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GTL
RESOURCES PLC.

ANNUAL REPORT AND
FINANCIAL STATEMENTS
for the year ended 31 March 2001

2001

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The name GTL reflects the **core activity**, which is to convert stranded natural gas into marketable liquid products:

Gas-To-Liquids

"The Company will have locked in the contracts necessary not only to fund the construction, but also to secure cash flow for the projected 20-year life of the plant."

GTL Resources Plc ("the Company" or "GTL") has made significant progress over the last year towards the financing and construction of its projects and in particular its first methanol plant, in the Far East.

A number of contracts have to be negotiated and approvals granted for this first project to be completed. We believe however that we are nearing the end of the whole process and it is hoped that the project will reach financial close in the third quarter of this year. This will mean that the Company will have locked in the contracts necessary not only to fund the construction, but also to secure cash flow for the projected 20-year life of the plant. We believe we have developed relationships with key industry parties, which will stand us in good stead for the future.

The Company's focus continues to be the development of gas to liquid ("g-t-l") and alternative energy-related products. One project is a one million tonnes per year methanol plant to be developed in Darwin, Australia, which looks as though it will be completed before the Company's proposed project in Vietnam, although work on this is continuing. The Company signed a gas contract with PetroVietnam to supply a methanol plant. If the Darwin project were to prove to be the first we should probably not wish to bring another methanol plant into the Far East and would seek an alternative use for the Vietnamese gas. We remain confident about long-term methanol prices, which are currently in excess of \$200 per tonne and well above the level we use for modelling purposes. The broad field of "gas-to-liquids", however, will be many times greater than just that for methanol and we have continued to pursue the broader opportunities presented by Fischer Tropsch technology for the manufacture of diesel and other products from natural gas.

Gas supply

During the year the Company signed a letter of intent with an affiliate of Phillips Petroleum for the 20-year supply of natural gas sufficient for a one million tonnes per annum methanol plant in Darwin, Australia commencing in 2004. The letter of intent contemplates that GTL may be able to acquire additional volumes of gas for other g-t-l projects. Phillips plan to construct a large sub-sea pipeline from 500kms offshore that will reach land near Darwin, where Phillips is proposing to construct a liquefied natural gas ("LNG") plant.

GTL's proposed methanol facility is planned to be located a mile or so south of the LNG plant. The Company is currently negotiating the final terms of the definitive gas contract and anticipates its signing in the near future. Phillips is a large U.S.-based energy company and its fields in the Timor Sea have an adequate reserve for the projects. There are currently negotiations between Australia and East Timor on the fiscal and regulatory regime for the development of the Timor Sea. These are scheduled to be completed in July 2001. Engineering on a subsea gas pipeline from the Timor Sea to Darwin is well advanced and is expected to begin bringing gas from the fields in 2004.

Engineering/Operations Review

The Company signed Heads of Agreement with Lurgi Oel Gas Chemie GmbH ("Lurgi") of Frankfurt, Germany and involving Multiplex Constructions Pty Ltd, a large Australian construction company ("Multiplex"), relating to the construction of GTL's proposed methanol plant in Australia. It is contemplated that GTL will enter into an engineering, procurement and construction ("EPC") contract with Lurgi and Multiplex for the design and construction of the one million tonne capacity methanol plant on a lump sum turnkey basis later this year. The construction will take 30 months and we are expecting the plant to be ready to take gas in mid-2004.

Lurgi is a major international EPC contractor and has been responsible for the design and construction of over 30% of the world's methanol production capacity. Lurgi have also executed a number of major construction projects throughout the world (including methanol plants) which involved project finance and are able to provide the necessary process, performance and completion guarantees. In addition to the civil engineering and construction at the Darwin site, Multiplex are negotiating with the Company to be responsible for the operation and maintenance of the plant on a long-term contract. They would do this in conjunction with other operators with experience in methanol and related process industries. Multiplex and Lurgi have committed to a Euro 340 million (currently approximately US\$290 million) guaranteed maximum price for the plant, and efforts are being made to reduce this price before the lump sum turnkey price is agreed and the EPC contract signed.

Chairman's statement

Continued

Offtake agreements

As highlighted in my report to you last year, the Company agreed to sell 100% of production from the methanol plant for a ten-year period to an affiliate of a major US energy corporation on a take or pay basis. The offtaker will be responsible for the shipping of the product from the plant to the market in the Far East and will take title to the methanol as it is loaded on the ship.

Major Project Facilitation Status

Major Project Facilitation Status ("MPF") has been granted by the Australian Government for GTL's proposed methanol plant in Australia. MPF status means that GTL's project benefits from a streamlined decision-making process for necessary government approvals. Invest Australia, Australia's national investment agency, is working closely with the Northern Territory Government to facilitate the project.

Financial Review

On 14 August, 2000 the Company announced the appointment of Société Générale's oil and gas project finance team ("SocGen") to act as financial adviser in respect of the financing of the first methanol plant. We have been working closely with SocGen to bring together a syndicate of banks to provide the senior debt element of the financial structure. We are proposing to fund the project with senior debt, representing approximately 70% of the total capital cost. Negotiations are continuing and it is hoped the commitments will be made in the near future. The technical consultant to the bank has confirmed that the Company's proposed methanol plant will produce the lowest cost of delivered product into the Far Eastern market. Part of SocGen's fee for acting as financial adviser is the granting of options to purchase shares at 40p.

In addition, GTL has engaged the services of a specialised investment bank to source mezzanine finance. We have received expressions of interest from various insurance companies to provide guarantees of part of the cash flow from the offtake agreement. These guarantees will secure a securitisation offering by the Australian project company, the Darwin Methanol Company Pty Ltd ("Darwin Methanol") for approximately 10-15% of the total cost of the plant. Darwin Methanol is a wholly owned subsidiary of the Company.

The element of the project financing that is subordinated to the senior loan is currently under negotiation. As part of the Heads of Agreement with Lurgi/Multiplex it is contemplated that an equity investment of US\$15 million is to be made into Darwin Methanol, the form of which is likely to be cumulative convertible redeemable preference shares. An application for assistance from the Australian Government as a result of being awarded MPF status has been made, although this has yet to be resolved. It is anticipated that the shape of the subordinated element of the financing should be finalised shortly.

Fischer-Tropsch Projects

The Company has entered into a Memorandum of Understanding with Energy International an affiliate of the Williams Companies Group Inc ("Williams") to develop onshore g-t-l projects using their catalyst technology based on the Fischer-Tropsch process. Energy International is a wholly owned subsidiary of Williams, an international energy company based in Tulsa, Oklahoma, USA. The Fischer-Tropsch process produces environmentally friendly low sulphur and low aromatic fuels, which should attract a premium to traditional petroleum products. The Williams process produces a varied product slate, which includes diesel, naphtha, kerosene and petroleum waxes.


The Company has also signed a Cooperation Agreement with US based Rentech Inc. in relation to the development of an offshore g-t-l plant.

Personnel

Mr. Paul Grylls retired as Finance Director and was replaced by Mr. Stephen Padgett as Executive Director. Stephen had previously been employed as the Finance Manager of the Company and is responsible for Corporate and Project Finance.

Establishment

The Company has set up an office in Perth, Australia to assist in the development of the Australian Project and has maintained its office in Ho Chi Minh City to support the Vietnamese Project.


Dr. Alan Horan
Chairman

28 June, 2001

"We believe we have developed relationships with key industry parties, which will stand us in good stead for the future."

General information

Company secretary

Mr K J Alexander

Registered office

60 St. James's Street
London, SW1A 1LE.
Tel: 020 7493 3393
Fax: 020 7493 3394
Registered number: 2811366

Auditors

KPMG Audit Plc
Quayside House
110 Quayside
Newcastle upon Tyne, NE1 3DX.

Bankers

Yorkshire Bank PLC
Tees Valley Area Business Centre
Newport House
Teesdale South
Stockton on Tees
TS17 6SE

Registrars

Computershare Services PLC
PO Box 82
Caxton House
Redcliffe Way
Bristol, BS99 7NH.

Solicitors

Salans Hertzfeld & Heilbronn HRK
Clements House
14-18 Gresham Street
London, EC2V 7NN.

Nominated Advisors and Brokers

SG Securities (London) Ltd
Exchange House
Primrose Street
London, EC2A 2DD.

Website address

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Directors

Executive Directors

Michael Fox DEPUTY CHAIRMAN

Michael Fox, aged 39, began his career in 1981 in the oil services sector in Aberdeen. He has gained experience of offshore equipment supply and operations and maintenance contracts for major oil companies. Since joining GTL in 1997, Michael has been responsible for sourcing gas supplies and contracts for GTL's subsidiaries and has been involved in identifying gas conversion opportunities and projects, which fit GTL's strategy.

Kevin Alexander CHIEF EXECUTIVE OFFICER

Kevin Alexander, aged 47, graduated from Cambridge University and qualified as a solicitor in 1979 and as an attorney in New York in 1983. He was a partner with international law firm, Salans Hertzfeld & Heilbronn, before joining GTL. Kevin has been involved in the energy and resource sector for most of his career and advised GTL on its projects.

Roger Harris MANAGING DIRECTOR

Roger Harris, aged 56, is a mining engineer with over 30 years experience in the resource industry. Before joining GTL he was Vice President with the Elf group of companies and managed mining and chemical facilities in the United States. Roger was appointed Managing Director of BKG (GTL's predecessor) in July 1996.

Peter Middleton EXECUTIVE DIRECTOR

Peter Middleton, aged 61, is the former Chief Executive of Lloyds of London, Thomas Cook and Salomon Brothers. More recently, Peter has acted as chief advisor to the Nomura group. Peter Middleton is primarily responsible for GTL's investment strategy.

Stephen Padgett EXECUTIVE DIRECTOR

Stephen Padgett, aged 31, qualified as a Chartered Accountant in 1995 having joined the accountancy practice of Walker Tindle in 1992. Stephen specialised in Corporate Finance for a portfolio of clients and has been involved with GTL's projects as an advisor since 1996. In January 2000 GTL recruited Stephen as Finance Manager, and was subsequently appointed as Executive Director in March 2001 with particular responsibility for Corporate and Project finance.

Non-Executive Directors

Dr. Alan Horan OBE CHAIRMAN

Dr. Alan Horan OBE, aged 72, has held senior management positions in the oil industry including more than a decade in charge of the ADMA-OPCO joint venture in Abu Dhabi. He has been responsible for a number of large projects including the commissioning of BP's Magnus field in the North Sea.

Graham Wickham CORPORATE GOVERNANCE

Graham Wickham, aged 58, has twenty-seven years experience in the London Financial Markets having specialised in investment analysis and corporate finance.

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 March, 2001.

Principal activities and business review

The activities of the Group continue to be focussed upon monetising stranded gas and associated products.

During the year the Board of Directors welcomed the appointments of Mr. Kevin Alexander and Mr. Stephen Padgett. Mr. Paul Grylls retired as Finance Director, a role, which he had been carrying out in a part-time capacity since 28 September 1998.

On 24 January, the Company signed a letter of intent with an affiliate of Phillips Petroleum for the supply of gas to a 1 million tonnes per annum plant for the production of methanol in Darwin, Australia.

During the year the company also signed Heads of Agreement with Lurgi-Oel-Gas-Chemie GmbH ("Lurgi") of Frankfurt, Germany, relating to the construction of GTL's proposed methanol plant in Australia on a lump sum turnkey basis.

The Company also announced that, Major Project Facilitation Status ("MPF"), had been granted by the Australian Government for the methanol project in Australia.

With the assistance of Société Générale, the Company are in the process of securing project finance for the methanol plant. An application for a grant from the Australian Government has also been submitted.

Research and development

The Company has entered into a Memorandum of Understanding with the Williams Group to develop onshore g-t-l projects using their catalyst technology using the Fischer-Tropsch process.

The Company recently signed a Memorandum of Understanding with CPI for the development of an Ethanol plant using feedstock "over the fence" from their existing corn processing facilities in Chicago, USA.

Share Capital

During the year the Company issued shares as detailed in note 17 to the financial statements, raising approximately \$68,000.

Results and proposed dividend

The loss for the year after taxation amounted to \$3,301,000 (2000: \$2,712,000).

The directors do not recommend a payment of a final dividend (2000: nil per share).

Directors

The following have served as directors during the financial year:

A J Horan OBE	
M Fox	
K Alexander	(appointed 1 April, 2000)
R A Harris	
P J Middleton	
P Grylls	(retired 1 March, 2001)
S J Padgett	(appointed 1 March, 2001)
G J Wickham	

Mr. Graham Wickham retires by rotation, in accordance with the Articles of Association and, being eligible, offers himself for re-election. The Company has received special notice of a resolution, under section 293(5) of the Companies Act 1985, to reappoint Mr. Graham Wickham.

Directors' report

Continued

Directors' interests

The directors who held office at the end of the financial year, have the following interests in the ordinary shares of the company, according to the Register of Directors' interests.

Directors	31 March, 2001	1 April, 2000
A J Horan OBE	35,641,198	35,641,198
K Alexander	10,630,399	10,630,399
M Fox	23,760,798	23,760,798
S Padgett	20,000	20,000

All the directors interests are beneficial.

There has been no change in the directors interests in shares since the balance sheet date to the date of this report.

The following options have been granted to the directors under the rules of the Company's No. 2 Unapproved Executive Share Option Scheme.

Ordinary shares of 1p each

	Balance at 1 April, 2000	Granted	Exercised	Lapsed	Balance at 31 March 2001	Exercise price	Date from which exercisable	Expiry date
R A Harris	1,000,000	–	–	–	1,000,000	4.50p	28/09/1999	28/09/2008
P Grylls	750,000	–	(500,000)	(250,000)	–	4.50p	28/09/1999	01/03/2001
P Middleton	–	1,000,000	–	–	1,000,000	24.00p	20/06/2000	01/04/2010
S Padgett	–	500,000	–	–	500,000	24.00p	20/06/2000	01/04/2010
S Padgett	–	250,000	–	–	250,000	20.25p	01/03/2001	01/03/2011
Total	1,750,000	1,750,000	(500,000)	(250,000)	2,750,000			

Directors' share options held under the No.2 Unapproved share option scheme require that for all of the options to become exercisable, the share options must be held for a total of three years. One third of the options may be exercised on the anniversary of the grant of the options and each subsequent anniversary.

The mid market price of the ordinary shares of 1 pence each at 31 March 2001 was 17.25 pence.

The mid market price of the ordinary shares of 1 pence each during the year ranged between 16.75 pence and 37.75 pence.

The market price of the shares on the exercise of options by Mr. Paul Grylls was 26 pence.

No provision has been made for National Insurance Contributions arising on exercise of share options in unapproved schemes on an accrued basis from the date of grant as the share price at the year end was below the exercise price of any options held under the scheme.

Directors' interest in transactions

As required to be disclosed under FRS 8, related party transactions are detailed in note 22 to the financial statements.

Directors' report

Continued

Major shareholdings

At 18 June 2001 the following interests of shareholders holding of 3% or more of the ordinary share capital, other than directors, had been notified to the Company:

	Ordinary share holding	%
Mrs. Norma Fox	42,521,597	24.0
The Bank of New York (Nominees) Limited	10,109,967	5.7

The directors are not aware of any other interests of 3 per cent or more in the share capital of the Company.

Corporate Governance

The director's support the recommendations set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance. However, it is not practical to comply fully with the Combined Code's recommendations due to the size and nature of the Group and the close involvement of all the directors in the day-to-day activities of the business. An Audit Committee and a Remuneration Committee comprising Dr A J Horan OBE and Mr G J Wickham, the two non executive directors has been established.

A report to the shareholders from the remuneration committee has not been included in the financial statements. However, details of directors' remuneration are detailed in Note 8 to the financial statements.

Policy and practice on payment of creditors

It is the Group's policy in respect of its suppliers, where reasonably practical, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment and to abide by the terms of payment. Due to the nature of the Group's activities and consequently the nature of its trade creditors during the year under review, it is not meaningful to express the creditor payment period as a number of days.

Policy on financial instruments

Other than from the proceeds from the issue of ordinary shares, the Group's activities are financed by cash at bank. The Group has not established a formal policy on the use of financial instruments but assesses opportunities on a case-by-case basis as they arise.

Political and charitable contributions

The Group made no political contributions, nor charitable donations during the year.

Going Concern

After making enquiries and based upon the Groups' cash resources, the directors have formed a judgement, at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for approximately twenty four months. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements. Accordingly the Financial Statements do not include any adjustments, particularly in respect of fixed assets and investments, which would result from the Group ceasing to operate as a going concern. (See Note 1 on Accounting policies).

Directors' report

Continued

Internal Control

The Directors acknowledge that they are responsible for the Group's system of the effectiveness of internal control. Any system of internal control can only provide reasonable and not absolute assurance against material financial misstatement or loss.

A review has been carried out during the year by the directors of the effectiveness of internal control procedures, in accordance with the recommendations of the Combined Code.

The directors are satisfied that given the size and current activities of the Group, the internal control procedures adopted and in place adequately meet its needs and requirements.

Annual General Meeting

The Annual General Meeting of the Company is to be held on 29 October 2001. A separate notice, which is enclosed with this report and financial statements, details the various resolutions to be proposed and if thought fit, adopted by the shareholders.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



K J Alexander

Secretary

28 June 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the auditors, KPMG Audit Plc, to the members of GTL Resources PLC

We have audited the financial statements on pages 12 to 26.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and, as described on page 10, the financial statements in accordance with applicable United Kingdom Law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

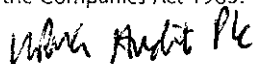
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc

Chartered Accountants

Registered Auditor

Newcastle upon Tyne

28 June, 2001

Consolidated profit and loss account

for the year ended 31 March 2001

	Note	2001 \$000	2000 \$000
Administrative expenses		(3,733)	(2,946)
		(3,733)	(2,946)
Group operating loss		(3,733)	(2,946)
	3	(3,733)	(2,946)
Other interest receivable and similar income	4	414	161
Interest payable and similar charges	5	—	(1)
Loss on ordinary activities before taxation	3-5	(3,319)	(2,786)
Tax on loss on ordinary activities	6	—	—
Loss on ordinary activities after taxation		(3,319)	(2,786)
Equity minority interests		18	74
Retained loss for the financial year	18	(3,301)	(2,712)
Basic loss per ordinary share (US dollars)	7	(0.02)	(0.02)
Diluted loss per ordinary share (US dollars)	7	(0.02)	(0.02)

There were no recognised gains or losses during the current and previous year other than those dealt with above.

The Group's results for both the current and preceding financial year derive from continuing operations.

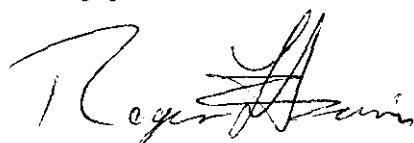
Consolidated balance sheet

at 31 March 2001

	Note	2001 \$000	2000 \$000
Fixed assets			
Intangible assets	10	8,508	8,418
Tangible assets	12	159	27
		8,667	8,445
Current assets			
Debtors	14	244	152
Cash at bank and in hand		5,349	9,596
		5,593	9,748
Creditors: amounts falling due within one year	15	(428)	(1,110)
Net current assets		5,165	8,638
Total assets less current liabilities		13,832	17,083
Minority interests	21	173	155
Net assets		14,005	17,238
Capital and reserves			
Called up share capital	17	2,937	2,928
Share premium account	18	9,508	9,449
Merger reserve	18	5,141	5,141
Special reserve	18	3,508	3,508
Profit and loss account	18	(7,089)	(3,788)
Equity shareholders' funds	19	14,005	17,238

These financial statements were approved by the Board of Directors on 28 June 2001 and were signed on its behalf by:

R A Harris
Managing Director



Company balance sheet

at 31 March 2001

	Note	2001 \$000	2000 \$000
Fixed assets			
Intangible assets	11	90	—
Tangible assets	12	158	26
Investments	13,23	8,312	8,312
		8,560	8,338
Current assets			
Debtors	14	758	500
Cash at bank and in hand		5,346	9,596
		6,104	10,096
Creditors: amounts falling due within one year	15	(363)	(1,029)
Net current assets		5,741	9,067
Net assets		14,301	17,405
Capital and reserves			
Called up share capital	17	2,937	2,928
Share premium account	18	9,508	9,449
Merger reserve	18	5,141	5,141
Special reserve	18	3,508	3,508
Profit and loss account	18	(6,793)	(3,621)
Equity shareholders' funds		14,301	17,405

These financial statements were approved by the Board of Directors on 28 June 2001 and were signed on its behalf by:

R A Harris
Managing Director



Consolidated cash flow statement

for the year ended 31 March 2001

	Note	2001 \$000	2000 \$000
Reconciliation of operating loss to operating cash flows			
Operating loss		(3,733)	(2,946)
Loss on sale of fixed assets		3	2
Depreciation and amortisation charges		43	13
(Increase) / decrease in debtors		(112)	521
(Decrease) / increase in creditors		(587)	730
Net cash outflow from operating activities		(4,386)	(1,680)

Cash flow statement

Net cash outflow from operating activities		(4,386)	(1,680)
Returns on investments and servicing of finance	20	448	160
Taxation		-	-
Capital expenditure	20	(268)	(23)
Acquisitions and disposals	20	-	-
Cash outflow before financing		(4,206)	(1,543)
Financing	20	34	9,222
(Decrease) / increase in cash in year		(4,172)	7,679

Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash in year		(4,172)	7,679
Change in net debt resulting from cash flows		(4,172)	7,679
Translation differences		(75)	(8)
Movement in net debt in the year		(4,247)	7,671
Net debt at 1 April, 2000		9,596	1,925
Net debt at 31 March, 2001		5,349	9,596

During the year ended 31 March, 2001 and 2000 net debt was equivalent to cash.

Notes to the financial statements

for the year ended 31 March 2001

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

a) *Basis of preparation and consolidation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate based on the Group's existing financial obligations and no significant capital expenditure with respect to the planned Methanol Plant ("MP").

It is proposed that any funding requirements to support the MP would be sought from external sources, which would occur after publication of the financial statements.

The directors have prepared projected cash flow information for the period ending 24 months from the date of their approval of these financial statements on the basis that no such external funding is made available.

On the basis of this information, the directors consider that the Group will be able to continue to operate within its existing commitments until November 2002.

Were it not considered appropriate to adopt the going concern assumption, then the directors would be of the opinion that the balance sheet would be materially different from that presented. The consolidated net assets of \$14,005,000 as at 31 March, 2001 would be reduced by at least \$8,268,000, being the goodwill arising on consolidation from the acquisition of Conpor Inc. on 28 September 1998.

The Group financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March, 2001. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

The closing rate used for consolidating the balance sheet of the Group is US\$1.4217: Esterling.

The average rate for consolidating the profit and loss account of the Group is US\$1.4805: Esterling.

b) *Currency translation*

The financial statements are presented in United States dollars using the temporal method, whereby transactions in non-United States dollars are recorded using the rate of exchange ruling at the date of the transaction. Gains and losses resulting from the revaluation of non-United States dollar monetary assets and liabilities, using the rate of exchange ruling at the balance sheet date, are included in the profit and loss account.

c) *Goodwill and Financial costs*

Purchased goodwill arising on consolidation in respect of acquisitions before 1 April 1998, when FRS10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised.

The Group has adopted the policy as set out in the Statement of Recommended Practice (SORP) as issued by the Oil Industry Accounting Committee with regard to amortisation; whereby amortisation will normally apply with the commencement of production from such operating activities.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the Company's financial statements, investment in subsidiary undertakings is stated at cost.

Costs in respect of the financing of the first methanol plant have also been capitalised in accordance with FRS4.

Notes to the financial statements

Continued

d) *Intangible assets and amortisation*

Amortisation is provided to write off the cost less the estimated residual value of intangible fixed assets by equal installments over their estimated useful economic lives as follows:

Computer software – 3 years (33% per annum)

e) *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal installments over their estimated useful economic lives as follows:

Plant and equipment – 4 years (25% per annum)

Computer equipment – 3 years (33% per annum)

f) *Research and development expenditure*

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

g) *Taxation*

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

h) *Operating leases*

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease. Premiums on leases are included in prepayments and are charged to the profit and loss account over the term of the lease.

2 Segmental Reporting

The Group's activities have concentrated upon the development of the gas to methanol process as set out in the circular to shareholders of 4 September, 1998.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging / (crediting):

	2001 \$000	2000 \$000
Auditor's remuneration:		
Group – audit	38	36
– other services	100	26
Depreciation and amortisation	43	13
Loss on sale of fixed assets	3	2
Exchange losses	259	73
Research and development	570	308
	<hr/>	<hr/>

4 Other interest receivable and similar income - Group

	2001 \$000	2000 \$000
Interest receivable on short term deposits	414	161
	<hr/>	<hr/>

Notes to the financial statements

Continued

5 Interest payable and similar charges - Group

	2001 \$000	2000 \$000
On bank overdraft	—	1

6 Taxation

The Group, after adjusting for any disallowable items, has no liability to taxation.

Tax losses amounting to \$6,300,000 (2000: \$3,100,000) are available to relieve future profits of the Group.

7 Loss per ordinary share

The calculation of basic loss per ordinary share is based on the loss for the year of \$3,301,000 (2000: \$2,712,000) and the weighted average number of equity voting shares in issue of 176,645,481 (2000: 164,952,031).

The diluted loss per ordinary share is based on the loss for the year of \$3,301,000 (2000: \$2,712,000) and the weighted average number of equity voting shares in issue and outstanding share options of 182,659,536 (2000: 166,702,031).

The difference between the weighted average number of equity voting shares in addition to the basic and diluted loss per share is due to the weighted average number of equity voting shares, which would be in issue on conversion of options.

8 Remuneration of directors

	2001				2000			
	Remuneration £'000	Fees £'000	Benefits £'000	Total £'000	Remuneration £'000	Fees £'000	Benefits £'000	Total £'000
Executive directors	568	—	37	605	228	106	23	357
Non-executive directors	31	4	—	35	20	15	1	36

Note: Directors' remuneration is disclosed in sterling and not United States dollars.

The remuneration of the highest paid director was £174,000 (2000: £139,000).

Fees include amounts paid to directors or to their related organisation in respect of services rendered to the Group (see Note 22).

Directors' share options are disclosed in the directors' report. The total gains made on the exercise of share options by Mr. Paul Grylls amounted to £107,500 (2000: £ nil). No other Director exercised share options during the year (2000: nil).

The directors exercised no further options up to the date these financial statements were approved.

The Company set up a Group personal pension plan during the year, whereby the Company contributes a percentage of annual salary on behalf of full time executive directors of the Group into personal pension schemes.

Contributions totalling £12,000 (2000: £ nil) were made into personal pension schemes held by the directors who served during the year.

Notes to the financial statements

Continued

9 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2001 No.	2000 No.
Administration	12	10

The aggregate payroll costs of these persons were as follows:

	2001 \$000	2000 \$000
Wages and salaries	1,213	1,248
Social security costs	134	103
	1,347	1,351

The Company set up a Group personal pension plan during the year, whereby the Company contributes a percentage of annual salary on behalf of full time employees of the Group into personal pension schemes.

Contributions totalling US\$12,000 (£8,000) (2000: US\$ nil) were made into personal pension schemes held by employees during the year.

10 Intangible fixed assets

Group	Finance Costs \$000	Goodwill \$000	Operating Licence \$000	Total \$000
Cost				
1 April, 2000	–	8,268	150	8,418
Additions	90	–	–	90
31 March, 2001	90	8,268	150	8,508
Net Book Value				
31 March, 2001	90	8,268	150	8,508
31 March, 2000	–	8,268	150	8,418

The goodwill represents the amount arising on consolidation from the acquisition of Conpor on 28 September, 1998.

A gas extraction licence was granted to GCS Vietnam Inc, a subsidiary company, on 29 January, 1999 and is operational for 25 years.

Both intangible assets will be amortised over their remaining useful economic lives once production commences.

Notes to the financial statements

Continued

11 Intangible fixed assets

Company

Cost

Additions

Finance costs
\$000

90

90

Net Book Value

At 31 March, 2001

90

At 1 April, 2000

-

12 Tangible fixed assets

Cost

1 April, 2000

Additions

Disposals

31 March, 2001

Depreciation

1 April, 2000

Charge for year

On disposals

31 March, 2001

Net Book Value

31 March, 2001

31 March, 2000

Group
Plant and
Equipment
\$000

70

178

(37)

211

43

43

(34)

52

159

27

Company
Plant and
Equipment
\$000

67

178

(37)

208

41

43

(34)

50

158

26

13 Fixed asset investments

Company

Cost and net book value

At 1 April, 2000 and 31 March, 2001

Shares
in group
undertakings
\$000

8,312

Subsidiary undertakings are detailed in note 23 to the financial statements.

Notes to the financial statements

Continued

14 Debtors

	Group		Company	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Other debtors	39	100	32	93
Prepayments and accrued income	203	50	203	50
Amounts owed by group undertakings	-	-	523	357
Amounts owed by related parties	2	2	-	-
	<u>244</u>	<u>152</u>	<u>758</u>	<u>500</u>

Included within prepayments is \$112,000 (2000: \$18,000) in respect of an operating lease, as detailed in Note 22.

15 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Trade creditors	100	210	100	205
Amounts owed to group undertakings	-	-	-	7
Amounts owed to related parties	-	-	-	1
Other creditors	-	5	-	5
Taxation and social security	46	48	46	48
Accruals	282	764	217	763
Directors loan accounts	-	83	-	-
	<u>428</u>	<u>1,110</u>	<u>363</u>	<u>1,029</u>

16 Financial assets and liabilities

The group's activities are financed by cash at bank and short term investments which comprise cash placed on deposit.

The Group's Treasury policy has as its principal objective the achievement of the maximum rate of return on cash balances whilst maintaining an acceptable level of risk. Other than mentioned above there are no financial instruments, derivatives or commodity contracts used.

The group has foreign currency risk arising from the annual translation of transactions. The potential exposure arising from this is not considered material.

For the purposes of the following disclosures, short term debtors and creditors have been excluded, as permitted by FRS13.

The group's financial assets comprise cash at bank and short term investments. At 31 March, 2001 the average interest rate earned on the temporary closing balances was 5.5% (2000:6.0%)

In aggregate, the fair value of the Group's financial assets and liabilities was not materially different from their book values.

Notes to the financial statements

Continued

17 Called up share capital

	Number	£'000	\$000
Authorised:			
Equity: Ordinary shares of £0.01 each	238,608,024	2,386	-
Equity: Deferred shares of £0.09 each	40,154,664	3,614	-
	<u>278,762,688</u>	<u>6,000</u>	<u>-</u>
Allotted, called up and fully paid:			
31 March, 2000			
Equity : £0.01 new ordinary shares	176,497,810	1,765	2,928
Equity : £0.09 deferred shares	-	-	-
	<u>176,497,810</u>	<u>1,765</u>	<u>2,928</u>
31 March, 2001			
Equity: £0.01 new ordinary shares	177,097,810	1,771	2,937
Equity: £0.09 deferred shares	-	-	-
	<u>177,097,810</u>	<u>1,771</u>	<u>2,937</u>

During the year the Company issued ordinary 1 pence shares as follows :

Date	Number	Price per share
26 July, 2000	100,000	23.0 pence
2 February, 2001	500,000	4.5 pence

Share Options

The Company has three Executive Share Option Schemes.

The Approved Executive Share Option Scheme, which was adopted by the Company on 15 July, 1993. Options under this scheme are granted to eligible employees at the discretion of a committee of the Board of Directors of the Company.

The Unapproved Executive Share Option Scheme, which was adopted by the Company on 15 July, 1993, has Rules substantially the same as for the Approved Executive Share Option Scheme, except that in addition, options may be granted to companies who provide the services of an employee or director to the Company or its subsidiaries.

There are no options outstanding under either of the above two Executive Share Option Schemes.

The No. 2 Unapproved Executive Share Option Scheme, was adopted by the Company on 11 October, 1996. The Scheme Rules are substantially the same as that of the Unapproved Executive Share Option Scheme other than specific restrictions as to the exercising of the Options.

Directors' share options existing under the No. 2 Unapproved Executive Share Option Scheme at the financial year end are stated in the Directors' Report.

Notes to the financial statements

Continued

17 Called up share capital Continued

On 20 June, 2000, the Company issued share options under the No. 2 Unapproved Executive Share Option Scheme as follows:

	No. of options Granted	Exercise price	Date from which exercisable	Expiry date
Executive Directors				
Peter Middleton	1,000,000	24p	20/06/2000	01/04/2010
Stephen Padgett	500,000	24p	20/06/2001	01/04/2010
Employees				
Gary Hudson	500,000	24p	20/06/2001	01/04/2010
Michael Kendal	500,000	24p	20/06/2001	01/04/2010
Sarah-Jane Graham	250,000	24p	20/06/2001	01/04/2010
Julia Franzini	250,000	24p	20/06/2001	01/04/2010
Jane Walton	125,000	24p	20/06/2001	01/04/2010

On 1 March 2001, Mr. Stephen Padgett was issued a further 250,000 share options under the No.2 Unapproved Executive Share Option Scheme at an exercise price of 20.25 pence each. The options are exercisable from 1 March 2002 and the options expire on 1 March 2011.

On 26 July 2000, Canaccord Capital Inc. was issued with 100,000 shares as part settlement in lieu of notice to dispense with their services as brokers as a result of the appointment of SG Securities (London) Ltd. The prevailing share price at 26 July, 2000 was 23 pence, amounting to a consideration of US\$34,000 (£23,000).

On 17 August, 2000 Worley Engineers Inc. were granted options to purchase 500,000 shares in the Company at 23 pence each.

On 30 October, 2000 Société Générale were granted warrants to purchase 5,000,000 shares in the Company at 40 pence each in lieu of fees in respect of the financing of the first methanol plant. On successful completion of the project financing it is contemplated that further warrants to purchase 5,000,000 shares in the Company at 40 pence each will be granted.

18 Reserves: Group

	Special reserve \$000	Merger reserve \$000	Share premium account \$000	Profit and loss account \$000	Total \$000
1 April, 2000	3,508	5,141	9,449	(3,788)	14,310
Retained loss for the year	-	-	-	(3,301)	(3,301)
Premium on shares issued	-	-	59	-	59
31 March, 2001	3,508	5,141	9,508	(7,089)	11,068

Reserves : Company

	Special reserve \$000	Merger reserve \$000	Share premium account \$000	Profit and loss account \$000	Total \$000
1 April, 2000	3,508	5,141	9,449	(3,621)	14,477
Retained loss for the year	-	-	-	(3,172)	(3,172)
Premium on shares issued	-	-	59	-	59
31 March, 2001	3,508	5,141	9,508	(6,793)	11,364

The Company's loss for the financial year was \$3,172,000 (2000: \$2,610,000).

Notes to the financial statements

Continued

19 Reconciliation of movements in equity shareholders' funds

Group	2001 \$000	2000 \$000
Loss for the financial year	(3,301)	(2,712)
New share capital subscribed (net of issue costs)	68	9,222
Net movement in shareholders' funds	(3,233)	6,510
Shareholders' funds 1 April, 2000	17,238	10,728
Shareholders' funds 31 March, 2001	14,005	17,238

20 Analysis of cash flows

	2001 \$000	2000 \$000
Returns on investments and servicing of finance		
Interest received	414	161
Interest paid	-	(1)
Share capital issued in lieu of fees	34	-
	448	160
Capital expenditure		
Purchase of tangible fixed assets	178	(23)
Purchase of intangible fixed assets	90	-
	268	(23)
Financing		
Issue of ordinary share capital	34	9,222

21 Minority interests

	2001 \$000	Group 2000 \$000
At beginning of year	155	81
Share of loss for the year	18	74
At end of year	173	155

The figures above represent an equity minority interest in each year.

Notes to the financial statements

Continued

22 Commitments

- a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group and Company	
	2001	2000
	\$000	\$000
Contracted	900	122

Capital commitments at the balance sheet date relates to engineering costs with respect to the development of a detailed design for the planned methanol plant in Australia, which will be site specific.

- b) Annual commitments under non-cancellable operating leases are as follows:

	Group and Company	
	2001	2000
	\$000	\$000
Land and buildings		
Operating leases which expire: within one year	89	55

23 Subsidiary undertakings

The undertakings in which the Group's interest at the year end is more than 20% are as follows:

Company name	Percentage beneficial ownership by Group (ordinary shares)	Country of incorporation/registration	Principal activity
Conpor Inc.	100.00%	British Virgin Islands	Dormant
GCS Holdings Inc.	67.50%	British Virgin Islands	Project Holding Company
GCS Vietnam Inc.	59.00%	Cayman Islands	Floating Methanol Plant
GTC Resources Limited	100.00%	England and Wales	Dormant
GTL Resources (Australia) Pty Limited	100.00%	Australia	Project Management
Darwin Methanol Company Pty Limited	100.00%	Australia	Onshore Methanol Plant
GTL Resources Inc.	100.00%	United States of America	Project Holding Company

All the companies listed above have been included in the consolidated financial statements.

Notes to the financial statements

Continued

24 Related party transactions

Provisions of services by The Fox Partnership

The amount owed by The Fox Partnership at 31 March, 2001 of \$2,000, (£1,250) remained outstanding.

Provision of services by Walkers, Chartered Accountants, ("Walkers")

The Group paid \$28,000 (£19,000) to Walkers for the provision of business services during the year. Mr P. Grylls, former Finance Director, is a full time equity partner of Walkers and a shareholder of the Company. Certain other partners of the firm and staff employed are also shareholders in the Company. Mr. Stephen Padgett, Executive Director is a former employee of the firm. The formal engagement of services ceased on 1 March, 2001.

Provision of services by Salans, Hertzfeld & Heilbronn HRK, ("Salans")

The Company employed the services of Salans, a London based law firm, for the provision of legal advice in respect of a claim against the company by a former employee. In the year under review, payments totalling \$11,000 (£7,400), were remitted by the Company to Salans for professional services rendered. Mr K. Alexander, Company Secretary, significant shareholder and Chief Executive Officer, was a resident London Partner of the firm until 28 March, 2000.

Other related party transactions

During the year, loans made in previous years to a subsidiary, Conpor Inc. from Dr. A. J. Horan and Mr T. Fox amounting to \$83,000, (£52,000), were repaid.

Mr Graham Wickham was engaged as a Non Executive Director on a consultancy fee basis. From 1 July, 2000, Mr. Wickham was employed by the company as a Non Executive Director. Fees paid under the terms of the consultancy during the year amounted to \$5,500, (£3,750).

Notice of annual general meeting

GTL RESOURCES PLC

(Registered in England — No. 2811366)

Notice is hereby given that the Annual General Meeting of the Company will be held at 11.00 am on Monday, 29 October, 2001 at the Cavendish Conference Centre, 22 Duchess Mews, London W1G 9DT.

As ordinary business:

- 1 To receive the Report of the Directors and the Financial Statements of the Company for the year ended 31 March, 2001, together with the Report of the Auditors thereon;
- 2 To re-elect Mr. Graham Wickham who will be retiring by rotation in accordance with the Articles of Association of the Company at the Annual General Meeting as a director of the Company;
- 3 To reappoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next General Meeting at which financial statements are laid before the Company at a remuneration to be fixed by the directors.

As special business:

- 4 To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

that in substitution for any existing power under Section 80 of the Companies Act 1985 (as amended and in force from time to time) (the "Act") but without prejudice to the exercise of any such power prior to the date hereof, the directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal value of £615,102.14 such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2002 but so that such authority shall allow the Company to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred herein had not expired.

- 5 To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

that subject to the passing of the Ordinary Resolution number 4 set out in this notice, in substitution for any existing power under Section 95 of the Companies Act 1985 (as amended and in force from time to time) (the "Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the directors be and are hereby empowered until the conclusion of the Annual General Meeting of the Company to be held in 2002, pursuant to Section 95(1) of the Act, to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority given in accordance with Section 80 of the Act by Resolution 4 above as if Section 89(1) did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue or open offer in favour of shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them, subject to such exclusions or other arrangements that the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under any law or requirement of any regulatory authority;

Notice of annual general meeting

Continued

- (b) the allotment of equity securities pursuant to the terms of any share option scheme for employees approved by the members in General Meeting; and
- (c) the allotment for cash (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £176,000 (equivalent to approximately 9.9 per cent. of the Company's issued ordinary share capital at the date of the notice of this resolution);

but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Registered Office:
60 St. James's Street
London SW1A 1LE

By Order of the Board,
Kevin Alexander
Secretary
Dated 28 June, 2001

Notes—

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
- 2 To be effective, the enclosed form of proxy together with the Power of Attorney or authority (if any) under which it is signed or a notarially certified copy of such authority must be deposited with Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol, Avon BS13 8AE, not less than 48 hours before the Meeting.
- 3 The Register of Directors' Interests in the shares of the Company and copies of the service agreements between the Company and its directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excluded) until the date of the Meeting and also on the date and at the place of the Meeting from 9.30 am until the conclusion of the Meeting.

GTL RESOURCES PLC.

60 St. James's Street, London, SW1A 1LE
Tel: 020 7493 3393 **Fax:** 020 7493 3394

www.gtlresources.com