



**Interim Report**  
**Six months to 31 December 2017**  
**(LON:GCM)**

## Chairman's Statement

I am pleased to provide an update on the Company's performance for the December 2017 reporting period. GCM continues to make progress in line with its strategy to present a simple, practical power solution for the Government of Bangladesh by combining power plants with the Company's proposed coal mine.

Over the last six months the Company has focused on strengthening the relationship with its strategic partner, China Gezhouba Group International Engineering Co Ltd ("CGGC") as the next step to progressing the Phulbari Coal and Power Project. CGGC is an internationally recognised engineering company with large infrastructure projects across the world. Its parent, China Gezhouba Group Corporation (en.gzbgj.ceec.net.cn) is a core member of China Energy Engineering Group Co Ltd ("Energy China"), a super central state-owned enterprise. In the last three years Energy China, engaged in the design and construction of power plants with a total installed capacity of nearly 220GW, ranked first in the world.

A technical prefeasibility study ("PFS") on a proposed mine mouth power plant of up to 2,000MW was finalised by CGGC and formally submitted to GCM in July 2017. Following this, GCM and CGGC entered negotiations with a view to setting the ground work for the continued working relationship to the benefit of both parties. As a result of these discussions a Joint Development Framework Agreement was formulated and formally signed on 9 March 2018 followed by a Contract Framework Agreement which was signed on 21 March 2018.

The Joint Development Framework Agreement formalises the collaborative work schedule and respective roles going forward, including seeking the necessary approvals from the Bangladesh authorities for development of a coal mine and mine mouth power plant. The agreement also sets the framework for investing in, and financing of the proposed power plant. CGGC (or its affiliate or investment partner) shall invest up to 30% in the power plant, subject to approval by Chinese authorities, and undertakes to facilitate financing for the proposed power plant with GCM's assistance. The Contract Framework Agreement awards CGGC the exclusive rights to engineer, procure, construct and commission ("EPC") a proposed 2,000MW mine mouth power plant, subject to a final EPC contract.

In Bangladesh, over the last six months there has been continued effort by the Government to dramatically increase power generation, which is seen as a key driver for improving the country's long-term prospects. While there has been increased discussion on LNG as a major source of power, developing new coal fired power remains an integral part of the Government's plans for power sector expansion. This gives us confidence that presenting a combined mine and power plant proposal as a holistic and practical power solution continues to be the right strategy to pursue Project approval.

### Financials

GCM incurred a loss after tax of £1,902,000 for the six months ended 31 December 2017 (31 December 2016: loss after tax of £399,000), the increase being due to pre-development expenditure of £1,527,000 incurred on the proposed coal fired power plant. The pre-development expenditure comprised mainly of the non-cash cost of £1,407,000 consultancy success fees, which were payable via the issue of the Company's ordinary shares on successfully reaching key milestones regarding the proposed coal fired power plant, in accordance with the consulting agreement announced in May 2017. Reflecting the Company's continued focus on cost management, administrative expenses for the six months ended 31 December 2017 were £290,000 (31 December 2016: £291,000) and capitalised Project expenditure was £183,000, a decrease of £67,000 from the comparative period.

During the period GCM partly funded its operations by drawdowns of £150,000 from the short-term loan facility with Polo Resources Limited, the Company's largest shareholder. The short-term loan facility of £1,100,000 has been fully utilised and attracts an interest rate of 12% per annum with repayment terms of 90 days upon request. In November 2017, the Company successfully raised £1.8 million net of costs via a share placement which allowed both institutional and retail investors to participate. The funds are being used to support GCM's continuing operations and working capital requirements as it pursues its strategy of a joint mine and power plant proposal.

As at 31 December 2017 the Group's financial resources were £1,507,000 and current liabilities were £2,154,000, including £1,214,000 owing to Polo Resources Limited. Over the next six months the Company will be in discussions with parties to seek new investment to strengthen GCM's financial position and provide future funding. Until such time, there remains a material uncertainty which may cast doubt as to the Group's ability to continue as a going concern. The directors remain confident that sufficient funding will be obtained as and when required. As such the financial statements have been prepared on a going concern basis. Please refer to the accounting policy note on going concern (page 8) for further information.

### Outlook

Over the coming months, the GCM team is looking forward to working with CGGC to progress the Project. There are many significant challenges ahead in advancing the joint proposal and achieving the necessary approvals from the Government, which remain a precondition to development. As such the Company will continue to be in discussions with other potential strategic partners who may assist in obtaining necessary approvals, financing and/or mine development.

I would like to express my appreciation to our shareholders for their ongoing confidence and support. I would also like to thank the Board and our staff for their dedication and hard work.

**Datuk Michael Tang PJN**  
Executive Chairman

## Interim Consolidated Income Statement

	6 months ended 31 December 2017 unaudited £000	6 months ended 31 December 2016 unaudited £000	Year ended 30 June 2017 audited £000
<b>Operating expenses</b>			
Pre-production expenditure	(1,527)	-	-
Exploration and evaluation costs	(22)	(19)	(53)
Administrative expenses	(290)	(291)	(654)
<b>Operating loss</b>	<b>(1,839)</b>	<b>(310)</b>	<b>(707)</b>
Finance costs	(63)	(89)	(299)
<b>Loss before tax</b>	<b>(1,902)</b>	<b>(399)</b>	<b>(1,006)</b>
Taxation	-	-	-
<b>Loss and total comprehensive income for the period</b>	<b>(1,902)</b>	<b>(399)</b>	<b>(1,006)</b>
<b>Earnings per share</b>			
Basic loss per share (pence)	(2.3p)	(0.6p)	(1.6p)
Diluted loss per share (pence)	(2.3p)	(0.6p)	(1.6p)

## Interim Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Share based payments not settled	Convertible loan equity component	Accumulated losses	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 July 2016</b>	6,286	45,286	609	169	(15,352)	36,998
Total comprehensive loss	-	-	-	-	(1,006)	(1,006)
Share issuances	1,529	879	-	-	-	2,408
Share based payments	-	-	9	-	-	9
Transfer of convertible loan equity component on share issue	-	-	-	(169)	169	-
<b>Balance at 30 June 2017</b>	7,815	46,165	618	-	(16,189)	38,409
Total comprehensive loss	-	-	-	-	(1,902)	(1,902)
Share issuances (net of costs)	1,003	2,265	-	-	-	3,268
Share based payments	-	-	4	-	-	4
<b>Balance at 31 December 2017 (unaudited)</b>	<b>8,818</b>	<b>48,430</b>	<b>622</b>	<b>-</b>	<b>(18,091)</b>	<b>39,779</b>
<b>Balance at 1 July 2016</b>	6,286	45,286	609	169	(15,352)	36,998
Total comprehensive loss	-	-	-	-	(399)	(399)
Share based payments	-	-	5	-	-	5
<b>Balance at 31 December 2016 (unaudited)</b>	<b>6,286</b>	<b>45,286</b>	<b>614</b>	<b>169</b>	<b>(15,751)</b>	<b>36,604</b>

## Interim Consolidated Balance Sheet

	Notes	31 December 2017 unaudited £000	31 December 2016 unaudited £000	30 June 2017 audited £000
<b>Current assets</b>				
Cash and cash equivalents		1,507	181	180
Receivables		40	148	52
<b>Total current assets</b>		<b>1,547</b>	<b>329</b>	<b>232</b>
<b>Non-current assets</b>				
Property, plant and equipment		24	29	27
Intangible assets	3	40,362	38,637	40,179
Receivables		-	-	-
<b>Total non-current assets</b>		<b>40,386</b>	<b>38,666</b>	<b>40,206</b>
<b>Total assets</b>		<b>41,933</b>	<b>38,995</b>	<b>40,438</b>
<b>Current liabilities</b>				
Payables	4	(940)	(788)	(1,028)
Borrowings	5	(1,214)	(1,603)	(1,001)
<b>Total current liabilities</b>		<b>(2,154)</b>	<b>(2,391)</b>	<b>(2,029)</b>
<b>Total liabilities</b>		<b>(2,154)</b>	<b>(2,391)</b>	<b>(2,029)</b>
<b>Net assets</b>		<b>39,779</b>	<b>36,604</b>	<b>38,409</b>
<b>Equity</b>				
Share capital	6	8,818	6,286	7,815
Share premium account	6	48,430	45,286	46,165
Other reserves		622	783	618
Accumulated losses		(18,091)	(15,751)	(16,189)
<b>Total equity</b>		<b>39,779</b>	<b>36,604</b>	<b>38,409</b>

Datuk Michael Tang PJN  
Chairman

## Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2017 unaudited £000	6 months ended 31 December 2016 unaudited £000	Year ended 30 June 2017 audited £000
<b>Cash flows used in operating activities</b>			
Loss before tax	(1,902)	(399)	(1,006)
Adjusted for:			
Non-cash finance costs	63	89	299
Non-cash pre-development expenditure	1,527	-	-
Other non-cash expenses	-	-	50
	(312)	(310)	(657)
Movements in working capital:			
Decrease/(increase) in operating receivables	4	(13)	(6)
(Decrease)/increase in operating payables	(106)	99	280
Cash used in operations	(414)	(224)	(383)
<b>Net cash used in operating activities</b>	<b>(414)</b>	<b>(224)</b>	<b>(383)</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets	(209)	(235)	(477)
Payments for property, plant and equipment	-	(4)	(4)
<b>Net cash generated from investing activities</b>	<b>(209)</b>	<b>(239)</b>	<b>(481)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	2,000	-	-
Share issue costs	(200)	-	-
Proceeds from borrowing	150	450	850
<b>Net cash from financing activities</b>	<b>1,950</b>	<b>450</b>	<b>850</b>
<b>Total (decrease)/increase in cash and cash equivalents</b>	<b>1,327</b>	<b>(13)</b>	<b>(14)</b>
Cash and cash equivalents at the start of the period	180	194	194
<b>Cash and cash equivalents at the end of the period</b>	<b>1,507</b>	<b>181</b>	<b>180</b>

# 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.

This unaudited interim report was authorised for issue by the Directors on 22 March 2018, and the Interim Consolidated Balance Sheet was signed on the Board's behalf by Datuk Michael Tang PJN.

### Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2017 and applied in accordance with the Companies Act 2006.

The interim condensed consolidated financial statements for the six months ended 31 December 2017 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2017, with the exception of a new accounting policy with respect to power plant costs, as follows: Pre-development expenditure relating to power plants at the proposed mine site is expensed until it is probable that future economic benefits associated with the project can flow to the Group and the cost of the project can be measured reliably. When it is probable that future economic benefits will flow to the Group, all costs associated with the development of the power plant are capitalised as Power Plant Development within property, plant and equipment category in tangible non-current assets. Power Plant Development costs will be depreciated once commercial operation has commenced.

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 2017.

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 2017 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 matter concerning 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 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 a proposed 2,000MW mine-mouth power plant in conjunction with China Gezhouba Group International Engineering Co Limited, an internationally recognised engineering company.

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 £40,362,000 as at 31 December 2017.

### Going concern

As at 31 December 2017 the Group's financial resources were £1,507,000 and current liabilities were £2,154,000, including a short-term loan of £1,214,000 owing to Polo Resources Limited, GCM's largest shareholder. 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. Over the next six months the Company will be in discussions with parties to seek new investment to strengthen GCM's financial position and provide financial resources for the foreseeable future. Until such time, there remains a material uncertainty which may cast doubt as to the Group's ability to continue as a going concern.

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. The directors remain confident that sufficient funding will be obtained as and when required. As such the financial statements have been prepared on a going concern basis, however 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.

## 2. Segment analysis

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

## 3. Intangibles

During the period intangibles increased by £183,000 (December 2016: increase of £250,000). The increase is due to capitalised mining exploration and evaluation expenditure relating to the Phulbari Coal and Power Project in Bangladesh.

## 4. Payables

	31 December 2017 unaudited £000	31 December 2016 unaudited £000	30 June 2017 audited £000
Trade payables	319	241	332
Related party accrued payable	471	397	546
Transaction costs payable	150	150	150
	<b>940</b>	<b>788</b>	<b>1,028</b>

The related party accrued payable of £471,000 at 31 December 2017 relates to fees owing to the management services company of the Executive Chairman of the Company, Datuk Michael Tang PJN. In 2015 the Executive Chairman offered to defer payment of his management services remuneration in order to assist the Company.

## 5. Borrowings

	31 December 2017 unaudited £000	31 December 2016 unaudited £000	30 June 2017 audited £000
Short-term loan from related party	1,214	561	1,001
Convertible loan	-	1,042	-
	<b>1,214</b>	<b>1,603</b>	<b>1,001</b>

GCM is party to a £1,100,000 short-term loan facility with its largest shareholder, Polo Resources Limited. As at 31 December 2017 the Company owed £1,214,000, comprising £1,100,000 loan balance and accrued finance costs on borrowings of £114,000. The principle terms of the short-term loan are 12% per annum interest rate on the loan balance and repayment within 90 days upon request. The Company may elect to repay at any time giving 60 days' notice.



## 6. Share issues

On 18 July 2017 4,207,700 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 payment included £60,000 (300,000 shares at 20p per share) as payment for a retainer and £1,407,000 (3,907,700 shares at 36p per share) as payment for a success fee.

On 20 November 2017 the Company successfully completed a public fundraising of £2,000,000 before costs, by the issue and allotment of 5,813,953 ordinary shares at 34.4p per share.

## 7. Post-balance sheet events

### Consultancy success fees

The Company and its strategic partner China Gezhoubu Group International Engineering Co. Ltd signed a Joint Development Framework Agreement on 9 March 2018 and a Contract Framework Agreement on 21 March 2018 ("Key Milestones"). In accordance with the terms of a consulting agreement, a success fee equal to 10% of the issued capital of the Company is due to a consultant for the achievement of the Key Milestones, payable by the issuance of shares within five business days of the Key Milestones occurring. In accordance with the with International Accounting Standard *IAS 10 Events After the Reporting Period* the financial statements contained in this December 2017 Interim Report have not been adjusted to reflect this.