GCM
RESOURCES

Annual Report & Accounts 2017

(LON : GCM)

GCM Resources plc

GCM Resources plc (GCM), the AIM listed resource exploration and development company, has identified a world class coal resource of 572 million tonnes (JORC 2004 compliant) at the Phulbari Coal and Power Project (the Project) in north-west Bangladesh. Utilising the latest highly energy efficient power generating technology the Phulbari coal mine is capable of supporting up to 6,000MW. GCM is awaiting approval from the Government of Bangladesh to develop the Project.

Contents

Strategic Report

Group Strategic Report
Executive Chairman's Statement 1
Group Strategic Report 2

Governance

Governance
Board of Directors 6
Directors' Report 7

Financial Statements

Group Accounts
Independent Auditor's Report 12
Consolidated Financial Statements 16
Notes to the Consolidated Financial Statements 20

Company Financial Statements
Statement of Directors' Responsibilities 36
Company Statement of Changes in Equity 37
Company Balance Sheet 38
Notes to the Company Financial Statements 39

Executive Chairman's Statement

I am delighted to update our shareholders on the Company's progress over the last twelve months, particularly in relation to the Phulbari Coal and Power Project (Project).

Progress is being made to reposition the Company's mining project into a holistic power solution, in line with the objectives of the Government of Bangladesh (Government), which is to significantly expand power generation in order to support long term economic growth and social development in the country.

In November 2016 we were very pleased to begin our strategic relationship with China Gezhouba Group International Engineering Co Limited (CGGC) by signing a Memorandum of Understanding (MOU). The MOU enabled the parties to collaborate in a new proposal to construct an initial 2,000MW mine-mouth power plant in conjunction with the Phulbari coal mine.

CGGC is an internationally recognised engineering company with infrastructure projects across the world. CGGC's businesses cover the design, construction, investment and operation in power, water conservancy, highways, railways, bridges, municipal works, airports, ports, waterways, industrial and civil buildings, as well as real estate and coal mining.

At the beginning of 2017 CGGC began a technical pre-feasibility study (PFS) on the proposed power plant with the assistance of GCM. This was successfully completed and announced on 14 July 2017.

We are honoured to be working with the high calibre CGGC team and much encouraged by their interest in further developing the relationship. The parties are currently in discussions to agree a joint development framework agreement which will set out the respective roles and responsibilities, and enable the parties to move forward with the Project.

By combining the planned coal mine with the proposed 2,000MW mine-mouth power plant in conjunction with CGGC, we are reshaping the Phulbari Coal and Power Project to become an integrated power proposition which we anticipate will be attractive to the Government.

An additional 2,000MW to the Bangladesh energy grid would make a substantial contribution to the country and assist the Government in meeting its long-term aim of having 57,000 MW of installed power generating capacity by 2041 from a diversified energy sector. The Project could support up to a further 4,000MW at the mine-mouth and/or at other strategic sites within Bangladesh.

Continuing its focus on minimising costs and conserving cash, the Group recorded a loss of £1.0 million for the year ended 30 June 2017 (2016: £1.0 million). Capitalised Project related expenditure for the year ended 30 June 2017 amounted to £1.8 million (2016: £0.7 million), which included non-cash expenditure of £1.3 million.

Looking forward, we recognise the significant challenges ahead in developing the combined power plant and mine proposal, and achieving the necessary approvals from the Government, the timing of which remains in the hands of the authorities. We are determined to continue adding shareholder value, by pursuing the development of the Project to the benefit of shareholders, Bangladesh and the local communities.

Finally, I would like to express my thanks to shareholders for their continued commitment and support, and to the Board and staff for all their hard work over the last year.

Datuk Michael Tang PJN

Executive Chairman

Group Strategic Report

Business & Strategy

GCM's business is to provide a holistic power solution to the Bangladesh Government (Government) by developing the Phulbari Coal and Power Project (Project). The Project comprises of a proposed coal mine and utilising the coal to generate power at mine mouth power stations, as well as potentially supplying other thermal power plants within the country.

Through the combination of low-cost, high-production open pit mining and the latest energy efficient power plant technology, we believe that GCM can provide Bangladesh with a reliable and competitively-priced power supply of up to 6,000MW for approximately 30 years.

The Bangladesh Government has prioritised the rapid expansion of its energy sector. The Draft Power System Master Plan of 2016 estimates that power generation from coal will increase by 20GW (currently 250MW) over the next years as the country increases its total power generation from 10GW to 57GW over the same period.

Accordingly, GCM believes it is well placed to assist the Government in meeting its needs and objectives.

Power

GCM is planning to develop an initial 2,000MW thermal power plant in North-West Bangladesh, together with China Gezhouba Group International Engineering Co. Ltd (CGGC). In the power plant technical pre-feasibility study announced in July 2017, CGGC has recommended that Advance Ultra Super Critical thermal plant technology be adopted using air cooling instead of water cooling. This technology significantly reduces the water requirement, minimises environmental impact and effectively removes water availability from being a potential constraint to expanding local power generating capacity.

The power plant will be located adjacent to the mine site to maximise operating synergies and benefit from low cost coal handling involving a simple conveyor feed from the mine's coal stockpiles.

GCM is at an early stage in respect to expanding its business into power generation. Further studies need to be undertaken and the Company is currently negotiating with CGGC to strengthen the relationship into a joint development framework agreement, considering an engineering, procurement, construction and commissioning (EPC) agreement and possibly a joint venture partnership. The consent of the Government will be required before development can occur.

Mine

GCM, through its wholly-owned subsidiary has a contract with the Government for "Exploration and mining of coal in Northern Bangladesh". In line with this Contract GCM has extensively studied and evaluated the 572 million tonne resource (JORC 2004) of high quality coal within its licence and lease areas covering the Phulbari coal basin.

The Definitive Feasibility Study and Scheme of Development (DFS) was completed and submitted to the Government in October 2005. The DFS pulls together over two hundred individual studies by an international and national team of experts to deliver a world-class mining project plan employing proven mining methods utilised in other successful mines. The DFS is a comprehensive development and operating plan which includes: optimised mine design, scale of operations and coal resource recovery; management plans to minimise environmental and social impacts; new town development, villages and public infrastructure; water management; and agriculture improvement plans. The Project will be fully compliant with the United Nation's Global Compact Principles on universal sustainability, the International Financial Corporation (World Bank) Performance Standards, the Equator Principles adopted by international financial institutions, the Asian Development Bank (ADB) Safeguard Policies as well as the prevailing laws of Bangladesh.

The Scheme of Development for the mine proposal awaits Government approval to proceed with development.

Strategy

Looking forward, GCM aims to strengthen the relationship with CGGC in the next twelve months by negotiating a joint development framework agreement, EPC contract and possibly a joint venture partnership in respect to power plant ownership. Further studies in relation to the proposed power plants will be needed, including a full feasibility study, environmental and social impact assessment and human rights impact assessment. In presenting the Project as a holistic power solution, the Company intends to seek permission from the Government of Bangladesh to proceed with development of both the mine and power plant based on the prime deliverable, being up to 6,000MW of power.

The Company recognises the importance of retaining and strengthening relationships with the local communities in the Project area and shall continue to be active throughout the region, to listen to the views of the communities and understand their priorities and aspirations.

As GCM does not yet generate any revenue, the Group's operations shall continue to be funded by a mix of equity and debt financing. In addition, when determined to be in the best interests of shareholders, obligations to key stakeholders will be satisfied by the issue of new ordinary shares, to both incentivise those stakeholders and preserve cash. For the foreseeable future, the Company's expenditure is expected to moderately increase to support the development of the Project. Upon achieving approval, significant additional financial resources will be required to proceed with development.

Finally, the Company will continue to speak to potential partners who may assist GCM in Project approval, financing and/or mine development.

Year in review

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

In 2016, pursuant to its strategy, the Company sought to find a suitable power plant development partner who had a strong track record in delivering thermal power plants, would enhance the prospects of the Project and who could also operate within a government-to-government framework.

After discussions with a number of parties GCM was delighted to attract the interest of CGGC, who 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. In December 2016 a sister company of CGGC, China Gezhouba Group No.6 Engineering Co. Ltd, was awarded a contract with the Road and Highways Department of the Bangladesh Government to undertake the Gazipur-Dhaka Airport BRT Road Upgrade Project, which is part of the Greater Dhaka Urban Sustainable Transport Project.

On 11 November 2016 the Company formalised the first step with CGGC, signing and announcing a Memorandum of Understanding (MOU) between the parties. Under the MOU, CGGC and GCM considered the feasibility of a joint venture to develop coal fired power plants at the mine site of the Project, generating up to 2,000MW.

A technical pre-feasibility study (PFS) was completed and submitted to GCM in July 2017. The PFS identified the use of the latest technology in respect to two 1,000MW thermal power plants at the mine mouth. Air cooled ultra-super-critical power plants were chosen as the preferred power units, which are expected to substantially reduce the emissions and broader environmental impact, including water usage. In this scenario only approximately 33% of the thermal coal production from the mine would be utilised for this phase of mine-site power generation. This would allow the remaining 67% or 8 million tonnes per annum, to support up to a further 4,000MW, ideally established in phases at the mine-site or if necessary at other strategically located thermal power plant sites within Bangladesh.

Overall, despite not receiving Project approval during the period, the Company is pleased with the progress made over the last twelve months in repositioning the Company's Project to be in line with the Government's objectives. The Company is currently negotiating with CGGC in respect to a joint development framework agreement, to provide the framework for the relationship leading up to development, and a possible joint venture partnership in respect to power plant ownership. An EPC contract in relation to power plant development is also being separately discussed with CGGC. Government approval of both the mine and the proposed power plant is required before proceeding into development, the timing of which is in the hands of the Government.

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'. The Project will improve the economic and social well-being of people in the Project area and regular feedback through our community liaison personnel is that the majority want to see development and appreciate the job opportunities and other benefits that will be available. 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.

Finance review

GCM continued to control its expenditure during the year, incurring a loss of £1,006,000 for the year ended 30 June 2017 (2016: loss of £1,043,000), which included £349,000 of non-cash expenditure (2016: £341,000). Administrative expenses remained consistent with prior years at £654,000 (2016: £663,000).

Capitalised Project expenditure for the year ended 30 June 2017 was £1,792,000, compared to £655,000 during the previous financial year. The difference was mainly as a result of non-cash consulting fee of £1,300,000, paid by the issuance of new Company shares in accordance with a Power Plant Consulting Agreement signed on 18 May 2017. The non-cash consulting fee included a £1,060,000 success fee, which was awarded for the key milestones of introducing CGGC, assisting in the negotiations and successful conclusion of the MOU. Since

Group Strategic Report (continued)

signing the Power Plant Consulting Agreement, the Company's market capitalisation rose from £17.6m on 15 May 2017 to £34.8m on 8 November 2017, an increase of 98%.

During the year the convertible loan of £1,119,000 was settled by the issuance of 10,169,000 shares in accordance with the terms of the convertible loan facility agreement. In addition, the Company negotiated an increase in a short-term loan from its largest shareholder, Polo Resources Limited to £1,100,000 (£390,000 increase on 23 August 2016 and £610,000 increase on 16 November 2016). The loan has an interest rate of 12% per annum and a rolling repayment notice of 90 days. As at the 30 June 2017 the Company had utilised £950,000, and as at the date of this report the Company had fully utilised the facility. The Company is in advanced stages of negotiating further funding and accordingly the Board of Directors is confident that the necessary financial resources will be raised as and when required.

Corporate Responsibility

GCM's activities, strategy and plans are in line with the key core values of integrity and fairness for all stakeholders. It is important that for any mining or infrastructure project to be successful, it is vital that a partnership is developed with all relevant stakeholders, particularly with local communities.

The Company's values are best demonstrated by its activities to date and the commitments it has made.

The Definitive Feasibility Study and Scheme of Development and the Environmental and Social Impact Assessment for the mine proposal were prepared in accordance with the international best practice at the time. The Company continues to actively engage with the communities in the Project area, holding meetings and focus group discussions, with the intention of maintaining and further developing its 'social licence'. As CGGC and the Company further evaluate the prospects of a mine mouth power plant, it will ensure that a comprehensive environmental and social impact assessment (including a human rights impact assessment) is prepared.

Project implementation will mean substantial investment into the locality and we are committed to ensuring that host communities secure a significant sustainable benefit from the Project.

An estimated 17,000 jobs are expected to be directly and indirectly created as a consequence of developing the mine and associated infrastructure.

Only one third of the mine footprint will be needed at any one time, allowing farming to continue prior to utilisation and after rehabilitation. As part of GCM's water management and agriculture improvement plans, farms are expected to have year-round access to irrigation which combined with improved inputs and training is expected to increase agricultural output in the region.

GCM has been consistently transparent about the need to resettle approximately 40,000 people, with 12,000 people moving to a new town extension and the remainder moving to new village sites or electing to use the opportunity to move to other areas in Bangladesh. This resettlement is planned to occur in six phases over a period of approximately 10 years pursuant to a comprehensive Resettlement Plan. At this stage it is expected that the construction of a 2,000MW thermal power plant will not require additional resettlement.

The Company shall give local communities opportunities to engage in the planning process prior to implementation. Detailed plans are in place to provide the local communities with new housing, religious centres, schools, health centres, electricity, reticulated water supply and improved sanitation. Compensation to those affected will, where appropriate, be a mix of measures such as long term livelihood restoration support, replacement homes, retraining, employment and various financial assistance allowances.

GCM reiterates its commitment to developing the Project in accordance with the highest international and national environmental and social standards. The Company continues to be a signatory of the UN Global Compact, the world's largest voluntary corporate responsibility initiative, and is committed to complying with the social and environmental policies and standards of the International Finance Corporation (World Bank), the Equator Principles, the Asian Development Bank's (ADB) Safeguard Policies as well as the prevailing laws of Bangladesh.

Risks and uncertainties

The predominant risks and uncertainties faced by GCM Resources plc are set out below.

Political and economic – risk that the Scheme of Development is not ultimately approved by the Government of Bangladesh. The Board believes that despite the delays in receiving approval, it is in the best interests of shareholders and all stakeholders to pursue the strategy in place to achieve Project approval. However, the timing of approval remains in the hands of the Government of Bangladesh. The Company retains its right to seek legal redress in accordance with the terms of the Contract with the Government of Bangladesh in the event approval is not ultimately forthcoming. Refer to Note 1 of the consolidated financial statements for further information.

Strategic – risk that the strategic partnership with China Gezhouba Group International Engineering Co Limited (CGGC) is cancelled, or otherwise does not proceed, thereby undermining the Company's strategy to pursue approval of the Phulbari Coal and Power Project as a holistic power solution. The Company is committed to furthering the relationship with CGGC and is encouraged by CGGC's continued interest in the proposal. In the event that the strategic partnership comes to an end, the Company has the prerogative of choosing other potential partners, and/or seeking a new strategy to seek the approval of the Phulbari Coal and Power Project. Ultimately, the Company retains its right to seek legal redress in accordance with the terms of the Contract with the Government of Bangladesh in the event approval is not forthcoming.

Financing – risk that the Company will not be able to raise necessary funds as and when required. The Company is in advanced stages of negotiating further funding and accordingly the Board of Directors is confident that the necessary financial resources will be raised as and when required. In the event that negotiations are not successful, funds will need to be sought from alternative sources. Directors are confident that the necessary funds will be obtained as and when required. For further details refer to page 3.

Commercial – 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.

Legal – risk that the mining lease and exploration licences are revoked. The Group has complied with all terms of the Contract with the Government and is careful to ensure that all ongoing conditions are met. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law.

Health and safety, social and environmental risks - The Group is committed to developing the Project and meeting the highest international social and environmental standards. For further details refer to page 4.

On behalf of the Board,

Datuk Michael Tang PJN
Executive Chairman
17 November 2017

Board of Directors

Executive Directors

Datuk Michael Tang PJN *(Executive Chairman)* is Chairman of the Company's largest shareholder, Polo Resources Limited and is the principal of Mettiz Capital Limited, an investment company with significant corporate and financial experience in natural resources, power generation, healthcare, technology, manufacturing and real estate. Mr Tang qualified as a barrister at Lincoln's Inn and holds a Bachelor of Law degree from the London School of Economics and Political Science. Mr Tang was conferred the Distinguished Order for Meritorious Service ("Panglima Jasa Negara") which carries the honorific title of "Datuk" by His Majesty King of Malaysia. The award was in recognition of his invaluable service and contribution to the nation.

James Hobson (*Finance Director*) is the Finance Director of GCM and has been with the Company since July 2006. Mr Hobson has 18 years finance and corporate experience, predominantly in mining, international development and accounting services. He is a director in GCM's subsidiaries and previously held directorships in private non-listed businesses. Mr Hobson is a Fellow of the Institute of Chartered Accountants in Australia.

Non-Executive Director

Nik Raof Daud *(Non-Executive Director)* commenced his career in the mining and oil and gas industries in Asia, and subsequently transitioned to industrial products in Europe. His more than 30 years' experience covers both technical and corporate roles at senior management level. He is an Associate of the Royal School of Mines and holds a B.Sc. (Eng.) with First Class Honours in Mining from Imperial College London. Mr Daud attended a postgraduate course in Control Engineering and Operational Research at the University of Cambridge and programmes at INSEAD, France and Manchester Business School, England.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2017.

Principal activities

GCM Resources plc (GCM) was incorporated as a Public Limited Company (Company register number 04913119) 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 and Power Project in Bangladesh.

Business review

Phulbari Coal and Power Project
A detailed review of progress on the Phulbari Coal and Power Project is included in the Group Strategic Report starting on page 2.

Financial resources
As at 30 June 2017 GCM held £180,000 in cash (2016: £194,000 cash).

Corporate responsibility
GCM is committed to undertaking its activities in accordance with the highest international social, environmental and operational standards. For detailed information please refer to page 4.

Financial review
The Group recorded a loss after tax of £1,006,000 for the year ended 30 June 2017 (2016: loss after tax of £1,043,000). Non-cash expenses of £255,000 were incurred during the year (2016: £341,000).

Capitalised evaluation expenditure relating to the Phulbari Coal and Power Project was £1,792,000 for the year ended 30 June 2017 (2016: £655,000). The difference was mainly as a result of non-cash consulting fee of £1,300,000, paid by the issuance of new Company shares in accordance with a Power Plant Consulting Agreement signed on 18 May 2017. The consulting fee included a £1,060,000 success fee, which was awarded for the key milestones of introducing CGGC, assisting in the negotiations and successful conclusion of the MOU.

During the year the convertible loan of £1,119,000 was settled in full by the issuance of 10,169,000 shares in accordance with the terms of the convertible loan facility agreement.

The Company negotiated an increase its borrowing facility with its largest shareholder, Polo Resources Limited to £1,100,000. The loan has an interest rate of 12% per annum and a rolling repayment notice period of 90 days. As at the 30 June 2017 the Company had utilised £950,000.

The Company has maintained net cash outflows in line with prior years, £14,000 outflow (2016: inflow £25,000) in line with the objective to maintain cash funds.

Post balance sheet events
On 14 July 2017 the Company announced the completion of a technical prefeasibility study in respect to the mine-mouth coal fired power plant proposal being considered jointly by GCM and China Gezhouba Group International Engineering Co. Ltd. In accordance with the terms of a consulting agreement, a success fee of £1,016,000 was paid to a consultant for the achievement of this key milestone, by issuing 3,907,700 ordinary shares in the Company. The June 2017 financial statements have not been adjusted.

Dividends
The Directors do not recommend the payment of a dividend (2016: nil).

Going concern

In order to support its operating expenses for a period of at least 12 months and discharge its current liabilities as they fall due, the Company will need to obtain further financial resources through debt or equity financing. The Company is in advanced stages of negotiating further funding and accordingly the Board of Directors is confident that the necessary financial resources will be raised as and when required.

Projections of future costs for a range 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 upon the Group securing further funding it will have adequate financial resources to continue in operational existence for the foreseeable future. At the date of this report the negotiations to secure further funding have not been completed and in the event that the planned fundraise fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and would need to seek additional funding in order to meet its liabilities as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast doubt as to the Group's ability to continue as a going concern.

Accordingly the financial statements continue to be prepared on a going concern basis. Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

Directors' Report (continued)

Future outlook

The Group is fully committed to the Phulbari Coal and Power Project and is directly engaging with the Government of Bangladesh and other stakeholders to move the Project forward. A detailed review of progress on the Phulbari Coal and Power Project is included in the Group Strategic Report starting on page 2.

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties can be found on page 4.

Financial instruments

Details of the financial risk management objectives and policies of the Group and information on the Group's exposure to financial risks can be found in note 16 to the financial statements.

Directors

The Directors who served during the year:

	Appointed	Resigned
Executive Directors		
Datuk Michael Tang PJN	26 June 2013	–
James Hobson	11 November 2016	–
Non-Executive Directors		
Dato' Md Wira Dani Bin Abdul Daim	2 October 2013	19 August 2016
Nik Raof Daud	30 September 2015	–

Amounts paid for services of Directors for the year ended 30 June 2017 were:

	2017 £	2016 £
Executive Directors		
Datuk Michael Tang PJN	**303,600**	303,600
James Hobson	**64,322**	–
Non-Executive Directors		
Nik Raof Daud	**6,000**	4,517
Dato' Md Wira Dani Bin Abdul Daim	**1,000**	6,000
Guy Elliott	**–**	1,500
	374,922	315,617

The Directors who held office at 30 June 2017, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2017 Shares	2017 Conditional shares(1)	2017 Options	2016 Shares	2016 Conditional shares	2016 Options
Executive Directors						
Datuk Michael Tang PJN	**–**	**–**	**7,250,000(2)**	–	–	7,250,000
James Hobson(3)	**200**	**12,500**	**425,000(2)**	–	–	–
Non-Executive Directors						
Dato' Md Wira Dani Bin Abdul Daim	**–**	**–**	**950,000(2)**	–	–	950,000
Nik Raof Daud	**–**	**–**	**200,000(2)**	–	–	200,000

(1) Shares awarded in the event of key milestones being reached. Refer to Note 16 to the financial statements.

(2) Options with an exercise price of £0.11, vested on 1 January 2016 and an expiry date of 31 May 2020

(3) James Hobson was appointed director during the financial year ended 30 June 2017. All interests in shares and options were previously held prior to the appointment.

Corporate governance

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 Conduct Authority incorporate the UK Corporate Governance Code which sets out the principles of Good Governance and the Code of Best Practice for listed companies. In addition the Quoted Companies Alliance Code (QCA Code) provides corporate governance guidance for small and mid-sized quoted companies. While there is no requirement to adopt a code of corporate governance the Board recognises the importance of sound corporate governance and considers the principles of both codes, while also being mindful of the Company's size and activities, when assessing the adequacy of its corporate governance procedures.

Board composition

Non-Executive Director Dato' Md Wira Dani Bin Abdul Daim resigned on 19 August 2016 and the Company is in the process of finding a replacement. As at 30 June 2017 the Board consisted of two executive directors and one non-executive director. Upon appointment of a new non-executive director the Board composition will be two executive directors and two non-executive directors. The Board considers that this composition will be satisfactory, taking into account the size and scale of the Group's activities and that 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 Group 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 policies 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 2017 the Board met four times.

All directors have access to the advice and services of the Group's solicitors, Nominated Adviser 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.

The Audit Committee

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. As at 30 June 2017 the Audit Committee consisted of Nik Raof Daud.

The Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. 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. As at 30 June 2017 the committee consisted of Nik Raof Daud. Non-Executive Directors' remuneration is considered by the Board.

Directors' Report (continued)

The Nominations Committee
The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives. As at 30 June 2017 the Nominations Committee consisted of Nik Raof Daud.

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 and monitoring risks through regular reviews by senior management.

Business risk
The Board regularly evaluates and reviews business risks when reviewing project timelines. The types of risks reviewed include:

- Regulatory and compliance obligations
- Political and economic risks – refer to note 1 for further information
- Environmental requirements
- Legal risks relating to contracts, licences and agreements
- 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 currently finances its operations through equity and debt financing, and holds its cash to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer to note 17 for liquidity risk.

Capital management
Capital comprises cash and the unutilised amount of a short term loan facility. The Group does not hold other loans, financial leases, or other non-current finance obligations.

	2017 £000	2016 £000
Cash	**180**	194
Borrowing facilities	**150**	1,882
Capital	**330**	2,076

Upon approval of the Phulbari Coal and Power Project funding will be sought from a mix of equity and debt sources to finance development. 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.

Qualifying third party indemnity provisions
The Company has put in place qualifying third party indemnity provisions for all of the Directors of the company which was in force at the date of approval of this report.

Political contributions
No payments to political parties have been made during the year (2016: nil).

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 provides 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.

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)

Full details of the resolutions to be proposed at the Company's AGM will be included in the Notice of Meeting which will be distributed to shareholders along with the Annual Report.

Auditors

The auditors to the Group, BDO LLP, have expressed their willingness to continue in office as auditors and pending the outcome of a re-tender, a resolution proposing their reappointment will be submitted at the AGM.

Directors' statement as to disclosure of information to auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom 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 Group financial statements under International Financial Reporting Standards as adopted by the European Union. 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 Group and of the profit or loss of the Group for that period.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 company will continue in business.

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 enable them to ensure that the financial statements comply with the requirements of 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.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board,

Datuk Michael Tang PJN
Executive Chairman
17 November 2017

Independent Auditor's Report

Independent auditor's report to the members of GCM Resources plc

Opinion
We have audited the financial statements of GCM Resources plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2017 which comprise the Consolidated and Company Balance Sheet, the Consolidated Statement of Comprehensive income, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flows Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 30 June 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern
We draw attention to Note 1 to the financial statements which explains that the Group and Company are in advanced negotiations to secure further funding but that the arrangements have not been finalised.

If this funding is not secured, the Group and Company will require additional external funding in order to meet their obligations as and when they fall due. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material uncertainty in relation to going concern section, we have determined the matters described below to be key audit matters.

KEY AUDIT MATTER
Carrying value of intangible asset (Group) and carrying value of investment in subsidiary (Company) The Group's intangible asset represents capitalised exploration and evaluation expenditure on the Phulbari Coal and Power Project. The balance sheet total is £40.1m as at 30 June 2017. The Company holds an investment in Asia Energy Corporation (Bangladesh) Pty Limited the entity that holds the underlying Phulbari asset. The value of the investment on the Company balance sheet is £44.0m. The Group has a contract with the Bangladesh government to explore, develop and mine on the Phulbari Coal licence area. In 2005 the Group submitted a feasibility study and mine development plan, in line with the terms of the contract, in order to obtain approval to move forward with development. To date the government has not provided the necessary approval. As a result there is continued uncertainty regarding if and when such approval will be obtained. The Company has received a legal opinion confirming that the Group retains legal title to the asset despite the delays in approval. The recoverability of the investment in Asia Energy Corporation (Bangladesh) Pty Limited is reliant on the successful development of the Phulbari asset and is therefore subject to the same uncertainties regarding recoverability. The Directors consider that the delay in obtaining the approval represents an indicator of impairment under IFRS 6 Exploration for and *Evaluation of Mineral Resources*. As part of the impairment test the Directors concluded that the value of the intangible asset and investment in subsidiary continues to be appropriately supported by the original definitive feasibility study submitted in 2005. As such, the carrying value is dependent upon the ultimate approval of the feasibility study and mine development plan. The Directors remain satisfied that approval will ultimately be obtained and concluded that no impairment was appropriate but disclosed their key judgements, together with the uncertainties, in note 1 to the financial statements. Given the level of judgement applied we considered this to be a significant audit risk and a key audit matter.

OUR RESPONSE
We evaluated the Directors' assessment of the Group's right to tenure over the Phulbari Coal licence area by reviewing historical agreements and the external legal opinion obtained by the Group on the status of the overriding contract. We discussed the legal opinion with the external solicitor and assessed the solicitor's competence and independence. We gained an understanding of the strategy the Directors are pursuing to progress the project given the continued delays in securing development approval and have reviewed the partnership agreements the company has entered into during the period. We evaluated management's impairment assessment and underlying economic model against the original feasibility study submitted in 2005, including the approved coal reserves study. We critically challenged the key estimates and assumptions used including their continued appropriateness including assessment of the price inputs to market data and forecasts; re-calculation of discount rates; and review of the inflationary impact on costs. We performed our own sensitivity analysis over individual key inputs, together with a combination of sensitivities over such inputs. We evaluated the disclosures given in the notes to the financial statements, including the judgments and the uncertainties regarding the ultimate approval by the government.

COMMENTARY
We consider the Directors' assessment that no impairment needs to be recognised at the present time to be acceptable and the disclosures to be appropriate.

KEY AUDIT MATTER
Going concern When preparing financial statements, the Directors are required to make an assessment of the Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. At the reporting date, current liabilities exceeded current assets and during the financial year significant financing cash inflows were required to meet continual working capital requirements. Subsequent to year end, the Directors concluded that additional financing cash flows were required to meet future working capital requirements and its liabilities as they fall due for the forecasted period. We therefore assessed going concern as a key audit matter. The Directors' concluded that the Group remains a going concern and key judgements made by the Directors are disclosed on page 7 to the financial statements.

OUR RESPONSE
We challenged the Directors forecasts to assess the Group's ability to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements. We reviewed the consistency of committed cash flows against contractual arrangements and compared general overheads to current run rates. The forecasts demonstrated that the Group required additional funding to meet its liabilities as they fall due. We reviewed documentation to support the intentions to raise sufficient further capital to enable the Group to meet its liabilities as they fall due and note that ability to raise sufficient funds to meet its working capital requirements and liabilities as they fall due is not certain. We reviewed the adequacy of disclosures in the financial statements in respect of the Group's funding position and requirement for additional funding to meet its working capital requirements and liabilities as they fall due, which the Directors' concluded represents a material uncertainty regarding its ability to continue as a going concern.

COMMENTARY
We concurred with the Directors assessment, considered the disclosures to be appropriate and have referred to this in the Material uncertainty in relation to going concern section of our report.

Our application of materiality

Group materiality FY 2017	Basis for materiality
£600 thousand	1.5% of total assets of £40.4 million

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider total assets to be the most significant determinant of the Group's financial performance used by shareholders as the Group continues to bring its mining assets through to development.

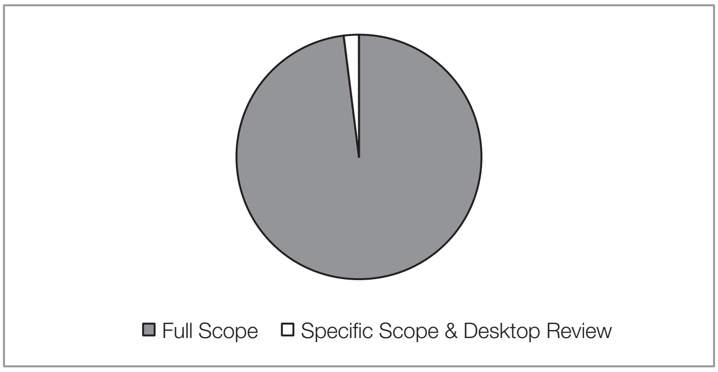
Whilst materiality for the financial statements as a whole was £600 thousand, each significant component of the group was audited to a lower level of materiality of £480 thousand which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the group's principal operating location being Bangladesh which was subject to a full scope audit. Together with the parent company, which was also subject to a full scope audit, these represent the significant components of the group.

The remaining components of the group were considered non-significant and these components were principally subject to analytical review procedures. We set out below the extent to which the group's total assets were subject to audit versus analytical procedures.



Whilst materiality for the financial statements as a whole was £600k, each component of the group was audited to a lower level of materiality.

The audits of each of the components were performed in the United Kingdom. All of the audits were conducted by BDO LLP.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matt Crane, (Senior statutory auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

17 November 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For year ended 30 June

	Notes	2017 £000	2016 £000
Operating expenses			
Exploration and evaluation costs		**(53)**	(40)
Share based payments	16	**–**	(271)
Administrative expenses		**(654)**	(663)
Operating loss	3	**(707)**	(974)
Finance revenue		**–**	–
Finance costs		**(299)**	(69)
Loss before tax		**(1,006)**	(1,043)
Taxation	6	**–**	–
Loss for the year		**(1,006)**	(1,043)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(1,006)**	(1,043)
Loss per share			
Basic (pence per share)	7	**(1.6p)**	(1.7p)
Diluted (pence per share)	7	**(1.6p)**	(1.7p)

Consolidated Statement of Changes in Equity

For year ended 30 June

	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	–	–	–	–	(1,006)	(1,006)
Share issuances(1)	1,529	879	–	–	–	2,408
Share based payments	–	–	9	–	–	9
Transfer of convertible loan equity component on share issue	–	–	–	(169)	169	–
Balance at 30 June 2017	**7,815**	**46,165**	**618**	**–**	**(16,189)**	**38,409**

(1) refer to note 14 for further information on share issuances

Consolidated Balance Sheet

As at 30 June

	Notes	2017 £000	2016 £000
Current assets			
Cash and cash equivalents		**180**	194
Other receivables	8	**52**	136
Total current assets		**232**	330
Non-current assets			
Property, plant and equipment		**27**	29
Intangible assets	9	**40,179**	38,387
Total non-current assets		**40,206**	38,416
Total assets		**40,438**	38,746
Current liabilities			
Payables	11	**(1,028)**	(684)
Borrowings	12	**(1,001)**	(1,064)
Total current liabilities		**(2,029)**	(1,748)
Total liabilities		**(2,029)**	(1,748)
Net assets		**38,409**	36,998
Equity			
Share capital	14	**7,815**	6,286
Share premium account	14	**46,165**	45,286
Other reserves	14	**618**	778
Accumulated losses		**(16,189)**	(15,352)
Total equity		**38,409**	36,998

Datuk Michael Tang PJN
Executive Chairman
17 November 2017

Consolidated Cash Flow Statement

For year ended 30 June

	2017 £000	2016 £000
Cash flows from/(used in) operating activities		
(Loss) before tax	**(1,006)**	(1,043)
Adjusted for:		
Finance costs	**299**	69
Share based payments	**–**	271
Other non-cash expenses	**50**	–
	(657)	(703)
Movements in working capital:		
(Increase)/decrease in operating receivables	**(6)**	91
Increase/(decrease) in operating payables	**280**	223
Cash used in operations	**(383)**	(389)
Net cash used in operating activities	**(383)**	(389)
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment	**(4)**	(2)
Payments for intangible assets	**(477)**	(603)
Net cash generated from/(used in) investing activities	**(481)**	(605)
Cash flows from/(used in) financing activities		
Proceeds from borrowing	**850**	1,019
Net cash from financing activities	**850**	1,019
Total increase in cash and cash equivalents	**(14)**	25
Cash and cash equivalents at the start of the year	**194**	169
Cash and cash equivalents at the end of the year	**180**	194

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 17 November 2017, and the Consolidated Balance Sheet was signed on the Board's behalf by Datuk Michael Tang PJN.

Basis of preparation

The 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 2017 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 2017.

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 – 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 in respect of the licence areas. 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 (Government) 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.

Accordingly, the Directors are confident that the Phulbari Coal and Power Project (Project) will ultimately receive approval, although the timing of approval remains in the hands of the Government. To enhance the prospects of the Project, GCM has engaged in a strategy to align the Project with the needs and objectives of the Government. The Government seeks to rapidly expand the country's power generation, including the increase in coal fired power generation from the current 250MW to approximately 20,000MW.

The Group's strategy is to combine the planned coal mine with the proposed 2,000MW mine-mouth power plant in conjunction with China Gezhouba Group International Engineering Co Limited, an internationally recognised engineering company, which is ultimately owned by the Government of the Republic of China. Over the last twelve months progress has been made in pursuit of this strategy as highlighted on page 2.

Until approval of the Scheme of Development from the Government of Bangladesh is received there is continued 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 £40,179,000 as at 30 June 2017.

Going concern

In order to support its operating expenses for a period of at least 12 months and discharge its current liabilities as they fall due, the Company will need to obtain further financial resources through debt or equity financing. The Company is in advanced stages of negotiating further funding and accordingly the Board of Directors is confident that the necessary financial resources will be raised as and when required.

Projections of future costs for a range 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 upon the Group securing further funding it will have adequate financial resources to continue in operational existence for the foreseeable future. At the date of this report the negotiations to secure further funding have not been completed and in the event that the planned fundraise fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and would need to seek additional funding in order to meet its liabilities as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast doubt as to the Group's ability to continue as a going concern.

Accordingly the financial statements continue to be prepared on a going concern basis. Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

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 on-going 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
In assessing the recoverability of intangible assets, if an impairment trigger under IFRS 6 is identified then intangibles are tested for impairment. Management has identified impairment triggers to be the market capitalisation of the Company compared to the recognised amount on the balances sheet and the delay in obtaining approval of the Scheme of Development. To assess for recoverability estimates are used to determine the expected 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. Refer to “Political and economic risks – carrying value of intangible asset” section on page 20 for further details in respect of the recoverability of intangible mining assets. Management has considered that the estimated return on investment to be significantly higher than the current carrying value and therefore no impairment has been accounted for.

Share based payments
Note 16 outlines the significant assumptions made when accounting for options and conditional shares. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to the income statement.

Basis of consolidation
Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company’s voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries (“the Group”) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

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.

Notes to the Consolidated Financial Statements (continued)

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.

Costs related to the Power project are classified appropriately to either exploration and evaluation asset, property, plant and equipment or profit and loss based on the nature of the expense incurred and with regards to the recognition criteria in IFRS 6 and IAS 16.

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 Group should test for impairment. In the event that there is an indicator of impairment, the Group performs an impairment test in accordance with its policy on impairment as stated below. 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.

Convertible loan
The component of the convertible loan that exhibits characteristics of a liability is recognised as a liability in the balance sheet net of transaction costs. On drawdown of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan; and this amount is classified as a financial liability at amortised cost until it is extinguished on conversion or repaid. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders equity net of transaction costs. The carrying amount of the conversion options is not re-measured in subsequent years.

The transaction costs are apportioned between the liability and equity components of the convertible loan based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Interest on the liability component of the instrument is determined using the effective interest method and is recognised as an expense. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other loans and borrowings
All loans and borrowings which are financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in finance costs in the income statement.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at banks and in hand.

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:

Notes to the Consolidated Financial Statements (continued)

- 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).

Where equity settled share based payments are made to non-employees the cost of equity-settled transactions is measured by reference to fair value of the goods or services received and measured at the date the entity obtains the goods or the counterparty renders the service.

Where the fair value of the goods or services received cannot be estimated reliably the, the entity measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

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
There were a number of new and amended standards and interpretations during the year as follows:

	Effective date	Adoption date
International Accounting Standards (IAS / IFRSs)		
Annual Improvements to IFRSs 2012-2104 cycle	1 January 2016	1 July 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016	1 July 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	1 July 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	1 July 2016
Classification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	1 July 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	1 July 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016	1 July 2016
Investment Entities: Applying for Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016	1 July 2016

The application of the new and amended standards and interpretations during the year did not have any impact on the accounting policies, financial position or performance of the Group.

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)		
Disclosure Initiative (Amendments to IAS 7)	1 January 2017	1 July 2017
Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	1 July 2017
IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 July 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018	1 July 2018
Classification and Measurement of Share Based Transactions (Amendments to IFRS 2)	1 January 2018	1 July 2018
IFRS 16 Leases	1 January 2019	1 July 2019

Based on the current and foreseeable operation, 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 and Power Project (the Project) in Bangladesh.

3. Operating loss

	2017 £000	2016 £000
The operating loss is stated after charging:		
Directors' remuneration	**375**	316
Share based payments(1)	**–**	271
Other staff costs(2)	**70**	126
Operating lease rentals(3)	**20**	18
Depreciation of property, plant and equipment(4)	**–**	–
Exchange differences	**–**	4

(1) Total share based payments for the 2017 financial year was £9,000 which was capitalised to intangibles (2016: £271,000 expensed and £11,000 capitalised).

(2) Other staff costs for 2017 financial year were £317,000 of which £62,000 was expensed in administrative expenses, £8,000 expensed in exploration and evaluation costs and £247,000 capitalised (2016: £126,000 expensed in administrative expenses and evaluation costs and £224,000 capitalised).

(3) Operating lease rental costs for 2017 financial year were £93,000 of which £20,000 was expensed and £72,000 capitalised (2016: £146,000 of which £18,000 was expensed and £128,000 capitalised).

(4) Total depreciation for 2017 was £6,000 which was capitalised to intangibles (2016: £5,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £53,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2016: £40,000).

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.

	2017 £000	2016 £000
Audit of the financial statements	**30**	48
Audit of subsidiaries	**8**	9
Total audit	**38**	57
Total fees	**38**	57

Notes to the Consolidated Financial Statements (continued)

5. Amounts paid for Directors' services, and staff costs

	2017 £000	2016 £000
Amounts paid for Directors' services		
Amounts paid for Directors' services	**375**	316

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report on page 7.

Staff costs

	2017 £000	2016 £000
Wages and salaries[(1)]	**303**	336
Social security costs	**14**	14
	317	350

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2017 Number	2016 Number
Exploration and evaluation	**18**	18
Administration	**4**	5
	22	23

6. Taxation

Reconciliation of the tax charge in the income statement

	2017 £000	2016 £000
(Loss) on ordinary activities before tax	**(1,006)**	(1,043)
UK corporation tax @ 19.75% (2017) and 20% (2016)	**(199)**	(209)
Unrecognised deferred tax assets during the year	**114**	105
Non-deductible expenditure	**85**	104
Total tax expense reported in the income statement	**–**	–

The reduction in the rate of corporation tax from 20% to 19% from 1 April 2017 has been fully incorporated into the accounts.

Unrecognised deferred tax assets

	2017 £000	2016 £000
Deferred tax asset		
Tax losses carried forward	**2,093**	2,087
Impairment	**891**	939
Other	**1**	1
	2,985	3,027
Less: deferred tax assets de-recognised	**(2,985)**	(3,027)
	–	–

The decrease in unrecognised deferred tax assets during the year of £42,000 is due to the increase of £114,000 from the tax loss for the year, less an adjustment of £156,000 due to the reduction in the UK corporation tax rate to 19%. At 30 June 2017 tax losses for which a deferred tax asset was not recognised amounted to £11,015,000 (2016: £10,436,000). 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, will arise.

7. Earnings per share

	2017 £000	2016 £000
(Loss) for the year	**(1,006)**	(1,043)

	Thousands	Thousands
Weighted average number of shares		
Basic and diluted weighted average number of shares	**63,554**	62,861
(Loss) per share		
Basic (pence per share)	**(1.6p)**	(1.7p)
Diluted (pence per share)	**(1.6p)**	(1.7p)

There are 9,925,000 potentially dilutive options at 30 June 2017 which are not included in the calculation of diluted earnings per share in 2017 because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

8. Other Receivables

	2017 £000	2016 £000
Current		
Unamortised transaction costs	**–**	94
Prepayments	**40**	32
Other receivables	**12**	10
	52	136

9. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
At 1 July 2015	36,585	1,147	37,732
Additions – exploration & evaluation	655	–	655
At 30 June 2016	37,240	1,147	38,387
Additions – exploration & evaluation	1,792	–	1,792
Cost and net book value at 30 June 2017	**39,032**	**1,147**	**40,179**
Cost and net book value at 30 June 2016	37,240	1,147	38,387

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

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

Material capital additions in the period relate to shares issued for consultancy costs as disclosed in note 14.

Notes to the Consolidated Financial Statements (continued)

10. Investments

Principal undertakings
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 2017	Ownership interest 2016
Subsidiaries			
South African Coal Limited	England and Wales	**100%**	100%
Asia Energy Corporation Pty Limited	Australia	**100%**	100%
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**100%**	100%
GCM Resources Singapore Pte Ltd	Singapore	**100%**	100%
Asia Energy (Bangladesh) Pvt Ltd	Bangladesh	**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. The investment was fully impaired during the year ended 30 June 2010.

11. Payables

	2017 £000	2016 £000
Trade payables	**333**	286
Related party accrued payable	**546**	248
Transaction costs payable	**150**	150
	1,028	684

Refer to note 19 for details of the related party accrued payable.

12. Borrowings

Borrowings as at the balance sheet date are summarised as follows:

	2017 £000	2016 £000
Convertible loan	**–**	964
Short-term loan from related party	**1,001**	100
	1,001	1,064

Refer to note 19 for details of the short-term loan from related party.

Convertible loan

	2017 £000	2016 £000
Recognition of convertible loan during the year		
Fair value of liability component on initial recognition	–	782
Equity component	–	136
Consideration received during the year	–	918
Movement in convertible loan liability component		
Opening balance	**964**	152
Liability components of drawdowns on initial recognition	–	782
Amortised transaction costs	–	(39)
Effective interest	**154**	69
Conversion of loan to shares	**(1,118)**	–
Liability as at 30 June	–	964
Movement in convertible loan equity component		
Opening balance	**169**	40
Equity components of drawdowns on initial recognition	–	136
Amortised transaction costs	–	(7)
Conversion of loan to shares	**(169)**	–
Equity component as at 30 June	–	169

The convertible loan facility provided for the Company to drawdown funds up to £3 million at the Company's request and for the utilised amount to be repaid by 30 June 2017 if not previously converted to shares or previously repaid. There is no interest payable on the Convertible Loan. The Lender had the right to convert the outstanding balance of the loan at any time during the loan period at a conversion price of £0.11 per share, provided that the Lenders interest in the Company does not reach 30% of the Company's issued capital. The loan was converted to shares in accordance with the terms of the facility on 27 June 2017.

Interest charged to the income statement is determined using the effective interest method at the weighted average rate of 16% (2016: 16%).

13. Commitments

Operating lease commitments

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

	2017 £000	2016 £000
Operating leases expiring:		
Within one year	**44**	89
After one year but not more than five years	**20**	1
	64	90

In addition, under the terms of the Prospecting License agreement with the Bangladesh authorities for contract licence areas B, G and H respectively, an annual fee of 500 Taka (£4.85 at year-end exchange rate) is payable for each hectare within the licence area. The Group currently leases 5,480 hectares within these licence 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.

Notes to the Consolidated Financial Statements (continued)

14. Authorised and issued share capital

	2017 Thousands	2016 Thousands	2017 £000	2016 £000
Authorised				
Ordinary shares of 10p each	**200,000**	200,000	**20,000**	20,000
Allotted, called up and fully paid				
At 1 July	**62,861**	62,861	**6,286**	6,286
Shares issued	**15,293**	–	**1,529**	–
At 30 June	**78,154**	62,861	**7,815**	6,286

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.

On 18 May 2017 4,791,034 shares were issued to a consultant as payment for their services in accordance with a Power Plant Consulting Agreement signed on 18 May 2017. The consulting payments for the year included £180,000 (900,000 shares at 20p per share) as payment for a retainer and £1,060,000 (3,891,034 shares at 27.25p per share) as payment for a success fee. Refer to page 3 for further information.

On 27 June 2017 10,501,932 shares were issued as repayment in full of the convertible loan facility dated 29 May 2015. Refer to note 12 for further information.

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 conditional shares awarded which have not yet been settled and the equity component of the convertible loan (refer to note 12).

	2017 £000	2016 £000
Share based payments not settled	**618**	609
Convertible loan equity component	**–**	173
	618	782

15. Non-cash transactions

During the year the significant non-cash transactions during the year were as follows:

- On 18 May 2017 4,791,034 shares were issued to a consultant as payment for their services in accordance with a Power Plant Consulting Agreement signed on 18 May 2017. The consulting payments for the year included £180,000 (900,000 shares at 20p per share) as payment for a retainer and £1,060,000 (3,891,034 shares at 27.25p per share) as payment for a success fee. Refer to page 3 for further information.
- On 27 June 2017 10,501,932 shares were issued as repayment in full of the convertible loan facility dated 29 May 2015. Refer to note 12 for further information.
- Non-cash interest expense in relation to the convertible loan (note 12) for the year ended 30 June 2017 was £154,000.

16. Share based payments

The charge for share based payments during the year is shown in the following table:

	2017 £000	2016 £000
Charged to the income statement		
Options awarded during financial year ended 30 June 2016	**–**	6
Options awarded during financial year ended 30 June 2015	**–**	120
Modified options during financial year ended 30 June 2015	**–**	161
Forfeited options	**–**	(16)
	–	271
Charged to intangibles		
Conditional shares	**9**	11
	9	11

Options

Options are issued to incentivise Directors and other senior executives. 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.

Options awarded during the previous financial year

200,000 options were granted during the year ended 30 June 2016 with a fair value of £0.0288 per option at grant date. The total cost of the options granted was £6,000 which was expensed during the year.

The fair values of the options granted were determined using the Black-Scholes model. The following table lists the inputs to the model.

Grant date	25 November 2015
Share price at grant date	£0.0725
Expiry date	31 May 2020
Vesting period	0.10 years
Expected term	2.32 years
Exercise price	£0.11
Risk free rate	0.744%
Expected volatility	88%
Expected dividend yield	0%
Options	200,000

Movement in options

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

	2017 Options Thousands	2017 WAEP	2016 Options Thousands	2016 WAEP
At 1 July	**9,925**	**£0.11**	12,175	£0.42
Options granted	**–**	**–**	200	£0.11
Expired options	**–**	**–**	(1,500)	£0.40
Options forfeited	**–**	**–**	(950)	£0.11
Outstanding at 30 June	**9,925**	**£0.11**	9,925	£0.11
Exercisable at 30 June	**9,925**	**£0.11**	9,925	£0.11

The options outstanding at 30 June 2017 have an exercise price of £0.11 (2016: £0.11) and a weighted average contractual life of 2.9 years (2016: 3.9 years).

Notes to the Consolidated Financial Statements (continued)

Conditional shares scheme

GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. 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 and Power Project. 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:

	2017 Thousands	2016 Thousands
At 1 July	**313**	313
30 June	**313**	313

The grant details of the conditional shares outstanding as at 30 June 2017 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6.32	60
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	208
		313

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2017 is £618,000 (2016: £609,000) 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 increase in the cost of conditional shares of £9,000 for the year ended 30 June 2017 is directly attributable to the Phulbari Coal and Power Project, and accordingly capitalised to intangibles on this basis (2016: £11,000).

17. Financial Instruments

The Group holds cash as a liquid resource 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 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. The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

The financial liabilities of the Group include trade payables and a short-term loan from a related party. Trade payables are recognised at fair value on initial recognition and subsequently measured at amortised cost. The short-term loan was recognised based on the present value of cash payable to the lender. As the short-term loan is payable within 12 months, the present value of the cash payable was equal to the principal value of the loan.

Interest rate risk

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

	2017 £000	2016 £000
Floating rate – within 1 year		
Cash and cash equivalents	**7**	–

Other financial instruments of the Group are non-interest bearing and are therefore not subject to interest rate risk. Non-interest bearing cash and cash equivalents as at 30 June 2017 was £173,000 (2016: £194,000).

Credit risk

The Group considers the credit ratings of banks in which it holds funds in order to manage exposure to credit risk. The maximum credit risk at 30 June 2017 was as follows:

	2017 £000	2016 £000
Cash and cash equivalents	**180**	194

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 2017 and 2016.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	1 – 2 years £000	Total £000
2017					
Payables	119	20	889	–	1,028
Borrowings	–	–	1,001	–	1,001
	119	**20**	**1,890**	**–**	**2,029**
2016					
Payables	71	16	597	–	684
Borrowings	–	–	1,218	–	1,218
	71	16	1,815	–	1,902

Currency risk

The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

Fair values of financial assets and liabilities

	Financial instrument classification	Book value 2017 £000	Book value 2016 £000	Fair value 2017 £000	Fair value 2016 £000
Financial assets					
Cash and cash equivalents		**180**	194	**180**	194
Receivables	Loans and receivables	**12**	10	**12**	10
Financial liabilities					
Creditors	Amortised cost	**1,028**	684	**1,028**	684
Borrowings	Amortised cost	**1,001**	1,064	**1,001**	1,064

Management have assessed that the fair value of cash, current receivables and current payables approximate their carrying amounts due to the short term maturities of these instruments.

Notes to the Consolidated Financial Statements (continued)

18. Contingent liabilities

Royalty
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.

Consultant success fees
The Group is obliged to pay a consultant, Dyani Corporation Limited, success fees conditional upon achieving key milestones relating to the advancement of the proposed 2,000MW coal fired power plant at the mine-mouth of the Phulbari Coal and Power Project, in North-West Bangladesh. As at 30 June 2017 the outstanding milestones were as follows:

- A preliminary feasibility study completed by CGGC (or a large Chinese enterprise acceptable to the Company) on the proposed mine mouth coal power plant of up to 2,000MW at no external cost to GCM, for which the Consultant shall receive a success fee equal to 5% of the issued capital of the Company;
- GCM and CGGC (or a large Chinese enterprise acceptable to the Company) executing a Framework Agreement in relation to a joint venture investment or similar cooperation with respect to the proposed mine mouth coal power plant, for which the Consultant shall receive a success fee equal to 5% of the issued capital of the Company;
- GCM and CGGC (or a large Chinese enterprise acceptable to the Company) executing a final joint venture investment or similar cooperation with respect to the proposed mine mouth coal power plant, for which the Consultant shall receive a success fee equal to 8% of the issued capital of the Company; and
- GCM and CGGC (or a large Chinese enterprise acceptable to the Company) executing a Framework EPCC Agreement, or definitive agreement in relation to an EPCC with respect to the proposed mine mouth coal power plant, for which the Consultant shall receive a success fee equal to 5% of the issued capital of the Company.

The Directors are of the opinion that a provision is not required in respect of these success fees, as the milestones had not been met as at 30 June 2017.

19. Related Party Transactions

Key management personnel

	2017 £000	2016 £000
Short-term benefits	**464**	530
Share based payments	**3**	274
	467	804

Short-term related party loan
GCM is beneficiary to a £1.1 million short-term loan facility from its largest shareholder, with an interest rate of 12% per annum. As at 30 June 2017 the Group had utilised £950,000 of the loan facility (2016; £100,000). The terms of the short-term loan requires repayment within 90 days of receiving notice from Polo Resource Limited. Refer to note 12.

Deferment of Director fees
During the previous financial year Datuk Michael Tang PJN, Executive Chairman of the Company, offered to defer payment of his management services remuneration until further notice in order to assist the Company. As at 30 June 2017 the amount of £546,000 was owing to the management services company of Datuk Michael Tang PJN (2016: £248,000). Refer to note 11.

20. Post-balance sheet events

Consultant success fee
On 14 July 2017 the Company announced the completion of a technical prefeasibility study in respect to the mine-mouth coal fired power plant proposal being considered jointly by GCM and China Gezhouba Group International Engineering Co. Ltd. In accordance with the terms of a consulting agreement, a success fee of £1,016,000 was paid to a consultant for the achievement of this key milestone, by issuing 3,907,700 ordinary shares in the Company. The June 2017 financial statements have not been adjusted.

Company Financial Statements 2017

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 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. 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 they have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company’s website is the responsibility of the Directors. The Directors’ responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of Changes in Equity

For the year ended 30 June

	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	(10,972)	41,238
Total comprehensive loss	–	–	–	–	(865)	(865)
Drawdown of convertible loan	–	–	–	129	–	129
Share based payments	–	–	11	–	271	282
Balance at 30 June 2016	6,286	45,286	609	169	(11,566)	40,784
Total comprehensive loss	–	–	–	–	(827)	(827)
Share issuances	1,529	879	–	–	–	2,408
Share based payments	–	–	9	–	–	9
Transfer of convertible loan equity component on share issue	–	–	–	(169)	169	–
Balance at 30 June 2017	**7,815**	**46,165**	**618**	**–**	**(12,224)**	**42,374**

Company Balance Sheet

As at 30 June

	Notes	2017 £000	2016 £000
Current assets			
Cash and cash equivalents		**158**	189
Other receivables	5	**29**	117
Security deposit		**3**	3
Total current assets		**190**	309
Non-current assets			
Investments	6	**44,014**	42,025
Total non-current assets		**44,014**	42,025
Total assets		**44,204**	42,334
Current liabilities			
Payables	7	**(829)**	(486)
Borrowings	8	**(1,001)**	(1,064)
Total current liabilities		**(1,830)**	(1,550)
Total liabilities		**(1,830)**	(1,550)
Net assets		**42,374**	40,784
Equity			
Share capital	10	**7,815**	6,286
Share premium account	10	**46,165**	45,286
Other reserves	10	**618**	778
Accumulated losses		**(12,224)**	(11,566)
Total equity		**42,374**	40,784

Datuk Michael Tang PJN
Executive Chairman
17 November 2017

The parent company recorded a loss of £827,000 for the year ended 30 June 2017 (2016: loss of £865,000).

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 17 November 2017.

Basis of preparation of financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to, share-based payment, financial instruments, fair value measurements, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets.

No profit and loss account is presented for GCM Resources plc as permitted by section 408 of 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 2017. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

Political and economic risks - carrying value of investments in subsidiaries

The Company's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited (AECB), controls the Phulbari Coal and Power 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 (Government) which gives it the right to explore, develop and mine in respect of the licence areas. 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. Approval of the Scheme of Development from the Government of Bangladesh is necessary to proceed with development of the mine. AECB continues to await approval.

No notification has been received from the Government 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.

Accordingly, the Directors are confident that the Phulbari Coal and Power Project (Project) will ultimately receive approval, although the timing of approval remains in the hands of the Government. To enhance the prospects of the Project, GCM has engaged in a strategy to align the Project with the needs and objectives of the Government. The Government seeks to rapidly expand the country's power generation, including the increase in coal fired power generation from the current 250MW to approximately 20,000MW.

The Company's strategy is to combine the planned coal mine with the proposed 2,000MW mine-mouth power plant in conjunction with China Gezhouba Group International Engineering Co Limited, an internationally recognised engineering company, which is ultimately owned by the Government of the Republic of China. Over the last twelve months progress has been made in pursuit of this strategy as highlighted on page 2.

Until approval of the Scheme of Development from the Government of Bangladesh is received there is continued uncertainty over the recoverability of the assets relating to the Project. The Directors consider that it is appropriate to continue to record the investment in Asia Energy Corporation (Bangladesh) Pty Limited and related inter-company balances at cost. However if for whatever reason the Scheme of Development is not ultimately approved the Company would be required to impair its investment totalling £43,990,000 at 30 June 2017.

Going concern

In order to support its operating expenses for a period of at least 12 months and discharge its current liabilities as they fall due, the Company will need to obtain further financial resources through debt or equity financing. The Company is in advanced stages of negotiating further funding and accordingly the Board of Directors is confident that the necessary financial resources will be raised as and when required.

Projections of future costs for a range 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 upon the Company securing further funding it will have adequate financial resources to continue in operational existence for the foreseeable future. At the date of this report the negotiations to secure further funding have not been completed and in the event that the planned fundraise fails to occur as expected, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and would need to seek additional funding in order to meet its liabilities as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast doubt as to the Company's ability to continue as a going concern.

Accordingly the financial statements continue to be prepared on a going concern basis. Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

Notes to the Company Financial Statements (continued)

Use of assumptions and estimates
The preparation of the company 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 on-going 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.

Investments in subsidiaries
Investment in subsidiaries comprises of the cost of acquiring the shares in subsidiaries along with subsequent funding contributions by the parent company to those subsidiaries. If an impairment trigger under IAS 36 is identified and investments in subsidiaries are tested for impairment, estimates are used to determine the expected net return on investment. The estimated return on investment takes into account the underlying economic factors in the business of the Company's subsidiaries including estimated recoverable reserves, coal prices, development and production costs, capital investment requirements, discount rates and environmental and social costs among other things. Refer to "Political and economic risks – carrying value of investments in subsidiaries" section on page 39 for further details in respect of the recoverability of the investment in subsidiaries.

Financial assets
Financial assets are classified in accordance with IAS 39. The Company 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.

Impairment of financial assets
The Company 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.

Convertible loan
The component of the convertible loan that exhibits characteristics of a liability is recognised as a liability in the balance sheet net of transaction costs. On drawdown of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan; and this amount is classified as a financial liability at amortised cost until it is extinguished on conversion or repaid. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders equity net of transaction costs. The carrying amount of the conversion options is not re-measured in subsequent years.

The transaction costs are apportioned between the liability and equity components of the convertible loan based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Interest on the liability component of the instrument is determined using the effective interest method and is recognised as an expense. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other loans and borrowings
All loans and borrowings which are financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in finance costs in the income statement.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at banks and in hand.

Deferred tax
The tax charge is based on the profit for the period and takes into account taxation deferred due to 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 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).

Where equity settled share based payments are made to non-employees the cost of equity-settled transactions is measured by reference to fair value of the goods or services received and measured at the date the entity obtains the goods or the counterparty renders the service.

Where the fair value of the goods or services received cannot be estimated reliably the, the entity measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

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.

Notes to the Company Financial Statements (continued)

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. Auditor's remuneration

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

	2017 £000	2016 £000
Audit of the Company financial statements	**8**	10

3. Staff numbers

The average monthly number of employees during the year was 1 (2016:1).

4. Taxation

Reconciliation of the tax charge in the income statement

	2017 £000	2016 £000
(Loss) on ordinary activities before tax	**(827)**	(865)
UK corporation tax @ 19.75% (2017) and 20% (2016)	**(163)**	(173)
Unrecognised deferred tax assets during the year	**114**	105
Non-deductible expenditure	**49**	68
Total tax expense reported in the income statement	**–**	–

The reduction in the rate of corporation tax from 20% to 19% from 1 April 2017 has been fully incorporated into the accounts.

Unrecognised deferred tax assets

	2017 £000	2016 £000
Deferred tax asset		
Tax losses carried forward	**1,915**	1,900
Impairment	**891**	939
Other	**1**	1
	2,807	2,840
Less: deferred tax assets de-recognised	**(2,807)**	(2,840)
	–	–

The decrease in unrecognised deferred tax assets during the year of £33,000 is due to the increase of £114,000 from the tax loss for the year, less an adjustment of £147,000 due to the reduction in the UK corporation tax rate to 19%. At 30 June 2017 tax losses for which a deferred tax asset was not recognised amounted to £10,079,000 (2016: £9,500,000). 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, will arise.

5. Other receivables

	2017 £000	2016 £000
Current debtors		
Unamortised transaction costs	**–**	94
Prepayments	**21**	19
Other debtors	**8**	4
	29	117

6. Investments

	2017 £000	2016 £000
Subsidiary undertakings at cost		
Opening balance	**42,025**	41,298
Additions	**1,989**	727
As at 30 June	**44,014**	42,025
Carrying amount as at 30 June	**44,014**	42,025

Additions represent monies advanced to the Company's subsidiaries from the Company through inter-company funding. The funding has been identified and accounted for as an equity instrument under IAS 32 Financial Instruments: Presentation, as there are no repayment terms. Refer to page 44 for further information in respect to the accounting policy.

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

		Ownership interest	
	Country of Incorporation	2017	2016
Subsidiaries			
South African Coal Limited	England and Wales	**100%**	100%
Asia Energy Corporation Pty Limited	Australia	**100%**	100%
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**100%**	100%
GCM Resources Singapore Pte Ltd	Singapore	**100%**	100%
Asia Energy (Bangladesh) Pvt Ltd	Bangladesh	**100%**	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd	Bangladesh	**37%**	37%

The investment in Peoples Telecommunication and Information Services Ltd has been accounted for as an available-for-sale financial asset as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

7. Payables

	2017 £000	2016 £000
Trade payables	**133**	88
Related party accrued payable	**546**	248
Transaction costs payable	**150**	150
	829	486

Notes to the Company Financial Statements (continued)

8. Borrowings

Borrowings as at the balance sheet date are summarised as follows:

	2017 £000	2016 £000
Convertible loan	–	964
Short-term loan from related party	1,001	100
	1,001	1,064

Convertible loan

	2017 £000	2016 £000
Recognition of convertible loan during the year		
Fair value of liability component on initial recognition	–	782
Equity component	–	136
Consideration received during the year	–	918
Movement in convertible loan liability component		
Opening balance	964	152
Liability components of drawdowns on initial recognition	–	782
Amortised transaction costs	–	(39)
Effective interest	154	69
Conversion of loan to shares	(1,118)	–
Liability as at 30 June	–	964
Movement in convertible loan equity component		
Opening balance	169	40
Equity components of drawdowns on initial recognition	–	136
Amortised transaction costs	–	(7)
Conversion of loan to shares	(169)	–
Equity component as at 30 June	–	169

The convertible loan facility provided for the Company to drawdown funds up to £3 million at the Company's request and for the utilised amount to be repaid by 30 June 2017 if not previously converted to shares or previously repaid. There is no interest payable on the Convertible Loan. The Lender had the right to convert the outstanding balance of the loan at any time during the loan period at a conversion price of £0.11 per share, provided that the Lenders interest in the Company does not reach 30% of the Company's issued capital. The loan was converted to shares in accordance with the terms of the facility on 27 June 2017.

Interest charged to the income statement is determined using the effective interest method at the weighted average rate of 16% (2016: 16%).

9. Commitments

Operating lease commitments

As at 30 June 2017, the Company had an operating lease on premises, which has a duration of less than one year.

	2017 £000	2016 £000
Operating leases expiring:		
Within one year	21	19
After one year but not more than five years	–	–
	21	19

10. Authorised share capital

	2017 Thousands	2017 £000
Authorised		
Ordinary shares of 10p each	**200,000**	20,000
Allotted, called up and fully paid		
At 1 July	**62,861**	6,286
Shares issued	**15,293**	1,529
At 30 June	**78,154**	7,815

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.

On 18 May 2017 4,791,034 shares were issued to a consultant as payment for their services. The consulting payments for the year included £180,000 (900,000 shares at 20p per share) as payment for a retainer and £1,060,000 (3,891,034 shares at 27.25p per share) as payment for a success fee. Refer to page 3 for further information.

On 27 June 2017 10,501,932 shares were issued as repayment of the convertible loan facility dated 29 May 2015. Refer to note 12 for further information.

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 conditional shares awarded which have not yet been settled and the equity component of the convertible loan (refer to note 8).

11. Related Party Transactions

Short-term related party loan
GCM is beneficiary to a £1.1 million short-term loan facility from its largest shareholder, with an interest rate of 12% per annum. As at 30 June 2017 the Company had utilised £950,000 of the facility (2016: £100,000). The terms of the short-term loan requires repayment within 90 days of receiving notice from Polo Resource Limited. Refer to note 8.

Deferment of Director fees
During the previous financial year Datuk Michael Tang PJN, Executive Chairman of the Company, offered to defer payment of his management services remuneration until further notice in order to assist the Company. As at 30 June 2017 the amount of £546,000 was owing to the management services company of Datuk Michael Tang PJN (2016: £248,000). Refer to note 7.

12. Post-balance sheet events

Consultant success fee
On 14 July 2017 the Company announced the completion of a technical prefeasibility study in respect to the mine-mouth coal fired power plant proposal being considered jointly by GCM and China Gezhouba Group International Engineering Co. Ltd. In accordance with the terms of a consulting agreement, a success fee of £1,016,000 was paid to a consultant for the achievement of this key milestone, by issuing 3,907,700 ordinary shares in the Company. The June 2017 financial statements have not been adjusted.

Notes

Design and Production by Black&Callow
Printed on FSC® mix source papers

RECYCLED
Paper made from recycled material
FSC® C021489

GCM Resources plc
3 Bunhill Row
London
EC1Y 8YZ

www.gcmplc.com