GCM RESOURCES

Interim Report
Six months to 31 December 2015

Chairman's Statement

I am pleased to present the Interim Report of GCM Resources plc ("GCM"), covering the period 1 July to 31 December 2015. The Board is committed to developing the Phulbari Coal Project (the "Project") a world class, high quality coal resource of 572 million tonnes (JORC 2004 compliant) located in the Dinajpur District in North-West Bangladesh. Despite the delay in receiving approval from the Government of Bangladesh necessary to proceed with Project development, the business, financial, economic and social basis for advancing the Project remains very strong.

During the last six months the Government has pursued its goal of increasing the nation's current 250MW of coal fired power capacity to 19,000MW over the next 14 years as part of its strategic plan to restructure the country's power sector. Once in operation, the coal-fired power plants will require the equivalent of some 58 million tonnes of high calorific coal per annum, substantially increasing the demand for coal in-country. The Government announced plans to source coal from overseas but has yet to secure any at this point in time.

A developed Phulbari Coal Project can greatly assist the Government in its objective of delivering substantial and much needed coal-fired power generation to foster industrial development, create jobs and improve the livelihoods of the people of Bangladesh. Of the five known coal deposits in Bangladesh, the Phulbari coal deposit is the most advanced in preparation for extraction. GCM's extensive and detailed exploration and evaluation studies have included a Definitive Feasibility Study and Scheme of Development, an Environment and Social Impact Assessment approved by the Department for Environment, and a proposal for staged implementation of large scale mine-mouth coal fired power generation which would deliver the cheapest coal fired power in the country. A Phulbari mine will supply up to 15 million tonnes per annum of high quality thermal coal, sufficient to support a generating capacity of 4,000MW. The Company has continued to pursue approval of the Project with the Government throughout the period.

Recognising the importance of maintaining a social licence, the Company has continued with its local engagement activities in the Dinajpur District to strengthen and develop the dialogue with local communities. During the period the Company reported having met with around 2,500 people across the Project area since it commenced its re-engagement strategy in late 2012. The GCM teams working in the field listen to the views of the community and provide assurance of the Company's continued intentions in relation to the mine and related community investment.

During the period the Company also reported the successful conclusion to the OECD examination after a thorough and impartial examination which first started in December 2012. The Project developed by GCM will be of considerable benefit to the local communities, the country, the Government and shareholders alike.

Financials

For the six months ended 31 December 2015 GCM recorded a loss of £640,000 (2014: loss of £461,000). The increase in the loss for the period was due to non-cash expenditure of £294,000 (2014: £124,000) predominantly relating to share based payments. Capitalised evaluation costs for the six months ended 31 December 2015 was £335,000 (2014: £356,000).

During the previous financial year the Company secured a £3m convertible loan facility to be drawn down upon as required, in order to provide sufficient funding for the foreseeable future. As at 29 March 2016 the Company had utilised £510,000 of the facility. As the current share price is well below the agreed loan-to-share conversion price of 11 pence per share, the Company has experienced difficulties in drawing down further funds in accordance with its rights under the agreement. GCM is in discussions with the counterparty to resolve the issue and is at the same time seeking alternative funding arrangements which would relieve the Company from dependence on the convertible loan facility. As discussed in Note 1 this represents a material risk that may cast significant doubt over the Company's ability to continue as a going concern. The Board is confident that future fundraising will be successful to ensure the ongoing activities of the Company.

Outlook

The Company remains wholly focused on pursuing the necessary approval from the Government of Bangladesh for the Project to proceed with the next stage of development. The Directors are confident that an agreement can be reached which satisfies the objectives of both the Government and the Company. Discussions are ongoing with targeted potential partners who may assist in advancing the Project toward development.

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

Datuk Michael Tang
Executive Chairman

Interim Consolidated Income Statement

	6 months ended 31 December 2015 unaudited £000	6 months ended 31 December 2014 unaudited £000	Year ended 30 June 2015 audited £000
Operating expenses			
Exploration and evaluation costs	**(20)**	(15)	(75)
Share based payments	**(271)**	(124)	(177)
Administrative expenses	**(326)**	(325)	(688)
Operating loss	**(617)**	(464)	(940)
Finance revenue	**-**	3	4
Finance costs	**(23)**	-	(1)
Loss before tax	**(640)**	(461)	(937)
Taxation	**-**	-	-
Loss and total comprehensive income for the period	**(640)**	(461)	(937)
Earnings per share			
Basic loss per share (pence)	**(1.0p)**	(0.7p)	(1.5p)
Diluted loss per share (pence)	**(1.0p)**	(0.7p)	(1.5p)

Interim Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Share based payments not settled £000	Convertible loan equity component £000	Accumulated losses £000	Total £000
Balance at 1 July 2014	6,286	45,286	585	-	(13,820)	38,337
Total comprehensive loss	-	-	-	-	(937)	(937)
Drawdown of convertible loan	-	-	-	40	-	40
Share based payments	-	-	13	-	177	190
Balance at 30 June 2015	6,286	45,286	598	40	(14,580)	37,630
Total comprehensive loss	-	-	-	-	(640)	(640)
Drawdown of convertible loan	-	-	-	56	-	56
Share based payments	-	-	6	-	271	277
Balance at 31 December 2015 (unaudited)	**6,286**	**45,286**	**604**	**96**	**(14,949)**	**37,323**

Balance at 1 July 2014	6,286	45,286	585	-	(13,820)	38,337
Total comprehensive loss	-	-	-	-	(461)	(461)
Share based payments	-	-	7	-	124	131
Balance at 31 December 2014 (unaudited)	**6,286**	**45,286**	**592**	**-**	**(14,157)**	**38,007**

Interim Consolidated Balance Sheet

	Notes	31 December 2015 unaudited £000	31 December 2014 unaudited £000	30 June 2015 audited £000
Current assets				
Cash and cash equivalents		**50**	628	169
Receivables		**114**	38	213
Total current assets		**164**	666	382
Non-current assets				
Property, plant and equipment		**31**	31	32
Intangible assets	3	**38,067**	37,509	37,732
Receivables		**54**	-	60
Total non-current assets		**38,152**	37,540	37,824
Total assets		**38,316**	38,206	38,206
Current liabilities				
Payables		**(480)**	(199)	(424)
Borrowings		**(100)**	-	-
Total current liabilities		**(580)**	(199)	(424)
Non-current liabilities				
Borrowings		**(413)**	-	(152)
Total non-current liabilities		**(413)**	-	(152)
Total liabilities		**(993)**	-	(576)
Net assets		**37,323**	38,007	37,630
Equity				
Share capital		**6,286**	6,286	6,286
Share premium account		**45,286**	45,286	45,286
Other reserves		**700**	592	638
Accumulated losses		**(14,949)**	(14,157)	(14,580)
Total equity		**37,323**	38,007	37,630

Datuk Michael Tang
Chairman

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2015 unaudited £000	6 months ended 31 December 2014 unaudited £000	Year ended 30 June 2015 audited £000
Cash flows used in operating activities			
Loss before tax	**(640)**	(461)	(937)
Adjusted for:			
Finance revenue	**-**	(3)	(4)
Finance costs	**23**	-	1
Share based payments	**271**	124	177
Other non-cash expenses	**-**	-	-
	(346)	(340)	(763)
Movements in working capital:			
Decrease/(increase) in operating receivables	**89**	26	(68)
Increase/(decrease) in operating payables	**42**	(71)	15
Cash used in operations	**(215)**	(385)	(816)
Interest received	**-**	3	4
Net cash used in operating activities	**(215)**	(382)	(812)
Cash flows from investing activities			
Payments for intangible assets	**(313)**	(322)	(551)
Payments for property, plant and equipment	**(1)**	-	-
Net cash generated from investing activities	**(314)**	(322)	(551)
Cash flows from financing activities			
Proceeds from convertible loan	**310**	-	200
Proceeds from loan	**100**	-	-
Net cash from financing activities	**410**	-	200
Total increase/(decrease) in cash and cash equivalents	**(119)**	(704)	(1,163)
Cash and cash equivalents at the start of the period	**169**	1,332	1,332
Cash and cash equivalents at the end of the period	**50**	628	169

Notes to the Interim Condensed Consolidated Financial Statements

1. Accounting policies

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

The unaudited interim report was authorised for issue by the Directors on 30 March 2016, and the Interim Consolidated Balance Sheet was signed on the Board's behalf by Datuk Michael Tang.

Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2015 and applied in accordance with the Companies Act 2006. The interim condensed consolidated financial statements for the six months ended 31 December 2015 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2015, and have been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union.

There has been no impact on the Group's financial position or performance from new and amended IFRS and IFRIC interpretations mandatory as of 1 July 2015.

The financial information contained herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2015 have been extracted from the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and contained an unqualified auditors' report which included an emphasis of matters concerning the uncertainty over the recoverability of the intangible mining assets and significant doubt over the ability for the Group to continue as a going concern, and did not include a statement under section 498(2)(a) or (b), or section 498(3) of the Companies Act 2006.

Political and economic risks – carrying value of intangible asset

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

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

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

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

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

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved, the Group would impair all of its intangible mining assets totalling £38,067,000 as at 31 December 2015.

Going concern

GCM relies on its current resources as well as committed £3,000,000 convertible loan facility and borrowings to fund its operating activities. As at 29 March 2016 the Group had utilised £510,000 of the convertible loan facility. As the current share price is well below the agreed loan-to-share conversion price of 11 pence per share, GCM has experienced difficulties in drawing down further funds form the lender in accordance with its rights under the agreement. GCM is in discussions with the counterparty to resolve the issue and is at the same time seeking alternative funding arrangements which would relieve the Group from dependence on the convertible loan facility. While the Board remains confident that future fundraising will be successful to ensure that necessary funds will be available as and when required, this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

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

2. Segment analysis

The Group operates in one segment being the exploration and evaluation of energy related projects. The only significant project within this segment is the Phulbari Coal Project in Bangladesh.

3. Intangible assets

Intangible assets increased by £335,000 during the six months to 31 December 2015 (December 2014: £356,000). The increase is due to the exploration and evaluation expenditure relating to the Phulbari Coal Project, and is capitalised in accordance with the Group's accounting policies.