GCM Resources plc

Interim Report for the six months to 31 December 2020

(LON:GCM)

Chairman's Statement

I'm pleased to report to our shareholders on the Company's performance for the six months ended 31 December 2020. It has been a relatively productive period for the Company and, despite the global effects of the Covid-19 pandemic, I am pleased with the progress made under these difficult circumstances. We have continued to pursue our strategy of presenting a comprehensive power solution to the Bangladesh Government, packaged as the Phulbari coal and Power Project ("the Project") and based on a 15 million tonne per annum "captive" coal mine in the Phulbari Coal Basin, feeding "high efficiency, low emission" (HELE) coal-fired power plants with a combined capacity of 6,000MW. The Project also has an ability to supply high quality coal to other IPP's and industries in Bangladesh, to suit Bangladesh Government requirements.

A significant step in the reporting period was the signing of a Framework Agreement ("the Agreement") with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") on 12 October 2020. This occurred after a lengthy period of Due Diligence undertaken by NFC on the Phulbari coal mine's mine plan and feasibility study. We are very pleased to have NPC as our mine development partner and we are working with them to finalise arrangements as set out in the Agreement:

- 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.

The Agreement with NFC was reached under the tripartite MOU signed with NFC and PowerChina that was set up back in July 2019. We are also pleased that in December 2020, PowerChina sought an extension of that MOU (but now excluding NFC) so that it could assess taking a higher participation in the Project, as part of its involvement in the mine mouth integrated power plants. This MOU extension will run until 6 June 2021 with the intention of determining how to accommodate that interest within the Agreement.

Just outside the reporting period, on 19 January 2021 we announced further extensions of the joint venture agreements with PowerChina for development of the initial 4,000MW of the planned 6,000MW total capacity to be installed in stages to suit the Project's coal mine ramp-up to full coal production. Specifically, the first JV Agreement (2,000MW) was due to expire on 17 January 2021 and the second JV Agreement (2,000MW) on 15 March 2021. Both have now been extended to 15 March 2022.

Other steps taken outside the reporting period include:

- Appointment of WH Ireland Ltd as the Company's Nominated Advisor and Broker, and strengthening the Board with the appointment of Gary Lye as an Executive Director and James Hobson as a Non-Executive Director; and

- A Capital Reorganisation which would ensure the Company could issue shares comparable to the market price for services and/or for equity placings in the future. This was deemed necessary as the Company's Shares are trading on AIM at or around the present nominal value and English company law prohibits a company from issuing shares at a discount to the nominal or par value of its Ordinary Shares.

- Our Development Partners, in communications over the past week have reaffirmed their commitment to progressing the Project and have acknowledged that the global COVID-19 pandemic had impacted their ability to meet timelines over the past year;

    - China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC"), one of our Key Development Partners, have confirmed they are moving to resume a normal working status and that they are gearing-up to make progress on commitments for coal mine development as set out in the Framework Agreement signed between the parties on 15 October 2020, and

    - Power Construction Corporation of China, Ltd ("PowerChina"), have additionally confirmed and re-iterated their strong commitment to the Project and to making progress under the extended JV Agreements, as announced on the 19 January 2021. PowerChina are focused on working with the Company to develop the Project using the most advanced mining and power generating technology, while adhering to the strictest compliance of health, safety and environmental standards. Their stated aim is to produce clean and sustainable energy and power for Bangladesh.

Financials

GCM incurred a loss after tax of £1,091,000 for the six months ended 31 December 2020 (31 December 2019: loss after tax of £616,000). The most significant expenditure during the period was pre-development expenditure, while administrative expenses for the six months ended 31 December 2020 were £329,000 (31 December 2019: £198,000) and capitalised project expenditure for the period was £234,000 (31 December 2019: £287,000).

During the period, GCM further drew down £350,000 from the short-term loan facility with Polo, the Company's largest shareholder. The Company has at the date of this report drawn down £3.2 million of the total short-term loan facility of £3.5 million. The terms of the facility are detailed in Note 5 of the interim report.

Over the next six months, the Company will seek to strengthen GCM's financial position and provide future funding. Until such time, there remains a material uncertainty which may cast doubt as to the Group's ability to continue as a going concern. The directors remain confident that sufficient funding will be obtained as and when required. As such, the financial statements have been prepared on a going concern basis. Please refer to the accounting policy note on going concern (Note 1 to the Financial Statements) for further information.

Outlook

Finally, I would like to thank our Shareholders for their continued commitment and support for GCM during the last 9 months through this unpredictable and difficult period for many companies. We continue to work towards finally presenting the complete Project Proposal to the Bangladesh Government and delivering much awaited value-adding for our shareholders and other stakeholders. However, it would be unrealistic to assume the Coronavirus pandemic hasn't had an impact on our timelines, given that the Government of Bangladesh and governments worldwide have been focused on dealing with the pandemic in the last 12 months.

Mohd Najib Bin Abdul Aziz
Non-Executive Chairman

Interim Consolidated Income Statement

	6 months ended 31 December 2020 unaudited £000	6 months ended 31 December 2019 unaudited £000	Year ended 30 June 2020 audited £000
Operating expenses			
Pre-development expenditure	**(587)**	(198)	(420)
Exploration and evaluation costs	**(7)**	-	(52)
Administrative expenses	**(329)**	(279)	(916)
Operating loss	**(923)**	(477)	(1,388)
Finance costs	**(168)**	(139)	(127)
Loss before tax	**(1,091)**	(616)	(1,515)
Taxation	**-**	-	-
Loss and total comprehensive income for the period	**(1,091)**	(616)	(1,515)
Earnings per share			
Basic loss per share (pence)	**(0.9p)**	(0.6p)	(1.45p)
Diluted loss per share (pence)	**(0.9p)**	(0.6p)	(1.33p)

Interim Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Share based payments not settled £000	Accumulated losses £000	Total £000
Balance at 1 July 2019	9,864	50,497	5,835	(27,564)	38,632
Total comprehensive loss	-	-	-	(1,515)	(1,515)
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	(29,079)	37,417
Total comprehensive loss	-	-	-	(1,091)	(1,091)
Share issuances	602	675	(1,277)	-	-
Shares to be issued	-	-	587	-	587
Share based payments	-	-	5	-	5
Balance at 31 December 2020 (unaudited)	**11,858**	**54,209**	**1,021**	**(30,170)**	**36,918**
Balance at 1 July 2019	9,864	50,497	5,835	(27,564)	38,632
Total comprehensive loss	-	-	-	(616)	(616)
Share issuances	-	-	-	-	-
Shares to be issued	-	-	198	-	198
Share based payments	-	-	3	-	-
Balance at 31 December 2019 (unaudited)	**9,864**	**50,497**	**6,036**	**(28,180)**	**38,217**

Interim Consolidated Balance Sheet

	Notes	31 December 2020 unaudited £000	31 December 2019 unaudited £000	30 June 2020 audited £000
Current assets				
Cash and cash equivalents		**48**	236	69
Receivables		**35**	14	16
Total current assets		**83**	233	85
Non-current assets				
Property, plant and equipment		**10**	16	13
Right of use assets		**19**	-	33
Intangible assets	3	**41,861**	41,537	41,627
Receivables		**-**	-	-
Total non-current assets		**41,890**	41,553	41,673
Total assets		**41,973**	41,803	41,677
Current liabilities				
Payables	4	**(1,284)**	(806)	(1,073)
Lease liabilities		**(26)**	-	(27)
Borrowings	5	**(3,737)**	(2,780)	(3,220)
Total current liabilities		**(5,047)**	(3,586)	(4,320)
Non-current liabilities				
Lease liabilities		**(8)**	-	(21)
Total non-current liabilities		**(8)**	-	(21)
Total liabilities		**(5,055)**	(3,586)	(4,341)
Net assets		**36,918**	38,217	37,417
Equity				
Share capital	6	**11,858**	9,864	11,256
Share premium account	6	**54,209**	50,497	53,534
Other reserves		**1,021**	6,036	1,706
Accumulated losses		**(30,170)**	(28,180)	(29,079)
Total equity		**36,918**	38,217	37,417

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2020 unaudited £000	6 months ended 31 December 2019 unaudited £000	Year ended 30 June 2020 audited £000
Cash flows used in operating activities			
Loss before tax	**(1,091)**	(616)	(1,515)
Adjusted for:			
Non-cash pre-development expenditure	**587**	198	420
Non-cash finance costs	**168**	139	127
Other non-cash expenses	**-**	-	18
	(336)	(279)	(950)
Movements in working capital:			
(Increase)/decrease in operating receivables	**(19)**	9	7
Increase in operating payables	**212**	104	371
Cash used in operations	**(143)**	(166)	(572)
Net cash used in operating activities	**(143)**	(166)	(572)
Cash flows from investing activities			
Payments for intangible assets	**(228)**	(283)	(366)
Payments for property, plant and equipment	**-**	-	-
Net cash generated from investing activities	**(228)**	(283)	(366)
Cash flows from financing activities			
Issue of ordinary share capital	**-**	-	22
Share issue costs	**-**	-	-
Proceeds from borrowing	**350**	300	600
Interest paid	**-**	-	-
Net cash from financing activities	**350**	300	622
Total (decrease) in cash and cash equivalents	**(21)**	(149)	(316)
Cash and cash equivalents at the start of the period	**69**	385	385
Cash and cash equivalents at the end of the period	**48**	236	69

Notes to the Interim Condensed Consolidated Financial Statements

1. Accounting policies

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

This unaudited interim report was authorised for issue by the Board of Directors on 19 March 2021.

Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2020 and applied in accordance with the Companies Act 2006.

The interim condensed consolidated financial statements for the six months ended 31 December 2020 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2020. The financial information contained herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2020 have been extracted from the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and contained an unqualified auditors' report which included an emphasis of matter concerning significant doubt over the ability for the Group to continue as a going concern and did not include a statement under section 498(2)(a) or (b), or section 498(3) of the Companies Act 2006.

Political and economic risks – carrying value of intangible asset

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

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

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

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

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

Accordingly, the Directors are confident that the Phulbari Coal and Power Project (Project) will ultimately receive approval, although the timing of approval remains in the hands of the Government. To enhance the prospects of the Project, GCM has engaged in a strategy to align the Project with the needs and objectives of the Government. The Government seeks to rapidly expand the country's power generation, including the increase in coal fired power generation from the current 250MW to approximately 20,000MW. The Group's strategy is to combine the planned coal mine with 6,000MW power plants in conjunction with large Chinese State-owned engineering enterprises.

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 £41,861,000 as at 31 December 2020.

Going concern

As at 31 December 2020, the Group had £48,000 in cash and £4,964,000 in net current liabilities. The directors and management have prepared a cash flow forecast to March 2022, 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 April 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.

The Company currently has £300,000 remaining to drawdown under the Polo Loan Facility of £3.5million, which, at current run rates, along with the Company's existing cash resources, is only expected to provide sufficient capital for the next three months. The Company is currently exploring alternative funding options, with the aim to complete and secure the necessary third-party funding by the end of April 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.

2. Segment analysis

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

3. Intangibles

During the period intangibles increased by £234,000. The increase is due to capitalised mining exploration and evaluation expenditure relating to the Phulbari Coal and Power Project in Bangladesh.

4. Payables

	31 December 2020 unaudited £000	31 December 2019 unaudited £000	30 June 2020 audited £000
Trade payables	**590**	259	527
Related party accrued payable	**694**	397	546
Transaction costs payable	**-**	150	-
	1,284	806	1,073

The related party accrued payable of £694,000 at 31 December 2020 relates to accrued fees owing to the management services company of the Executive Chairman of the Company, Datuk Michael Tang PJN.

5. Borrowings

	31 December 2020 unaudited £000	**31 December 2019 unaudited £000**	**30 June 2020 audited £000**
Short-term loan facility from related party	**3,737**	2,780	3,220
	3,737	2,780	3,220

GCM is party to a £3,500,000 short-term loan facility with its largest shareholder, Polo Resources Limited ("Polo"). As at 31 December 2020, the Company owed £3,737,000, comprising £2,950,000 loan balance and accrued finance costs on borrowings of £787,000. The principal terms of the short-term loan are 12% per annum interest rate on the loan balance and repayment within 90 days upon request. Alternatively, the lender may request repayment by the issuance of new ordinary shares in the Company at 11 pence per share. Any issue of GCM shares to the Polo is conditional upon its interest, together with the interest of any parties with which it is in concert, remaining below 30% of the Company's issued share capital. The Company may elect to repay all or part of the outstanding loan at any time giving 60 days' notice.

6. Share issues

There were 6,021,621 shares issued during the period for non-cash consideration in respect of services provided by consultants.

7. Post-balance sheet events

On 11 January 2021, the Company announced it had appointed WH Ireland Ltd as its Nominated Advisor, following the resignation of the previous Nominated Advisor. In addition, the Company appointed James Hobson as a Non-Executive Director, and restructured the Board with Mohd Najib Bin Abdul Aziz being appointed Non-Executive Chairman. In addition, the Company drew down a further £250,000 from the Polo Loan facility, with a total of £3.2million drawn down on the £3.5million facility.

On 19 January 2021, the Company announced that it has completed the extension of the joint venture agreements announced on 17 January 2019 and 13 January 2020 ("**First JV Agreement**") and 15 March 2019 ("**Second JV Agreement**") with Power Construction Corporation of China **("PowerChina")**. The joint venture agreements which were due to expire on 17 January 2021 and 15 March 2021 respectively have both been extend to 15 March 2022.

On 22 January 2021, the Company announced it had appointed Gary Lye as an Executive Director of the Company.

On 25 February 2021, the Company announced following the completion of the Annual General Meeting, and all resolutions having been passed, the Capital Reorganisation to which each of the issued ordinary shares of 10 pence each in the capital of the Company ("Existing Ordinary Shares") was subdivided into one New Ordinary Share of 1 pence and one deferred A share of 9 pence. Application was made for 118,581,630 New Ordinary Shares of 1 pence each to be admitted to trading on AIM ("Admission") in place of 118,581,630 Existing Ordinary Shares of 10 pence each effective on 26 February 2021.

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