572 MT

+

6,000 MW

GCM RESOURCES

Annual Report & Accounts 2018

(LON : GCM)

GCM Resources plc

GCM Resources plc (GCM), the AIM listed mining and energy company, has identified a world class coal resource of 572 million tonnes (JORC 2004 compliant) at the Phulbari Coal and Power 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

Executive Chairman's Statement

I am pleased to present the 2018 Annual Report to our shareholders and would like to express my appreciation for the continued support of the Company and its prospects.

The Company has expanded its strategy to develop a total of 6,000MW in conjunction with the proposed coal mine in North-West Bangladesh (the Project). In order to achieve this our plan is to secure strategic partners for both mine development as well as the development of mine mouth power plants. The Company's proposed 6,000MW will make a significant contribution to Bangladesh's needs, which currently is generating approximately 12,000MW, with announced plans to increase to 57,000MW by 2041. Our mission is to become an impact project for the people of Bangladesh, providing the cheapest electricity in the country, which we believe will be attractive to the Government and in line with their goals and objectives. Our proposal will entail us becoming a substantial contributor to the development and progress of Bangladesh if approved.

During the year we continued to strengthen the strategic relationship with China Gezhouba Group International Engineering Co Limited (CGGC) by agreeing a Joint Development Framework Agreement and a Contract Framework Agreement. These agreements have effectively secured the strategic partnership and define the broad roles and responsibilities of each party in the construction of an initial 2,000MW mine-mouth power plant.

CGGC is the main international operating entity of both China Gezhouba Group Corporation and China Energy Engineering Co. Ltd (Energy China). Energy China is a super central state-owned enterprise, and in 2017 ranked 312th in the Fortune Global 500. 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.

We were also honoured to have received interest from Power Construction Corporation of China Ltd (POWERCHINA), who after completing a technical prefeasibility study on mine mouth power plants generating up to a further 4,000MW, agreed a Memorandum of Understanding (MOU) on 27 November 2018. The MOU sets out the steps towards a future Joint Development Agreement, obtaining approval from the Government of Bangladesh and subsequent development of both the mine and power plants generating 4,000MW.

POWERCHINA is a state-owned key enterprise of People's Republic of China, and is a world-leading integrated engineering construction group. In 2018, POWERCHINA ranked 182nd among Fortune Global 500, 41st among Top 500 Enterprises of China, came 6th in the list of the world's 250 largest global contractors and placed 2nd among top 150 engineering design companies worldwide according to Engineering News-Report.

The Group recorded a loss of £5.4 million for the year ended 30 June 2018 (2017: £1.0 million). The increase in loss was principally due to non-cash expenditure of £4.5 million relating to power plant pre-development expenditure, comprising of shares issued in lieu of services provided for progressing relationships with strategic partners. Capitalised project related expenditure for the year ended 30 June 2018 amounted to £0.5 million (2017: £1.8 million).

Looking forward, we hope to secure further strategic partnerships in relation to mine and power development, and then present a holistic power solution to the Government of Bangladesh. 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 and the Government and people of Bangladesh with an emphasis of improving the well-being of 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
30 November 2018

Group Strategic Report

Strategy and business model

At the core of GCM Resources plc (GCM) is the Company's proposed coal mine development based on a 572 million tonne high-quality coal resource (JORC 2004) discovered in the Phulbari Coal Basin in North-West Bangladesh. The Company's activity in Bangladesh is underpinned by a contract with the Government of Bangladesh and associated mining lease and exploration licences. In line with this contract and the terms and conditions of the lease and licences GCM completed a Definitive Feasibility Study for the mine together with a comprehensive Environmental and Social Impact Assessment. A Scheme of Development was submitted to the Government of Bangladesh in 2005 and is awaiting approval.

The Company is now proposing that 6,000MW of power generating capacity be established in conjunction with mine development, which would consume the mine's full thermal coal production. This is a major value-adding step that underpins the coal mine's economic sustainability. In addition, the proposal would make a very significant contribution to Bangladesh's energy and power security, which is anticipated to assist the approval process given the principal focus of the Government of Bangladesh is the production of electricity.

The Bangladesh Government has prioritised the rapid expansion of its energy sector, including the increase of coal-based power generation by 19,000MW. Accordingly, GCM believes it is well placed to assist the Government in meeting its power sector needs and objectives.

GCM also believes that the strategy of maximising the amount of power generating capacity located at the mine site (minimising coal handling and transport) will see it potentially being the cheapest energy provider in Bangladesh.

Strategy

The Company seeks to present a combined mine and power plant proposal that will be amenable to the Government of Bangladesh.

The strategy is to obtain partnerships with a number of large internationally renowned companies, including Chinese State-owned enterprises (Chinese SOE's), for mine and power plant development.

Once partnerships have been secured and the necessary pre-feasibility studies on the power plants completed, GCM together with its strategic partners will present the combined mine and power plant proposal as a holistic power solution to the Government of Bangladesh for their consideration.

Chinese SOE's are being targeted due to their experience and knowledge of developing major power infrastructure projects, the attractiveness of Chinese investment from the perspective of developing countries, their ability to include the Project within the One Belt One Road Initiative of the People's Republic of China, their access and connections to major Chinese State-owned banks and the credibility that they contribute to the Company's proposal.

Mine mouth power generation is being structured into three distinct projects of power plants up to 2,000MW each, where Chinese SOE's will partner with the Company for these power plants. In addition, the Company is seeking a partner for developing the coal mine.

The Company believes power generated from the Phulbari Coal and Power Project (the Project) can potentially provide the cheapest electricity in the country. The Project avoids the need for long haul transportation and handling of coal as required by other planned coal power plants in Bangladesh which are relying on imported coal and ultimately the need for deep-sea port facilities. At GCM's Project site, a maximum capacity of power plants will be located adjacent to the mine to capitalise on operating synergies and benefit from low cost coal handling involving a simple conveyor feed from the mine's coal stockpiles.

In addition, by using the latest highly energy efficient ultra-supercritical thermal power plant technology the Company aims to maximise electricity production per coal tonne and be at the leading edge of environmentally friendly thermal power production.

We believe that by combining the mine with power plants alongside Chinese SOE's, to provide 6,000MW of the cheapest electricity in the country will be attractive to the Government of Bangladesh and in line with their long-term goals and objectives.

Progress in line with the strategy

The Company's mine proposal has been fully evaluated through a Definitive Feasibility Study (DFS) leading to a Scheme of Development (SoD) which was 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.

GCM is in discussions with a number of potential partners in relation to mine development. While it is expected that some studies will need to be updated for the most part the studies undertaken in 2005 remain relevant.

GCM is pleased to have secured China Gezhouba Group International Engineering Co. Ltd (CGGC) as a strategic partner for the development of a 2,000MW power plant at the mine mouth. CGGC and GCM have agreed a Contract Framework Agreement and a Joint Development Framework after a technical pre-feasibility study was completed by CGGC on the 2,000MW power plant.

During the year the Company was delighted to receive interest from Power Construction Corporation of China Limited (POWERCHINA). GCM and POWERCHINA have agreed an MOU after a technical pre-feasibility study was completed by POWERCHINA for the proposed power plants generating up to 4,000MW.

Whilst good progress has been made in attracting Chinese SOE engineering companies to partner with the Company for its power plants, GCM remains at an early stage in respect to expanding its business into power generation and further studies will be needed and the consent of the Government of Bangladesh will be required for both the mine and power plants before development can occur.

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 cash 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.

Whilst pursuing its strategy, the Company recognises the importance of ensuring the needs of all stakeholders are met and undertakes to continue strengthening its relationships with local communities in the Project region.

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

Year in review

GCM began the financial year in pursuit of strengthening its relationship with CGGC, in relation to a mine mouth power plant 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-supercritical 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 March 2018 GCM succeeded in agreeing a Joint Development Framework Agreement and a Contract Framework Agreement with CGGC.

The Joint Development Framework Agreement defined the collaborative work schedule and respective roles between the two parties. CGGC has committed to assist with seeking the necessary approvals from the Government of Bangladesh, assist with procuring finance for the development and subject to approval from the necessary Chinese authorities potentially investing up to 30% in the power plant.

The Contract Framework Agreement was important to CGGC as it awarded them the exclusive right to engineer, procure, construct and commission the proposed 2,000MW power plant.

On 26 October 2018 the Company was pleased to finalise a new agreement with its consultant Dyani Corporation Limited (Consultant), and anticipates that securing their services, will greatly enhance GCM's ability to attract potential Chinese SOE partners and obtain favourable negotiating terms.

The Company is delighted to receive interest from Power Construction Corporation of China Limited (POWERCHINA). In September 2018 POWERCHINA began a technical prefeasibility assessment report (PFS) on the technical aspects of constructing and operating 4,000MW of ultra-supercritical thermal power plants at the mine site. After completing and submitting the report to GCM on 6 November 2018, both parties entered into negotiations on the future relationship.

On 26 November 2018 GCM agreed an MOU with POWERCHINA to provide a framework for a future cooperative relationship for progressing the integrated Project, including the ownership, financing, development and operation of the mine and power plants generating up to 4,000MW. Under the MOU POWERCHINA will seek to facilitate the inclusion of the Project as a One Belt, One Road Initiative of the People's Republic of China.

During the year the Company continued its engagement with local communities within the Dinajpur District where the Project is located. GCM recognises the importance that it has local community support and accordingly it has a strong focus on enhancing our 'social licence'.

Overall, the Company is pleased with the developments made over the last twelve months to further progress the Company's Project in line with its

Group Strategic Report (continued)

strategy. The Company is currently negotiating with POWERCHINA on strengthening the relationship, subject to obtaining satisfactory terms. The Company is also in discussions with a number of parties to assist with mine development.

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.

Finance review

The Group recorded a loss of £5,351,000 during the year ended 30 June 2018 compared to a loss of £1,006,000 during the previous year. The increased loss from the comparative year is principally due to pre-development expenditure of £4,515,000 incurred for the purpose of advancing the proposed 2,000MW mine-mouth coal fired power plant in partnership with CGGC, in line with GCM's strategy of developing power generation as a new business stream. The £4,515,000 pre-development expenditure is a non-cash cost, reflecting the economic value of share issuances being made throughout the year as payment for services.

The Group has maintained tight control of other expenditure incurred during the year: Administrative expenses were down by 8% to £601,000 for the year ended 30 June 2018 (2017: £654,000) while Finance costs reduced by 36% to £191,000 (2017: £299,000). Capitalised expenditure in relation to the mine proposal was £458,000 for the year ended 30 June 2018 compared to £1,792,000 in the previous year.

To finance its operations during the year GCM successfully undertook a share placement of £2,000,000 before costs in November 2017. The fundraising strengthened GCM's position and allowed it to expand the Company's strategy towards generating 6,000MW of power for Bangladesh, as well as meeting its operational and working capital requirements.

Subsequent to the end of the financial year, on 30 November 2018 GCM agreed an amendment to the short-term loan facility with Polo Resources Limited. The loan facility was increased by £1,200,000 to £2,300,000 while allowing the lender the possibility of converting the Company's short-term loan facility at the behest of the lender. The combined increase in the loan facility and the potential loan settlement places the Company in a more stable financial position going forward.

Corporate Social Responsibility

GCM's strategy, plans and activities are in line with the key core values of integrity and fairness for all stakeholders. 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 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'. This activity is being done by our field staff utilising a select group of local grass root community liaison assistants. As the Company further evaluates the prospects of mine mouth power plants in conjunction with strategic partners, it will ensure that a comprehensive environmental and social impact assessment (including a human rights impact assessment) is prepared covering both the mine and associated power plants. In preparation the Company has already initiated a population survey in the Project area to update the database with respect to the number of potentially 'project affected people' and at the same time is undertaking a land price survey, all of which will be used to update the Project's Resettlement Plan.

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

An estimated 17,000 jobs are expected to be directly and indirectly created as a consequence of developing the mine and associated infrastructure. However, work still needs to be done to understand the number of additional jobs that would be created by the mine mouth power plants.

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. In this way the Project will add to the country's food security.

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 mine mouth thermal power plants will not require additional resettlement.

The Company shall give local communities opportunities to be engaged in any future 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 policies and 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 coal mine's Scheme of Development and the associated power plants are 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.

In addition, Dyani Corporation Limited a consultant specialising in relationships with Chinese government organisations, has been contracted to obtain further strategic partnerships. In the event that the consultant does not obtain further strategic partners, there is risk that the Company's strategy could be undermined. The consulting agreement with Dyani Corporation Limited is on a non-exclusive basis, and the Company is encouraged by the achievements of the consultant to date in delivering the strategic partnership with CGGC as well as recommending a number of large credible parties who have expressed interest in partnering with GCM.

Financing – risk that the Company will not be able to raise necessary funds as and when required. Subsequent to the end of the financial year, GCM agreed an increase in debt funding of £1,200,000. Based on projected future costs, the debt funding is expected to be sufficient to support the Company's operations for the twelve months from the date of this report. However, further funds may be required depending on the success of the Company's efforts in advancing the Project or to meet the obligations of the Company's short-term loan facility in the event that it becomes repayable. The Directors are confident that the necessary funds will be obtained as and when required. For further details refer to page 14.

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 6.

On behalf of the Board,

Datuk Michael Tang PJN
Executive Chairman
30 November 2018

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. Datuk Tang has significant corporate and financial experience in natural resources, power generation, healthcare, technology, manufacturing and real estate. Datuk 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. Datuk 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 19 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.

Corporate Governance Report

Corporate Governance Statement

The Board of Directors ("Board") aims to adhere to industry good practice in relation to corporate governance of the Company. The Board approved the adoption of the Quoted Companies Alliance Corporate Governance Code 2018 ("QCA Code") on 9 July 2018.

The QCA Code sets out 10 principles which should be applied. These are listed below together with a short explanation of how the Group applies each of the principles. Where the Group does not fully comply with each principle an explanation as to why has also been provided:

Principle One: Strategy and business model

The Board has developed and implemented a strategy which it believes will achieve long term value for shareholders. This strategy is set out in the Strategic Report, on page 4. The Company believes that this strategy is appropriate to protect the Company from unnecessary risk and optimise its long-term future.

Principle Two: Understanding shareholder needs and expectations.

The Board is committed to maintaining good communications and seeks to understand and meet shareholder needs and expectations by engaging with them across a range of platforms. All shareholders are encouraged to attend the Company's Annual General Meetings where they can meet and directly communicate with the Board. After the close of business at the Annual General Meeting, the Chairman opens the floor to questions from shareholders. The Company provides phone numbers on all its updates and RNS announcements where shareholders can contact the appropriate senior Company representatives directly. Shareholders also have access to information through the Company's website, www.gcmplc.com.

Shareholders are also welcome to contact the Company via email at info@gcmplc.com with any specific queries.

Principle Three: Stakeholder responsibilities

The Board recognises that the long-term success of the Company is reliant upon strong positive relationships with the Government of Bangladesh, local potentially affected communities, its partners, customers, contractors, suppliers, employees and other stakeholders.

The Company is committed to developing any project under its control to the highest international social and environmental standards. In addition to compliance with applicable national laws, GCM has committed to comply with the Equator Principles, the International Finance Corporation's Performance Standards on Social and Environmental Sustainability and the principles of the UN Global Compact.

At this stage in the Company's development, the Board has not adopted a specific written policy on Corporate Social Responsibility as the standards it has committed to gives sufficient guidance at the Company's current stage of development.

The Company engages positively with local communities, regulatory authorities and stakeholders in its project locations and encourages feedback through this engagement. Through this process the Company identifies the key resources and fosters the relationships on which the business relies.

Principle Four: Risk management

The Board periodically reviews the risks to which the Group is exposed including on all significant new transactions, and ensures that these risks are minimised as far as possible whilst recognising that its business opportunities carry an inherently high level of risk. The principal risks and uncertainties facing the Group at this stage in its development and in the foreseeable future are detailed on page 7 together with risk mitigation strategies employed by the Board.

Principle Five: A well-functioning Board of Directors.

The Executive Chairman (Datuk Michael Tang PJN) has overall responsibility for the Corporate Governance of the Company. The Board is responsible for formulating, reviewing and approving the Group's strategy, budget, major transactions and monitoring achievement of its business objectives. An agenda and supporting documentation are circulated to the directors before each Board meeting. Open and timely access to all information is provided to directors to enable them to bring independent judgement on issues affecting the Group and facilitate them in discharging their duties. The Board meets formally periodically during the year for these purposes and holds additional meetings when necessary to transact other business. The Board receives reports for consideration on all significant strategic, operational and financial matters.

The Board currently consists of the Executive Chairman (Datuk Michael Tang PJN), the Finance Director (James Hobson) and an independent non-executive director (Nik Raof Daud). The Board is aware that this does not comply with the QCA Code and so is currently in the process of recruiting one or more independent non-executive directors and upon such appointment(s), considers that its composition shall be satisfactory. Currently the Chairman also undertakes the role of Chief Executive and works part-time with the Company. The combined role of Chairman and Chief Executive is considered acceptable at the current stage of the Company's development and will be reviewed as the Company grows. The Finance Director works full time for the Company.

The non-executive director is considered independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Board is supported by the audit, remuneration and the nomination committees, details of which can be found below.

Corporate Governance Report (continued)

Principle Six: Appropriate skills and experience of the Directors
For the current size and stage of development of the Company, the Board considers the current balance of sector, financial and public market skills and experience present on the Board is appropriate to execute the Company's strategy and business plan and discharge its duties effectively. As the Company evolves, the Board will be reviewed and expanded as necessary to ensure appropriate expertise is always in place to support its business activities. Details of the current Board of Directors' biographies are set out on page 9.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed.

Principle Seven: Evaluation of Board performance
Due to GCM's size and available resources, and the status of the Company's operations, the Company has yet to set in in place a formal evaluation system for its Board, Directors and employees. The appropriateness of performance review will be reassessed as the Company's corporate governance evolves in line with development of its business. The board shall monitor requirements for succession planning on an ongoing basis.

Principle Eight: Corporate culture
The Company operates in the United Kingdom and Bangladesh. It is committed to upholding all laws relevant to countering bribery and corruption in all jurisdictions in which it operates and remains bound by the laws of the United Kingdom, including the Bribery Act 2010, in respect of conduct both at home and abroad.

The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever we operate, implementing and enforcing effective systems to counter bribery.

The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Board takes account of employees' interests when making decisions, and suggestions from employees aimed at improving the Group's performance are welcomed.

The Company has adopted a Share Dealing Code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine: Maintenance of governance structures and processes
Ultimate authority for all aspects of the Company's activities rests with the Board. The Executive Chairman is responsible for the effectiveness of the Board, ensuring that no individual or group dominates the Board's decision-making, and that the Non-Executive Director is properly briefed on all operational and financial matters. The Executive Chairman has overall responsibility for corporate governance matters in the Group. The Executive Chairman has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. Key operational and financial decisions are reserved for the Board through periodic Board meetings.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third-parties and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten: Shareholder communication
The Company encourages communication with both private and institutional shareholders. The Company's website is regularly updated and users, including all stakeholders, can register to be alerted via email when material announcements are made. The Company's contact details are on the website for investor relations enquiries.

Shareholders are encouraged to attend the Company's Annual General Meeting. Notices of General Meetings are posted to shareholders and copies for at least the past five years are contained within the Annual Reports, copies of which are available on the website.

The results of voting on all resolutions in future general meetings will be posted to the Company's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent votes.

Board and Committees

As at 30 June 2018 the Board consisted of two executive directors and one non-executive director. Upon appointment of one or more new non-executive directors the Board composition will be two executive directors and two or more non-executive directors. The Board considers that this composition will be satisfactory, considering 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. The Board met three times during the year ended 30 June 2018, with all directors attending.

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. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. Mr Nik Raof Daud is Chair of the Audit Committee supported by James Hobson, the Company Secretary who is not formally a member of the committee. The membership of the committee will be reviewed upon the appointment of further non-executives as described above. During the year the Audit Committee was active in assessing the adequacy of the interim and annual financial statements, including conducting meetings with the auditors of the Company.

The Remuneration Committee
The Remuneration Committee is responsible for making recommendations to the Board of Directors' and senior executives' remuneration. Non-Executive Directors' remuneration is considered by the Board. 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. Mr Nik Raof Daud is Chair of the Remuneration Committee supported by James Hobson, the Company Secretary who is not formally a member of the committee. The membership of the committee will be reviewed upon the appointment of further non-executives as described above. During the year the Remuneration Committee conducted a review of executive remuneration, including benchmarking to market and making appropriate recommendations to the Board.

The Nominations Committee
The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives. Mr Nik Raof Daud is Chair of the Nominations Committee supported by James Hobson, the Company Secretary who is not formally a member of the committee. The membership of the committee will be reviewed upon the appointment of further non-executives as described above. During the year the Nominations Committee has been involved in the assessment of prospective candidates for non-executive positions as requested by the Board.

Datuk Michael Tang PJN
Executive Chairman
30 November 2018

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2018.

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 4.

Financial resources
As at 30 June 2018 GCM held £446,000 in cash (2017: £180,000 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 6.

Financial review
The Group recorded a loss after tax of £5,351,000 for the year ended 30 June 2018 (2017: loss after tax of £1,006,000). Non-cash expenses of £4,515,000 were incurred during the year (2017: £255,000).

Capitalised evaluation expenditure relating to the Phulbari Coal and Power Project was £458,000 for the year ended 30 June 2017 (2017: £1,792,000). The difference was mainly as a result of non-cash consulting fee of £1,300,000 incurred in the previous financial year.

During the year the Company undertook a share placement, raising £2,000,000 before costs.

Post balance sheet events
The following events took place subsequent to 30 June 2018, for which there has been no adjustment to the June 2018 financial statements:

- On 26 October 2018 the Company agreed a consultancy agreement with Dyani Corporation Limited (Consultant), whereby the consultant shall receive shares in return for achieving key milestones as well as a retainer fee to be paid in shares. The key milestones are in respect to facilitating the attainment of strategic partners for the Company. The term of the contract is 1 July 2018 to 30 June 2020.
- On 6 November 2018 GCM announced that it had received a technical prefeasibility study from Power Construction Company of China Ltd (POWERCHINA) in relation to mine mouth power plants generating 4,000MW.
- On 26 November 2018 GCM agreed a Memorandum of Understanding with POWERCHINA. The MOU embodies the principles of a cooperative relationship between the two parties to develop the Company's proposed coal mine as well as power plants generating up to 4,000MW at the mine site.
- On 30 November 2018 the Company agreed an amendment to the short-term loan facility with Polo Resources Limited. The loan facility was increased by £1,200,000 to £2,300,000 while allowing the lender the possibility of converting the Company's short-term loan facility at the behest of the lender. The combined increase in the loan facility and the potential loan settlement places the Company in a more stable financial position going forward.

Dividends
The Directors do not recommend the payment of a dividend (2017: nil).

Going concern

On 30 November 2018 the Company agreed an increase in the short-term loan facility by £1,200,000 to be spread in four quarterly instalments in advance. Based on projected future costs, the fundraising is expected to be sufficient to support the Company's operations for the twelve months from the date of this report.

However, the Directors note that further funds may be required during the next twelve months depending upon the success of the Company's efforts with regard to advancing the Phulbari Coal and Power Project. The Directors also note that under the terms of the short-term loan facility repayment can be requested upon 90 days' notice, or alternatively converted to shares at 11 pence per share at the lenders option. The Company does not currently have secured funding arrangements in place to cover this loan or further potential expenditure which may be needed to advance the Project, and accordingly GCM may potentially be in a position of needing to raise funds in a short amount of time.

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

– In the event that the short-term loan becomes payable, sufficient funding can be obtained; and

– In the event that operating expenditure increases significantly as a result of successful progress with regards to the Phulbari Coal and Power Project, sufficient funding can be obtained.

While the Directors remain confident that necessary funds will be available as and when required, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

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 4.

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties can be found on page 7.

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 18 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		
Nik Raof Daud	30 September 2015	–

Amounts paid for services of Directors for the year ended 30 June 2018 were:

	2018 £	2017 £
Executive Directors		
Datuk Michael Tang PJN	**303,600**	303,600
James Hobson	**110,312**	64,322
Non-Executive Directors		
Nik Raof Daud	**6,000**	6,000
Dato' Md Wira Dani Bin Abdul Daim	**–**	1,000
	419,912	374,922

Directors' Report (continued)

The Directors who held office at 30 June 2018, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2018 Shares	2018 Conditional shares (1)	2018 Options	2017 Shares	2017 Conditional shares	2017 Options
Executive Directors						
Datuk Michael Tang PJN	**–**	**–**	**7,250,000(2)**	–	–	7,250,000
James Hobson	**200**	**12,500**	**425,000(2)**	200	12,500	425,000
Non-Executive Directors						
Nik Raof Daud	**–**	**–**	**200,000(2)**	–	–	200,000

(1) Shares awarded in the event of key milestones being reached. Refer to Note 17 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

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 18 for liquidity risk.

Capital management

Capital comprises of cash only. The Group holds a short-term loan facility of £2,300,000 of which £1,100,000 has been fully utilised. The Group does not hold other loans, financial leases, or other non-current finance obligations.

	2018 £000	2017 £000
Cash	**446**	180
Borrowing facilities	**1,200**	150
Capital	**1,646**	330

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 (2017: 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 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
30 November 2018

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 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 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 Statement of Cash Flows 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 parent 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 2018 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 parent 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 related to going concern

We draw attention to note 1, in the financial statements which indicates that the group may need additional funding in the next twelve months. As at the date of approval of these financial statements, there are no secured funding agreements in place relating to securing additional funds from existing shareholders or new investors if required and therefore there can be no certainty that additional funds will be forthcoming.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter. We have performed the following work as part of our audit:

- 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 have reviewed the consistency of committed cash flows against contractual arrangements and compared general overheads to current run rates. The forecasts demonstrated that the group may require additional funding to meet its liabilities as they fall due.
- We have verified a signed copy of the amended loan agreement with Polo Resources Limited. We have reviewed the terms of the loan agreement and note there are no restrictions on the group's ability to draw down the £1.2m in line with the quarterly schedule.
- The directors note that the current funding will not be sufficient if Polo Resources Limited call in the loan and repayment is due within a 90 day period or further funding is required to meet increased expenditure on the mine and power plant project. We have discussed with the directors the strategies that they are pursuing to secure further funding if and when required and note that at the date of this report there are no legally binding agreements in place to cover a funding deficit in these scenarios.
- We reviewed the adequacy of disclosures in the financial statements in respect of the group's and parent company'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.

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 related 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) As disclosed in note 9, the Group's intangible asset represents capitalised exploration and evaluation expenditure on the Phulbari Coal and Power Project. The balance is £40.6m as at 30 June 2018. 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 £44.7m. 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 in 2012 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 assessment 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 concluded that no impairment is required at 30 June 2018. The directors have disclosed their key judgements, together with the uncertainties, in note 1 to the financial statements. Given the level judgement applied we consider this to be a significant audit risk and a key audit matter.

HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT
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 to give such opinion. 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 forecast 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.

Our application of materiality

Group materiality FY 2018	Group materiality FY 2017	Basis for materiality
£600 thousand	£600 thousand	1.5% of total assets (2017: 1.5% of total assets)

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. The parent company materiality was £480 thousand (2017: £480 thousand) with the other components being £480 thousand. These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 70% (2017: 70%) of the above materiality levels given there has been limited experience of past misstatements.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £30 thousand (2017: £30 thousand). We also agreed to report differences below these thresholds that, in our view warranted reporting 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.

Components subject to full scope audits account for 99% of the total assets.

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
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.

Use of our report
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.

Matt Crane
For and on behalf of BDO LLP, Statutory Auditor
London

30 November 2018

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	2018 £000	2017 £000
Operating expenses			
Pre–development expenditure	16	**(4,515)**	–
Exploration and evaluation costs		**(44)**	(53)
Administrative expenses		**(601)**	(654)
Operating loss	3	**(5,160)**	(707)
Finance costs		**(191)**	(299)
Loss before tax		**(5,351)**	(1,006)
Taxation	6	**–**	–
Loss for the year		**(5,351)**	(1,006)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(5,351)**	(1,006)
Loss per share			
Basic (pence per share)	7	**(6.1p)**	(1.6p)
Diluted (pence per share)	7	**(6.1p)**	(1.6p)

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 2016	6,286	45,286	609	169	(15,352)	36,998
Total comprehensive loss	–	–	–	–	(1,006)	(1,006)
Share issues[(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
Total comprehensive loss	–	–	–	–	(5,351)	(5,351)
Share issuances (net of costs)[(1)]	1,996	4,319	–	–	–	6,315
Share based payments	–	–	7	–	–	7
Balance at 30 June 2018	**9,811**	**50,484**	**625**	**–**	**(21,540)**	**39,380**

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

Consolidated Balance Sheet

As at 30 June

	Notes	2018 £000	2017 £000
Current assets			
Cash and cash equivalents		**446**	180
Other receivables	8	**37**	52
Total current assets		**483**	232
Non–current assets			
Property, plant and equipment		**23**	27
Intangible assets	9	**40,637**	40,179
Total non–current assets		**40,660**	40,206
Total assets		**41,143**	40,438
Current liabilities			
Payables	11	**(484)**	(1,028)
Borrowings	12	**(1,279)**	(1,001)
Total current liabilities		**(1,763)**	(2,029)
Total liabilities		**(1,763)**	(2,029)
Net assets		**39,380**	38,409
Equity			
Share capital	14	**9,811**	7,815
Share premium account	14	**50,484**	46,165
Other reserves	14	**625**	618
Accumulated losses		**(21,540)**	(16,189)
Total equity		**39,380**	38,409

Datuk Michael Tang PJN
Executive Chairman
30 November 2018

Consolidated Cash Flow Statement

For year ended 30 June

	Notes	2018 £000	2017 £000
Cash flows from/(used in) operating activities			
(Loss) before tax		**(5,351)**	(1,006)
Adjusted for:			
Pre–development expenditure	16	**4,515**	–
Finance costs		**191**	299
Other non–cash expenses		**–**	50
		(645)	(657)
Movements in working capital:			
Decrease/(increase) in operating receivables		**10**	(6)
(Decrease)/increase in operating payables		**(515)**	280
Cash used in operations		**(1,150)**	(383)
Net cash used in operating activities		**(1,150)**	(383)
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment		**(1)**	(4)
Payments for intangible assets		**(470)**	(477)
Net cash generated from/(used in) investing activities		**(471)**	(481)
Cash flows from/(used in) financing activities			
Issue of ordinary share capital		**2,000**	–
Share issue costs		**(200)**	–
Proceeds from borrowing		**150**	850
Interest paid		**63**	–
Net cash from financing activities		**1,887**	850
Total increase in cash and cash equivalents		**266**	(14)
Cash and cash equivalents at the start of the year		**180**	194
Cash and cash equivalents at the end of the year		**446**	180

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 30 November 2018, 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 2018 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 2018.

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 6,000MW power plants in conjunction with large Chinese State-owned engineering enterprises. Over the last twelve months progress has been made in pursuit of this strategy as highlighted on page 4.

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 £40,637,000 as at 30 June 2018.

Going concern

On 30 November 2018 the Company agreed an increase in the short-term loan facility by £1,200,000 to be spread in four quarterly instalments in advance. Based on projected future costs, the fundraising is expected to be sufficient to support the Company's operations for the twelve months from the date of this report.

However, the Directors note that further funds may be required during the next twelve months depending upon the success of the Company's efforts with regard to advancing the Phulbari Coal and Power Project. The Directors also note that under the terms of the short-term loan facility repayment can be requested upon 90 days' notice, or alternatively converted to shares at 11 pence per share at the lenders option. The Company does not currently have secured funding arrangements in place to cover this loan or further potential expenditure which may be needed to advance the Project, and accordingly GCM may potentially be in a position of needing to raise funds in a short amount of time.

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

- In the event that the short-term loan becomes payable, sufficient funding can be obtained; and
- In the event that operating expenditure increases significantly as a result of successful progress with regards to the Phulbari Coal and Power Project, sufficient funding can be obtained.

While the Directors remain confident that necessary funds will be available as and when required, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

Use of judgements, estimates and assumptions
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. 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. Refer to "Political and economic risks – carrying value of intangible asset" section on page 27 for further details in respect of the recoverability of intangible mining assets and the boards judgement regarding the ultimate approval of the project being secured.

Power plant development costs
When it is probable that future economic benefits will flow to the Group, all costs associated with developing a power plant project are capitalised as power project expenditure within property, plant and equipment category of tangible non-current assets. The capitalised expenditure will include appropriate technical and administrative expenses but not general overheads. To assess whether it is probable that future economic benefits will arise from the power plant development costs, management has considered: objective evidence that the power plant is technically and economically feasible, and objective evidence that the appropriate authorities of the Government of Bangladesh have, or are likely to approve power plant development.

Share based payments
Note 17 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.

Notes to the Consolidated Financial Statements (continued)

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.

Power project development costs

Power project expenditure is expensed as pre-development expenditure until it is probable that future economic benefits associated with the project will flow to the Group and the costs can be measured reliably. When it is probable that future economic benefits will flow to the Group, all costs associated with developing a power plant project are capitalised as power project expenditure within property, plant and equipment category of tangible non-current assets. The capitalised expenditure will include appropriate technical and administrative expenses but not general overheads. Power project assets are not depreciated until the asset is ready and available for use.

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. Costs such as geological and geophysical surveys, drilling and commercial appraisal costs, and other directly attributable costs of exploration and appraisal including technical and administrative costs, are capitalised as intangible exploration and evaluation assets.

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.

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.

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.

Notes to the Consolidated Financial Statements (continued)

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:

- 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)		
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

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)		
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 operations, the adoption of the above standards and interpretations will not 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

	2018 £000	2017 £000
The operating loss is stated after charging:		
Directors' remuneration	**420**	375
Other staff costs (1)	**14**	70
Operating lease rentals (2)	**21**	20
Depreciation of property, plant and equipment (3)	**–**	–

(1) Other staff costs for 2018 financial year were £339,000 of which £14,000 was expensed in administrative expenses, £6,000 expensed in exploration and evaluation costs and £318,000 capitalised (2017: £62,000 expensed in administrative expenses, £8,000 expensed in exploration and evaluation costs and £247,000 capitalised).

(2) Operating lease rental costs for 2018 financial year were £72,000 of which £21,000 was expensed and £51,000 capitalised (2017: £93,000 of which £20,000 was expensed and £72,000 capitalised).

(3) Total depreciation for 2018 was 56,000 which was capitalised to intangibles (2017: £6,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £44,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2017: £53,000).

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.

	2018 £000	2017 £000
Audit of the financial statements	**34**	30
Audit of subsidiaries	**4**	8
Total audit	**38**	38
Total fees	**38**	38

Notes to the Consolidated Financial Statements (continued)

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

	2018 £000	2017 £000
Amounts paid for Directors' services		
Amounts paid for Directors' services	**420**	375

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report on page 15. The aggregated remuneration of the highest paid director is £303,600.

Staff costs

Wages and salaries[1]	**325**	303
Social security costs	**14**	14
	339	317

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2018 Number	2017 Number
Exploration and evaluation	**14**	18
Administration	**4**	4
	18	22

6. Taxation

Reconciliation of the tax charge in the income statement

	2018 £000	2017 £000
(Loss) on ordinary activities before tax	**(5,351)**	(1,006)
UK corporation tax @ 19% (2018) and 19.75% (2017)	**(1,016)**	(199)
Unrecognised deferred tax assets during the year	**971**	114
Non-deductible expenditure	**45**	85
Total tax expense reported in the income statement	**–**	–

Unrecognised deferred tax assets

	2018 £000	2017 £000
Deferred tax asset		
Tax losses carried forward	**3,055**	2,093
Impairment	**891**	891
Other	**1**	1
	3,947	2,985
Less: deferred tax assets de-recognised	**(3,947)**	(2,985)
	–	–

At 30 June 2018 tax losses for which a deferred tax asset was not recognised amounted to £16,077,000 (2017: £11,015,000). 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

	2018 £000	2017 £000
(Loss) for the year	**(5,351)**	(1,006)

	Thousands	Thousands
Weighted average number of shares		
Basic and diluted weighted average number of shares	**87,903**	63,554
(Loss) per share		
Basic (pence per share)	**(6.1p)**	(1.6p)
Diluted (pence per share)	**(6.1p)**	(1.6p)

There are 9,925,000 potentially dilutive options at 30 June 2018 which are not included in the calculation of diluted earnings per share in 2018 because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

8. Other Receivables

	2018 £000	2017 £000
Current		
Prepayments	**26**	40
Other receivables	**11**	12
	37	52

9. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
At 1 July 2016	37,240	1,147	38,387
Additions – exploration & evaluation	1,792	–	1,792
At 30 June 2017	39,032	1,147	40,179
Additions – exploration & evaluation	458	–	458
Cost and net book value at 30 June 2018	**39,490**	**1,147**	**40,637**
Cost and net book value at 30 June 2017	39,032	1,147	40,179

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.

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 2018	2017
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%
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

	2018 £000	2017 £000
Trade payables	**309**	333
Related party accrued payable	**25**	546
Transaction costs payable	**150**	150
	484	1,028

Refer to note 20 for details of the related party accrued payable.

12. Borrowings

	2018 £000	2017 £000
Short-term loan from related party	**1,279**	1,001
	1,279	1,001

Refer to note 20 for details of the short-term loan from related party.

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:

	2018 £000	2017 £000
Operating leases expiring:		
Within one year	**53**	44
After one year but not more than five years	**27**	20
	80	64

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 (£4.58 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.

14. Authorised and issued share capital

	2018 Thousands	2017 Thousands	2018 £000	2017 £000
Authorised				
Ordinary shares of 10p each	**200,000**	200,000	**20,000**	20,000
Allotted, called up and fully paid				
At 1 July	**78,154**	62,861	**7,815**	6,286
Shares issued	**19,960**	15,293	**1,996**	1,529
At 30 June	**98,114**	78,154	**9,811**	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 July 2017 4,207,700 shares were issued to a consultant as payment for their services. The consulting payment included £60,000 (300,000 shares at 20p per share) as payment for a retainer and £1, 250,000 (3,907,700 shares at 32p per share) as payment for a success fee.

On 23 November 2017 5,813,953 shares were issued to new and existing investors to raise £2,000,000 at 34.4p per share. Costs incurred on the equity raise was £200,000.

On 10 April 2018 9,938,005 shares were issued to a consultant as payment for their services. The consulting payment included £180,000 (900,000 shares at 20p per share) as payment for a retainer, £1,543,000 (4,408,783 shares at 35p per share) as payment for a success fee, and £1,481,000 (4,629,222 shares at 32p per share) as payment for a success fee.

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.

	2018 £000	2017 £000
Share based payments not settled	**625**	618
	625	618

Notes to the Consolidated Financial Statements (continued)

15. Notes supporting statement of cashflows

Cash and cash equivalents for the purposes of the statement of cash flows comprises:

	2018 £000	2017 £000
Cash at bank available on demand	**446**	180
	446	180

Significant non-cash transactions from investing activities are as follows:

	2018 £000	2017 £000
Share based payment for consulting services	**–**	1,240

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions:

	Convertible loan £000	Current loans and borrowings £000	Total £000
Balance at 1 July 2017	–	1,001	1,001
Cash flows	–	150	150
Non-cash flows:			
Interest accrued	–	128	128
Balance at 30 June 2018	**–**	**1,279**	**1,279**
Balance at 1 July 2016	964	100	1,064
Cash flows	–	850	850
Non-cash flows:			
Interest accrued	154	51	205
Conversion of loan to shares	(1,118)	–	(1,118)
Balance at 30 June 2017	–	1,001	1,001

16. Significant non-cash transactions

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

- On 18 July 2017 4,207,700 shares were issued to a consultant as payment for their services. The consulting payment included £60,000 (300,000 shares at 20p per share) as payment for a retainer and £1,250,000 (3,907,700 shares at 32p per share) as payment for a success fee.
- On 10 April 2018 9,938,005 shares were issued to a consultant as payment for their services. The consulting payment included £180,000 (900,000 shares at 20p per share) as payment for a retainer, £1,543,000 (4,408,783 shares at 35p per share) as payment for a success fee, and £1,481,000 (4,629,222 shares at 32p per share) as payment for a success fee.

17. Share based payments

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

	2018 £000	2017 £000
Charged to intangibles		
Conditional shares	7	9
	7	9

Options

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

	2018 Options Thousands	2018 WAEP	2017 Options Thousands	2017 WAEP
At 1 July	**9,925**	**£0.11**	9,925	£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 2018 have an exercise price of £0.11 (2017: £0.11) and a weighted average contractual life of 1.9 years (2017: 2.9 years).

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:

	2018 Thousands	2017 Thousands
At 1 July	**313**	313
30 June	**313**	313

The grant details of the conditional shares outstanding as at 30 June 2018 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 2018 is £625,000 (2017: £618,000) 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 £7,000 for the year ended 30 June 2018 is directly attributable to the Phulbari Coal and Power Project, and accordingly capitalised to intangibles on this basis (2017: £9,000).

Notes to the Consolidated Financial Statements (continued)

18. 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:

	2018 £000	2017 £000
Floating rate – within 1 year		
Cash and cash equivalents	**432**	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 2018 was £14,000 (2017: £173,000).

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 2018 was as follows:

	2018 £000	2017 £000
Cash and cash equivalents	**446**	180

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 2018 and 2017.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	1 – 2 years £000	Total £000
2018					
Payables	138	31	315	–	484
Borrowings	–	–	1,312	–	1,312
	138	**31**	**1,627**	**–**	**1,796**
2017					
Payables	119	20	889	–	1,028
Borrowings	–	–	1,001	–	1,001
	119	20	1,890	–	2,029

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 2018 £000	Book value 2017 £000	Fair value 2018 £000	Fair value 2017 £000
Financial assets					
Cash and cash equivalents		**446**	180	**446**	180
Receivables	Loans and receivables	**37**	12	**37**	12
Financial liabilities					
Creditors	Amortised cost	**484**	1,028	**484**	1,028
Borrowings	Amortised cost	**1,279**	1,001	**1,279**	1,001

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.

19. 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.

20. Related Party Transactions

Key management personnel

	2018 £000	2017 £000
Short-term benefits	**524**	464
Share based payments	**3**	3
	527	467

Short-term related party loan

GCM is beneficiary to a £2.3 million short-term loan facility from its largest shareholder, with an interest rate of 12% per annum. As at 30 June 2018 the Group had utilised £1.1 million of the loan facility (2017: £950,000) and an interest accrual of £179,000 (2017: £51,000). The terms of the short-term loan requires repayment within 90 days of receiving notice from Polo Resource Limited. Refer to note 12.

Management services company

As disclosed in the Directors Report, for the year ended 30 June 2018, the remuneration for the services of Datuk Michael Tang PJN, Executive Chairman of the Company, was £303,600, which comprised of directors fees amounting to £6,000 (2017: £6,000) and management services of £297,600 paid to a management services company (2017: £297,600).

For the period September 2015 to November 2017 Datuk Michael Tang PJN offered to defer the payments due to his management services company until further notice in order to assist the Company. The total debt as a result of the deferment of £670,000 was repaid to the management services company during the year. In addition, the Company agreed to pay the management services company an interest payment of £63,000 in full settlement of the debt. An annualised interest rate of 8% was used in calculating the interest amount.

As at 30 June 2018 the amount owing to the management services company of Datuk Michael Tang PJN was £25,000 (2017: £546,000).

Notes to the Consolidated Financial Statements (continued)

21. Post-balance sheet events

The following events took place subsequent to 30 June 2018, for which there has been no adjustment to the June 2018 financial statements:

– On 26 October 2018 the Company agreed a consultancy agreement with Dyani Corporation Limited (Consultant), whereby the consultant shall receive shares in return for achieving key milestones as well as a retainer fee to be paid in shares. The key milestones are in respect to facilitating the attainment of strategic partners for the Company. The term of the contract is 1 July 2018 to 30 June 2020.

– On 6 November 2018 GCM announced that it had received a technical prefeasibility study from Power Construction Company of China Ltd (POWERCHINA) in relation to mine mouth power plants generating 4,000MW.

– On 26 November 2018 GCM agreed a Memorandum of Understanding with POWERCHINA. The MOU embodies the principles of a cooperative relationship between the two parties to develop the Company's proposed coal mine as well as power plants generating up to 4,000MW at the mine site.

– On 30 November 2018 the Company agreed an amendment to the short-term loan facility with Polo Resources Limited. The loan facility was increased by £1,200,000 to £2,300,000 while allowing the lender the possibility of converting the Company's short-term loan facility at the behest of the lender. The combined increase in the loan facility and the potential loan settlement places the Company in a more stable financial position going forward.

Company Financial Statements 2018

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 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
Total comprehensive loss	–	–	–	–	(5,112)	(5,112)
Share issuances	1,996	4,319	–	–	–	6,315
Share based payments	–	–	7	–	–	7
Balance at 30 June 2018	**9,811**	**50,484**	**625**	**–**	**(17,336)**	**43,584**

Company Balance Sheet

As at 30 June

	Notes	2018 £000	2017 £000
Current assets			
Cash and cash equivalents		**440**	158
Other receivables	5	**21**	29
Security deposit		**2**	3
Total current assets		**463**	190
Non-current assets			
Investments	6	**44,713**	44,014
Property, plant and equipment		**1**	–
Total non-current assets		**44,714**	44,014
Total assets		**45,177**	44,204
Current liabilities			
Payables	7	**(314)**	(829)
Borrowings	8	**(1,279)**	(1,001)
Total current liabilities		**(1,593)**	(1,830)
Total liabilities		**(1,593)**	(1,830)
Net assets		**43,584**	42,374
Equity			
Share capital	10	**9,811**	7,815
Share premium account	10	**50,484**	46,165
Other reserves	10	**625**	618
Accumulated losses		**(17,336)**	(12,224)
Total equity		**43,584**	42,374

Datuk Michael Tang PJN
Executive Chairman
30 November 2018

The Parent Company recorded a loss of £5,112,000 for the year ended 30 June 2018 (2017: loss of £827,000).

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 30 November 2018.

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 a statement of cash flow, 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 2018. 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 proposed 6,000MW mine-mouth power plants in conjunction with large Chinese State-owned engineering enterprises. Over the last twelve months progress has been made in pursuit of this strategy as highlighted on page 4.

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 £44,713,000 at 30 June 2018.

Going concern
On 30 November 2018 the Company agreed an increase in the short-term loan facility by £1,200,000 to be spread in four quarterly instalments in advance. Based on projected future costs, the fundraising is expected to be sufficient to support the Company's operations for the twelve months from the date of this report.

However, the Directors note that further funds may be required during the next twelve months depending upon the success of the Company's efforts with regard to advancing the Phulbari Coal and Power Project. The Directors also note that under the terms of the short-term loan facility repayment can be requested upon 90 days' notice, or alternatively converted to shares at 11 pence per share at the lenders option. The Company does not currently have secured funding arrangements in place to cover this loan or further potential expenditure which may be needed to advance the Project, and accordingly GCM may potentially be in a position of needing to raise funds in a short amount of time.

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

- In the event that the short-term loan becomes payable, sufficient funding can be obtained; and
- In the event that operating expenditure increases significantly as a result of successful progress with regards to the Phulbari Coal and Power Project, sufficient funding can be obtained.

Notes to the Company Financial Statements (continued)

While the Directors remain confident that necessary funds will be available as and when required, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

Use of judgements, estimates and assumptions
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 47 for further details in respect of the recoverability of the investment in subsidiaries.

Power plant development costs
When it is probable that future economic benefits will flow to the Group, all costs associated with developing a power plant project are capitalised as power project expenditure within property, plant and equipment category of tangible non-current assets. The capitalised expenditure will include appropriate technical and administrative expenses but not general overheads. To assess whether it is probable that future economic benefits will arise from the power plant development costs, management has considered: objective evidence that the power plant is technically and economically feasible, and objective evidence that the appropriate authorities of the Government of Bangladesh have, or are likely to approve power plant development.

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.

Power project costs
Power project expenditure is expensed as pre-development expenditure until it is probable that future economic benefits associated with the project will 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 developing apower plant project are capitalised as power project expenditure within property, plant and equipment category of tangible non-current assets. The capitalised expenditure will include appropriate technical and administrative expenses but not general overheads. Power project assets are not depreciated until the asset is ready and available for use.

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.

Notes to the Company Financial Statements (continued)

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.

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.

	2018 £000	2017 £000
Audit of the Company financial statements	**8**	8

3. Staff numbers

The average monthly number of employees during the year was 1 (2017:1).

4. Taxation

Reconciliation of the tax charge in the income statement

	2018 £000	2017 £000
(Loss) on ordinary activities before tax	**(5,112)**	(827)
UK corporation tax @ 19% (2018) and 19.75% (2017)	**(971)**	(163)
Unrecognised deferred tax assets during the year	**971**	114
Non-deductible expenditure	**–**	49
Total tax expense reported in the income statement	**–**	–

Unrecognised deferred tax assets

	2018 £000	2017 £000
Deferred tax asset		
Tax losses carried forward	**2,877**	1,915
Impairment	**891**	891
Other	**1**	1
	3,769	2,807
Less: deferred tax assets de-recognised	**(3,769)**	(2,807)
	–	–

At 30 June 2018 tax losses for which a deferred tax asset was not recognised amounted to £15,141,000 (2017: £10,079,000). 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

	2018 £000	2017 £000
Current debtors		
Prepayments	**12**	21
Other debtors	**9**	8
	21	29

6. Investments

	2018 £000	2017 £000
Subsidiary undertakings at cost		
Opening balance	**44,014**	42,025
Additions	**699**	1,989
As at 30 June	**44,713**	44,014
Carrying amount as at 30 June	**44,713**	44,014

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 Note 1 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:

	Country of Incorporation	Ownership interest	
		2018	2017
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%
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

	2018 £000	2017 £000
Trade payables	**139**	133
Related party accrued payable	**25**	546
Transaction costs payable	**150**	150
	314	829

Notes to the Company Financial Statements (continued)

8. Borrowings

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

	2018 £000	2017 £000
Short-term loan from related party	**1,279**	1,001
	1,279	1,001

9. Commitments

Operating lease commitments

As at 30 June 2018, the Company had an operating lease on premises, which has a duration of less than one year.

	2018 £000	2017 £000
Operating leases expiring:		
Within one year	**15**	21
After one year but not more than five years	**2**	–
	17	21

10. Authorised share capital

	2018 Thousands	2018 £000
Authorised		
Ordinary shares of 10p each	**200,000**	20,000
Allotted, called up and fully paid		
At 1 July	**78,154**	7,815
Shares issued	**19,960**	1,996
At 30 June	**98,114**	9,811

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 July 2017 4,207,700 shares were issued to a consultant as payment for their services. The consulting payment included £60,000 (300,000 shares at 20p per share) as payment for a retainer and £1,250,000 (3,907,700 shares at 32p per share) as payment for a success fee.

On 23 November 2017 5,813,953 shares were issued to new and existing investors to raise £2,000,000.

On 10 April 2018 9,938,005 shares were issued to a consultant as payment for their services. The consulting payment included £180,000 (900,000 shares at 20p per share) as payment for a retainer, £1,543,000 (4,408,783 shares at 35p per share) as payment for a success fee, and £1,481,000 (4,629,222 shares at 32p per share) as payment for a success fee.

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 £2.3 million short-term loan facility from its largest shareholder, with an interest rate of 12% per annum. As at 30 June 2018 the Group had utilised the £1.1 million of loan facility (2017: £950,000) and an interest accrual of £179,000 (2017: £51,000). The terms of the short-term loan requires repayment within 90 days of receiving notice from Polo Resource Limited. Refer to note 12.

Management service company

As disclosed in the Directors Report, for the year ended 30 June 2018, the remuneration for the services of Datuk Michael Tang PJN, Executive Chairman of the Company, was £303,600, which comprised of directors fees amounting to £6,000 (2017: £6,000) and management services of £297,600 paid to a management services company (2017: £297,600).

For the period September 2015 to November 2017 Datuk Michael Tang PJN offered to defer the payments due to his management services company until further notice in order to assist the Company. The total debt as a result of the deferment of £670,000 was repaid to the management services company during the year. In addition, the Company agreed to pay the management services company an interest payment of £63,000 in full settlement of the debt. An annualised interest rate of 8% was used in calculating the interest amount.

As at 30 June 2018 the amount owing to the management services company of Datuk Michael Tang PJN was £25,000 (2017: £546,000).

12. Post-balance sheet events

The following events took place subsequent to 30 June 2018, for which there has been no adjustment to the June 2018 financial statements:

- On 26 October 2018 the Company agreed a consultancy agreement with Dyani Corporation Limited (Consultant), whereby the consultant shall receive shares in return for achieving key milestones as well as a retainer fee to be paid in shares. The key milestones are in respect to facilitating the attainment of strategic partners for the Company. The term of the contract is 1 July 2018 to 30 June 2020.
- On 6 November 2018 GCM announced that it had received a technical prefeasibility study from Power Construction Company of China Ltd (POWERCHINA) in relation to mine mouth power plants generating 4,000MW.
- On 26 November 2018 GCM agreed a Memorandum of Understanding with POWERCHINA. The MOU embodies the principles of a cooperative relationship between the two parties to develop the Company’s proposed coal mine as well as power plants generating up to 4,000MW at the mine site.
- On 30 November 2018 the Company agreed an amendment to the short-term loan facility with Polo Resources Limited. The loan facility was increased by £1,200,000 to £2,300,000 while allowing the lender the possibility of converting the Company’s short-term loan facility at the behest of the lender. The combined increase in the loan facility and the potential loan settlement places the Company in a more stable financial position going forward.

Notes

Notes

Notes

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

RECYCLED
Paper made from recycled material
FSC® C021489
FSC
www.fsc.org

GCM Resources plc
3 Bunhill Row
London
EC1Y 8YZ

www.gcmplc.com