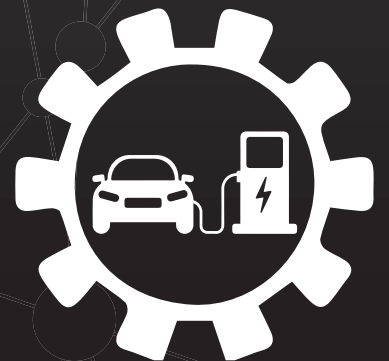
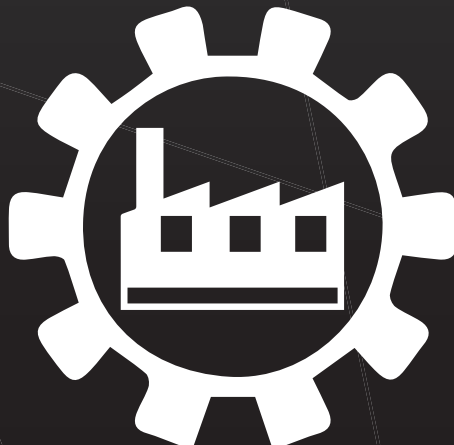
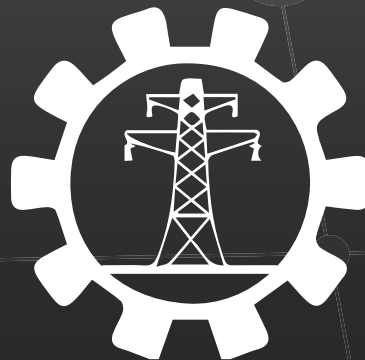




Annual Report and Accounts 2020
(LON:GCM)



GCM Resources plc

GCM Resources plc (“GCM” or the “Company”), 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 requires approval from the Government of Bangladesh in order to develop the Project.

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Executive Chairman's Statement

I am pleased to present the Company's Annual Report and Accounts for the year ended 30 June 2020 and to be able to detail some progress towards advancing the integrated coal mine and power project (the "Project") in Bangladesh, despite this period (and beyond) being dominated by global efforts to combat the Coronavirus pandemic. It's certainly been an extremely challenging time, and on behalf of the Board, I extend our appreciation for the patience and support of our shareholders.

Our efforts remain focussed on delivering returns on our shareholders' investment through delivering the Project. A key step in our Strategy to deliver the Project is for GCM and its development partners to obtain the Bangladesh Government's approval for a comprehensive Energy and Power Solution based on a 15 million tonne per annum captive coal mine in the Phulbari Coal Basin, feeding power plants with a combined capacity 6,000MW utilising highly energy-efficient Ultra-supercritical boiler technology.

The Board would note that "High efficiency, low emission" or HELE coal-fired power plant technology over the past decade has moved coal-fired power plant energy efficiency from circa 35% to 43-44% with the Ultra-supercritical technology and this trend is expected to continue over the next 5-years with "Advanced Ultra-supercritical plants" pushing energy efficiency towards 50% with greatly reduce emissions. The Board believes that this technological advance is highly relevant as it will happen within the decade timeframe that we expect the 6,000MW power plants to be installed for the Phulbari Coal and Power Project.

Our progress in this last Financial Year can be measured by the fact we leveraged our power plant joint-venture arrangements with Power

Ltd. ("PowerChina") to establish in July 2019 a memorandum of understanding ("MOU") with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") and PowerChina for the formation of a strategic partnership jointly to develop the proposed Phulbari coal mine, being the paramount component of the Project.

Our project team in Bangladesh established data room access for NFC and provided support, over the remainder of 2019, as NFC undertook due diligence studies of the mine development plan. It was our belief that once these studies were completed, we would have been in a position by early 2020 to formalise a business relationship with NFC to develop, finance, operate and manage the Project's coal mine and thereby finalise and submit our proposal to the Bangladesh Government.

However, this timing couldn't have been worse as it coincided with Coronavirus outbreak in China and that government's imposed lockdowns which also affected the operations of NFC and PowerChina. Subsequently, other governments around the world also imposed long-term travel restrictions and lockdowns, including Bangladesh. Although this unforeseeable circumstance delayed the finalisation of arrangements under the MOU, we remained in close contact and the parties. Several MOU extensions were agreed, which ultimately culminated in a Framework Agreement being signed in October 2020 (outside the reporting period) with NFC for the coal mine development. I am delighted to report that not only have we now secured a strategic mine development partner, but also that PowerChina has reiterated its interest to have a higher participation in the Project as part of its involvement in the mine mouth integrated power plants. GCM and PowerChina have, therefore, agreed to continue with the original MoU, in the absence of NFC on the same terms

and conditions as originally agreed, until 6 June 2021, providing sufficient time to determine how to include that interest within the Framework Agreement.

Key aspects of the Framework Agreement include:

- A joint venture entity being established and that NFC will acquire 5% in that entity from GCM;
- NFC shall facilitate the arrangement financing for the Project on acceptable, market-equivalent terms;
- NFC will in principle be appointed as the exclusive engineering, procurement, construction and commissioning contractor ("EPC") for the mine and a separate EPC framework agreement will be negotiated in due course; and
- A Joint Development Agreement to be agreed in due course regarding the next steps for developing the Project.

Other steps taken in Financial Year 2020 include:

- In September 2019, appointing DG Infratech Pte Ltd, a Bangladeshi controlled company, to provide the Company with advisory, management, lobbying and consultancy services focussed on achieving approval for and development of the Project's coal mine and associated power projects;
- In February 2020, securing the continuing support of Polo Resources Ltd by way of the extension of the loan agreement to ensure GCM's funding for a further 12 months; and,
- In June 2020, agreeing a two-year extension of the consulting

Executive Chairman's Statement (continued)

agreement with Dyani Corporation, Ltd. to provide support in building relationships with Chinese State-owned enterprises.

Whilst Financial Year 2020 will be remembered for the Coronavirus Pandemic and negative effect it's had on business, I'm pleased that we not only maintained our business, but managed at least some progress. However, we remain disappointed to be into 2020 and still be waiting to deliver the Project's Proposal.

Fortunately, over the period of 2020, outside the reporting year the Bangladesh Government has successfully managed to get its country back into business, albeit face-face meetings are still being handled cautiously. Our team in Bangladesh is also functioning and we are working closely, with and taking advice from our local Consultant DG Infratech. Some careful preparations are still needed, given the scale of the Project and the fact that it involves several Government departments and approval processes. We do look forward to finally presenting the Project's Proposal, obtaining approval and being able to deliver the much-deserved benefits to the Bangladesh Government and its people, our shareholders and other stakeholders.

Finally, I would like to once again thank the shareholders and all our stakeholders, for your continued commitment and support for GCM and its prospects. I also extend my appreciation to the Board and staff for their hard work.

Datuk Michael Tang PJN
Executive Chairman
22 December 2020

Group Strategic Report

Strategy and business model

GCM Resources plc (“GCM”) remains committed to a strategy of developing the Phulbari coal deposit as a captive, large-scale, open pit mining operation supporting 6,000MW of highly energy-efficient Ultra-Supercritical power generation (the “Project”). The power plants are planned to be developed in three stages, over a period of some ten years, in line with the available coal production as the mine steadily ramps-up to its nameplate production 15Mtpa.

GCM’s business model involves forming Joint Venture Agreements with various internationally renowned companies, specifically Chinese State-owned enterprises, to assist with obtaining the necessary government approvals, the requisite financing and developing the coal mine and power plants. The business model also involves the use of consultants to provide crucial guidance and lobbying support both in Bangladesh and Internationally.

GCM believes it’s strategy and business model which are aimed at gaining approval for and developing the Project are in line with Government of Bangladesh’s Vision 2021-2041 objectives being to:

- Middle-income status by 2021 being the Country’s “Golden Jubilee” year
- Higher-middle income status by 2031
- Developed Nation by 2041

The pathway to deliver these national development goals involves having an expansive supply of primary fuel capable of supporting an increasing supply of electricity necessary to stimulates industrial development, create jobs and drive economic growth. The resultant Energy and Power security will underpin economic

sustainability required to meet Vision 2020-2041.

Fundamental elements of the Project include the 572 million tonne high-quality coal resource (JORC 2004 compliant), located in the Phulbari Coal Basin in North-West Bangladesh; the Company’s contract with the Government of Bangladesh for “Exploration and Mining Coal in Northern Bangladesh”; the associated mining lease and exploration licences; and the already completed Definitive Feasibility Study for the mine, together with a comprehensive Environmental and Social Impact Assessment.

Although a Scheme of Development for mine development was submitted to the Government of Bangladesh in 2005 and still awaits approval, this document did not portray the mine as “captive” with an ultimate deliverable to the Government being 6,000MW of reliable, low-cost power. To this end, the Company’s business model has developed significantly over time and the Project is now considered to comprise four integrated “Business Units”, being the captive coal mine and the three 2,000MW power projects that will be commissioned in-line with the ramp-up to the nameplate 15Mtpa coal production. It is envisaged that the coal mine’s viability will be underpinned by coal supply agreements with each of the three power projects and, in turn, the power projects’ viability will be underpinned by the supply of reliable, competitively priced coal extracted from the Phulbari coal mine.

The Bangladesh Government remains committed to a rapid expansion of its energy sector, including the increase of coal-based power generation, and GCM equally remains committed to assist the Government meet its power sector needs. GCM’s business model is to attempt to deliver Bangladesh’s lowest coal-based power tariff, at a production rate that should make a significant positive impact on the country’s industrial development

and competitiveness in international markets.

Progress in-line with the strategy

The Company delivered a “Feasibility Study and Scheme of Development” for the coal mine component of the Project in October 2005. This mine development proposal remains robust, having been fully evaluated through the Definitive Feasibility Study (“DFS”). The DFS combines over two hundred individual studies by a team of international and national experts, with a view to delivering a world-class mining project plan, based on proven international best mining practices.

With the assistance of Hong Kong based Dyani Corporation Limited (“Dyani”), the Company developed close working relationships with the Chinese state-owned-enterprises China Gezhouba Group International Engineering Co Limited (“CGGC”), Power Construction Corporation of China Ltd (“PowerChina”) and China Nonferrous Metal Industry’s Foreign Engineering and Construction Co., Ltd. (“NFC”). This has delivered the following agreements and deliverables against GCM’s strategy for delivering the Project:

- a Joint Development Framework Agreement and a Contract Framework Agreement with CGGC in relation to the construction of 2,000MW of mine-mouth power plants, being one of the required three phases (each being 2,000MW mine-mouth power generation); and
- Joint Venture Agreements with PowerChina for 4,000MW of mine-mouth power plants being the remaining two phases of the total 6,000MW power generation.
- Framework Agreement with NFC for developing the open pit coal mining operation based on the Phulbari coal basin’s world class 572 million tonnes (JORC 2004

Group Strategic Report (continued)

compliant) high quality thermal and semi-soft coking coal resource.

Power Proposal documents required by the Government for approval of the initial 4,000MW power plants have been prepared. Financial models confirm that using the Phulbari coal mine gives the ability to deliver a highly competitive power tariff, thereby achieving GCM's aim of delivering an efficient and logical use of the country's domestic coal resources, in the form of a low-cost, large-scale, power solution.

As GCM does not yet generate any revenue, the Board expects that the Group's operations will continue to be funded by a combination of equity and debt financing.

Continuing for the foreseeable future, the Company's cash expenditure is not expected to increase and, as far as possible, obligations to key stakeholders will be primarily satisfied by the issue of new ordinary shares in the capital of the Company ("Ordinary Shares"), to both incentivise those stakeholders and preserve cash.

Year in review

GCM began the reporting year having established joint-venture arrangements with internationally renowned PowerChina for the delivery of 4,000MW of mine-mouth power plants (in two x 2,000MW Phases) as well as having completed Power Proposals, adhering to Bangladesh Power Development Board requirements, for both Phases. This combined with the 2,000W previously agreed with CGGC provided the necessary 6,000MW "power plant market" to take the full production from the captive Phulbari coal mine, thus ensuring economic sustainability of the Phulbari Coal and Power Project.

In July 2019, GCM entered into a memorandum of understanding ("MOU") with China Nonferrous

Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") and PowerChina for the formation of a strategic partnership to jointly develop the proposed Phulbari coal mine. PowerChina's involvement is testament to the importance placed on the coal mine component of the Project.

Working under the MOU, GCM's Bangladesh project team worked with NFC to assist with their due diligence assessment of the Phulbari coal mine's feasibility study. This was successfully completed by early 2020 and the plan was to move to a form of Joint Venture arrangement for the mine development leading to an update the Project's Proposal and its delivery to the Bangladesh Government for approval.

Unfortunately, the Coronavirus pandemic struck and the world-wide travel restrictions combined with prolonged lockdowns disrupted the plan. From that point GCM and our strategic development partner had key staff locked-down in various parts of the world and it's only been from the latter part of 2020 (outside the reporting period) that countries such as China and Bangladesh have begun to return to normal, albeit still with some restrictions aimed at maintaining public health and safety.

With that return to business normality underway, GCM was able to enter into a Framework Agreement in October 2020 (outside the reporting period) with NFC for the coal mine development.

Although PowerChina did not participate in the Framework Agreement, they have expressed a desire for a significant participation in addition to their involvement in the power plants. To this end, GCM and PowerChina agreed to continue with the original MoU in the absence of NFC on the same terms and conditions until 6 June 2021, with the aim of defining that level of

interest and providing for it within the Framework Agreement.

GCM recognises the need for consultants to provide crucial guidance and lobbying support both in Bangladesh and Internationally. To this end, in September 2019, it appointed DG Infratech Pte Ltd, a Bangladeshi controlled company with a portfolio of successful energy and power sector projects; and in June 2020 extended the consultancy agreement with Dyani Corporation, Ltd. to assist with Chinese State-owned enterprises.

The Company remains committed to ensuring the local community and local authorities remain fully informed on the Project. Our social licence ultimately is built upon a successful relationship with the local community. Despite the onset of the Coronavirus Pandemic, we managed to keep highly trained staff residing at our field facilities and continued to support our team of Community Liaison Assistants selected to provide two-way communication with communities across the Project area. Through this team's considerable efforts, the Project's Resettlement Action Plan remains current.

The Board is pleased to have now delivered against its strategy of forming strategic joint venture partnerships covering power plants and coal mine in order to present the Project in a most credible Proposal for the Bangladesh Government's approval.

However, with the return to a "business as normal" trajectory underway in both Bangladesh and China, and with the involvement of our consultants / lobbyists, GCM and its partners to be in a position to submit the Proposal, gain the necessary approvals, implement the Project and finally unlock the Project's potentially enormous value for all stakeholders.

The Company received notice from Strand Hanson Limited, confirming that it had formally resigned as Nominated Adviser and Broker to the Company, with such resignation to take effect on 6 January 2021. The Company is in discussions with a potential replacement nominated adviser and broker and is currently undergoing the required due diligence process with the proposed party, targeting to complete the process prior to 6 January 2021.

Finance review

The Group recorded a loss of £1,515,000 during the year ended 30 June 2020 compared to a loss of £6,024,000 during the previous year. The loss decreased from the comparative year principally due to a decrease in non-cash, share-based payments accrued in accordance with the Group's agreements with Dyani in relation to pre-development expenditure. The decrease was from £5,181,000 in 2019 to £420,000 this year, as a result of a number of milestone payments to consultants being reached in 2019, but their continuing partnership allows the Group to continue its progress in-line with GCM's strategy of developing power generation as a new business stream, with no slow-down in pursuing continuing project progress.

The Group's recorded a net decrease in cash at the end of the year to £69,000 (2019: £385,000). Net cash used in operations for the year was £572,000 (2019: £427,000), cash used in investing activities was £366,000 (2019: £581,000), and cash inflow from financing was £622,000 (2019: £947,000).

The Group has continued its aim to maintain tight control of expenditure incurred during the year: Administrative expenses were up by 37.7% to £916,000 for the year ended 30 June 2020 (2019: £665,000) as a result of a one off consulting expense, however, finance costs reduced by

23% to £127,000 (2019: £164,000). Capitalised expenditure in relation to the mine proposal was £377,000 for the year ended 30 June 2020 compared to £613,000 in the previous year. Overall costs excluding pre-development expenditure increased by 29.9% to £1,095,000 from £843,000 in the prior year, as noted above.

To finance its operations during the year, on 3 February 2020, GCM agreed an amendment to the short-term loan facility with Polo Resources Limited ("Polo") (the "Polo Loan Facility"). The Polo Loan Facility was increased by £1,200,000 to £3,500,000 and provides that the lender has the option to convert all or part of the balance of the Polo Loan Facility at a conversion price of 11 pence per share, subject to Polo's maximum holding not exceeding 30% of the Company's enlarged share capital (See Note 12 for detailed terms).

As at the date of this report, the Company had drawn down £2,950,000 of the increased Polo Loan Facility and the Company currently has approximately £105,500 in available cash resources, which along with the remaining £550,000 of the Loan Facility the Directors believe will only be sufficient to fund the Company's cash requirements for the next six months, assuming the Company's currently forecast cash costs. The Company is exploring other financing options, and is confident of securing additional funding by the end of January 2021 (the "Additional Funding").

The Directors also note that, under the terms of the existing Polo Loan Facility, repayment in cash can be requested upon 90 days' notice or, alternatively, the balance converted to shares at 11 pence per share at Polo's sole election. The Company does not currently have secured funding arrangements in place to cover the repayment of the existing

Polo Loan Facility or further potential expenditure which would be needed to advance the Project, therefore, should the the Additional Funding not materialise for any reason, or Polo requests repayment of the Polo Loan Facility, the Company would urgently need to secure additional capital in order to continue as a going concern, which may not be available on terms acceptable to the Board or on a workable timeframe.

Corporate Social Responsibility

GCM's vision, goal and planned actions are in line with the basic values of integrity and fairness for all stakeholders. For any large mining or development project to be successful it is crucial to develop and maintain a partnership with all concerned stakeholders, particularly at the local level.

The Company continues actively to engage with the local communities in and around the Project area, holding one-to-one meetings and group discussions, with the intention of achieving further social acceptance. This activity is being done by Company field staff utilising a select group of local grass-roots community liaison assistants. As the Company pursues strategic partners for the inclusion of mine mouth power plants together with the planned coal mine, 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. The Company has been working to update the population database and the number of potentially 'project affected people' and also has been undertaking a land price survey, to ensure the Project's Resettlement Plan remains current.

The Project will improve the economic and social well-being of people in the Project area and regular feedback through our field staff and community

Group Strategic Report (continued)

liaison assistants is that the majority want to see development and appreciate the job opportunities and other benefits that will be available. Around 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 estimate the number of additional jobs that would be created by the mine mouth power plants which is expected to be in the tens of thousands when downstream enabled industrial development is taken into account.

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 make a contribution to the country's food security. Only one third of the mine footprint will be needed at any one time, allowing farming to continue prior to utilisation and after rehabilitation.

GCM has plan 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 to occur in six phases over a period of approximately 10 years from commencement of development. At this stage, it is expected that the construction of mine mouth thermal power plants will not require additional resettlement.

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. The Company intends to give local communities the opportunity to engage in any future planning process prior to implementation.

GCM further reiterates its commitment to developing the Project in accordance with the highest international and national environmental and social standards. The Company remains 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 current policies and laws of Bangladesh.

Risks and uncertainties

The predominant risks and uncertainties faced by the Company are set out below:

Political and economic – risk that the Company's new approach, being to establish the Phulbari open pit coal mine as being captive to and packaged with 6,000 MW of state-of-the-art highly energy efficient Ultra-Supercritical power plants (the "Project"), is not approved by the Government of Bangladesh. However, the Board has embarked on this strategy which involves bringing in strategic development partners for the coal mine and power plants as it believes this will be an attractive proposition for the Government and does provide the best opportunity for realising the huge benefits the Project is capable of delivering. The Company has also endeavoured to reduce this risk by employing the services of credible consultants / lobbyists, however, it recognises that the timing of approval remains in the hands of the Government. The Company retains its right to seek legal redress in accordance with the terms

of the Contract with the Government 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 the Chinese state-owned-enterprises PowerChina and NFC do not proceed and thus undermining the Company's strategy of presenting the Project as a captive coal mine with 6,000MW power generation that would take sufficient thermal coal production to ensure the mine's economic sustainability. The Company has taken steps to further reduce this risk through recent signed agreements aimed at further strengthening these strategic partnerships; and by putting in place incentive-based schemes with Dyani to enhance the relationships with the Chinese government organisations and with the Bangladeshi controlled entity, DGI, to assist with taking the Project through the government approval process to implementation.

Financing – risk that the Company will not be able to raise necessary funds as and when required to take the Project through the government approval process to implementation stage. The Directors are confident that the necessary funds will be obtained as and when required. For further details refer to page 13.

Commercial – risk that the Project's economic viability is undermined by sustained adverse movement of coal price and key cost elements. To reduce this risk the Company has established the Project as an integrated coal mine and power development with Company and its strategic partners have equity positions in mine and power plants. In addition, there will be a rise and cost provision for the coal mine with the coal supply agreements for the power plants. While Bangladesh does have a couple of new power projects under construction and others in the pipeline, studies show a domestic coal

solution remains economically very competitive to imported fuel options for large-scale power generation.

Legal – risk that the mining lease and exploration licences are revoked. The Group continues to comply with all terms of the Contract with the Government for “Exploration and Mining of Coal in Northern Bangladesh” and is careful to ensure that all ongoing conditions of the Contract and the associated mining lease and exploration licences 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 remains committed to developing the Project and meeting the highest international social and environmental standards. For further details refer to page 6.

Climate Change risk – Increased awareness and action against climate change will put pressure on governments and financing organisations to reduce exposure to fossil fuel related power generation. This could affect future Bangladeshi Government policy towards coal fired generation and limit funding appetite for the Project. Bangladesh is a developing country with forecast energy demand expected to outstrip installed power in the next 10 years. Power generation from in-country coal reserves is seen as a key factor in meeting this expected supply gap. Coal remains a cheap and abundant primary energy supply for developing countries like Bangladesh and this was acknowledged by the Bangladesh Government Power Secretary recently, when he told the Thomson Reuters Foundation on 6 November 2019, that Bangladesh had no choice but to burn coal. He further said ‘Bangladesh’s economy is growing fast and it needs energy. Bangladesh’s contribution to both climate change and greenhouse gas emission is very insignificant and

with the intended coal use and coal fired power generation in next few decades, this contribution will remain insignificant compared to most other countries’. The Company will continue to monitor this risk in-line with developments in Government policy.

Board engagement with stakeholders

This section serves as our section 172 statement and should be read in conjunction with the rest of the Strategic Report and the Company’s Corporate Governance Statement.

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, and would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company’s employees; the need to foster the company’s business relationships with suppliers, governments, local communities, and others; the impact of the company’s operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The Directors uses its Board meetings as a mechanism for giving careful consideration to the factors set out above in discharging their duties under section 172.

Stakeholder engagement

Key stakeholder groups we engage with are listed below, together with an explanation of why we focus on them and how we engage them.

Employees

The success of the Group is dependent upon the hard work and dedication of all our employees.

The Board ensures a continuing investment in existing employees who are supported through professional, technical and on-the-job training relevant to their functional areas, as well as other relevant role-specific training. The Board directs executives and senior managers to keep staff informed of the progress and development of the Company on a regular basis through formal and informal meetings and regular communications. In addition, the Board ensures funds are provided for regular events to encourage employee participation in local community initiatives.

Government Agencies & Local Communities

The Group operates in the regulated mining sector in Bangladesh. The Board ensures the Company adopts a positive focus on maintaining productive relations with local communities and all levels of government. As a result the Chief Executive Officer and Chief Operating Officer regularly conduct consultations with multi-levels of government agencies to ensure that all regulatory approvals and permits remain in good order. Development of local community improvement programmes are undertaken with consultation of local government and community representatives in order to maintain positive and productive relationships necessary to advance the Phulbari project.

As a mining exploration Group, the Board takes seriously its ethical responsibilities to the communities and environment in which it works. Wherever possible, local communities are engaged in the geological operations & support functions required for field operations. The regions in which the Group operates have native title laws. The Company is respectful of native title rights and engages proactively with local communities. In addition, we are careful to manage the environmental

Group Strategic Report (continued)

obligations of our work, and in particular undertake site rehabilitation programmes, and prepare mine management plans, in accordance with local laws and regulations. Our goal is to meet or exceed standards, in order to ensure we maintain our social licence to operate from the communities with which we interact.

Contractors & Suppliers

Our proposed Joint Venture associates, consultants and suppliers are key business partners, and the quality of goods and services we receive are essential to supporting operations and to enhance the project process with our goal to successfully submit our project proposal to the Bangladesh Government for approval.

During the year, the Board committed significant resources into fostering improved relationships with our key partners. As directed by the Board, management collaborates and continually works with our partners and the full supply chain, sharing best practice and seeking out synergies to improve .

Lender

For the entire reporting period the Chairman and FD, on behalf of the Board have been in regular contact with its lender. An extension to the loan agreement was agreed during the year, which enabled the Group to continue on a stable financial platform.

Investors

Investors are considered key stakeholders, and consequently investor relations are a focus area for Directors. Where possible the Board engages investors on Group performance following project updates and results announcements with face to face meetings or scheduled calls. Over the past year however these consultations have been severely impacted by the legal & country specific restrictions placed upon Directors given the world economic climate under the Covid-19 pandemic.

On behalf of the Board,

Datuk Michael Tang PJN

Executive Chairman
22 December 2020

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.

Keith Fulton (*Finance Director*) is the Finance Director of GCM and has over 25 years accounting and finance experience and has been a partner at the audit firm Chapman Davis LLP for the past thirteen years. He began his career at Badger Hakim, where he qualified as a Chartered Accountant, following which he held various financial advisory and leadership positions at a number of corporates, including Finance Director at IDG UK Holdings Ltd. Keith is a member of the Institute of Chartered Accountants in England and Wales.

Non-Executive Directors

Mohd. Najib Abdul Aziz (*Non-Executive Director*) has over 25 years corporate and finance experience in a number of industries, including property, construction and manufacturing. He began his career at KPMG in Perth and later worked at Arthur Andersen & Co. in Kuala Lumpur. Najib has significant experience in both Executive and Non-Executive Director roles in Malaysia. In addition to his current executive roles at Corporate-Pacific Holdings Sdn Bhd and Pentas Flora Environmental Services Sdn Bhd, he is also an Independent Non-Executive Director of Bina Puri Holdings Bhd and Tropicana Corporation Bhd, the latter where he is also the Chairman of the Audit Committee. Najib is a member of the Malaysian Institute of Accountants and a member of Chartered Accountants Australia and New Zealand.

Christian Taylor-Wilkinson (*Non-Executive Director*) has spent his working life in the City and has over 30 years' experience advising and working alongside companies across many sectors and geographies. Christian's background spans investment banking, investor relations and financial PR, which gives him a broad perspective on the capital markets landscape as well as a deep understanding of the needs of businesses, their boards and their shareholders. He has worked with a wide range of companies - from global European and Asian telecommunications businesses to smaller AIM companies. He founded Leander PR Ltd, a small cap focused financial public relations agency in April 2009. He was appointed as a Non-Executive Director of Altona Energy plc, a Rare Earths mining exploration company, in January 2019, and was made CEO in November 2020.

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 3. 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. Unfortunately as a result of the Covid-19 pandemic, the Company in accordance with UK Government advice will be holding a virtual closed meeting for its 2020 AGM. 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 6 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 (Keith Fulton) and two independent non-executive directors (Mohd. Najib Abdul Aziz and Christian Taylor-Wilkinson). The Board considers that its composition is satisfactory and complies with the QCA Code. 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 directors are 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.

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 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 Directors are 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 2020, the Board consists of two executive directors and two non-executive directors. The Board considers that this composition is 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 will continue to monitor the recruiting of additional independent non-executive directors.

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 nine times during the year ended 30 June 2020, with all directors attending.

Corporate Governance Report (continued)

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 Mohd. Najib Abdul Aziz is Chair of the Audit Committee, with Mr Christian Taylor-Wilkinson a member, both supported by Keith Fulton, the Finance Director and Company Secretary who is not formally a member of the committee. The membership of the committee will be reviewed annually and upon any changes to the composition of the Board. 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 Christian Taylor-Wilkinson is Chair of the Remuneration Committee, with Mr Mohd. Najib Abdul Aziz a member, both supported by Keith Fulton, the Finance Director and Company Secretary who is not formally a member of the committee. The membership of the committee will be reviewed annually and upon any changes to the composition of the Board. 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 Mohd. Najib Abdul Aziz is Chair of the Nominations Committee, with Mr Christian Taylor-Wilkinson a member, both supported by Keith Fulton, the Finance Director and Company Secretary who is not formally a member of the committee. The membership of the committee will be reviewed annually and upon any changes to the composition of the Board. 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
22 December 2020

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2020.

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 3.

Financial resources

As at 30 June 2020, GCM held £69,000 in cash (2019: £385,000 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 £1,515,000 for the year ended 30 June 2020 (2019: loss after tax of £6,024,000). Non-cash expenses of £420,000 were incurred during the year (2019: £5,181,000).

Capitalised evaluation expenditure relating to the Phulbari Coal and Power Project was £377,000 for the year ended 30 June 2020 (2019: £613,000).

Post balance sheet events

The following events took place subsequent to 30 June 2020, for which there has been no adjustment to the June 2020 financial statements:

- On 2 September 2020, the Company announced that it had issued 6,021,621 new ordinary shares to consultants in accordance with their consultancy agreements. Accordingly, the following consulting fees have been settled via the issuance of new Ordinary Shares:
 - o in lieu of Dyani Corporation Ltd's retainer fee for the period from 1 July 2019 to 30 June 2020, the Company will issue 2,142,856 new Ordinary Shares to Dyani;
 - o for the negotiation and finalisation of the second Joint Venture Agreement with PowerChina in respect to two plants of 1,000MW each, as announced on 15 March 2019 and settlement of which was deferred on 23 January 2020, a success fee will be awarded to Dyani, to be satisfied by the issue of 3,278,765 new Ordinary Shares; and
 - o in lieu of DG Infratech Pte Ltd's retainer fee for the period from 1 December 2019 to 31 August 2020, the Company will issue 600,000 new Ordinary Shares to DG.

Dividends

The Directors do not recommend the payment of a dividend (2019: nil).

Going concern

As at 30 June 2020, the Group had £69,000 in cash and £4,235,000 in net current liabilities. The directors and management have prepared a cash flow forecast to December 2021, which shows that the Group will require further funds to cover operating costs to advance the Phulbari Coal and Power Project and meet its liabilities as and when they fall due. Based on current forecasts, additional funding will need to be either raised from third parties or drawn down under the short term loan facility with Polo Resources Limited ("Polo Loan Facility") by the end of January 2021, in order to meet current operating cost projections. The Directors also note that, under the terms of the existing Polo Loan Facility, repayment in cash can be requested upon 90 days' notice, or alternatively converted to shares at 11 pence per share at the lender's 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, should Polo request repayment of the Polo Loan Facility, GCM will need to raise funds in a short amount of time, which may not be available on terms acceptable to the Board or on a workable timeframe.

Directors' Report (continued)

On 3 February 2020, the Company confirmed the availability of an increase of the Polo Loan Facility by £1,200,000 to £3,500,000, to be spread in four quarterly instalments in advance. Based on projected future cash expenditure, the remaining amount available for drawdown under the Polo Loan Facility at the date of this report is not expected to be sufficient to support the Company's operations for the twelve months from the date of this report. The Company currently has £550,000 remaining to drawdown under the Polo Loan Facility, which, at current run rates, along with the Company's existing cash resources, is only expected to provide sufficient capital for the next six months. The Company intends to explore alternative funding options over the next two months, with the aim to complete and secure the necessary third party funding by the end of January 2021.

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, as at the date of this report these funding arrangements are not secured, 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 3.

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties can be found on page 6.

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
<i>Executive Directors</i>		
Datuk Michael Tang PJN		
Keith Fulton		
<i>Non-Executive Directors</i>		
Mohd. Najib Abdul Aziz		
Christian Taylor-Wilkinson	19 May 2020	

Amounts paid for services of Directors for the year ended 30 June 2020 were:

	Salary & fees £	Share based payments £	2020 Total £	2019 Total £
<i>Executive Directors</i>				
Datuk Michael Tang PJN ^(*)	303,600	–	303,600	303,600
Keith Fulton	80,833	–	80,833	3,077
<i>Non-Executive Directors</i>				
Mohd. Najib Abdul Aziz	6,000	–	6,000	233
Christian Taylor-Wilkinson	708	–	708	–
	391,141	–	391,141	306,910

(*) Michael Tang's remuneration remains unpaid as at 30 June 2020, see Note 20 also.

The Directors who held office at 30 June 2020, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2020 Shares	2020 Conditional shares ⁽¹⁾	2020 Options	2019 Shares	2019 Conditional shares	2019 Options
<i>Executive Directors</i>						
Datuk Michael Tang PJN	–	–	7,250,000 ⁽²⁾	–	–	7,250,000
Keith Fulton	–	–	–	–	–	–
<i>Non-Executive Directors</i>						
Mohd. Najib Abdul Aziz	–	–	–	–	–	–
Christian Taylor-Wilkinson	–	–	– ⁽³⁾	–	–	–

(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. On 29 May 2020, these options were extended on the same terms until 31 May 2024.

(3) Christian Taylor-Wilkinson was appointed on 19 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:

- atory 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
- Climate Change Risk

Directors' Report (continued)

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 £3,500,000 of which £2,600,000 had been fully utilised as at 30 June 2020. The Group does not hold other loans, financial leases, or other non-current finance obligations.

	2020 £000	2019 £000
Cash	69	385
Borrowing facilities	900	300
Capital	969	685

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 (2019: 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, PKF Littlejohn 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 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 requirements of 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.

On behalf of the Board,

Datuk Michael Tang PJN

Executive Chairman
22 December 2020

Independent Auditor's Report

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

Opinion

We have audited the financial statements of GCM Resources Plc (the 'company') and its subsidiaries (the 'group') for the year ended 30 June 2020 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 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 2020 and of the group's and parent company'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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

We draw attention to Note 1 in both the group and company financial statements, which indicates that the group's and the company's ability to continue as going concerns is dependent on the ability to secure additional funding through financing arrangements or the issue of equity. As stated in Note 1, these events or conditions indicate that a material uncertainty exists which may cast significant doubt over the group's and the 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 prepared to assess the group's and company'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 and company will require additional funding to meet its liabilities as and when they fall due.
- As disclosed in note 1, the company and the group are dependent on the short term loan facility from Polo Resources Limited to support their operations. We have verified a signed copy of a letter of intent with Polo Resources Limited. We have reviewed the terms of the letter of intent and note there are no restrictions on the group's ability to draw down the remaining facility in line with the quarterly schedule.
- The forecasts indicate 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. We note that GCM have successfully raised funds from equity in the past but 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 have concluded represents a material uncertainty regarding their ability to continue as a going concern.

Our application of materiality

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.

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 £625,000, each significant component of the group was audited to a lower level of materiality. The parent company materiality was £70,700 with the other components being audited to a materiality of £312,500. 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% of the above materiality levels for both group and company.

We agreed with management that we would report to the audit committee all individual audit differences identified during the course of our audit in excess of £31,350 for the financial statements as a whole and £3,535 for the company. 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.

Entities 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 PKF Littlejohn LLP.

Independent Auditor's Report (continued)

Key audit matters

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

Key audit matter	How we addressed it
<p>Carrying value of intangible asset (Group) and Carrying value of investment in subsidiary (Company)</p> <p>As disclosed in note 9 to the Group financial Statements, the Group's intangible asset represents capitalised exploration and evaluation expenditure on the Phulbari Coal Project. The balance is £41.6m as at 30 June 2020. The company holds an investment in Asia Energy Corporation (Bangladesh) Pty Limited which is the entity that holds the underlying Phulbari asset. The value of the investment on the company balance sheet is £45.5m, as disclosed in note 6 to the Company financial statements.</p> <p>The Group has a contract with the Bangladesh government to explore, develop and mine on the Phulbari Coal licence area. In 2005 the Group submitted a feasibility study and mine development plan, in line with the terms of the contract, in order to obtain approval to move forward with development. To date the government has not provided the necessary approval. As a result, there is continued uncertainty regarding if and when such approval will be obtained. The Company has received a legal opinion confirming that the Group retains legal title to the asset despite the delays in approval. The recoverability of the investment in Asia Energy Corporation (Bangladesh) Pty Limited is reliant on the successful development of the Phulbari asset and is therefore subject to the same uncertainties regarding recoverability.</p> <p>The Directors consider that the delay in obtaining the approval represents an indicator of impairment under IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>. 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 remain satisfied that approval will ultimately be obtained and concluded that no impairment is required at 30 June 2020. The Directors have disclosed their key judgements, together with the uncertainties, in note 1 to the financial statements. Given the level judgement applied, and the ongoing delays in obtaining government approvals, we consider this to be a significant audit risk and a key audit matter.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> Evaluating 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 obtained the legal opinion from the group's external solicitor and assessed the solicitor's competence and independence to give such an opinion. Gaining 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 historically and during the period. Evaluating 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 reviewed the minutes of meeting of GCM's board and RNS announcements and have not identified factors or information which may indicate a potential trigger for impairment. Evaluating the disclosures given in the notes to the financial statements, including the judgments and the uncertainties regarding the ultimate approval by the government.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company 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 by the parent company, 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 statement of the directors' responsibilities, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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.

David Thompson

Senior Statutory Auditor

For and on behalf

PKF Littlejohn LLP

Statutory auditor

22 December 2020

Consolidated Statement of Comprehensive Income

For year ended 30 June

	Notes	2020 £000	2019 £000
Operating expenses			
Pre-development expenditure	16	(420)	(5,181)
Exploration and evaluation costs		(52)	(14)
Administrative expenses		(916)	(665)
Operating loss	3	(1,388)	(5,860)
Finance costs		(127)	(164)
Loss before tax		(1,515)	(6,024)
Taxation	6	-	-
Loss for the year		(1,515)	(6,024)
Other comprehensive income		-	-
Total comprehensive expense for the year		(1,515)	(6,024)
Loss per share			
Basic (pence per share)	7	(1.45p)	(6.14p)
Diluted (pence per share)	7	(1.33p)	(6.14p)

Consolidated Statement of Changes in Equity

For year ended 30 June

	Share capital £000	Share premium account £000	Share based payments not settled £000	Accumulated losses £000	Total £000
Balance at 1 July 2018	9,811	50,484	625	(21,540)	39,380
Total comprehensive loss	-	-	-	(6,024)	(6,024)
Share issuances (net of costs) ⁽¹⁾	53	13	-	-	66
Shares to be issued	-	-	5,181	-	5,181
Share based payments	-	-	29	-	29
Balance at 30 June 2019	9,864	50,497	5,835	(27,564)	38,632
Total comprehensive loss	-	-	-	(1,515)	(1,515)
Share issuances (net of costs) ⁽¹⁾	1,392	3,037	(4,348)	-	81
Shares to be issued	-	-	420	-	420
Share based payments	-	-	(201)	-	(201)
Balance at 30 June 2020	11,256	53,534	1,706	(29,079)	37,417

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

Consolidated Balance Sheet

As at 30 June

	Notes	2020 £000	2019 £000
Current assets			
Cash and cash equivalents		69	385
Other receivables	8	16	23
Total current assets		85	408
Non-current assets			
Property, plant and equipment		13	19
Right of use assets	13	33	–
Intangible assets	9	41,627	41,250
Total non-current assets		41,673	41,269
Total assets		41,758	41,677
Current liabilities			
Payables	11	(1,073)	(702)
Lease liabilities	13	(27)	–
Borrowings	12	(3,220)	(2,343)
Total current liabilities		(4,320)	(3,045)
Non-current liabilities			
Lease liabilities		(21)	–
Total non-current liabilities		(21)	–
Total liabilities		(4,341)	(3,045)
Net assets		37,417	38,632
Equity			
Share capital	14	11,256	9,864
Share premium account	14	53,534	50,497
Other reserves	14	1,706	5,835
Accumulated losses		(29,079)	(27,564)
Total equity		37,417	38,632

Datuk Michael Tang PJN
Executive Chairman
22 December 2020

Consolidated Cash Flow Statement

For year ended 30 June

	2020 £000	2019 £000
Cash flows from/(used in) operating activities		
(Loss) before tax	(1,515)	(6,024)
Adjusted for:		
Pre-development expenditure	16	420
Finance costs		127
Other non-cash expenses		18
	(950)	(659)
Movements in working capital:		
Decrease in operating receivables		7
Increase in operating payables		371
Cash used in operations	(572)	(427)
Net cash used in operating activities	(572)	(427)
Cash flows (used in) investing activities		
Payments for property, plant and equipment	-	(2)
Payments for intangible assets	(366)	(579)
Net cash generated (used in) investing activities	(366)	(581)
Cash flows from financing activities		
Issue of ordinary share capital	22	47
Proceeds from borrowing	600	900
Net cash from financing activities	622	947
Total (decrease) in cash and cash equivalents	(316)	(61)
Cash and cash equivalents at the start of the year	385	446
Cash and cash equivalents at the end of the year	69	385

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 22 December 2020, 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 2020 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 2020.

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 (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 (the "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 is seeking to rapidly expand the country's power generation, including the increase in coal fired power generation from the current 525MW 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 3.

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 £41,622,000 as at 30 June 2020.

Going concern

As at 30 June 2020, the Group had £69,000 in cash and £4,235,000 in net current liabilities. The directors and management have prepared a cash flow forecast to December 2021, which shows that the Group will require further funds to cover operating costs to advance the Phulbari Coal and Power Project and meet its liabilities as and when they fall due. Based on current forecasts, additional funding will need to be either raised from third parties or drawn down under the short term loan facility with Polo Resources Limited ("Polo Loan Facility") by the end of January 2021, in order to meet current operating cost projections. The Directors also note that, under the terms of the existing Polo Loan Facility, repayment in cash can be requested upon 90 days' notice, or alternatively converted to shares at 11 pence per share at the lender's 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, should Polo request repayment of the Polo Loan Facility, GCM will need to raise funds in a short amount of time, which may not be available on terms acceptable to the Board or on a workable timeframe.

On 3 February 2020, the Company confirmed the availability of an increase of the Polo Loan Facility by £1,200,000 to £3,500,000, to be spread in four quarterly instalments in advance. Based on projected future cash expenditure, the remaining amount available for drawdown under the Polo Loan Facility at the date of this report is not expected to be sufficient to support the Company's operations for the twelve months from the date of this report. The Company currently has £550,000 remaining to drawdown under the Polo Loan Facility, which, at current run rates, along with the Company's existing cash resources, is only expected to provide sufficient capital for the next six months. The Company intends to explore alternative funding options over the next two months, with the aim to complete and secure the necessary third party funding by the end of January 2021.

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, as at the date of this report these funding arrangements are not secured, 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 the estimated return on investment to be significantly higher than the current carrying value and therefore no impairment has been accounted for. The headroom in the value in use calculation compared to the carrying value is not sensitive to probable changes in the key underlying assumptions. Refer to "Political and economic risks – carrying value of intangible asset" section on page 28 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

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. To assess whether it is probable that future economic benefits will arise from the power plant development costs, management judgement was required and 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. All power project expenditure were accordingly expensed in the year.

Amendments to the short-term loan

Judgement was required in determining the accounting for the Group's short-term loan which was restructured during the prior year. The restructure was considered to represent a significant modification with the loan restructured to allow the lender the right to convert the outstanding loan balance and accrued interest to new ordinary shares. Judgement was required in assessing whether the restructured facility represented a compound financial instrument in accordance with IAS32 Financial Instruments: Presentation or a prima facie on demand loan facility. Management concluded that as the loan has no maturity date and must be repaid within 90 days of receiving a request, it is in effect a rolling 90-day short term loan. Accordingly the loan is categorised as an on demand loan facility with no value attributed to the conversion feature and the loan carried forward at its face value.

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.

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.

Notes to the Consolidated Financial Statements (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- buildings 7 - 40 years
- plant and equipment 3 - 15 years
- vehicles 5 - 7 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

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. 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 Instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument and are subsequently measured at amortised cost.

Classification and measurement of financial assets

The initial classification of a financial asset depends upon the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group's financial assets are measured at amortised costs and are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.

The Group's cash and cash equivalents and other receivables are measured at amortised cost. Other receivables are initially measured at fair value. The Group holds other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

The Group has one financial assets measured at FVOCI (Fair Value Through Other Comprehensive Income which was fully impaired in previous years. There has been no impact on the treatment of the financial assets measured at FVOCI on transition to IFRS9. The Group has no financial assets measured at FVTPL (Fair Value Through the Statement of Profit or Loss)

Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL's") on its financial assets measured at amortised cost. Due to the nature of its financial assets, the Group measures loss allowances at an amount equal to the lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative or designated as FVTPL on initial recognition.

The Group's accounts payable, accrued liabilities and short-term debt are measured at amortised cost.

Accounts payable and accrued liabilities are initially measured at fair value and subsequently measured at amortised cost. Accounts payable and accrued liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Short-term debt is initially measured at fair value, net of transaction costs incurred. Subsequently they are measured at amortised cost using the effective interest rate method. Short-term debt is classified as current when payment is due within 12 months after the reporting period.

The Group has no financial liabilities measured at FVTPL.

Where there is a modification to a financial liability, the financial original liability is de-recognised and a new financial liability is recognised at fair value in accordance with the Group's policy.

Other loans and borrowings

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

Cash and cash equivalents

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

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised outside profit and loss, in which case it is recognised in other comprehensive income or directly in equity as appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- 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;

Notes to the Consolidated Financial Statements (continued)

- 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 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, below is a list of the new standards which impacted the Group:

	Effective date	Adoption date
<i>International Accounting Standards (IAS / IFRSs)</i>		
IFRS 16 Leases	1 January 2019	1 July 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019
Annual Improvements to IFRS 2015-17 Cycle	1 January 2019	1 July 2019

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, with the following noted below;

IFRS 16 Leases – Accounting policy from 1 July 2019 applied

Leased assets are capitalised on inception of the lease as right-of-use assets. A corresponding lease liability, representing the present value of the lease payments is also recognised and split between current and non-current liabilities accordingly.

The lease liability includes; fixed payments, variable lease payments dependent on an index or rate (initially measured using the index or rate on the lease commencement date) and in substance fixed payments. The variable aspect of variable payments are recognised

when the rate or index takes effect resulting in an adjustment to the liability and right-of-use asset. Currently the Group's lease portfolio does not contain variable or in substance lease payments.

The discounted lease liability is calculated where possible using the interest rate implicit in the lease or where this is not attainable the incremental borrowing rate is utilised. The incremental borrowing rate is the rate the Group would have to pay to borrow the funds necessary to obtain a similar asset under similar conditions. The Group calculates the incremental borrowing rate using risk free rate of the country where the asset is held, adjusted for length of the lease and a risk premium.

Lease payments are allocated against the principal and finance cost. Finance costs, representing the unwinding of the discount on the lease liability are charged to the income statement to produce a constant periodic rate of interest on the remaining liability.

Right-of-use assets are measured at cost including; the discounted initial lease liability, lease payments made at or before the commencement date, any initial direct costs reduced any lease incentives received.

New standards and interpretations not applied

IASB and IFRIC have issued a number of new standards and interpretations with an effective date after the date of these financial statements. These will be adopted in the period that they become mandatory, unless otherwise indicated. Information on the new standards which could impact the Group is presented below

	Effective date	Adoption date
<i>International Accounting Standards (IAS / IFRSs)</i>		
Amendments to IFRS 3 Business Combinations	1 January 2020	1 July 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020	1 July 2020
Amendments to IAS 16 Property Plant and Equipment	tbc	tbc
Amendments to IAS 37 Provisions, Contingent Assets and Contingent Liabilities	tbc	tbc
Annual Improvements to IFRS 2018-20 Cycle	tbc	tbc

tbc: still subject to EU endorsement

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

	2020 £000	2019 £000
The operating loss is stated after charging:		
Directors' remuneration	391	457
Other staff costs ⁽¹⁾	6	17
Operating lease rentals ⁽²⁾	11	15
Depreciation of property, plant and equipment ⁽³⁾	–	–

(1) Other staff costs for 2020 financial year were £399,000 of which £6,000 was expensed in administrative expenses, £nil expensed in exploration and evaluation costs and £393,000 capitalised (2019: £17,000 expensed in administrative expenses, £nil expensed in exploration and evaluation costs and £397,000 capitalised).

(2) Operating lease rental costs for 2020 financial year were £80,000 of which £11,000 was expensed and £69,000 capitalised (2019: £76,000 of which £15,000 was expensed and £61,000 capitalised).

(3) Total depreciation for 2020 was £6,000 which was capitalised to intangibles (2019: £5,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £52,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2019: £14,000).

Notes to the Consolidated Financial Statements (continued)

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.

	2020 £000	2019 £000
Audit of the financial statements	32	35
Audit of subsidiaries	–	4
Total audit	32	39
Total fees	32	39

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

	2020 £000	2019 £000
Amounts paid for Directors' services		
Amounts paid for Directors' services	391	457

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report on page 16. The aggregated remuneration of the highest paid director is £303,600.

Staff costs

Wages and salaries ⁽¹⁾	393	397
Social security costs	6	17
	399	414

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2020 Number	2019 Number
Exploration and evaluation	14	14
Administration	3	4
	17	18

6. Taxation

Reconciliation of the tax charge in the income statement

	2020 £000	2019 £000
(Loss) on ordinary activities before tax	(1,515)	(6,024)
UK corporation tax @ 19% (2020) and 19% (2019)	(288)	(1,145)
Unrecognised deferred tax assets during the year	297	1,094
Non-deductible expenditure	(9)	51
Total tax expense reported in the income statement	–	–

Unrecognised deferred tax assets

	2020 £000	2019 £000
<i>Deferred tax asset</i>		
Tax losses carried forward	3,760	3,464
Impairment	891	891
Other	1	1
	4,652	4,356
Less: deferred tax assets de-recognised	(4,652)	(4,356)
	-	-

At 30 June 2020 tax losses for which a deferred tax asset was not recognised amounted to £19,792,000 (2019: £18,229,000). 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. Loss per share

	2020 £000	2019 £000
(Loss) for the year	(1,515)	(6,024)
	Thousands	Thousands
<i>Weighted average number of shares</i>		
Basic and diluted weighted average number of shares	104,676	98,177
<i>(Loss) per share</i>		
Basic (pence per share)	(1.45p)	(6.14p)
Diluted (pence per share)	(1.33p)	(6.14p)

There are 9,300,000 potentially dilutive options along with 6,098,283 potentially dilutive shares to be issued at 30 June 2020 which are not included in the calculation of diluted earnings per share because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

8. Other Receivables

	2020 £000	2019 £000
<i>Current</i>		
Prepayments	12	21
Other receivables	4	2
	16	23

Notes to the Consolidated Financial Statements (continued)

9. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
At 1 July 2018	39,490	1,147	40,637
Additions – exploration & evaluation	613	–	613
At 30 June 2019	40,103	1,147	41,250
Additions – exploration & evaluation	377	–	377
Cost and net book value at 30 June 2020	40,480	1,147	41,627
Cost and net book value at 30 June 2019	40,103	1,147	41,250

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.

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	
		2020	2019
<i>Subsidiaries</i>			
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%
<i>Fair Value Through Other Comprehensive Income</i>			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	37%	37%

The investment in PeoplesTel has been accounted for as financial asset at Fair Value Through Other Comprehensive Income as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

11. Payables

	2020 £000	2019 £000
Trade payables	527	304
Related party accrued payable	546	248
Transaction costs payable	–	150
	1,073	702

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

12. Borrowings

	2020 £000	2019 £000
<i>Short-term loan from related party</i>		
Balance as at 1 July	2,343	1,279
Loan instalments drawdown	600	900
Interest charges	277	164
Balance as at 30 June	3,220	2,343

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

On 31 January 2020 the existing short-term loan facility of £2.3 million with Polo Resources Limited was increased by £1.2 million. Prior to this amendment, the principal terms of the loan were: a loan facility of up to £2.3 million to be repaid within 90 days upon request and attracting an interest rate of 12% per annum. The revised terms provided for an increase in the loan facility amount by £1.2 million, to £3.5 million. The £1.2 million is being drawn down by the Company in equal quarterly instalments of £300,000. The Lender has the right to convert the outstanding loan balance and accrued interest to new ordinary shares of 10p each at a price of 11p per ordinary share within 14 days upon request. Any share issue to the Lender is conditional upon the Lender's interest, together with the interest of any parties with which it is in concert, remaining below 30% of the Company's issued capital. All other principal terms of the loan facility remain unchanged. Refer page 29 for details of Management judgement used in accounting for the loan amendment.

13. Leases and Commitments

Right of use assets

The statement of financial position shows the following amounts relating to leases:

	2020 £000	On IFR16 transition £000
Buildings	29	87
Vehicles	4	12
	33	99

Lease liabilities

	2020 £000	On IFR16 transition £000
<i>Classified as;</i>		
Current	27	51
Non-current	21	48
	48	99

The Group in accordance with IFRS16 used the modified retrospective approach and the transition date of 1 July 2019 as disclosed above.

The interest expense incurred on lease liabilities was £5,000, and capitalised in accordance with the Group's policy on exploration and evaluation assets. Cash outflows in respect of right of use assets were £66,000.

Other commitments

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 (£4.90 at year-end exchange rate) is payable for each hectare within the licence area. The Group currently leases 5,480 hectares within these licence areas. The licence has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

Notes to the Consolidated Financial Statements (continued)

14. Authorised and issued share capital

	2020 Thousands	2019 Thousands	2020 £000	2019 £000
<i>Authorised</i>				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
<i>Allotted, called up and fully paid</i>				
At 1 July	98,639	98,114	9,864	9,811
Shares issued	13,921	525	1,392	53
At 30 June	112,560	98,639	11,256	9,864

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 3 December 2018, 100,000 shares were issued to a former director, on their resignation in lieu of services at a price of 17.9p per share.

On 25 June 2019, 425,000 shares were issued to former director on the exercising of their share options at a price of 11p per share for a total of £46,750.

On 23 January 2020, 13,721,354 shares were issued to consultants in accordance with the terms of the their agreements, at prices from 14p to 38.25p, for a total non cash consideration of £4,347,635.

On 15 April 2020, 200,000 shares were issued to former director on the exercising of their share options at a price of 11p per share for a total of £22,000.

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 fair value of conditional shares awarded which have not yet been settled. Refer note 17 for basis of valuation.

	2020 £000	2019 £000
Share based payments not settled	1,706	5,835
	1,706	5,835

15. Notes supporting statement of cashflows

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

	2020 £000	2019 £000
Cash at bank available on demand	69	385
	69	385

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

	Current loans and borrowings £000	Total £000
Balance at 1 July 2018	1,279	1,279
Cash flows	900	900
Non-cash flows: Interest accrued	164	164
Balance at 30 June 2019	2,343	2,343
Balance at 1 July 2019	2,343	2,343
Cash flows	600	600
Non-cash flows: Interest accrued	277	277
Balance at 30 June 2020	3,220	3,220

16. Significant non-cash transactions

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

- £420,000 of expenses were incurred by consultants for their services. The consulting payment included £300,000 (2,142,857 shares at 14p per share) as payment for a retainer and £120,000 (666,667 shares at 18p per share) for a second consultant retainer. These retainer fee shares had not been issued to the consultants at year end and have been included in other reserve for shares to be issued.

17. Share based payments

The (credit)/charge for share based payments during the year is shown in the following table:

	2020 £000	2019 £000
<i>(Credited)/charged to intangibles</i>		
Conditional shares	(201)	29
	(201)	29

Options

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

	2020 Options Thousands	2020 WAEP	2019 Options Thousands	2019 WAEP
At 1 July	9,500	£0.11	9,925	£0.11
Exercised during the year	(200)	(£0.11)	(425)	(£0.11)
Outstanding at 30 June	9,300	£0.11	9,500	£0.11
Exercisable at 30 June	9,300	£0.11	9,500	£0.11

The options outstanding at 30 June 2020 have an exercise price of £0.11 (2019: £0.11) and a weighted average contractual life of 3.9 years (2019: 0.9 years), including those granted options whose term was extended during the year. At a weighted average share price on the date of exercise of £0.14, 200,000 options were exercised during the year. The 9,300,000 options in issue at 31 May 2020, had their expiry date extended to 31 May 2024.

Notes to the Consolidated Financial Statements (continued)

Conditional shares scheme

GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal and Power Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by IFRS 2.

Movement in non-vested conditional shares:

	2020 Thousands	2019 Thousands
At 1 July	313	313
Conditional shares lapsed	(103)	–
At 30 June	210	313

The grant details of the conditional shares outstanding as at 30 June 2020 are as follows:

	Share price at grant date £	Conditional shares Thousands
<i>Grant date</i>		
25 August 2005	£6.32	60
9 March 2006	£4.99	30
46 July 2009	£0.84	140
		230

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2020 is £453,000 (2019: £654,000) 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 decrease in the cost of conditional shares of £201,000 for the year ended 30 June 2020 is directly attributable to the Phulbari Coal and Power Project, and a review of eligibility of recipients during the year, and accordingly credited against amounts capitalised to intangibles on this basis (2019: charge £29,000).

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:

	2020 £000	2019 £000
<i>Floating rate – within 1 year</i>		
Cash and cash equivalents	–	15

Other interest bearing financial instruments which are subject to fixed rate interest charges are the Group's borrowings as disclosed in Note 12.

Other financial instruments of the Group which are non-interest bearing and are therefore not subject to interest rate risk, are, non-interest-bearing cash and cash equivalents as at 30 June 2020 was £69,000 (2019: £370,000).

Credit risk

The Group considers the credit ratings of banks in which it holds funds in order to manage exposure to credit risk and counterparty risk. Funds are held in banks with credit ratings ranging from AAA –AA. The maximum credit risk at 30 June 2020 was as follows:

	2020 £000	2019 £000
Cash and cash equivalents	69	385

Liquidity risk

The Group ensures that it has sufficient cash to meet all its commitments when required, through equity and short term loan funding, please refer page 30 for further detail. The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2020 and 2019.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	1 - 2 years £000	Total & Carrying value £000
<i>2020</i>					
Payables	1,004	26	43	–	1,073
Lease liabilities	2	5	20	21	48
Borrowings	–	–	3,220	–	3,220
	1,006	31	3,283	–	4,341
<i>2019</i>					
Payables	358	29	315	–	702
Borrowings	–	–	2,343	–	2,343
	358	29	2,658	–	3,045

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		Fair value	
		2020 £000	2019 £000	2020 £000	2019 £000
<i>Financial assets</i>					
Cash and cash equivalents		69	385	69	385
Receivables	Amortised cost	16	23	16	23
<i>Financial liabilities</i>					
Creditors	Amortised cost	1,073	702	1,073	702
Borrowings	Amortised cost	3,220	2,343	3,220	2,343

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

Notes to the Consolidated Financial Statements (continued)

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.

Consultant success fees

The Group is obliged to pay a consultant, Dyani Corporation Limited, success fees conditional upon achieving key milestones relating to the advancement of the proposed 6,000MW coal fired power plant at the mine-mouth of the Phulbari Coal and Power Project, in North-West Bangladesh. As at 30 June 2020 the outstanding milestones were as follows:

Success Fee – Mine

- a one-time fee equal to 2% of Issued Capital, to be paid within five business days following the execution of an Acceptable MOU with a Strategic Partner in respect to the Mine; and
- a one-time fee equal to 3% of Issued Capital, to be paid within five business days following the execution of an Acceptable Framework Agreement with a Strategic Partner in respect to the Mine; and
- a one-time fee equal to 4% of Issued Capital if an Acceptable Framework Agreement in respect to the Mine has been entered into, or 6% of Issued Capital if an Acceptable Framework Agreement with respect to the Mine has not been entered into, to be paid within five business days following the execution of an Acceptable Definitive Agreement with a Strategic Partner in respect to the Mine.

Success Fee – Power Plant 1

- Fee 1 – a one-time fee equal to 5% of the Issued Capital, to be paid within five business days following the execution of all Acceptable Definitive Agreements with a Strategic Partner in respect to Power Plant 1

Success Fee – Power Plant 3

- a one-time fee equal to 4% of Issued Capital, if an Acceptable Framework Agreement with respect to Power Plant 3 has been entered into, or 6% of Issued Capital if an Acceptable Framework Agreement with respect to Power Plant 3 has not been entered into, to be paid within five business days following the execution of all Acceptable Definitive Agreements with a Strategic Partner in respect to Power Plant 3.

Consultant success fees

The Group is also obliged to pay a consultant, DG Infratech PTE. Limited, success fees conditional upon achieving key milestones relating to the advancement of the proposed 6,000MW coal fired power plant at the mine-mouth of the Phulbari Coal and Power Project, in North-West Bangladesh. As at 30 June 2020 the outstanding milestones were as follows:

Success Fee – Coal Project's Scheme of Development

- a one-time fee equal to 5% of Issued Capital, to be paid within five business days following GCM'S receipt of the written approval of the Coal Project's Scheme of Development; and

Success Fee – Power Plants

- a one-time fee equal to 2% of Issued Capital, to be paid within five business days following GCM'S receipt of the written approval in respect of each group of Power Plants; and

Success Fee – Commencement of Development

- a one-time fee equal to 4% of Issued Capital, to be paid within five business days following GCM'S commencement of development of the Coal Project; and

The Directors are of the opinion that a provision is not required in respect of these success fees, as the milestones had not been met as at 30 June 2020.

20. Related Party Transactions

Key management personnel

	2020 £000	2019 £000
Short-term benefits	597	622
Termination benefits	-	41
Share based payments	-	12
	597	675

Short-term related party loan

GCM is beneficiary to a £3.5 million short-term loan facility from its largest shareholder, with an interest rate of 12% per annum. As at 30 June 2020 the Group had utilised £2.6 million of the loan facility (2019: £2,000,000) and an interest accrual of £670,000 (2019: £343,000). The terms of the short-term loan requires repayment within 90 days of receiving notice from Polo Resource Limited. Refer to note 12. Note Polo Resources Ltd is a related party by way of Michael Tang being a Director of both Companies.

Management services company

As disclosed in the Directors Report, for the year ended 30 June 2020, 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 (2019: £6,000) and management services of £297,600 paid to a management services company (2019: £297,600).

For the period September 2018 to June 2020 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 £546,000 has not been paid and is being accrued accordingly.

As at 30 June 2020 the amount owing to the management services company of Datuk Michael Tang PJN was £546,000 (2019: £248,000).

21. Post-balance sheet events

The following events took place subsequent to 30 June 2020, for which there has been no adjustment to the June 2020 financial statements:

- On 2 September 2020, the Company announced that it had issued 6,021,621 new ordinary shares to consultants in accordance with their consultancy agreements. Accordingly, the following consulting fees have been settled via the issuance of new Ordinary Shares:
 - o in lieu of Dyani Corporation Ltd's retainer fee for the period from 1 July 2019 to 30 June 2020, the Company will issue 2,142,856 new Ordinary Shares to Dyani;
 - o for the negotiation and finalisation of the second Joint Venture Agreement with PowerChina in respect to two plants of 1,000MW each, as announced on 15 March 2019 and settlement of which was deferred on 23 January 2020, a success fee will be awarded to Dyani, to be satisfied by the issue of 3,278,765 new Ordinary Shares; and
 - o in lieu of DG Infratech Pte Ltd's retainer fee for the period from 1 December 2019 to 31 August 2020, the Company will issue 600,000 new Ordinary Shares to DG.

GCM Resources plc

Company Financial Statements 2020

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) including Financial Reporting Standard 101 Reduced Disclosure Framework.

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	Accumulated losses £000	Total £000
Balance at 1 July 2018	9,811	50,484	625	(17,336)	43,584
Total comprehensive loss	-	-	-	(5,757)	(5,757)
Share issuances	53	13	-	-	66
Shares to be issued	-	-	5,181	-	5,181
Share based payments	-	-	29	-	29
Balance at 30 June 2019	9,864	50,497	5,835	(23,093)	43,103
Total comprehensive loss	-	-	-	(1,403)	(1,403)
Share issuances	1,392	3,037	(4,348)	-	81
Shares to be issued	-	-	420	-	420
Share based payments	-	-	(201)	-	(201)
Balance at 30 June 2020	11,256	53,534	1,706	(24,496)	42,000

Company Balance Sheet

As at 30 June

		Company number 04913119	
	Notes	2020 £000	2019 £000
Current assets			
Cash and cash equivalents		51	379
Other receivables	5	12	10
Security deposit		2	2
Total current assets		65	391
Non-current assets			
Investments	6	46,064	45,587
Property, plant and equipment		-	1
Total non-current assets		46,064	45,588
Total assets		46,129	45,979
Current liabilities			
Payables	7	(909)	(533)
Borrowings	8	(3,220)	(2,343)
Total current liabilities		(4,129)	(2,876)
Total liabilities		(4,129)	(2,876)
Net assets		42,000	43,103
Equity			
Share capital	10	11,256	9,864
Share premium account	10	53,534	50,497
Other reserves	10	1,706	5,835
Accumulated losses		(24,496)	(23,093)
Total equity		42,000	43,103

Datuk Michael Tang PJN
Executive Chairman
22 December 2020

The Parent Company recorded a loss of £1,403,000 for the year ended 30 June 2020 (2019: loss of £5,757,000).

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 22 December 2020.

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 2020. 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 (the "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 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 3.

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 £46,064,000 at 30 June 2020.

Going concern

As at 30 June 2020, the Group had £69,000 in cash and £4,235,000 in net current liabilities. The directors and management have prepared a cash flow forecast to December 2021, which shows that the Group will require further funds to cover operating costs to advance the Phulbari Coal and Power Project and meet its liabilities as and when they fall due. Based on current forecasts, additional funding will need to be either raised from third parties or drawn down under the short term loan facility with Polo Resources Limited ("Polo Loan Facility") by the end of July 2021, in order to meet current operating cost projections. The Directors also note that, under the terms of the existing Polo Loan Facility, repayment in cash can be requested upon 90 days' notice, or alternatively converted to shares at 11 pence per share at the lender's 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, should Polo request repayment of the Polo Loan Facility, GCM will need to raise funds in a short amount of time, which may not be available on terms acceptable to the Board or on a workable timeframe.

On 3 February 2020, the Company confirmed the availability of an increase of the Polo Loan Facility by £1,200,000 to £3,500,000, to be spread in four quarterly instalments in advance. Based on projected future cash expenditure, the remaining amount available for drawdown under the Polo Loan Facility at the date of this report is not expected to be sufficient to support the Company's operations for the twelve months from the date of this report. The Company currently has £550,000 remaining to drawdown under the Polo Loan Facility, which, at current run rates, along with the Company's existing cash resources, is only expected to provide sufficient capital for the next six months.

The Company intends to explore alternative funding options over the next two months, with the aim to complete and secure the necessary third party funding by the end of January 2021.

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, as at the date of this report these funding arrangements are not secured, 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.

Cash and cash equivalents

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

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 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" Note 6 for further details in respect of the recoverability of the investment in subsidiaries.

Power plant 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. To assess whether it is probable that future economic benefits will arise from the power plant development costs, management judgement was required and 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. All power project expenditure were accordingly expensed in the year.

Financial assets

Financial assets are classified in accordance with FRS101. 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:

Classification and measurement of financial assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company's financial assets are measured at amortised costs and are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.

The Company's cash and cash equivalents and other receivables are measured at amortised cost. Other receivables are initially measured at fair value. The Company holds other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

The Company has one financial assets measured at FVOCI (Fair Value Through Other Comprehensive Income) which was fully impaired in previous years. There has been no impact on the treatment of the financial assets measured at FVOCI on transition to IFRS9. The Company no financial assets measured at FVTPL (Fair Value Through the Statement of Profit or Loss).

Notes to the Company

Financial Statements (continued)

Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses ('ECL's) on its financial assets measured at amortised cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to the lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative or designated as FVTPL on initial recognition. The Company's accounts payable, accrued liabilities and short-term debt are measured at amortised cost.

Accounts payable and accrued liabilities are initially measured at fair value and subsequently measured at amortised cost. Accounts payable and accrued liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Short-term debt is initially measured at fair value, net of transaction costs incurred. Subsequently they are measured at amortised cost using the effective interest rate method. Short-term debt is classified as current when payment is due within 12 months after the reporting period. The Company has no financial liabilities measured at FVTPL. Where there is a modification to a financial liability, the financial original liability is de-recognised and a new financial liability is recognised at fair value in accordance with the Company's policy.

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.

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 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.

Deferred tax

The tax charge is based on the profit for the period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation purposes and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future. In particular:

- deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currency transactions

Transactions in currencies other than pounds sterling are recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Share based payments

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) or to conditions not related to performance or service (non-vesting conditions).

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

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

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market or non-vesting conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

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.

	2020 £000	2019 £000
Audit of the Company financial statements	10	8

3. Staff numbers

The average monthly number of employees during the year was 1 (2019:1).

4. Taxation

Reconciliation of the tax charge in the income statement

	2020 £000	2019 £000
(Loss) on ordinary activities before tax	(1,403)	(5,757)
UK corporation tax @ 19% (2020) and 19% (2019)	(267)	(1,094)
Unrecognised deferred tax assets during the year	267	1,094
Non-deductible expenditure	-	-
Total tax expense reported in the income statement	-	-

Unrecognised deferred tax assets

	2020 £000	2019 £000
<i>Deferred tax asset</i>		
Tax losses carried forward	3,716	3,286
Impairment	891	891
Other	1	1
	4,608	4,178
Less: deferred tax assets de-recognised	(4,608)	(4,178)
	-	-

At 30 June 2020 tax losses for which a deferred tax asset was not recognised amounted to £19,560,000 (2019: £17,294,000). 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.

Notes to the Company

Financial Statements (continued)

5. Other receivables

	2020 £000	2019 £000
<i>Current debtors</i>		
Prepayments	8	8
Other debtors	4	2
	12	10

6. Investments

	2020 £000	2019 £000
<i>Subsidiary undertakings at cost</i>		
Opening balance	45,587	44,713
Additions	477	874
As at 30 June	46,064	45,587
Carrying amount as at 30 June	46,064	45,587

Additions represent monies advanced to the Company's subsidiaries from the Company through inter-company funding. There are no repayment terms for the funding provided. The funding has been identified and accounted for as contributed equity in the subsidiaries. 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	
		2020	2019
<i>Subsidiaries</i>			
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%
<i>Fair Value Through Other Comprehensive Income</i>			
Peoples Telecommunication and Information Services Ltd	Bangladesh	37%	37%

The investment in Peoples Telecommunication and Information Services Ltd has been accounted for as a financial asset at Fair Value Through Other Comprehensive Income as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

7. Payables

	2020 £000	2019 £000
Trade payables	363	135
Related party accrued payable	546	248
Transaction costs payable	-	150
	909	533

8. Borrowings

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

	2020 £000	2019 £000
Short-term loan from related party		
Balance at 1 July	2,343	1,279
Loan instalments drawdown	600	900
Interest charges	277	164
Balance at 30 June	3,220	2,343

On 31 January 2020 the existing short-term loan facility of £2.3 million with Polo Resources Limited was increased by £1.2 million. Prior to this amendment, the principal terms of the loan were: a loan facility of up to £2.3 million to be repaid within 90 days upon request and attracting an interest rate of 12% per annum. The revised terms provided for an increase in the loan facility amount by £1.2 million, to £3.5 million. The £1.2 million is being drawn down by the Company in equal quarterly instalments of £300,000. The Lender has the right to convert the outstanding loan balance and accrued interest to new ordinary shares of 10p each at a price of 11p per ordinary share within 14 days upon request. Any share issue to the Lender is conditional upon the Lender's interest, together with the interest of any parties with which it is in concert, remaining below 30% of the Company's issued capital. All other principal terms of the loan facility remain unchanged. Refer page 29 for details of Management judgement used in accounting for the loan amendment.

9. Commitments

Operating lease commitments

As at 30 June 2020, the Company had an operating lease on premises, which has a duration of less than one year.

	2020 £000	2019 £000
<i>Operating leases expiring:</i>		
Within one year	1	4
After one year but not more than five years	-	-
	1	4

10. Authorised share capital

	2020 Thousands	2020 £000
<i>Authorised</i>		
Ordinary shares of 10p each	200,000	20,000
<i>Allotted, called up and fully paid</i>		
At 1 July	98,639	9,864
Shares issued	13,921	1,392
At 30 June	112,560	11,256

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 3 December 2018, 100,000 shares were issued to former director, on their resignation in lieu of services at a price of 17.9p per share.

On 25 June 2019, 425,000 shares were issued to former director on the exercising of their share options at a price of 11p per share for a total of £46,750.

On 23 January 2020, 13,721,354 shares were issued to consultants in accordance with the terms of the their agreements, at prices from 14p to 38.25p, for a total non cash consideration of £4,347,635.

On 15 April 2020, 200,000 shares were issued to former director on the exercising of their share options at a price of 11p per share for a total of £22,000.

Notes to the Company

Financial Statements (continued)

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 fair value 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 £3.5 million short-term loan facility from its largest shareholder, with an interest rate of 12% per annum. As at 30 June 2020 the Group had utilised £2.6 million of the loan facility (2019: £2,000,000) and an interest accrual of £620,000 (2019: £343,000). The terms of the short-term loan requires repayment within 90 days of receiving notice from Polo Resource Limited. Refer to note 12 of the Consolidated Financial Statements. . Note Polo Resources Ltd is a related party by way of Michael Tang being a Director of both Companies.

Management service company

As disclosed in the Directors Report, for the year ended 30 June 2020, 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 (2019: £6,000) and management services of £297,600 paid to a management services company (2019: £297,600).

For the period September 2018 to June 2020 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 £546,000 has not been paid and is being accrued accordingly.

As at 30 June 2020 the amount owing to the management services company of Datuk Michael Tang PJN was £546,000 (2019: £248,000).

12. Post-balance sheet events

The following events took place subsequent to 30 June 2020, for which there has been no adjustment to the June 2020 financial statements:

- On 2 September 2020, the Company announced that it had issued 6,021,621 new ordinary shares to consultants in accordance with their consultancy agreements. Accordingly, the following consulting fees have been settled via the issuance of new Ordinary Shares:
 - o in lieu of Dyani Corporation Ltd's retainer fee for the period from 1 July 2019 to 30 June 2020, the Company will issue 2,142,856 new Ordinary Shares to Dyani;
 - o for the negotiation and finalisation of the second Joint Venture Agreement with PowerChina in respect to two plants of 1,000MW each, as announced on 15 March 2019 and settlement of which was deferred on 23 January 2020, a success fee will be awarded to Dyani, to be satisfied by the issue of 3,278,765 new Ordinary Shares; and
 - o in lieu of DG Infratech Pte Ltd's retainer fee for the period from 1 December 2019 to 31 August 2020, the Company will issue 600,000 new Ordinary Shares to DG.

Notes

Notes (continued)

Notes (continued)





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