international environmental standards There will also be some environmental benefits as a result of GCM's Project

- A forest will be established and a wildlife corridor created to the remnant Ashoorar Beel (wetlands),
- The increased access to electricity and low sulphur coal will reduce the use of tree biomass for energy, thereby assisting with the preservation of biodiversity and improving regional and local air quality, and
- Improved quality of surface water due to better sanitation facilities

Furthermore, at present Bangladesh imports around five million tonnes of poor quality thermal coal with very high sulphur content This coal is the main source of energy for the country's numerous brick kilns and replacing this coal with the high quality coal found at Phulbari will significantly improve air quality

Water management
Open pit mining at Phulbari requires the ground water level at the mine site to be drawn down to maintain dry working conditions This is a common activity in open pit mines around the world and will be achieved by pumping water continuously from deep tube wells (bores) around the mine area To ensure that ground water levels are not unduly affected in surrounding areas, some of the water will be injected into the ground at a distance from the mine

The Phulbari Water Management Plan proposes a detailed reticulation system which will ensure that high quality water will be made available to the community for drinking, agricultural irrigation, and use by local businesses

Water will also be released in a controlled manner into seasonal water courses, rivers and wetlands to preserve the environment

Agriculture
Over the life of the Project the mine footprint will occupy some 5,200 hectares However, at any one time only a third will be actively mined and the rest will either still be cultivated (prior to mining) or rehabilitated back to productive use (post mining)

The farming community in the Phulbari area currently faces a number of challenges including a lack of power for irrigation pumps, shortages of fertiliser and poor quality inputs Drawing on lessons learned through the agricultural programmes developed during the Feasibility Study, and working with local partners, GCM has developed an Agriculture Improvement Plan This will deliver an additional crop per year and higher yields per crop Rice production alone will more than double as a result Specific measures include provision of water for year round irrigation, training and improved farming practices, moves to higher yield and higher value crops and improved inputs (seeds and fertilisers) including the provision of bio-fertiliser to reduce the dependence on pesticides and other chemicals

GCM – Corporate Responsibility

The effective management of social and environmental risks is an essential component of any successful mining project In the case of the Phulbari Coal Project, the Board and management recognise that value can only be created for our shareholders if social and economic benefits are produced and the environment protected at a national, regional and local level In partnership with government, civil society and the community, GCM will develop the Phulbari Coal Project, and any other project under its control, to the highest international social and environmental standards

In addition to compliance with applicable national laws, GCM has committed to comply with the following external standards

Equator Principles

The Equator Principles are a set of benchmarks for managing environmental and social impacts Many commercial banks require that their clients meet the Equator Principles as a precondition to development project finance Anticipating this the preparation of the Feasibility Study, the ESIA and its associated Management Plans were in line with the Equator Principles

The Equator Principles cover

- The preparation of Environmental and Social Impact Assessments (ESIA),
- The mitigation, management and monitoring of identified risks through Social and Environmental Management Plans,
- Consultation with stakeholders, including non-governmental organisations and project affected people, and
- Requirements for an independent review of the ESIA and management plans

These standards and best practices have continued to evolve and upon approval of the Project there will need to be some updating of the ESIA and management plans to bring them into line with current standards

Additional information on the Equator Principles can be found at www equator-principles com

IFC Performance Standards

The Equator Principles are, in part, based upon the International Finance Corporation's Performance Standards on Social and Environmental Sustainability There are eight Performance Standards which relate to different issues such as Involuntary Resettlement and Land Acquisition and Indigenous Peoples In each case, the first principle is to avoid any adverse impacts and where this is not possible, to mitigate against these For example where resettlement cannot be avoided, the standards require project developers to improve or at least restore the livelihoods of displaced persons and to improve their living conditions through provision of adequate housing with security of tenure Additional information on the IFC Performance Standards can be found at www ifc org/ifcext/sustainability nsf/Content/PerformanceStandards

United Nations Global Compact

In January 2009, GCM became signatory to the UN Global Compact (UNGC) and shortly thereafter joined the UK Network and Bangladesh Local Network of the UNGC GCM continues to embrace, support and enact, within its sphere of influence, the set of UNGC principles covering the areas of human rights, labour standards, the environment and anti-corruption, all of which are consistent with the core values of GCM GCM will report on progress towards implementing the ten principles of the UNGC in January 2011

Additional information on the UN Global Compact can be found at www unglobalcompact org

GCM – Board of Directors

The Executive Directors of GCM have all held senior management positions in large coal mining operations developed and operated to the highest international standards In addition, the Non-Executive Directors have a wealth of experience in financing and supporting junior mining companies through periods of significant growth Collectively they have over 150 years of international experience in mine development, mine management and project finance Upon approval, the existing GCM team will be augmented as necessary to support project development

Executive Directors

Steve Bywater *(Chief Executive)* Steve has had a distinguished career in the resources industry, developing and operating a total of 14 large-scale open pit mining operations Prior to joining GCM in January 2006 he was Chief Operating Officer of Rio Tinto Coal Australia where he oversaw seven mining operations, producing 60 million tonnes of coal per year He was previously General Manager Operations for Robe River Mining, General Manager Mine Operations for Rio Tinto's Hamersley Iron operations and General Manager at Mount Isa Mines in both Mining and Metallurgical Operations Steve has a BSc in Engineering Geology and Geotechnics from Portsmouth University and a MSc 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 Steve is also a Non-Executive Director of Coal of Africa Limited and Caledon Resources PLC

Bill McIntosh *(Executive Director - Technical)* Bill is a widely respected mining engineer with more than 35 years international experience during which he has played key roles in mining projects in Colombia, Indonesia, Zimbabwe, Argentina, India and Australia He has worked in Asia for more than ten years including as General Manager – Mining and Acting Managing Director for PT Kaltim Prima Coal, an open pit mining operation in Indonesia with annual production of more than 20 million tonnes of coal Bill has a mining engineering degree from the University of Melbourne and a MSc in Mining from Queen's University in Canada He is a member of the Australasian Institute of Mining and Metallurgy as well as being a Chartered Professional (Management)

Graham Taggart *(Finance Director and Company Secretary)* Graham has more than 25 years experience in the resources industry, mainly with Rio Tinto Prior to joining GCM, Graham was Chief Financial Officer and Company Secretary for Rio Tinto Coal Australia, a group consisting of seven mining operations producing over 60 million tonnes of coal per year He was previously General Manager – Commercial and Chief Financial Officer for PT Kaltim Prima Coal (annual production more than 20 million tonnes of coal) and Director of Finance for PT Kelian Equatorial Mining (annual production of 500,000 ounces of gold) both Indonesia based Graham is a qualified Chartered Accountant

Non Executive Directors

Gerard Holden *(Non-Executive Chairman)* Prior to joining GCM as Chairman in 2006 Gerard had worked for over 20 years for Barclays Capital during which, as Managing Director and Global Head of Mining and Metals, he was instrumental in building Barclays Capital into a leading position in the Mining and Metals community around the world Gerard provides advisory services to the global natural resources sector and is a Non-Executive Director of MMC Norilsk Nickel Gerard has a BSc in Chemical Engineering from University College London and he is an Associate of the Chartered Institute of Bankers

Stephen Dattels *(Non-Executive Director)* Stephen has founded and financed a number of mining ventures including Uramin Inc which was sold in July 2007 for $2 5 billion Previously he was an executive at Barrick Gold Corporation during its formative years when it grew from a capital base of $10 million to a market capitalisation of $2 billion when he left in early 1987 Stephen has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University He is the Executive Chairman of Polo Resources Limited which owns a 29 8% interest in GCM, Non-Executive Co-Chairman of Regent Pacific Group Limited and a Non-Executive Director of Caledon Resources PLC

Greg James *(Non-Executive Director)* Greg was appointed to the Board of GCM on 25 August 2009 He was previously CEO of Central Rand Gold Limited including the period of significant growth leading up to its listing on the London Stock Exchange in November 2007 Previously he held a number of roles with Glencore International AG including Chief Financial Officer of its Coal Division In addition to his commercial expertise he also has experience of developing comprehensive community programmes and managing relationships with a wide range of stakeholders

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2010

Principal activities

GCM Resources plc (GCM) 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 activity, through its subsidiaries, is the development of the Phulbari Coal Project in Bangladesh

Business review

Corporate
Mr Greg James was appointed to the Board on 25 August 2009 as a Non-Executive Director He was previously CEO of Central Rand Gold Limited including the period of significant growth leading up to its listing on the London Stock Exchange In addition to his commercial expertise he also has experience in developing comprehensive community programmes and managing relationships with a wide range of stakeholders

Phulbari Coal Project
A detailed review of the Phulbari Coal Project is included in the Chief Executive's Statement on page 5

Financial Resources
As at 30 June 2010 GCM held £891,000 in cash and £21,790,000 in listed equity investments (2009 £1,355,000 cash, £20,197,000 investments)

GCM continues to hold 18,395,000 shares in Coal of Africa Limited (3 5%), 74,800,000 million shares in Polo Resources Limited (3 2%), 7,939,000 million shares in Aura Energy Limited (9 5%) as well as participating interests in joint ventures in West African uranium projects

Corporate Responsibility
The successful management of social and environmental risks is intrinsic to the success of any mining project GCM is committed to undertaking its activities in accordance with the highest international social and environmental as well as operational standards For detailed information please refer to page 12

Financial review
The Group made a loss of £3,214,000 after tax for the year to 30 June 2010 (2009 loss of £5,692,000) During the year GCM disposed of its holding in Regent Pacific Group Limited and 1,905,000 shares in Coal of Africa Limited at a combined profit of £2,294,000

On 10 May 2010, the licences of PeoplesTel (GCM 37%) and four other telecommunications companies in Bangladesh were cancelled These companies' operations were suspended in March 2010 when the Bangladesh Telecommunications Regulatory Commission alleged they were illegally using VoIP technology PeoplesTel denies the allegations and has instigated legal action to have the licences reinstated On 12 July 2010 the High Court delayed its decision on the validity of the cancellation for three months As the outcome of this action is uncertain, GCM's investment in PeoplesTel has been fully impaired resulting in a charge of £4,693,000

The loss for the 2009 comparative period includes an impairment charge of £4,430,000 before tax, predominantly in relation to the investment in Regent Pacific Group Limited which has since been sold

Capitalised evaluation expenditure relating to the Phulbari Coal Project was £3,194,000 for the year ended 30 June 2010 (2009 £2,861,000)

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 Refer to note 1 for further information

Future outlook

The Group is fully committed to the Phulbari Coal Project GCM continues to engage with the Government of Bangladesh and other stakeholders to move the Project forward Upon approval of the Project funding will be sought, and the mine developed

Until approval is granted, GCM will continue to actively review other opportunities which have the potential to increase shareholder value

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

Political instability in the regions in which we are operating and investing

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 new investment opportunities in other regions

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

Exploration and project 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 could have a materially adverse affect on the Groups results

Health, safety, social and environmental

The Group is committed to developing projects that meet the highest international social and environmental standards as detailed in our Corporate Responsibility section on page 12

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

Directors

The Directors who served during the year

	Appointed
Executive Directors	
Steve Bywater	10 February 2006
Graham Taggart	3 April 2006
William McIntosh	20 December 2004
Non-Executive Directors	
Gerard Holden	9 May 2006
Stephen Dattels	28 April 2009
Greg James	25 August 2009

Amounts paid for services of Directors for the year ended 30 June 2010 was

	2010 £	2009 £
Executive Directors		
Steve Bywater	545,980	568,234
Graham Taggart	290,600	334,521
William McIntosh	189,409	156,110
Gary Lye	-	94,400
Non-Executive Directors		
Gerard Holden	84,804	84,804
Stephen Dattels	28,800	5,132
Greg James	63,811	-
David Lenigas	-	64,800
Total	1,203,404	1,308,001

On 16th July 2009, the Board gave approval for the conditional allotment of 1,130,000 shares to Directors, employees, consultants and associates of GCM or their nominees These shares will be allotted and issued on the achievement of certain milestones, including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project For directors and employees, the allotment and issue of shares is conditional on their continued engagement by GCM, one year after Scheme of Development approval, unless GCM is subject to a change in control

The conditional shares issued during the year ended 30 June 2010 to the Directors are as follows

Executive Directors	
Steve Bywater	400,000
Graham Taggart	140,000
William McIntosh	80,000
Non-Executive Directors	
Gerard Holden	100,000
Stephen Dattels	100,000

The Directors who held office at 30 June 2010 had the following interests in the ordinary shares and options of the Group

	2010 Shares	2010 Conditional shares	2010 Options		2009 Shares	2009 Conditional shares	2009 Options
Executive Directors							
Steve Bywater	-	400,000	1,000,000	(1)	-	-	1,000,000
Graham Taggart	-	140,000	500,000	(1)	-	-	500,000
William McIntosh	25,000	160,000	-		25,000	80,000	-
Non-Executive Directors							
Gerard Holden	96,666	100,000	200,000	(1)	46,666	-	200,000
Stephen Dattels	-	100,000	100,000	(2)	-	-	100,000
Greg James (3)	18,750	-	-		-	-	-

(1) Exercise price of £1 35, expiry date 29 November 2011

(2) Exercise price of £0 66, expiry date 3 years from vesting date

(3) A company in which Greg James has a beneficial interest, subscribed for 18 750 shares at consideration equal to the market price on the day of purchase In accordance with the contract between Greg James and GCM for the provision of his services

Employees

The Group is committed to ensuring open communication with employees in matters that affect them

A bonus payment scheme is in place in the Bangladesh subsidiary to strengthen employees' involvement and commitment to the Project

On 16 July 2009 conditional shares were allotted to certain Directors, employees, consultants and associates of GCM or their nominees Shares will be issued on the achievement of certain milestones, including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project

Substantial shareholdings

As at 22 September 2010 the Group 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

	Number of Shares	% of Issued Capital
Polo Resources Limited	15,216,588	29 83
Luxor Capital Group	4,995,011	9 79
Aurora Investment Trust	1,630,465	3 19

In addition to the holding above, Luxor Capital Group holds 2,700,000 shares that are held through instruments that have the same effect as Qualifying Instruments

Corporate governance

The Company was admitted to AIM on 19 April 2004 The Directors consider the corporate governance procedures are appropriate relative 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 (reissued in June 2010 as the UK Corporate Governance Code) which sets out the principles of Good Governance and the Code of Best Practice for listed companies Although the Company is not required to comply with the Code, the Board consider its principals, while also being mindful of the Company's size and activities, when assessing the adequacy of its Corporate Governance procedures

Board composition

The Board consists of three executive directors and three 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 considerable experience in minerals industry, finance and corporate development

The Board considers Mr Greg James to be Independent

Mr Gerard Holden has been a director and chairman of the Company for four years, prior to which he was employed by Barclays Capital who have advised the Company On his appointment he was awarded 200,000 share options The Board consider that neither of these, either separately or together, impair his ability to make decisions objectively in the interest of the Company although he does not satisfy the criteria as defined by the Combined Code for an Independent Director

The Board considers that its current composition is satisfactory, taking into account the size and scale of the Group's activities and no one individual or group dominates the decision making process The composition of the Board, including the balance between Executive and Non-Executive Directors will continue to be reviewed to ensure that the Board continues to have the appropriate structure and skills to meet the needs of the Company as its business develops

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 polices and 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 reference and are listed below For the 12 months ended 30 June 2010 the Board met four times and all directors attended all meetings for which they were eligible

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 No Director has served more than six years

The Audit Committee

The audit committee considers the Group's financial reporting (including accounting policies) and internal financial controls The Audit Committee consists of Mr Greg James and Mr Gerard Holden, 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 consists of Mr Greg James and Mr Gerard Holden Non-Executive Directors' remuneration is considered by the Board Financial packages for the 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 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

The Nominations Committee

The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives The Nominations Committee consists of Mr Greg James and Mr Gerard Holden

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 Further reviews of internal controls will be undertaken as the Group develops to ensure that they remain 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 relative to forecasts

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 to note 19

Capital management

Capital comprises cash and listed equity investments The Group does not hold loans, financial leases, or other non-current finance obligations

	2010	**2009**
	£000	**£000**
Cash	891	1,355
Listed equity investments	21,790	20,197
Capital	22,681	21,552

Capital is used to finance existing activities Upon approval of the Phulbari Coal Project funding will be sought from a mix of equity and finance sources The objective of the Group's capital management will be to manage gearing levels and capital ratios in order to support its business, maximise shareholder value and maintain a healthy capital position The Group incurs expenditure in a number of currencies including UK pounds, Bangladesh Taka, US dollars and Australian dollars The Group has a policy of not hedging currency exposures

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 always 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

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 As at 30 June 2010 the Company and Group had an average of 30 days purchases outstanding in creditors

Website disclosure

The Group has a website www gcmplc com on which statutory information, press releases and background information on the Group 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

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 15 Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware, and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the financial performance and cash flows of the Group for that period In preparing these Group financial statements, the Directors are required to

- select suitable accounting policies in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance, and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 2006 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

On behalf of the Board,

Steve Bywater
Chief Executive
28 September 2010

Consolidated Financial Statements

Consolidated Income Statement

For year ended 30 June

	Notes	2010 £000	2009 £000
Operating expenses			
Exploration and evaluation costs		463	353
Administrative expenses		1,435	1,578
Operating (loss)	3	(1,898)	(1,931)
Exceptional items	6	(2,399)	(5,563)
Finance revenue	7	29	188
(Loss) before tax		(4,268)	(7,306)
Taxation	8	1,054	1,614
(Loss) for the year		(3,214)	(5,692)
(Loss) per share			
Basic and diluted (pence per share)	9	(6 3)p	(11 2)p

Consolidated Statement of Comprehensive Income

For year ended 30 June

	2010 £000	2009 £000
(Loss) for the year	(3,214)	(5,692)
Other comprehensive income		
Net gain/(loss) on revaluation of available-for-sale financial assets	5,256	(26,958)
Transfer to income statement sale of available-for-sale financial assets	(2,294)	-
Transfer to income statement impairment of available-for-sale financial assets	-	4,430
Income tax relating to components of other comprehensive income	(829)	6,308
Total comprehensive income	(1,081)	(21,912)

Consolidated Statement of Changes in Equity

For year ended 30 June

	Share Capital £000	Share premium account £000	Share based payments not settled £000	Net movement in available-for-sale investments £000	Accumulated losses £000	Total £000
Balance at 1 July 2008	5,101	44,164	843	24,305	(1,037)	73,376
Loss for the year	-	-	-	-	(5,692)	(5,692)
Other comprehensive income	-	-	-	(16,220)	-	(16,220)
Total comprehensive income	-	-	-	(16,220)	(5,692)	(21,912)
Share based payments	-	-	72	-	5	77
Balance at 30 June 2009	5,101	44,164	915	8,085	(6,724)	51,541
Loss for the year	-	-	-	-	(3,214)	(3,214)
Other comprehensive income	-	-	-	2,133	-	2,133
Total comprehensive income	-	-	-	2,133	(3,214)	(1,081)
Shares issued during the year	2	20	-	-	-	22
Share based payments	-	-	429	-	8	437
Balance at 30 June 2010	5,103	44,184	1,344	10,218	(9,930)	50,919

Consolidated Balance Sheet

As at 30 June

	Notes	2010 £000	2009 £000
Current assets			
Cash and cash equivalents	10	891	1,355
Receivables	11	409	542
Total current assets		1,300	1,897
Non-current assets			
Property, plant and equipment	12	116	173
Intangible assets	13	29,765	26,571
Financial assets	14	21,790	24,890
Total non-current assets		51,671	51,634
Total assets		52,971	53,531
Current liabilities			
Payables	15	644	358
Total current liabilities		644	358
Non-current liabilities			
Deferred tax liabilities	8	1,408	1,632
Total non-current liabilities		1,408	1,632
Total liabilities		2,052	1,990
Net assets		50,919	51,541
Equity			
Share capital	17	5,103	5,101
Share premium account	17	44,184	44,164
Other reserves	17	11,562	9,000
Accumulated losses		(9,930)	(6,724)
Total equity		50,919	51,541

Steve Bywater
Director
28 September 2010

Consolidated Cash Flow Statement

For year ended 30 June

	Notes	2010 £000	2009 £000
Cash flows used in operating activities			
(Loss) before tax		(4,268)	(7,306)
Adjusted for			
Exceptional items		2,399	5,563
Finance revenue		(29)	(188)
Other non cash expenses		22	21
		(1,876)	(1,910)
Movements in working capital			
Decrease/(increase) in operating receivables		133	(290)
Increase/(decrease) in operating payables		34	(257)
Cash used in operations		(1,709)	(2,457)
Interest received		3	226
Net cash used in operating activities		(1,706)	(2,231)
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment		(11)	(19)
Proceeds from sale of property, plant and equipment		28	-
Payments for intangible assets		(2,487)	(2,745)
Payments for investments		-	(3,697)
Proceeds from sale of investments		3,663	-
Dividends received		27	-
Net cash generated from/(used in) investing activities		1,220	(6,461)
Cash flows from financing activities			
Issue of ordinary share capital		22	-
Net cash from financing activities		22	-
Total decrease in cash and cash equivalents		(464)	(8,692)
Cash and cash equivalents at the start of the year		1,355	10,047
Cash and cash equivalents at the end of the year	10	891	1,355

Notes to the Consolidated Financial Statements

1. Accounting policies

GCM Resources plc is domiciled in England and Wales, was incorporated in England and Wales 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 financial report was authorised for issue by the Directors on 28 September 2010, and the Consolidated Balance Sheet was signed on the Board's behalf by Mr Steve Bywater

Basis of preparation

The 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 2010 and applied in accordance with the Companies Act 2006 The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2010

The functional and presentational currency of each of the entities in the Group is pounds sterling, and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated

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 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 impair all of its intangible mining assets We draw your attention to the emphasis of matter in the Independent Auditor's Report in relation to the significant uncertainty in regards to the recoverability of the 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 or other financial obligations, other than those disclosed in note 16 As at 30 June 2010, GCM held cash of £891,000 and listed equity investments of £21,790,000 Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Coal 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

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 assumptions 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

Intangibles
When intangibles are tested for impairment on an annual basis, estimates are used to determine the likelihood of project approval, and the net return on investment The estimated return on investment takes into account estimated recoverable reserves, coal prices, development and production costs, capital investment requirements, discount rates, and environmental and social costs among other things

Share based payments
Note 18 outlines the factors used to determine the valuation of options and conditional shares

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 used in preparation of the consolidated financial statements 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

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

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 The estimated useful lives in the current and comparative periods are as follows

- buildings 7 - 40 years
- plant 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 are capitalised as exploration and evaluation assets on an area of interest basis in accordance with IFRS 6

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 mining of the area of interest, or by its sale, or

(ii) activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing or planned for the future

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 are classified in accordance with IAS 39 The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end When financial assets are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs

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

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 as financial assets at fair value through profit or loss, held-to-maturity assets, or loans and receivables 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

The fair value of financial instruments is determined and disclosed using the following hierarchy of valuation techniques

- Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs for the asset or liability that are not based on observable market data

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, 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 An available-for-sale investment is impaired when there is a significant or prolonged diminution in fair value of the asset

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less

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 outside profit and loss, in which case it is recognised in other comprehensive income or directly in equity as appropriate

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 pounds 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 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) or to conditions not related to performance or service (non-vesting 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 or non-vesting condition, be treated as vesting as described above This includes any award where non-vesting conditions within the control of the Group or the employee are not met 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

New standards and interpretations applied

Amendments to IFRS 8 Operating Segments was effective from periods beginning 1 January 2009 and adopted by the Group from 1 July 2009 The adoption of these amendments has resulted in some additional segmental disclosure with respect to geographic analysis of non-current assets as detailed in note 2

IAS 1 Presentation of Financial Statements (revised September 2007) was effective from periods beginning 1 January 2009 and adopted by the Group from 1 July 2009 The revised standard has had no impact on the measurement of the Group's results or net assets However the presentation of the Group's financial statements has changed with the inclusion of the Consolidated Statement of Comprehensive Income

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements

	Effective date	Adoption date
International Accounting Standards (IAS / IFRSs)		
IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (Amendments)	1 January 2010	1 July 2010
IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010	1 July 2010
IFRS 2 Group Cash-settled Share Based Payment Arrangements	1 January 2010	1 July 2010
IFRS 9 Financial Instruments – Classification and Measurement	1 January 2013	1 July 2013
IAS 32 Financial Instruments Presentation – Classification of Rights Issues	1 February 2010	1 July 2010
IAS 24 Related Party Disclosures (Revised)	1 January 2011	1 July 2011
Improvements to IFRS	1 January 2011	1 July 2011
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	1 July 2010

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's financial statements in the period of initial application

2. Segment analysis

The Group operates in one segment being the 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
2010			
Property, plant and equipment	104	12	116
Intangible assets	29,765	-	29,765
Financial assets	-	21,790	21,790
	29,869	21,802	51,671
2009			
Property, plant and equipment	152	21	173
Intangible assets	26,571	-	26,571
Financial assets	4,693	20,197	24,890
	31,416	20,218	51,634

3. Operating loss

	2010 £000	2009 £000
The operating loss is stated after charging -		
Directors' remuneration (1)	546	592
Share based payments (2)	8	5
Other staff costs (3)	203	180
Exploration and evaluation costs	463	353
Regulatory expenses	163	177
Operating lease rentals (4)	64	77
Depreciation of property, plant and equipment (5)	14	16
Exchange differences	(1)	8

(1) Total Directors' remuneration for 2010 financial year was £1,232,000 of which £546 000 was expensed and £686 000 was capitalised (2009 £754,000 capitalised)

(2) Total share based payments costs for 2010 were £438 000 of which £429,000 was capitalised (2009 £72,000 capitalised)

(3) Other staff costs for 2010 financial year were £827 000 of which £203,000 were expensed in administrative expenses, £94,000 expensed in exploration costs and £529,000 capitalised (2009 £708,000 capitalised)

(4) Operating lease rentals for 2010 financial year were £418,000 of which £64,000 were expensed and £353,000 capitalised (2009 £241 000 capitalised)

(5) Total depreciation for 2010 was £65,000 of which £14 000 was expensed and £51,000 capitalised (2009 £87,000 capitalised)

During the year ended 30 June 2010 GCM contributed £35,000 to the Alliance with Aura Energy Limited (2009 £51,000) The Alliance expired on 31 December 2009 Phulbari-related exploration and evaluation costs amounting to £428,000, were expensed in accordance with the Group's accounting policy on exploration and evaluation costs

4. Auditor's remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group

		2010 £000	2009 £000
Audit of the Group financial statements		47	64
Other fees to auditors	- auditing the accounts of subsidiaries	10	11
	- corporate advisory	-	209
		10	220

5. Amounts paid for Directors services, and staff costs

	2010 £000	2009 £000
Amounts paid for Directors services		
Amounts paid for Directors services	1,232	1,346
Staff costs		
Wages and salaries	709	689
Redundancy costs	90	-
Social security costs	28	19
	827	708

The average monthly number of employees during the year was

	2010 Number	2009 Number
Exploration and evaluation	69	69
Administration	11	11
	80	80

6. Exceptional items

	2010 £000	2009 £000
Profit on sale of investments	2,294	-
Impairment of investments	(4,693)	(4,430)
Abortive transaction costs	-	(1,133)
	(2,399)	(5,563)

Profit on disposal of investments
During the year GCM disposed of its entire holding in Regent Pacific Group Limited and 1,905,000 shares in Coal of Africa Limited at a combined profit of £2,294,000

Impairment of financial assets
On 10 May 2010, the licences of PeoplesTel (GCM 37%) and four other telecommunications companies in Bangladesh were cancelled These companies' operations were suspended in March 2010 when the Bangladesh Telecommunications Regulatory Commission alleged they were illegally using VoIP technology PeoplesTel denies the allegations and has instigated legal action to have the licences reinstated On 12 July 2010 the High Court delayed its decision on the validity of the cancellation for three months As the outcome of this action is uncertain, GCM's investment in PeoplesTel has been fully impaired resulting in a charge of £4,693,000 The Group is awaiting the outcome of the legal action

In the comparative year, an impairment charge against listed equity investments was made amounting to £4,430,000 The impairment was predominantly in relation to Regent Pacific Group Limited, which has since been sold

Abortive transaction costs
In the previous financial year transaction costs of £1,133,000 was charged to the income statement, relating to a corporate transaction that did not proceed

7. Finance revenue

	2010 £000	2009 £000
Bank interest receivable	2	188
Dividends received	27	-
	29	188

8. Taxation

Tax on loss on ordinary activities

	2010 £000	2009 £000
Tax charged/(credited) in the income statement		
UK corporation tax	(176)	(372)
Tax on ordinary activities	(176)	(372)
Origination and reversal of temporary differences	(878)	(1,242)
Total deferred tax	(1,054)	(1,614)
Tax charge/(credit) in the income statement	(1,054)	(1,614)
Tax relating to items charged outside the income statement		
Available-for-sale financial assets	829	(6,308)
Total deferred tax	829	(6,308)
Tax charge/(credit) in statement of changes in equity	829	(6,308)

Reconciliation of the tax charge in the income statement

	2010 £000	2009 £000
(Loss) on ordinary activities before tax	(4,268)	(7,306)
UK corporation tax @ 28%	(1,195)	(2,050)
Non-deductible expenditure	3	326
Unrecognised deferred tax assets	153	110
Other	(15)	-
Total tax expense/(credit) reported on the income statement	(1,054)	(1,614)

At 30 June 2010 tax losses for which a deferred tax asset was not recognised amounted to £365,000 (2009 £330,000) 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

Deferred tax

The deferred tax included in the balance sheet is as follows

	2010 £000	2009 £000
Deferred tax asset		
Tax losses carried forward	1,143	966
Revaluation of available-for-sale financial assets	30	-
Impairment	1,481	1,240
Other	1	2
	2,655	2,208
Deferred tax liability		
Revaluation of available-for-sale financial assets	4,063	3,840
	4,063	3,840
Disclosed on the balance sheet		
Deferred tax asset	-	-
Deferred tax liability	1,408	1,632
	1,408	1,632

The deferred tax included in the income statement is as follows

	2010 £000	2009 £000
Tax loss for the year carried forward	(176)	(372)
Reversal of temporary differences on sale of investments	437	-
Impairment	(1,314)	(1,240)
Other	(1)	(2)
Deferred income tax expense (credit)	(1,054)	(1,614)

On 22 June 2010 the Budget announced by the UK Government contained details of proposed changes to corporation tax rates and the rates of capital allowances to be fully implemented by 2014 The rate of corporation tax is to be cut from 28% to 27% from 1 April 2011 and then by a further 1% each year until 1 April 2014 when it reaches 24% None of these changes had been enacted or substantially enacted at 30 June 2010 and no adjustment has been recognised in these financial statements For each 1% change in the tax rate the deferred tax asset would reduce by £95,000 and the deferred tax liability would reduce by £145,000

9. Earnings per share

	2010 £000	2009 £000
(Loss) for the year	(3,214)	(5,692)
	Thousands	Thousands
Weighted average number of shares		
Number of shares with voting rights	51,018	51,011
(Loss) per share		
Basic and diluted (pence per share)	(6 3)p	(11 2)p

Diluted earnings per share is the same as basic earnings per share as the Group made a loss

10. Cash and cash equivalents

	2010 £000	2009 £000
Cash at bank and in hand	891	1,355

11. Receivables

	2010 £000	2009 £000
Security deposits	21	43
Prepayments and accrued income	381	461
Other receivables	7	38
	409	542

12. Property, plant and equipment

	Buildings £000	Plant and equipment £000	Vehicles £000	Total £000
Cost				
At 1 July 2008	77	356	95	528
Additions	-	19	-	19
At 30 June 2009	77	375	95	547
Additions	-	11	-	11
Disposals	-	(32)	(61)	(93)
At 30 June 2010	77	354	34	465
Depreciation				
At 1 July 2008	(12)	(218)	(57)	(287)
Depreciation during the year	(21)	(49)	(17)	(87)
At 30 June 2009	(33)	(267)	(74)	(374)
Depreciation during the year	(2)	(49)	(13)	(64)
Disposals	-	32	57	89
At 30 June 2010	(35)	(284)	(30)	(349)
Net book value at 30 June 2010	42	70	4	116
Net book value at 30 June 2009	44	108	21	173

13. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
Cost			
At 1 July 2008	22,563	1,147	23,710
Additions – exploration & evaluation	2,861	-	2,861
At 30 June 2009	25,424	1,147	26,571
Additions – exploration & evaluation	3,194	-	3,194
Cost and net book value at 30 June 2010	28,618	1,147	29,765
Cost and net book value at 30 June 2009	25,424	1,147	26,571

The mineral rights will be amortised over the licence period (including extensions) once commercial production commences at the Phulbari Coal Project

The exploration and evaluation expenditure will have an indefinite useful life until approval is obtained for the Phulbari Coal Project At that time, the asset will be transferred to mining property and development assets within in property, plant and equipment in accordance with the accounting policy

14. Financial assets

	2010 £000	2009 £000
Available-for-sale investments		
Listed equity shares [1]	21,790	20,197
Unlisted equity shares [2]	-	4,693
	21,790	24,890

(1) Listed equity investments are valued at bid price as at balance sheet date
(2) Unlisted equity shares have been recorded at the lower of cost, or net realisable value at balance sheet date

Principal undertakings

Principal investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows

	Country of incorporation	Ownership interest 2010	2009
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	100%	100%
South African Coal Limited	England & Wales	100%	100%
GCM Africa Uranium Limited	England & Wales	100%	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	37%	37%

The investment in PeoplesTel has been accounted for as an available-for-sale financial asset as GCM does not have significant influence An impairment charge of £4,693,000 has been incurred in relation to the investment in PeoplesTel

15. Payables

	2010 £000	2009 £000
Trade and other payables	644	358

16. Commitments

Operating lease commitments

The Group has entered into operating leases on land and buildings, vehicles and office equipment These leases have a duration of between 1 and 5 years Future minimum rentals on these operating leases are as follows

	2010 £000	2009 £000
Operating leases expiring		
Within one year	408	349
After one year but not more than five years	699	1,012
After five years	-	121
	1,107	1,482

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 94 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 The licence has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option

17. Authorised and issued share capital

	2010 Thousands	2009 Thousands	2010 £000	2009 £000
Authorised				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
Allotted, called up and fully paid				
At 1 July	51,011	51,011	5,101	5,101
Shares issued	19	-	2	-
At 30 June	51,030	51,011	5,103	5,101

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

During the year a company, in which Greg James has a beneficial interest, subscribed for 18,750 shares at consideration equal to the market price on the day of purchase, in accordance with the contract between Greg James and GCM for the provision of his services

Reserves

Share capital

The balance held in share capital relates to the nominal net proceeds on issue of the Company's equity share capital, comprising £0 10 ordinary shares

Share premium account

The share premium account represents the premium received over the nominal value of ordinary shares on issue of the Company's equity The share premium account has been reduced by expenditure associated with issuing shares such as listing costs

Other reserves

This reserve records the equity component of options and conditional shares awarded which have not yet been settled It also includes unrealised fair value changes on available-for-sale investments, net of deferred tax

	2010 £000	2009 £000
Share based payments not settled	1,344	915
Net movement in available-for-sale financial assets	10,218	8,085
	11,562	9,000

18. Share based payments

Options

When an option vests the option holder is entitled to receive one ordinary share per option upon exercise All options are equity-settled There were no options issued during the year ended 30 June 2010 (2009 100,000)

The 100,000 options issued in the comparative year have not been vested, and accordingly for the year ended 30 June 2010 £8,000 has been recognised in equity as the cost of the non-vested options (2009 £5,000) A further £6,000 will be recognised over the remaining vesting period in future financial years

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

	2010 Options Thousands	2010 WAEP	2009 Options Thousands	2009 WAEP
At 1 July	1,920	£1 31	2,205	£1 25
Granted	-	-	100	£0 66
Lapsed	-	-	(385)	£0 75
Outstanding at end of year	1,920	£1 31	1,920	£1 31
Exercisable at end of year	1,820	£1 35	1,820	£1 35

The options outstanding at 30 June 2010 have an exercise price in the range of £0 66 to £1 35 (2009 £0 66 to £1 35) and a weighted average contractual life of 1 7 years (2009 2 4 years)

Conditional shares scheme

On 16 July 2009 1,130,000 conditional shares were awarded to certain Directors, consultants, employees and associates Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project For Directors and employees, the allotment and issue of shares is conditional on their continued engagement by GCM, one year after Scheme of Development approval, unless GCM is subject to a change in control The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by IFRS 2

Movement in non-vested conditional shares

	2010 Thousands	2009 Thousands
At 1 July	205	205
Granted	1,130	-
Lapsed	-	-
30 June	1,335	205

The grant details of the conditional shares are as follows

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6 32	160
9 March 2006	£4 99	30
1 December 2007	£0 81	15
16 July 2009	£0 84	1,130
		1,335

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2010 is £1,286,000 (2009 £857,000) 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 £429,000 is directly attributable to the Phulbari Coal Project, and accordingly capitalised on this basis

19. Financial Instruments

The Group holds cash as a liquid resource and listed equity investments 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 periodic review of expenditure forecasts

The Group's strategy for equity investments is to invest in companies where the Board identifies opportunities to create value for our shareholders by applying the experience and expertise of GCM's management team Investments shall be realised when funds are required or when the Board sees fulfilment of its value expectations GCM monitors the share prices of its listed equity investments and the underlying liquidity

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 a regular basis

Interest rate risk

The interest rate maturity profile of the financial assets of the Group is as follows

	2010 £000	2009 £000
Floating rate – within 1 year		
Cash and cash equivalents	865	1,333
Receivables	21	42

Other financial instruments of the group are non-interest bearing and are therefore not subject to interest rate risk

Equity price risk

The Group holds listed equity investments classified as available-for-sale The equity investments are listed on the London Stock Exchange Alternative Investment Market (AIM), the Australian Stock Exchange and the Johannesburg Stock Exchange Accordingly sensitivity analysis, in respect of listed equity investments, is based on the assumption that if the respective market increased/decreased by 10%, the equity share price of the relevant companies would move according to the historical correlation with the market it is listed on

	Increase/ decrease in market index %	Effect on profit after tax £000	Effect on equity £000
2010	+10%	-	1,209
	-10%	-	(1,209)
2009	+10%	-	1,380
	-10%	(20)	(1,380)

Credit risk

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

GCM has acted as guarantor for the joint venture activities with Aura Energy Limited, in relation to an exploration permit in Mauritania In the event that £61,000 has not been incurred exploring the permit area by January 2012, GCM will be liable to pay £20,000 to the Government of the Islamic Republic of Mauritania

Liquidity risk

The Group ensures that it has sufficient cash to meet all its commitments when required The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2010 and 2009

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	Total £000
2010				
Payables	238	341	65	644
2009				
Payables	265	77	16	358

Currency risk

The following table demonstrates the sensitivity to a 5% change in the Australian dollar exchange rates with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity (due to changes in the fair value of available-for-sale investments)

	Increase/ decrease in exchange rate %	Effect on profit after tax £000	Effect on equity £000
2010			
Australian Dollar	+5%	(1)	20
	-5%	1	(20)
2009			
Australian Dollar	+5%	-	16
	-5%	(16)	(16)

Fair values of financial assets and liabilities

	Financial instrument classification	Book value 2010 £000	Book value 2009 £000	Fair value 2010 £000	Fair value 2009 £000
Financial assets					
Cash and cash equivalents		891	1,355	891	1,355
Receivables	Loans and receivables	28	82	28	82
Listed equity investments	Available-for-sale	21,790	20,197	21,790	20,197
Unlisted equity investments [1]	Available-for-sale	-	4,693	-	4,693
Financial liabilities					
Creditors	Amortised cost	644	358	644	358

(1) Unlisted equity investments have been recorded at the lower of cost and net realisable value, as fair value is not capable of reliable measurement

Fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available-for-sale financial assets				
Listed equity investments	21,790	-	-	21,790
Unlisted equity investment	-	-	-	-
	21,790	-	-	21,790

Unlisted equity investment is categorised in level 3 of the fair value hierarchy and has been recorded at the lower of cost and net realisable value, as fair value is not capable of reliable measurement As at 30 June 2010 the unlisted equity investment has been recognised as nil (2009 £4,693,000) The movement for the year relates to an impairment and has been recognised in the income statement, within exceptional items

20. Contingent liabilities

The Group is obliged to pay Deepgreen Minerals Corporation Pty Limited US$1 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 coal has not yet been produced at Phulbari

The Group has acted as guarantor for the joint venture activities with Aura Energy Limited, in relation to an exploration permit in Mauritania In the event that £61,000 has not been incurred exploring the permit area by January 2012, GCM will be liable to pay £20,000 to the Government of the Islamic Republic of Mauritania

21. Related Party Transactions

Key management personnel

	2010 £000	2009 £000
Short-term benefits	1,232	1,346
Share based payments	285	41
	1,517	1,387

Other related party transactions

	2010 £000	2009 £000
Entities with significant influence over the Group		
Expenditure reimbursed from related party	-	6
Amount owed by related party	-	6

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the Group financial statements of GCM Resources plc for the year ended 30 June 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

As explained more fully in the Directors' Responsibilities statement set out on page 19, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 30 June 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – recoverability of mining assets

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the political and economic risks faced by the Group in relation to the significant uncertainty over the recoverability of the intangible exploration assets GCM has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005 The timing of approval remains uncertain If for whatever reason the Scheme of Development is not ultimately approved, intangible assets included in the balance sheet at £29,765,000 would be fully impaired The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the intangible exploration assets in the financial statements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require in our audit

Other matter

We have reported separately on the parent company financial statements of GCM Resources plc for the year ended 30 June 2010 That report is modified by the inclusion of an emphasis of matter

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 September 2010

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site*

GCM Resources plc

Company Financial Statements 2010

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 parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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, and
- 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 adequate accounting records that are sufficient to show and explain the Company s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Company Balance Sheet

As at 30 June

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	5	12	21
Investments	6	5,959	11,143
Loans to subsidiaries	7	31,474	30,958
		37,445	42,122
Current assets			
Debtors	7	82	138
Current asset investments	8	21	42
Cash at bank and in hand		865	1,335
		968	1,515
Creditors amounts falling due within one year	9	(257)	(223)
Net current assets		711	1,292
Total assets less current liabilities		38,156	43,414
Net assets		38,156	43,414
Capital and reserves			
Called up share capital account	11	5,103	5,101
Share premium account	12	44,184	44,164
Other reserves	12	1,344	915
Profit and loss account	12	(12,475)	(6,766)
Equity shareholders' funds		38,156	43,414

Steve Bywater
Director
28 September 2010

Notes to the Company Financial Statements

1. Accounting policies

GCM Resources plc 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 financial report was authorised for issue by the Directors on 28 September 2010

Basis of preparation of financial statements

The company financial statements of GCM Resources plc are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

No profit and loss account is presented for GCM Resources plc as permitted by section 408 of the Companies Act 2006

Political and economic risks

The Company's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited (AECB), controls the Phulbari Coal Project (the Project), the principal asset of the Company and its subsidiaries (the Group) The Project is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country

The Project relates to thermal coal and semi-soft coking coal, 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

AECB 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 AECB's option

In accordance with the terms of the Contract, AECB 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 Scheme of Development However, AECB continues to await approval

No notification has been received 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 Company would be required to impair its investment and inter-company balances totalling £31,454,000 at 30 June 2010 We draw your attention to the emphasis of matter in the Independent Auditor's Report in relation to the significant uncertainty in regards to the recoverability of these 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 Company's investment and inter-company balances

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt or other financial obligations, other than those disclosed in note 10 As at 30 June 2010, the Company, and its wholly owned subsidiaries held £891,000 in cash and £21,790,000 listed equity investments Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Coal 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 Company 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

Tangible 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

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

Investments

Investments are recorded at the lower of cost or recoverable amount

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

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 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) or to conditions not related to performance or service (non-vesting 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 or non-vesting 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 This includes any award where non-vesting conditions within the control of the Group or the employee are not met 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

2. Result of the parent company

The parent company recorded a £5,717,000 loss for year ended 30 June 2010 (2009 loss of £6,813,000)

3. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Company financial statements

	2010 £000	2009 £000
Audit of the Company financial statements	10	10

4. Deferred tax assets

	2010 £000	Movement for the year £000	2009 £000
Deferred tax assets			
Tax losses	1,142	176	966
Share based payments	233	-	233
Impairment of investments	1,481	937	544
Accelerated capital allowances	1	-	1
	2,857	1,113	1,744

As at 30 June 2010 the deferred tax asset amounting to £2,857,000 was not recognised (2009 £1,744,000) Deferred tax assets will be recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, arise In the event of disposal of revalued assets, there would be no tax payable

5. Tangible assets

	Office furniture and equipment £000
Cost	
Opening balance	69
Additions	4
Disposals	(32)
At 30 June 2010	41
Depreciation	
Opening balance	(48)
Provided during the period	(13)
Disposals	32
At 30 June 2010	(29)
Net book value at 30 June 2010	12
Net book value at 30 June 2009	21

6. Investments

	Subsidiary undertakings £000	Other investments £000	Total £000
Cost			
Opening balance	2,265	8,878	11,143
Additions	429	-	429
Disposals	-	(920)	(920)
Impairment	-	(4,693)	(4,693)
As at 30 June 2010	2,694	3,265	5,959
Net book value at 30 June 2010	2,694	3,265	5,959
Net book value at 30 June 2009	2,265	8,878	11,143

The movement in the cost of conditional shares is capitalised as an investment in the Company's subsidiary The effect for the current year is the addition of £429,000 (2009 £72,000)

Other investments include £3,265,000 listed equity investments (2009 £4,185,000) and nil non-listed equity investments (2009 £4,693,000)

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

	Country of incorporation	Ownership interest 2010	2009
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	100%	100%
South African Coal Limited	England & Wales	100%	100%
GCM Africa Uranium Limited	England & Wales	100%	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	37%	37%

7. Debtors

	2010 £000	2009 £000
Current debtors		
Other debtors	7	25
Prepayments and accrued income	75	113
	82	138
Non-current debtors		
Amounts due from subsidiaries	31,474	30,958
	31,474	30,958

The amount receivable in non-current debtors relates to wholly owned subsidiaries A repayment schedule has not been agreed between the companies

8. Current asset investments

	2010 £000	2009 £000
Security deposits	21	42

Security deposits represent rental deposits on premises in the United Kingdom

9. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade and other payables	257	223

10. Commitments

Operating lease commitments

The Company has entered into operating leases on buildings and office equipment These leases have a duration or between 1 and 4 years Annual commitments under these operating leases are as follows

	2010 £000	2009 £000
Operating leases expiring		
Within one year	76	58
After one year but not more than five years	30	17
After five years	-	-
	106	75

11. Authorised share capital

	2010 Thousands	2009 Thousands	2010 £000	2009 £000
Authorised				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
Allotted, called up and fully paid				
At 1 July	51,011	51,011	5,101	5,101
Shares issued	19	-	2	-
At 30 June	51,030	51,011	5,103	5,101

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

During the year a company, in which Greg James has a beneficial interest, subscribed for 18,750 shares at consideration equal to the market price on the day of purchase, in accordance with the contract between Greg James and GCM for the provision of his services

12. Reserves

	Share Capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 July 2009	5,101	44,164	915	(6,766)	43,414
Shares issued	2	20	-	-	22
Share based payments	-	-	429	8	437
Loss for the financial year	-	-	-	(5,717)	(5,717)
Balance at 30 June 2010	5,103	44,184	1,344	(12,475)	38,156

13. Share based payments

Options

When an option vests the option holder is entitled to receive one ordinary share per option upon exercise All options are equity-settled There were no options issued during the year ended 30 June 2010 (2009 100,000)

The 100,000 options issued in the comparative year have not been vested, and accordingly for the year ended 30 June 2010 £8,000 has been recognised in equity as the cost of the non-vested options (2009 £5,000) A further £6,000 will be recognised over the remaining vesting period in future financial years

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

	2010 Options Thousands	2010 WAEP	2009 Options Thousands	2009 WAEP
At 1 July	1,920	£1 31	2,205	£1 25
Granted	-	-	100	£0 66
Lapsed	-	-	(385)	£0 75
Outstanding at end of year	1,920	£1 31	1,920	£1 31
Exercisable at end of year	1,820	£1 35	1,820	£1 35

The options outstanding at 30 June 2010 have an exercise price in the range of £0 66 to £1 35 (2009 £0 66 to £1 35) and a weighted average contractual life of 1 7 years (2009 2 4 years)

Conditional shares scheme

On 16 July 2009 1,130,000 conditional shares were awarded to certain Directors, consultants, employees and associates Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project For Directors and employees, the allotment and issue of shares is conditional on their continued engagement by GCM, one year after Scheme of Development approval, unless GCM is subject to a change in control The awards granted are classified as equity-settled, and therefore the fair value is determined at the date of the grant, as required by IFRS 2

Movement in non-vested conditional shares

	2010 Thousands	2009 Thousands
At 1 July	205	205
Granted	1,130	-
Lapsed	-	-
30 June	1,335	205

The grant details of the conditional shares are as follows

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6 32	160
9 March 2006	£4 99	30
1 December 2007	£0 81	15
16 July 2009	£0 84	1,130
		1,335

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2010 is £1,286,000 (2009 £857,000) 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 £429,000 is directly attributable to the Phulbari Coal Project, and accordingly capitalised on this basis

14. Contingent liabilities

GCM has acted as guarantor for the activities of the Alliance with Aura Energy Limited in relation to an exploration permit in Mauritania In the event that £61,000 has not been incurred exploring the permit area by January 2012, GCM will be liable to pay £20,000 to the Government of the Islamic Republic of Mauritania

15. Related Party Transactions

	2010	2009
	£000	£000
Entities with significant influence over the Company		
Expenditure reimbursed from related party	-	6
Amount owed by related party	-	6

In accordance with FRS8 Related Party Disclosures transactions with wholly owned subsidiaries have not been disclosed

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the parent company financial statements of GCM Resources plc for the year ended 30 June 2010 which comprise the Company Balance Sheet and the related notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

As explained more fully in the Directors' Responsibilities statement set out on page 45, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – recoverability of investment and inter-company loan

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the political and economic risks faced by the Company in relation to the significant uncertainty over the recoverability of the Company's investment and the inter-company balances GCM's subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited, has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005 The timing of approval remains uncertain If for whatever reason the Scheme of Development is not ultimately approved, the assets included in the parent company balance sheet at £31,454,000 would be fully impaired The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the Company's investment and the inter-company balances in the financial statements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matters

We have reported separately on the Group financial statements of GCM Resources plc for the year ended 30 June 2010 That report is modified by the inclusion of an emphasis of matter

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 September 2010

The maintenance and integrity of ***GCM Resources plc's*** *web site is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site*

Appendix:

Appendix to Note 14 of the Consolidated accounts and Note 6 of the Company accounts: Full list of subsidiaries

Company	Country of incorporation	Ownership interest 2010	Ownership interest 2009
Subsidiaries			
South African Coal Limited	England & Wales	100%	100%
GCM Africa Uranium Limited	England & Wales	100%	100%
China Coal Limited	England & Wales	100%	100%
Asia Energy Corporation Pty Limited	Australia	100%	100%
Asia Energy Corporation (Bangladesh) Pty Ltd	Australia	100%	100%
Asia Energy (Bangladesh) Private Limited	Bangladesh	100%	100%
Asia Mining (Bangladesh) Private Limited(1)	Bangladesh	-	100%
Asia Energy Holdings Pte Limited	Singapore	100%	100%

(1) Asia Mining (Bangladesh) Private Limited was dissolved on 4 February 2010