Interim Report
Six months to 31 December 2016
(LON:GCM)

Chairman's Statement

I am delighted to report to our shareholders for the period ended 31 December 2016. The last six months has been positive for GCM Resources plc ("GCM"), as we reposition the Phulbari Coal and Power Project ("Project") to be in line with the objectives of the Bangladesh Government ("Government").

The Government continues to prioritise the development of coal fired power plants, as part of their broader strategic plan to dramatically increase power generation for the country. In doing so, agreements for thermal fired power plants are preferably within a government-to-government framework, and to-date contracts have been signed with China, Malaysia, Japan and Singapore.

In November we were very pleased to announce the Memorandum of Understanding (MOU) with China Gezhouba Group International Engineering Co. Ltd ("CGGC"). Under the agreement, CGGC and GCM are considering the feasibility of a joint venture to develop coal fired power plants at the mine site of the Project, generating up to 2,000MW. CGGC is owned by China Gezhouba Group Co. Ltd, which is a core member of China Energy Engineering Group Co. Ltd, a super central state-owned enterprise. CGGC has a wealth of experience in developing large infrastructure projects throughout the world, including thermal power plants.

The aim is to have an integrated mine-site project generating up to 2,000MW using Phulbari coal, and with such a well-respected partner as CGGC, we believe GCM will be in an advantageous position to proceed to development. In this scenario, and assuming ultra-supercritical power plant technology is employed, only approximately 33% of the thermal coal production from the mine would be utilised for this phase of mine-site power generation envisaged in the MOU. This would allow the remaining 67% or 8 million tonnes per annum, to support potentially additional mine-mouth power generation and other thermal power plants within Bangladesh.

I am pleased with the work our team is doing to assist CGGC and the joint collaboration is mobilising to complete a prefeasibility study. We do not underestimate the challenges ahead in relation to completing the prefeasibility study and in achieving subsequent approvals. However, we remain optimistic about the opportunities and determined to achieve our primary goal – to develop the Project for the benefit of all stakeholders.

Engagement with local communities has continued throughout the period within the Dinajpur District where the Project is located. It is imperative that such projects have local community support and we have a strong focus on enhancing our 'social licence'. Project implementation will mean substantial investment into the locality and we are committed to ensuring that host communities appreciate a significant sustainable benefit from the Project.

Financials

GCM's results for the six months ended 31 December 2016 showed a loss after tax of £399,000 (31 December 2015: loss after tax of £640,000). The £241,000 (37%) reduction in the loss compared to the comparative period was primarily due to a large reduction in share based payments (2016: £nil, 2015: £271,000) and an 11% reduction in administrative expenses. Capitalised Project expenditure also reduced by 25% to £250,000 for the six months ended 31 December 2016 (31 December 2015: £335,000) reflecting our continued efforts to reduce costs where possible.

The Group activities for the period ended 31 December 2016 have been funded by drawdowns of £450,000 from a £1.1 million temporary loan facility with Polo Resources Limited, GCM's largest shareholder. As at 31 December 2016 the unutilised balance of the temporary loan facility was £550,000, while the unutilised balance of the £3 million convertible loan facility remained at £2,490,000 with no further drawdowns during the period. As reported in the 2016 Annual Report, discussions continue with a potential new investor, a private investment company, with a view to taking over the remainder of the undrawn convertible loan facility.

To strengthen the Group's financial position, we have been in discussions with a number of interested parties to obtain further equity funding. Until sufficient, definitive and reliable funding is secured there is a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. We are confident that the necessary funds will be obtained as and when required. Please refer to the accounting policy note on going concern (page 7) for further information.

Outlook

Over the next six months GCM will be working with CGGC towards determining the feasibility of a joint venture in respect to mine site power plants, while continuing our advocacy efforts with the Government. We will also continue discussions with other potential partners who may assist GCM in fulfilling its goals.

I would like to thank the Board and staff for their continued hard work during the period and shareholders for their continued confidence and support.

Datuk Michael Tang PJN
Executive Chairman

Interim Consolidated Income Statement

	6 months ended 31 December 2016 unaudited £000	6 months ended 31 December 2015 unaudited £000	Year ended 30 June 2016 audited £000
Operating expenses			
Exploration and evaluation costs	**(19)**	(20)	(40)
Share based payments	**-**	(271)	(271)
Administrative expenses	**(291)**	(326)	(663)
Operating loss	**(310)**	(617)	(974)
Finance costs	**(89)**	(23)	(69)
Loss before tax	**(399)**	(640)	(1,043)
Taxation	**-**	-	-
Loss and total comprehensive income for the period	**(399)**	(640)	(1,043)
Earnings per share			
Basic loss per share (pence)	**(0.6p)**	(1.0p)	(1.7p)
Diluted loss per share (pence)	**(0.6p)**	(1.0p)	(1.7p)

Interim Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Share based payments not settled £000	Convertible loan equity component £000	Accumulated losses £000	Total £000
Balance at 1 July 2015	6,286	45,286	598	40	(14,580)	37,630
Total comprehensive loss	-	-	-	-	(1,043)	(1,043)
Drawdown of convertible loan	-	-	-	129	-	129
Share based payments	-	-	11	-	271	282
Balance at 30 June 2016	6,286	45,286	609	169	(15,352)	36,998
Total comprehensive loss	-	-	-	-	(399)	(399)
Share based payments	-	-	5	-	-	5
Balance at 31 December 2016 (unaudited)	**6,286**	**45,286**	**614**	**169**	**(15,751)**	**36,604**
Balance at 1 July 2015	6,286	45,286	598	40	(14,580)	37,630
Total comprehensive loss	-	-	-	-	(640)	(640)
Drawdown of convertible loan	-	-	-	56	-	56
Share based payments	-	-	6	-	271	277
Balance at 31 December 2015 (unaudited)	**6,286**	**45,286**	**604**	**96**	**(14,949)**	**37,323**

Interim Consolidated Balance Sheet

	Notes	31 December 2016 unaudited £000	31 December 2015 unaudited £000	30 June 2016 audited £000
Current assets				
Cash and cash equivalents		**181**	50	194
Receivables		**148**	114	136
Total current assets		**329**	164	330
Non-current assets				
Property, plant and equipment		**29**	31	29
Intangible assets	3	**38,637**	38,067	38,387
Receivables		**-**	54	-
Total non-current assets		**38,666**	38,152	38,416
Total assets		**38,995**	38,316	38,746
Current liabilities				
Payables		**(788)**	(480)	(684)
Borrowings	4	**(1,603)**	(100)	(1,064)
Total current liabilities		**(2,391)**	(580)	(1,748)
Non-current liabilities				
Borrowings	4	**-**	(413)	-
Total non-current liabilities		**-**	(413)	-
Total liabilities		**(2,391)**	(993)	(1,748)
Net assets		**36,604**	37,323	36,998
Equity				
Share capital		**6,286**	6,286	6,286
Share premium account		**45,286**	45,286	45,286
Other reserves		**783**	700	778
Accumulated losses		**(15,751)**	(14,949)	(15,352)
Total equity		**36,604**	37,323	36,998

Datuk Michael Tang PJN
Chairman

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2016 unaudited £000	6 months ended 31 December 2015 unaudited £000	Year ended 30 June 2016 audited £000
Cash flows used in operating activities			
Loss before tax	**(399)**	(640)	(1,043)
Adjusted for:			
Finance costs	**89**	23	69
Share based payments	**-**	271	271
Other non-cash expenses	**-**	-	-
	(310)	(346)	(703)
Movements in working capital:			
(Increase)/decrease in operating receivables	**(13)**	89	91
Increase/(decrease) in operating payables	**99**	42	223
Cash used in operations	**(224)**	(215)	(389)
Interest received	**-**	-	-
Net cash used in operating activities	**(224)**	(215)	(389)
Cash flows from investing activities			
Payments for intangible assets	**(235)**	(313)	(603)
Payments for property, plant and equipment	**(4)**	(1)	(2)
Net cash generated from investing activities	**(239)**	(314)	(605)
Cash flows from financing activities			
Proceeds from borrowing	**450**	410	1,019
Net cash from financing activities	**450**	410	1,019
Total (decrease)/increase in cash and cash equivalents	**(13)**	(119)	25
Cash and cash equivalents at the start of the period	**194**	169	169
Cash and cash equivalents at the end of the period	**181**	50	194

Notes to the Interim Condensed Consolidated Financial Statements

1. Accounting policies

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

The unaudited interim report was authorised for issue by the Directors on 23 March 2017, and the Interim Consolidated Balance Sheet was signed on the Board's behalf by Datuk Michael Tang PJN.

Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2016 and applied in accordance with the Companies Act 2006. The interim condensed consolidated financial statements for the six months ended 31 December 2016 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2016.

There has been no impact on the Group's financial position or performance from new and amended IFRS and IFRIC interpretations mandatory as of 1 July 2016.

The financial information contained herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2016 have been extracted from the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and contained an unqualified auditors' report which included emphases of matters concerning the uncertainty over the recoverability of the intangible mining assets and significant doubt over the ability for the Group to continue as a going concern, and did not include a statement under section 498(2)(a) or (b), or section 498(3) of the Companies Act 2006.

Political and economic risks – carrying value of intangible asset

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

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

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

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

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

The Directors are confident that the Phulbari Coal and Power Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved, the Group would impair all of its intangible mining assets totalling £38,637,000 as at 31 December 2016.

Going concern

GCM relies on its current resources, a temporary loan facility and a convertible loan facility to fund its operating activities. As at 31 December 2016 the unutilised balance of the temporary loan facility was £550,000 while the unutilised balance of the convertible loan facility was £2,490,000. However it has not been possible to draw down further funds from the convertible loan facility. As reported in the 2016 Annual Report, the Group has been in discussions with a potential new investor, a private investment company, with a view to taking over the remainder of the undrawn convertible loan facility. In the previous financial year ended 30 June 2016, the potential new investor has contributed £608,000 in accordance with the terms of the convertible facility loan while negotiations continue. To strengthen the financial position of the Group, Directors have been in discussions with a number of interested parties to obtain further equity funding.

In forming the conclusion that it is appropriate to prepare the financial statements on a going concern basis, the Directors have made the following assumptions that are relevant to the next twelve months:

- The drawdowns from the temporary loan facility with Polo Resources limited will continue in a consistent and timely manner as and when requested by GCM and that the facility will not be withdrawn;
- Any future equity fundraising entered into by the Group will be successful;
- The £510,000 utilised under the existing convertible loan facility, repayable on 30 June 2017, will be extended if not converted by the holder. Conversion is outside the control of GCM; and
- The Group will finalise an agreement with the potential new investor in relation to its contributions of £608,000 in accordance with the terms of the convertible facility, but shall include a deferred repayment date.

While the Directors remain confident that the necessary funds will be available as and when required, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal and Power Project have been prepared and, taking into account a number of factors, the Directors have satisfied themselves that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Upon achieving approval of the Phulbari Coal and Power Project additional financial resources will be required to proceed with development.

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 and Power Project in Bangladesh.

3. Intangible assets

Intangible assets increased by £250,000 during the six months to 31 December 2016 (December 2015: increase of £335,000). The increase is due to the exploration and evaluation expenditure relating to the Phulbari Coal and Power Project, and is capitalised in accordance with the Group's accounting policies.

4. Borrowings

During the period ended 31 December 2016 borrowings increased by £539,000 (December 2015: increase of £100,000). The increase comprised of drawdowns from the temporary loan facility of £450,000 and accrued finance costs on borrowings of £89,000.