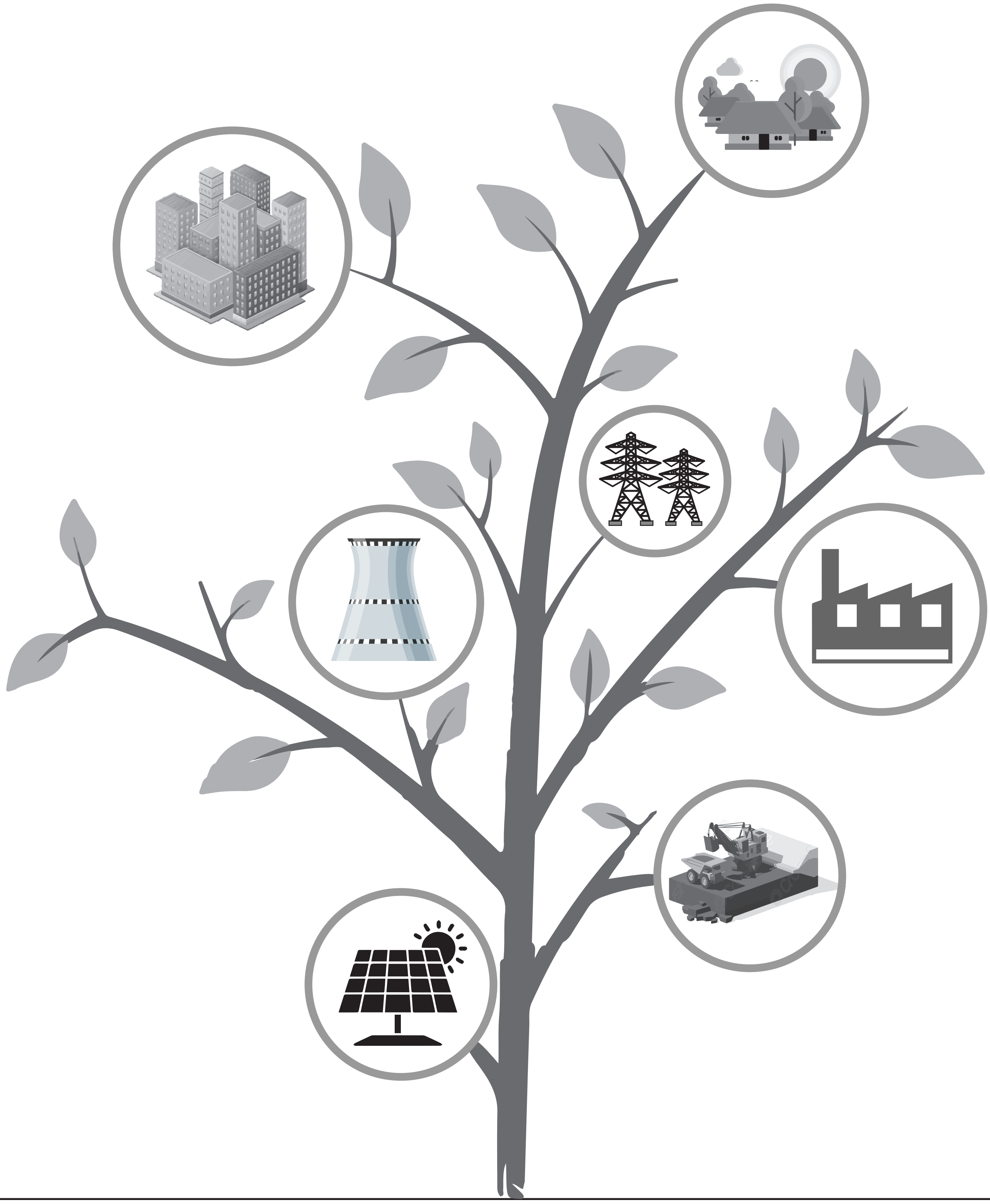
GCM RESOURCES

Annual Report and Accounts 2021

(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 over 6,000MW. GCM requires approval from the Government of Bangladesh in order to develop the Project.

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Executive Chairman's Statement

The Board presents the Company's Annual Report and Accounts for the year ended 30 June 2021, in a year where progress has not met our expectations, primarily due to the effects of the Coronavirus Pandemic. Consider that towards the end of 2020, it appeared the world was emerging from the pandemic, with countries slowly opening up their borders and re-emerging from national lockdowns. However, this momentum was arrested by the rapid emergence of the "Delta Variant", which completely stifled business activity for the majority of 2021. For instance, in Bangladesh rolling lockdowns from March to August 2021 severely restricted movement and kept government and private business offices mostly closed. It has been an extremely frustrating period for GCM and on behalf of the Board, I once more extend our appreciation for the continued support of our shareholders.

We have remained focussed on delivering returns on shareholder investment through packaging the Project in its best possible form with the key step still being approval from the Bangladesh Government. It is worth reflecting, however, on what actually constitutes the Project. Firstly, and most importantly, the Project's core asset is the proposed Phulbari open-pit coal mine development, which would deliver over 15 Mtpa high quality thermal coal for at least 30 years. Based on the latest, highly energy-efficient Ultra-Supercritical power plant technology, the Phulbari coal mine's full production would support 6,600MW. Secondly, to ensure the mine's economic sustainability, we have put in place arrangements with development partner Power Construction Corporation of China, Ltd. ("PowerChina") to establish a minimum power plant output totalling 4,000MW. This would ensure a reliable market for the bulk of the Phulbari coal and provide time to determine the best market for the remaining production.

During this last Financial Year, we secured a strategic coal mine development partner with the signing of a Framework Agreement on 12 October 2020 with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC"). On 6 December 2020, PowerChina agreed to an extension of the original memorandum of understanding ("MoU") established with NFC and PowerChina relating to coal mine development, to allow formal continuing discussions in regards to PowerChina taking a higher level of participation in the Project. This MoU was extended for six months on 6 June 2021 and again extended on 22 November 2021 to run through to 6 December 2022. Also, on 19 January 2021 the Joint Venture Agreements with PowerChina for the initial 4,000MW (two 2,000MW Stages) were extended to 15 March 2022.

Other steps taken in Financial Year 2021 include:

- On 8 January 2021, we undertook a Board reorganisation with the aim of increasing the level of Non-Executive Director participation. This saw myself (Mohd. Najib Bin Abdul Aziz) being appointed Non-Executive Chairman and expansion of the Board to now include two Non-Executive Directors. Datuk Michael Tang PJN continues as Executive Director and Chief Executive Officer. Also, to enhance the Board's working knowledge of the Project and Bangladesh, on 22 January 2021 Gary Lye was appointed Executive Director while continuing in roles as GCM's Chief Operating Officer and Chief Executive Officer of our subsidiary, Asia Energy Corporation (Bangladesh) Pty Ltd.
- On 26 March 2021, the Company successfully placed 13,446,661 new ordinary shares of 1 pence each with institutional and professional investors at a price of 7.5 pence per share (the "Issue Price") via an accelerated bookbuild (the "Placing"). The Placing raised gross proceeds of £1.01 million and the Issue Price was a discount of approximately 19 per cent to the mid-market closing price on 25 March 2021.

Outside the Reporting Period there were a number of other developments:

- On 31 August 2021, an MoU was signed with Sion Corporation of Japan ("SION"), Versatech Energy Innovation Limited and AC Biode Co. Ltd for providing a suitable and effective environmental solution for the management of the fly-ash waste product that will be produced by the Project. This will include investigations into the production of SION's composite material CircuLite from fly-ash and the application of CircuLite to various environmental and agricultural improvements within Bangladesh.
- On 22 September 2021, the Chinese President Xi Jinping delivered a pre-recorded address to the United Nations General Assembly where he stated as the world emerged from this pandemic, efforts to revitalise economies would also include the pursuit of "greener", more balanced development and a need for inclusive growth. In this regard he stated China would step up efforts to assist Developing Countries access "green" and "low carbon" energy, and that China would not build new coal-fired power projects abroad.

  It is noted that no further details were provided, there has been no immediate change in China's policy and the impact on China's

Executive Chairman's Statement (continued)

future financing of coal-fired power projects would not really be understood until a policy is framed and it is seen how that policy is implemented.

It is also noted that since that UN Meeting the world entered a deepening energy crisis, reminiscent of the 1970's energy shortage. Although there's been some drop from "sky-high" fuel prices, supply/demand issues are expected to keep prices high. Lessons from this are clear: the Renewable Energy Pathway is not straightforward, even in Developed Countries; Renewable Energy systems at this juncture are not reliable for Base Load Power; Countries having their own energy resources are scrambling to lift production of existing fossil fuel operations and are looking to develop greenfield opportunities; and a Strategic Mix of "own fuels" and "imported fuels" provides the best energy security as countries move towards integrating Renewable Energy systems.

- The COP 26 UN Climate Change Conference took place from 31 October to 12 November 2021. Although the Conference announced a Global Coal to Clean Power Transition initative whereby countries were invited to make their commitments on how to phase out coal-based energy in the form of political non-binding statements, the response varied, with key countries such as China, Australia, India, Japan and the USA not signing up. It was reported Bangladesh also did not participate in this initiative.

  Being the Chair of the Climate Vulnerable Forum (CVF) that represents the interests of the 48 climate-vulnerable Least Developed and Developing Countries, Bangladesh's major statements at the COP 26 were directed at how these countries would deal with loss and damage caused by the effects of climate change. A principal focus was to obtain commitment from the Developed Countries to fulfil their commitments of providing US$100 billion annually to be directed at adaptation and mitigation measures.

With 11,775MW coal-fired power plants commissioned or in the pipeline, the Bangladesh Government demonstrates coal-fired power will remain significant in its own strategic energy mix for several decades as it moves to integrate Renewable Energy. Whilst the option remains to install power plants at the Phulbari coal mine site, there is also the potential to supply coal to the country's already commissioned and under construction coal-fired plants. We have amended our Proposal to Government accordingly and in this scenario, Greenhouse Gas emissions (CO_2) from large-scale shipping of that quantity of coal to Bangladesh would be eliminated (replaced by rail / barging over far less distance). This, coupled with Phulbari coal's higher energy enabling "more power for less coal", will directly reduce Bangladesh's Greenhouse Gas Emissions (CO_2) by over 30% compared to imported coal.

It is recognised that social and economic development is also necessary for the Least Developed and Developing Countries to be better prepared and more capable to combat the effects of Climate Change. An important component is access to expansive low-cost energy and power. In addition to the aforementioned Greenhouse Gas Emissions (CO_2) reduction, utilising Phulbari's coal will not only potentially save the Bangladesh Government many Billions of Dollars on its fuel and power generation costs but also would enable power to be delivered at a lower tariff, thus helping to drive economic development.

On 19 October 2021, the Company announced it was pursuing extension of the Framework Agreement with NFC for mine development (which expired on 12 October 2021) and we remain confident of agreeing such an extension, however, noting there are additional procedures required to complete the extension as a result of recent and as yet unclarified guidance from the Chinese Government in regards to such agreements.

Our team in Bangladesh has been pursuing how the Phulbari coal mine could become a "Net Zero Carbon" or "Green Mine" operation through:

- Utilising electrically powered mining equipment;
- Developing a large-scale Solar Power Park (Carbon-Offsetting) within the Project area which would supply to the grid and also power the Phulbari mining operation; and
- Additional Carbon Offsetting through progressive development of an extensive forest plantation as part of the land rehabilitation plant.

This is an exciting development both for GCM and the Project as the Carbon Offsetting amounts to almost five times the calculated mine Greenhouse Gas Emission (CO_2) and clearly establishes the Phulbari coal mine can be a Net Zero Carbon "Green Mine" operation. This opens up new opportunities and we have begun discussions with our NFC and PowerChina development partners.

Unfortunately, Financial Year 2021, like 2020 will also be remembered for the Coronavirus Pandemic and its negative effect on business. GCM has maintained its business, ensured the safety of its staff (all of our Bangladesh staff eligible for vaccinations were vaccinated in March this year) and also managed to position the Project for presentation to the Bangladesh

Government in a form that is well suited to the times. We believe the Project is potentially Bangladesh's "Energy Security Pathway for its Renewable Energy Transition".

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, and I extend mine and the Board's thanks to James Hobson whom was a valuable addition to the Board during 2021, but unfortunately on 30 November 2021 resigned from the Board to concentrate on his new personal venture.

Mohd. Najib Abdul Aziz
Non-Executive Chairman
21 December 2021

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 over 6,000MW of highly energy-efficient Ultra-Supercritical power generation (the "Project"). In fact, based on a power plant feasibility study undertaken in conjunction with our development partner, PowerChina, the Phulbari coal mine annual production would support some 6,600MW.

GCM's strategy and business model is based on forming partnerships 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 incorporates consultants to provide crucial guidance and lobbying support both in Bangladesh and Internationally.

A fundamental pillar of our business model has always been the establishment of a reliable domestic market for the Phulbari coal mine's full production, i.e., to ensure it is economically sustainable and be able to secure project finance. The market solution we have been promoting with our development partner has been to set up new power plants (in stages) matching the mine's ramp-up to 15Mtpa nameplate production. This resulted in Joint Venture Agreements covering 4,000MW, leaving flexibility in marketing the remaining coal mine production.

While this business model essentially remains valid, it has been modified, taking into account an element of uncertainty regarding financing of new coal-fired power projects. This uncertainty became evident from the Chinese President's recent address to the United Nations General Assembly which cast doubt over China financing new coal-fired power projects abroad. Although there has been no further clarification or policy statement, the business model has been expanded to include a large part or all of the Phulbari coal production being marketed to the Bangladesh Government coal-fired power plants. This market is growing and, according to recent reports, will reach in excess of 10,000MW power generating capacity, i.e., some 40% more than the Phulbari's production can support. It also is a 'Win – Win" as the Project would have a secure market and the Bangladesh Government would secure a high quality coal supply with reduced supply and cost risks, save billions of dollars on excessive coal tonnage imports and power generating costs and at the same time be able to supply power at lower tariffs.

GCM believes its strategy and business model will deliver the project approval. The Project in turn will deliver the Bangladesh Government the lowest coal-based energy price and cheapest electricity which will underpin expansion and competitiveness of its industries, produce new higher paying jobs and grow its economy. This will greatly support the Government in realising its Vision 2041 being to:

- End absolute poverty and to be graduated into higher middle-income status by 2031; and
- Eradicate poverty on way to becoming a developed nation by 2041

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"). Currently the following agreements are in place to support GCM's strategy for delivering the Project:

- Joint Venture Agreements with PowerChina for 4,000MW of mine-mouth power plants.
- 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 compliant) high quality thermal and semi-soft coking coal resource. Noting that this Agreement expired in October 2021 and discussions are actively underway to extend the arrangement.

Power Proposal documents required by the Government for approval of the initial 4,000MW power plants have been prepared and the overall Project Proposal has been expanded to include:

- Significant benefits of supplying coal directly to the Government's own power plants;
- Large-scale Solar Power Park (up to 2,330MW) on the Project area within the first couple of years;
- "Green Mine" with Carbon Offsetting (including forest)

resulting in Net Carbon Zero mining operation; and

- Very significant reduction in Green House Gas Emissions (CO2) of over 30% using Phulbari coal vs. Imported Coal

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 in lock-downs with international borders largely closed due to the Coronavirus pandemic (exacerbated by the virulent "Delta Variant"). Government offices were closed with face-to-face meetings not possible. To put it in perspective, in Bangladesh movement of people and opening of government and private business offices did not happen until mid-August 2021 (outside the reporting period) and a "business as usual" situation is still evolving.

Despite the pandemic, GCM managed to remain in close contact with its development partners. On 12 October 2020, arrangements with mine development partner NFC progressed to signing a Framework Agreement. It was agreed to jointly develop the Project's proposed coal mine and that a Joint Venture would be established with NFC acquiring a 5% interest from GCM, based on a valuation. NFC agreed to arrange financing and in return would be appointed EPC contractor for mine development. Discussions are currently underway with NFC and other Chinese Government officials to extend this Agreement.

On 6 December 2020, PowerChina agreed to an extension of the original memorandum of understanding ("MoU") established with NFC and PowerChina relating to coal mine development, to allow continuing discussions aimed at PowerChina taking a higher level of participation in the Project. This MoU was further extended on 6 June 2021, and 23 November 2021 and now runs through to 6 December 2022. Also, on 19 January 2021 the Joint Venture Agreements with PowerChina for the initial 4,000MW (two Stages) power plants were extended to 15 March 2022.

Outside the reporting period, on 31 August 2021, GCM signed an MoU with a consortium of Sion Corporation of Japan ("SION"), Versatech Energy Innovation Limited and AC Biode Co. Ltd for providing management of the Project's power plant fly-ash waste product. SION has developed a multifunctional material, CircuLite, which can be manufactured from fly-ash and would have wide application in Bangladesh for environmental pollution control and in agricultural for soil conditioning.

GCM's team in Bangladesh has strengthened the Project Proposal by bolstering the case for Phulbari coal being supplied to the Government's own coal-fired power plants (expected to exceed 10,000MW). There is a compelling case with huge monetary savings for the Government in terms of coal purchases and power generation. The Proposal also now includes a large Solar Power Park within the Project area, which could be operational within the first two years of Project approval and would supply power to the mine as well as the National Grid. The Project's Agricultural Improvement and Land Rehabilitation Plans also create significant additional Carbon Offsetting. The net result is the Project could have a Carbon Zero "Green Mine" and the Government could reduce its Greenhouse Gas Emissions (CO2) by over 30% by using Phulbari's coal instead of Imported.

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. Our field teams continued to work with the local community, maintaining social distancing, wearing masks and complying with other necessary health safety guidelines to exchange information regarding the Project. We are pleased to report the positive trend in the level of local community support continues. The Project's Resettlement Action Plan remains valid with our field teams having completed an update of village populations and households in the Project area throughout 2019 and recently completed a land price study.

The Board is pleased to have delivered against its strategy of forming development partnerships covering coal mine and power plants and to have now expanded the Project Proposal to showcase coal being supplied to the Government's own coal-fired power plants and to include the huge reduction in Greenhouse Gas Emissions (CO2) and exciting prospect of a large-scale Solar Power Park. These features have been discussed with Government officials in preparation for presenting the Proposal for the Bangladesh Government's approval.

The Company appointed WH Ireland Limited as it Nominated Advisor and Broker on 11 January 2021.

Finance review

The Group recorded a loss of £1,874,000 during the year ended 30 June 2021 compared to a loss

Group Strategic Report (continued)

of £1,515,000 during the previous year. The loss increased from the comparative year principally due to an increase in non-cash, share-based payments accrued in accordance with the Group's agreements with Dyani in relation to pre-development expenditure. The increase was from £420,000 in 2020 to £809,000 this year, as a result of a milestone payment to the consultant being reached in 2021, 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 recorded a net increase in cash at the end of the year to £717,000 (2020: £69,000). Net cash used in operations for the year was £326,000 (2020: £572,000), cash used in investing activities was £557,000 (2020: £366,000), and cash inflow from financing was £1,531,000 (2020: £622,000).

The Group has continued its aim to maintain tight control of expenditure incurred during the year: Administrative expenses were down by 21.7% to £717,000 for the year ended 30 June 2021 (2020: £916,000) as a result of a one-off consulting expense in the prior year, however, finance costs increased by 201.6% to £383,000 (2020: £127,000). Capitalised expenditure in relation to the mine proposal was £552,000 for the year ended 30 June 2021 compared to £377,000 in the previous year. Overall costs excluding pre-development expenditure decreased by 29.5% to £682,000 from £968,000 in the prior year, as noted above.

To finance its operations during the year, GCM drew down £600,000 from the short-term loan facility with Polo Resources Limited ("Polo") (the "Polo Loan Facility"). The Polo Loan has not been increased during the year and remains at a facility of £3,500,000. The terms of the loan facility were amended in March 2021, with two of the salient amendments being an increase in the interest rate to 15%, but also Polo has agreed that it will not serve a repayment request on the company for 5 years from the date of the agreement, replacing the previous provision that it was payable on demand with 90 days' notice. (See Note 12 for detailed terms). In addition to the funding from Polo, GCM also completed a successful Placing in conjunction with WH Ireland Ltd, raising Gross proceeds of £1,009,000 in April 2021.

As at the date of this report, the Company had drawn down £3,200,000 of the Polo Loan Facility and the Company currently has approximately £167,000 in available cash resources, which along with the remaining £300,000 of the Loan Facility the Director's believe will only be sufficient to fund the Company's cash requirements for the next four 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 2022 (the "Additional Funding").

Corporate Social Responsibility
GCM's vision, goal and planned actions are in line with the basic values of integrity and fairness for all stakeholders. GCM's social licence to operate requires an on-going acceptance of the Project with its proposed mining operation and the Company (and subsidiary Asia Energy) by community stakeholders and the general public. For any large mining project to be successful it is crucial to develop and maintain a partnership with all concerned stakeholders, particularly at the local level.

Physical activity in the Project area during 2020-21 was restricted due to the Coronavirus pandemic and the Bangladesh Government's Coronavirus management plans which resulted in lockdowns with restricted movement. However, GCM's field teams still managed to work with the local community, maintaining social distancing, wearing masks and complying with other necessary health safety guidelines to exchange information regarding the Project. The network of over 60 local grass-roots community liaison assistants, selected from across the Project area, were invaluable in maintaining two-way communication with the local community. The trend in local community support continues to rise.

Field teams have also completed an update of the Resettlement Action Plan's population database and number of potentially 'project affected people' and also completed a land price survey.

The Project will improve the economic and social well-being of people in the Project area. Community feedback delivers consistent messages that the majority want development of their area (rated as one of the poorest in Bangladesh) and stress the importance of job opportunities and other benefits. Some 17,000 jobs are expected to be directly and indirectly created as a consequence of developing the mine and associated infrastructure. However, many thousands of additional jobs would be created by having an expansive reliable power supply enabling new industrial development. One such industrial opportunity would come through industrial mineral co-products that can be extracted from the mine overburden material removed to access the coal. These co-products (in very large quantities) include clay for bricks and pottery, China Clay for ceramics, silica sand for glass manufacturing and a range of sand, gravels and rock aggregates for the construction industry. Conservative estimates of the value of these co-products amounts to some US$17 Billion over the life of the Project.

GCM is conscious of the fact that the Project would be developed within an area that is over 80% open farm land. The Project's Agricultural Improvement Plan aims to off-set the impact of mining on agriculture by providing year-round irrigation water to the adjacent farms and providing farmers with improved inputs, training and marketing assistance all aimed at increasing agricultural output in the region.

The Project will require resettlement of 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 10-12 years from commencement of development and is intended to be carried out under international scrutiny.

The Resettlement Action Plan details the compensation packages which include range of measures such as long-term livelihood restoration support, replacement homes, retraining, employment and various financial assistance allowances. Apart from new housing there will be religious centres, schools, health centres, electricity, reticulated water supply and improved sanitation. The Company also intends to provide skills training and offer preferential employment opportunities to the Project affected people and will establish community reference groups so the local community can have input to planning and 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 to supply either: (a) up to 6,000 MW of state-of-the-art highly energy efficient Ultra-Supercritical power plants, or (b) to supply all or in part of the Phulbari captive open pit coal mine production to the Government's own power plants (the "Project"), is not approved by the Government of Bangladesh. However, the Project has also been expanded and enhanced with the addition of a large-scale Solar Power Park (supplying the mine and National Grid) and a range of Carbon Offsetting measures that would enable the coal mine to be Carbon Net Zero (a "Green Mine"). The use of Phulbari coal instead of imported coal would also reduce Bangladesh's Greenhouse Gas Emissions (CO2) by over 30%, save the Government Billions of Dollars in energy and power generation cost and allow a reduced power tariff supplying cheaper power allowing industries to both expand and become more competitive. The Board has also embarked on a strategy which involves bringing in strategic development partners 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's Bangladesh team is also in contact with Government officials to prepare for delivery of the expanded Proposal. 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. As explained in the "Political and economic risk" section, the Company has already expanded the Proposal to promote all or part of the Phulbari captive open pit coal mine production being sold to the Government's own power plants, thus reducing or eliminating the dependency on having mine-mouth power plants as the sole market for the Phulbari coal. The current and prolonged world energy crisis with escalated coal and LNG prices also makes the proposition of the Government using Phulbari coal for its power plants much more attractive. The Company has also taken steps to further reduce this risk through recent signed agreements and is continuing dialogue with the development partners aimed at further strengthening these strategic partnerships; and has 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. The Company's Bangladesh team

Group Strategic Report (continued)

is also in contact with Government officials to prepare for delivery of the expanded Proposal.

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 the Directors' Report.

Commercial – risk that the Project's economic viability is undermined by sustained adverse movement of coal price and key cost elements. The current and prolonged world energy crisis with escalated coal and LNG prices makes the proposition of the Government using Phulbari coal for its power plants much more attractive. Analysts predict the supply/demand forces will support continuing high coal prices in the medium term, thus using Phulbari coal will give the Government some protection against supply and cost escalation risk, making the Project more attractive. To further reduce economic viability risk there will be a rise and cost provision for the coal mine with the coal supply agreements for the power plants. Bangladesh has several new power projects under construction and others in the pipeline with the full capacity set out in a recent Government report to be in excess of 10,000MW, i.e., some 40% more than can be supported by the Phulbari coal mine's full production.

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 as detailed in the Corporate Social Responsibility section within this Strategic Report.

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 scheduled to officially become a developing country in 2026 as the UN committee recommended that the country should get five years, instead of three, to prepare for the transition due to the impact of Covid-19 on its economy. Until 2026, the country will continue to enjoy the trade benefits as an LDC. The Bangladesh Government has also recently adopted its Vision 2041 which aims to end absolute poverty and to be graduated into higher middle-income status by 2031 and eradicate poverty on way to becoming a developed nation by 2041.

Bangladesh has minimal emissions and is far behind the developed countries in terms of GDP and power generation per capita. Considering the year 2019 (immediately prior to the COVID pandemic and the worldwide economic slowdown) published figures indicate its contribution to the world's CO2 production was some 0.25 percent, i.e. Bangladesh is not a significant emitter.

Vision 2041 identifies two fundamental energy and power sector pillars necessary to support the Vision: (i) Adopting a least-cost power generation expansion path; and (ii) Promoting supply of low-cost primary energy. To achieve this, it needs to steadily grow its power generation capacity (efficient low cost power) to drive industrial development and create sustainable new well-paying jobs. To this end, even if the Phulbari full coal production was consumed in over 6,000MW of power being generated in the year 2019, Bangladesh's contribution to the world's CO2 production would still have been minimal at less than 0.35%.

The Bangladesh Government recognises the importance of commercial fuel diversity for its power generation, however, at present it is heavily reliant on imported fuels, which exposes the country to inherent world-market risks in terms of maintaining supply and controlling cost.

The Phulbari Project remains focused entirely on serving Bangladesh's domestic requirements, adhering to its policies and laws and supporting its development goals. The Project will assist Bangladesh achieve its NDC targets as it balances issues to achieve its Development goals. By using Phulbari's high quality coal high energy efficient low emission Ultra-Supercritical power plants the country will not only eliminate greenhouse emissions associated with coal shipping and handling, but importantly it will realise a large amount of clean coal technology produced power at tariffs that will make its industries more competitive. This will help drive Bangladesh economic development and ability to deal with the effects of climate change.

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 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, CEO 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
Chief Executive Officer
21 December 2021

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 was a partner at the audit firm Chapman Davis for over fourteen 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.

Gary Lye *(Chief Operating Officer)* is the Chief Operating Officer of GCM and Chief Executive Officer of GCM's subsidiary, Asia Energy Corporation (Bangladesh) Pty Ltd. He has been with the Phulbari Coal and Power Project (the Project) since January 2004 and led the exploration programme and Feasibility Study. He is a qualified geologist and geotechnical engineer with a Master's Degree in Rock Mechanics from the Royal School of Mines, London and a Diploma of the Imperial College (DIC), London and has over 45 years' international experience in the mining industry. Gary previously held senior mining positions with several leading mining companies. This included roles as Strategic Mine Development Manager with Kalgoorlie Consolidated Gold Mines at their Super Pit operations in Kalgoorlie, Western Australia, and as Manager of Mining Research for CRA in Perth, Western Australia.

Non-Executive Directors

Mohd. Najib Abdul Aziz *(Non-Executive Chairman)* 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.

James Hobson *(Non-Executive Director)* has over 20 years finance and corporate experience, predominantly in energy, mining and international development of which 13 years were previously spent with GCM, including 3 years as the Company's Finance Director. Mr Hobson is currently the CFO of ADC Energy UK. Mr Hobson is a Fellow of the Institute of Chartered Accountants in Australia. Mr Hobson resigned from his role on 31 October 2021, with an effective date of 1 December 2021.

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. The Company believes that this strategy is appropriate to protect the Company from unnecessary risk and optimise its long-term future.

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

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

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

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

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

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

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

Principle Five: A well-functioning Board of Directors.
The Non-Executive Chairman (Mohd. Najib Abdul Aziz) 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 Non-Executive Chairman (Mohd. Najib Abdul Aziz), the Chief Executive Officer (Datuk Michael Tang PJN), the Finance Director (Keith Fulton), the Chief Operating Officer (Gary Lye) and one independent non-executive director (Christian Taylor-Wilkinson). The Board considers that its composition is satisfactory and complies with the QCA Code.

The roles of Chairman and Chief Executive Officer are split per best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. The Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. No one individual has unfettered powers of decision. 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.

Corporate Governance Report (continued)

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

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

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

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

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

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

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

Principle Nine: Maintenance of governance structures and processes
Ultimate authority for all aspects of the Company's activities rests with the Board. The Non-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 Non-Executive Chairman has overall responsibility for corporate governance matters in the Group. The Chief Executive Officer 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

The Board consists of three executive directors and two non-executive directors (including the Chairman). 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.

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, along with Mr Christian Taylor-Wilkinson also 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 also 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 also a members, 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.

Mohd. Najib Abdul Aziz
Non-Executive Chairman
21 December 2021

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2021.

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.

Financial resources
As at 30 June 2021, GCM held £717,000 in cash (2020: £69,000 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 8.

Financial review
The Group recorded a loss after tax of £1,874,000 for the year ended 30 June 2021 (2020: loss after tax of £1,515,000). Non-cash expenses of £809,000 were incurred during the year (2020: £420,000).

Capitalised evaluation expenditure relating to the Phulbari Coal and Power Project was £552,000 for the year ended 30 June 2021 (2020: £377,000).

Events after the end of the reporting period
The events which took place subsequent to 30 June 2021, are fully disclosed in Note 21 to the Consolidated Financial Statements.

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

Going concern

As at 30 June 2021, the Group had £717,000 in cash and £732,000 in net current liabilities. The directors and management have prepared a cash flow forecast to December 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 January 2022, in order to meet current operating cost projections. The Directors also note that, under the amended terms of the existing Polo Loan Facility, the lender agreed not to serve a repayment request in cash for 5 years from the date of amended terms, 26 March 2021, or alternatively convert to shares at 7.5 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 available for drawdown under the Polo Loan Facility at the date of this report, and 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. At the current run rates, along with the Company's existing cash resources, this is only expected to provide sufficient capital for the next four 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 2022.

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:

– Sufficient additional funding can be obtained for working capital purposes; 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.

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties can be found within the Group Strategic Report .

Financial instruments

Details of the financial risk management objectives and policies of the Group and information on the Group's exposure to financial risks can be found in note 18 to the financial statements.

Directors

The Directors who served during the year:

	Appointed	Resigned
Executive Directors		
Datuk Michael Tang PJN		
Keith Fulton		
Gary Lye	22 January 2021	
Non-Executive Directors		
Mohd. Najib Abdul Aziz		
Christian Taylor-Wilkinson		
James Hobson	11 January 2021	1 December 2021

Directors' Report (continued)

Amounts paid for services of Directors for the year ended 30 June 2021 were:

	Salary & fees £	Share based payments £	2021 Total £	2020 Total £
Executive Directors				
Datuk Michael Tang PJN[*]	303,600	–	303,600	303,600
Keith Fulton	90,000	–	90,000	80,833
Gary Lye	76,652	–	76,652	–
Non–Executive Directors				
Mohd. Najib Abdul Aziz	6,000	–	6,000	6,000
Christian Taylor–Wilkinson	6,000	–	6,000	708
James Hobson	5,738	–	5,738	–
	487,990	–	487,990	391,141

(*) Michael Tang's remuneration remains partially unpaid as at 30 June 2021, see Note 20 also.

The Directors who held office at 30 June 2021, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2021 Shares	2021 Conditional shares [1]	2021 Options	2020 Shares	2020 Conditional shares	2020 Options
Executive Directors						
Datuk Michael Tang PJN	–	–	7,250,000[2]	–	–	7,250,000
Keith Fulton	–	–	–	–	–	–
Gary Lye	2,000	170,000	825,000[3]	–	–	–
Non-Executive Directors						
Mohd. Najib Abdul Aziz	–	–	–	–	–	–
Christian Taylor-Wilkinson	–	–	–	–	–	–
James Hobson	200	–	–[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) James Hobson was appointed on 11 January 2021, and Gary Lye was appointed on 22 January 2021.

Internal controls
The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Further reviews of internal controls will be undertaken as the Group develops to ensure that they remain adequate and effective.

Risk management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation and monitoring risks through regular reviews by senior management.

Business risk

The Board regularly evaluates and reviews business risks when reviewing project timelines. The types of risks reviewed include:

- Regulatory and compliance obligations
- Political and economic risks - refer to note 1 for further information
- Environmental requirements
- Legal risks relating to contracts, licences and agreements

- Insurance risks – the Group holds insurance coverage for potential employee and liability claims
- Political risks arising from operating in Bangladesh – refer to note 1 for further information
- Climate Change Risk

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 loan facility of £3,500,000 of which £3,200,000 had been fully utilised as at 30 June 2021. The Group does not hold other loans, financial leases, or other non-current finance obligations.

	02021 £000	2020 £000
Borrowing facilities undrawn	300	900
Capital	1,017	969

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 (2020: 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.

Directors' Report (continued)

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare Group and Parent Company financial statements under international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Parent Company 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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 Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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,

Keith Fulton
Executive Director
21 December 2021

Independent Auditor's Report

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

Opinion

We have audited the financial statements of GCM Resources Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the Parent Company financial statements, as applied in accordance with United Kingdom Accounting Standards, including FRS 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 parent company's affairs as at 30 June 2021, and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 related to going concern

We draw attention to note 1 in both the group and parent company financial statements, which indicates that the group's and the parent 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, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the directors' forecasts prepared to assess the group's and parent 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 parent company will require additional funding to meet its liabilities as and when they fall due.
- As disclosed in note 1, the parent company and the group are partly dependent on the long-term loan facility from Polo Resources Limited to support their operations. We have reviewed the terms of the letter of intent from Polo Resources Limited and note there are no restrictions on the group's ability to draw down the remaining facility.
- The forecasts indicate that the current funding will not be sufficient if 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report (continued)

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, 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. Materiality of the parent company was based upon the loss before tax in order to achieve sufficient coverage of expenditure in our testing.

Whilst materiality for the financial statements as a whole was £644,000 (2020 - £625,000), each significant component of the group was audited to a lower level of materiality. The parent company materiality was £92,000 (2020 - £70,700) with the other components being audited to a materiality of £322,000 (2020 - £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 parent company, equating to £450,800 (2020 - £437,500) and £64,400 (2020 - £49,490) respectively, based upon our assessment of the risk of misstatement through substantive testing.

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 £33,200 (2020 - £31,250) for the financial statements as a whole and £4,600 (2020 - £3,535) for the parent company. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

Our approach to the 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.

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 matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our scope addressed this matter
Carrying value of intangible asset (Group) and Carrying value of investment in subsidiary (Parent Company) 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 £42.2m as at 30 June 2021. The Parent 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 £46.6m, as disclosed in note 6 to the Parent Company financial statements. 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 Parent 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. The Directors consider that the delay in obtaining the approval represents an indicator of impairment under IFRS 6 Exploration for and Evaluation of Mineral Resources. As part of the impairment assessment the Directors concluded that the value of the intangible asset and investment in subsidiary continues to be appropriately supported by the original definitive feasibility study submitted in 2005. As such, the carrying value is dependent upon the ultimate approval of the feasibility study and mine development plan. The Directors remain satisfied that approval will ultimately be obtained and concluded that no impairment is required at 30 June 2021. 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.	**Our work included:** • 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. A discussion was held with the lawyer providing that opinion. • Gaining an understanding of the strategy the Directors are pursuing to progress the project given the continued delays in securing development approval and reviewing the partnership agreements the Parent 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. • Reviewing the minutes of meeting of GCM's board and RNS announcements for indicators of 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 Bangladesh 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 contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditor's Report (continued)

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 parent company and their 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and our experience of the resource exploration sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from
    - Companies Act 2006;
    - AIM listing rules
    - Quoted Companies Alliance Code; and
    - Local laws and regulations in Bangladesh where the Group operates.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - Enquires of management
    - Review of Board minutes
    - Review of legal expenses including inquiry of the Group's legal representative
    - Review of RNS announcements

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the estimates, judgements and assumptions applied by management in the assessment of impairment of intangible assets gave the greatest potential for management bias. Refer to the Key Audit Matter section above.
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 of PKF Littlejohn LLP
Statutory Auditor
21 December 2021

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

For year ended 30 June

	Notes	2021 £000	2020 £000
Operating expenses			
Pre-development expenditure	16	**(809)**	(420)
Exploration and evaluation costs		**35**	(52)
Administrative expenses		**(717)**	(916)
Operating loss	3	**(1,491)**	(1,388)
Finance costs		**(383)**	(127)
Loss before tax		**(1,874)**	(1,515)
Taxation	6	**–**	–
Loss for the year		**(1,874)**	(1,515)
Other comprehensive income		**–**	–
Total comprehensive expense for the year		**(1,874)**	(1,515)
Loss per share			
Basic (pence per share)	7	**(1.5p)**	(1.45p)
Diluted (pence per share)	7	**(1.5p)**	(1.45p)

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 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
Total comprehensive loss	–	–	–	(1,874)	(1,874)
Share issuances	792	2,155	(1,938)	–	1,009
Share issuance costs	–	(78)	–	–	(78)
Shares to be issued	–	–	809	–	809
Share based payments	–	–	6	–	6
Balance at 30 June 2021	**12,048**	**55,611**	**583**	**(30,953)**	**37,289**

Consolidated Balance Sheet

As at 30 June

Company number 04913119

	Notes	2021 £000	2020 £000
Current assets			
Cash and cash equivalents		**717**	69
Other receivables	8	**13**	16
Total current assets		**730**	85
Non-current assets			
Property, plant and equipment		**8**	13
Right of use assets	13	**59**	33
Intangible assets	9	**42,179**	41,627
Total non-current assets		**42,246**	41,673
Total assets		**42,976**	41,758
Current liabilities			
Payables	11	**(1,422)**	(1,073)
Lease liabilities	13	**(40)**	(27)
Borrowings	12	**–**	(3,220)
Total current liabilities		**(1,462)**	(4,320)
Non-current liabilities			
Lease liabilities	13	**(22)**	(21)
Borrowings	12	**(4,203)**	–
Total non-current liabilities		**(4,225)**	(21)
Total liabilities		**(5,687)**	(4,341)
Net assets		**37,289**	37,417
Equity			
Share capital	14	**12,048**	11,256
Share premium account	14	**55,611**	53,534
Other reserves	14	**583**	1,706
Accumulated losses		**(30,953)**	(29,079)
Total equity		**37,289**	37,417

These financial statements were approved by the Board of Directors and were signed on their behalf by:

Keith Fulton
Executive Director
21 December 2021

Consolidated Cash Flow Statement

For year ended 30 June

	Notes	2021 £000	2020 £000
Cash flows from/(used in) operating activities			
(Loss) before tax		**(1,874)**	(1,515)
Adjusted for:			
Pre-development expenditure	16	**809**	420
Finance costs		**383**	127
Other non-cash expenses		**–**	18
		(682)	(950)
Movements in working capital:			
Decrease in operating receivables		**2**	13
Increase in operating payables		**354**	219
Cash used in operations		**(326)**	(572)
Net cash used in operating activities		**(326)**	(572)
Cash flows used in investing activities			
Payments for property, plant and equipment		**–**	–
Payments for intangible assets		**(557)**	(366)
Net cash used in investing activities		**(557)**	(366)
Cash flows from financing activities			
Issue of ordinary share capital		**1,009**	22
Share issue costs		**(78)**	–
Proceeds from borrowing		**600**	600
Net cash from financing activities		**1,531**	622
Total increase/(decrease) in cash and cash equivalents		**648**	(316)
Cash and cash equivalents at the start of the year		**69**	385
Cash and cash equivalents at the end of the year		**717**	69

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 21 December 2021, and the Consolidated Balance Sheet was signed on the Board's behalf by Keith Fulton.

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 2021.

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 believe 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. This includes the option to supply coal to both the Government's commissioned and in the pipeline power plants, which total 11,755MW. The Government is seeking to grow its economy and deliver electricity at prices that will ensure competitiveness of its industries. Utilising Phulbari's coal will enable cheaper electricity than imported coal options.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. The last twelve months progress which has been made in pursuit of this strategy is highlighted with the Group Strategic Report.

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 £42,179,000 as at 30 June 2021.

Going concern

As at 30 June 2021, the Group had £717,000 in cash and £732,000 in net current liabilities. The directors and management have prepared a cash flow forecast to December 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 January 2022, in order to meet current operating cost projections. The Directors also note that, under the amended terms of the existing Polo Loan Facility, the lender agreed not to serve a repayment request in cash for 5 years from the date of amended terms, 26 March 2021, or alternatively convert to shares at 7.5 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 available for drawdown under the Polo Loan Facility at the date of this report, and 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. At the current run rates, along with the Company's existing cash resources, this is only expected to provide sufficient capital for the next four 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 2022.

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:

– Sufficient additioinal funding can be obtained for working capital purposes; 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 within Note 1 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 year. The restructure was considered to represent a significant modification with the loan restructured to allow the lender the continuing right to convert the outstanding loan balance and accrued interest to new ordinary shares, but to defer the repayment period. Previous 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 14 days of receiving a request, it is in effect a rolling 14-day short term loan, however as a further amendment has been claused as such the lender would not serve a repayment request on the Borrower for 5 years from March 2021, the loan is now in the current year being classed as a non-current liability. Accordingly, the loan continues to be 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.

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;
- 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.

Notes to the Consolidated Financial Statements (continued)

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
The Group has adopted all of the amended standards and interpretations during the year that are relevant to its operations, none of which had a material impact on the financial statements.

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 is 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
International Accounting Standards (IAS / IFRSs)		
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
Amendments to IAS 1 Presentation of Financial Statements – classification of Liabilities as Current or Non-current	tbc	tbc
Amendments to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors		

tbc: still subject to UK 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

	2021 £000	2020 £000
The operating loss is stated after charging:		
Directors' remuneration	**488**	391
Other staff costs(1)	**7**	6
Operating lease rentals(2)	**4**	11
Depreciation of property, plant and equipment(3)	**–**	–

(1) Other staff costs for 2020 financial year were £367,000 of which £7,000 was expensed in administrative expenses, £nil expensed in exploration and evaluation costs and £360,000 capitalised (20120 £6,000 expensed in administrative expenses, £nil expensed in exploration and evaluation costs and £393,000 capitalised).

(2) Operating lease rental costs for 2021 financial year were £44,000 of which £4,000 was expensed and £40,000 capitalised (2020: £80,000 of which £11,000 was expensed and £69,000 capitalised).

(3) Total depreciation for 2021 was £5,000 which was capitalised to intangibles (2020: £6,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to (£35,000) were (credited)/expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2020:expensed £52,000).

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.

	2021 £000	2020 £000
Audit of the group and company financial statements	**32**	32
Audit of subsidiaries	**–**	–
Total audit	**32**	32
Total fees	**32**	32

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

	2021 £000	2020 £000
Amounts paid for Directors' services		
Amounts paid for Directors' services	**488**	391

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report . The aggregated remuneration of the highest paid director is £303,600 (2020: £303,600).

Staff costs

Wages and salaries(1)	**360**	393
Social security costs	**7**	6
	367	399

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2021 Number	2020 Number
Exploration and evaluation	**14**	14
Administration	**3**	3
	17	17

6. Taxation

Reconciliation of the tax charge in the income statement

	2021 £000	2020 £000
Loss on ordinary activities before tax	**(1,874)**	(1,515)
UK corporation tax @ 19% (2021) and 19% (2020)	**(356)**	(288)
Unrecognised deferred tax assets during the year	**351**	297
Non-deductible expenditure	**5**	(9)
Total tax (credit)/expense reported in the income statement	**–**	–

Unrecognised deferred tax assets

	2021 £000	2020 £000
Deferred tax asset		
Tax losses carried forward	**4,110**	3,760
Impairment	**891**	891
Other	**1**	1
	5,002	4,652
Less: deferred tax assets de-recognised	**(5,002)**	(4,652)
	–	–

At 30 June 2021 tax losses for which a deferred tax asset was not recognised amounted to £21,701,000 (2020: £19,792,000). 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

	2021 £000	2020 £000
(Loss) for the year	**(1,874)**	(1,515)

	Thousands	Thousands
Weighted average number of shares		
Basic and diluted weighted average number of shares	**121,733**	104,676
(Loss) per share		
Basic (pence per share)	**(1.5p)**	(1.45p)
Diluted (pence per share)	**(1.5p)**	(1.45p)

There are 9,300,000 potentially dilutive options along with 1,012,378 potentially dilutive shares to be issued at 30 June 2021 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

	2021 £000	2020 £000
Current		
Prepayments	**9**	12
Other receivables	**4**	4
	13	16

Notes to the Consolidated Financial Statements (continued)

9. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
At 1 July 2019	40,103	1,147	41,250
Additions – exploration & evaluation	377	–	377
At 30 June 2020	40,480	1,147	41,627
Additions – exploration & evaluation	552	–	552
Cost and net book value at 30 June 2021	41,032	1,147	42,179
Cost and net book value at 30 June 2020	**40,480**	**1,147**	**41,627**

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 2021	2020
Subsidiaries			
South African Coal Limited	England and Wales	**100%**	100%
Asia Energy Corporation Pty Limited	Australia	**100%**	100%
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**100%**	100%
Asia Energy (Bangladesh) Pvt Ltd	Bangladesh	**100%**	100%
Fair Value Through Other Comprehensive Income			
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

	2021 £000	2020 £000
Trade payables	**579**	527
Related party accrued payable	**843**	546
	1,422	1,073

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

12. Borrowings

	2021 £000	2020 £000
Loan from related party		
Balance as at 1 July	**3,220**	2,343
Loan instalments drawndown	**600**	600
Interest charges	**383**	277
Balance as at 30 June	**4,203**	3,220

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

The Company on 26 March 2021, as part of the completed equity placing, extended and amended the terms of the loan facility provided by Polo Resources Limited (the "**Facility**") of which, as was announced on 7 January 2021, there is £300,000 of the initial £3.5 million facility remaining undrawn. The lender has agreed that it will not serve a repayment request on the Company for 5 years from the date of the agreement replacing the previous provision that it was payable on demand with 90 days' notice. The Company and Polo Resources Limited have agreed an increase in the interest rate from 12% to 15% per annum rising by 1.5% on the third anniversary and by a subsequent 1.5% on each anniversary thereafter. Furthermore, the lender may request conversion by the issuance of new ordinary shares in the Company at 7.5 pence per share (being the Issue Price) subject to any necessary regulatory approvals. The Company may elect to repay all or part of the outstanding loan at any time giving 60 days' notice and with the agreement of Polo Resources Limited. 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 39 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:

	2021 £000	2020 £000
Buildings	**59**	29
Vehicles	**–**	12
	59	33

Lease liabilities

	2021 £000	2020 £000
Classified as;		
Current	40	27
Non-current	22	21
	62	48

The interest expense incurred on lease liabilities was £6,000 (2020: £5,000), and capitialised in accordance with the Group's policy on exploration and evaluation assets. Cash outflows in respect of right of use assets were £49,000 (2020: £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 (£4.33 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. Issued share capital

	Ordinary Shares Thousands	Deferred A Shares Thousands	Total share capital £000
Allotted, called up and fully paid:			
At 1 July 2019	98,639	–	9,864
Shares issued	13,921	–	1,392
At 30 June 2020	112,560	–	11,256
At 1 July 2020	112,560	–	11,256
Shares issued	6,022	–	602
Total pre capital reorganisation	118,582	–	11,858
Capital reorganisation (see below)	118,582	118,582	–
Shares issued	19,011	–	190
At 30 June 2021	**137,593**	**118,582**	**12,048**

Share issues

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.

On 8 September 2020, 6,021,621 shares were issued to consultants in accordance with the terms of the their agreements, at prices from 14p to 26.5p, for a total non cash consideration of £1,276,873.

On 1 April 2021, 13,446,661 shares were issued on completion of a successful placing at a price of 7.5p, raising gross cash proceeds of £1,008,500.

On 7 May 2021, 5,564,591 shares were issued to consultants in accordance with the terms of the their agreements, at prices from 10.25p to 18p, for a total non cash consideration of £661,638.

Capital reorganisation

On 25 February 2021 at the Annual General Meeting the shareholders approved the sub-division of the existing ordinary shares of 10p each into new ordinary shares of 1p each and deferred A shares of 9p each. The rights attached to the new ordinary shares are in all material aspects the same as the rights attaching to the existing ordinary shares.

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.

The Deferred Shares have no voting rights and do not carry any entitlement to attend general meetings of the Company; nor will they be admitted to AIM or any other market. They carry only a priority right to participate in any return of capital to the extent of £1 in aggregate over the class. In addition, they carry only a priority right to participate in any dividend or other distribution to the extent of £1 in aggregate over the class. In each case a payment to any one holder of Deferred Shares shall satisfy the payment required. The Company will be authorised at any time to effect a transfer of the Deferred Shares without reference to the holders thereof and for no consideration pursuant to and in accordance with the Act. Accordingly, the Deferred Shares will, for all practical purposes, be valueless and it is the Board's intention, at an appropriate time, to have the Deferred Shares cancelled, whether through an application to the Companies Court or otherwise in accordance with the Act.

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 £0.01 ordinary shares, and £0.09 deferred A 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 but not settled, and consultants service payments to be also settled by way of share issues.

	2021 £000	2020 £000
Share based payments not settled	**583**	1,706
	583	1,706

15. Notes supporting statement of cashflows

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

	2021 £000	2020 £000
Cash at bank available on demand	**717**	69
	717	69

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 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
Balance at 1 July 2020	3,220	3,220
Cash flows	600	600
Non-cash flows: Interest accrued	383	383
Balance at 30 June 2021	**4.203**	**4.203**

16. Significant non-cash transactions

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

- £809,000 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 £365,000 (3,557,449 shares at 10.25p per share) a success fee for a milestone achievement, and £144,000 (800,000 shares at 18p per share) for a second consultant retainer. These retainer fee shares which had not been issued to the consultants at year end have been included in other reserves for shares to be issued.

17. Share based payments

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

	2021 £000	2020 £000
Charged/(credited) to intangibles		
Conditional shares	**6**	(201)
	6	(201)

Notes to the Consolidated Financial Statements (continued)

Share Warrants
During the year ended 30 June 2021, the Company granted 672,333 warrants to subscribe for ordinary shares (2020: nil). No warrants were exercised or lapsed during the year. (2020: nil). As at 30 June 2021, 672,333 warrants were in issue. (2020: nil).

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

	2021 Options Thousands	2021 WAEP	2020 Options Thousands	2020 WAEP
At 1 July	**9,300**	**£0.11**	9,500	£0.11
Exercised during the year	**–**	**–**	(200)	(£0.11)
Outstanding at 30 June	**9,300**	**£0.11**	9,300	£0.11
Exercisable at 30 June	**9,300**	**£0.11**	9,300	£0.11

The options outstanding at 30 June 2021 have an exercise price of £0.11 (2020: £0.11) and a weighted average contractual life of 2.9 years (2020: 3.9 years), including those granted options whose term was extended during the year. No 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.

Conditional shares scheme
GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil cash 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:

	2021 Thousands	2020 Thousands
At 1 July	**210**	313
Conditional shares lapsed	**–**	(103)
At 30 June	**210**	210

The grant details of the conditional shares outstanding as at 30 June 2021 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	**£6.32**	40
9 March 2006	**£4.99**	30
46 July 2009	**£0.84**	140
		210

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2021 is £459,000 (2020: £453,000) after taking into account:

- Expected timeframe for milestones to be achieved
- Probability of successful completion of milestones
- The conditional shares awarded to employees are subject to their employment at the time milestones are reached

The increase in the cost of conditional shares of £6,000 for the year ended 30 June 2021 is directly attributable to the Phulbari Coal and Power Project, and accordingly capitalised to intangibles on this basis (2020: credit £201,000).

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:

	2021 £000	2020 £000
Floating rate – within 1 year		
Cash and cash equivalents	**–**	–

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 2021 was £717,000 (2020: £69,000).

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 2021 was as follows:

	2021 £000	2020 £000
Cash and cash equivalents	**717**	69

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 to the accounting policiesfor further detail. The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2021 and 2020.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	2 – 5 years £000	Total & Carrying value £000
2021					
Payables	1,281	86	55	–	1,422
Lease liabilities	3	7	30	22	62
Borrowings	–	–	–	4,203	4,203
	1,284	**93**	**85**	**4,225**	**5,687**
2020					
Payables	1,004	26	43	–	1,073
Lease liabilities	2	5	20	21	48
Borrowings	–	–	3,220	–	3,220
	1,006	31	3,283	21	4,341

Notes to the Consolidated Financial Statements (continued)

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 2021 £000	Book value 2020 £000	Fair value 2021 £000	Fair value 2020 £000
Financial assets					
Cash and cash equivalents	Amortised cost	**717**	69	**717**	69
Receivables	Amortised cost	**13**	16	**13**	16
Financial liabilities					
Creditors	Amortised cost	**1,422**	1,073	**1,422**	1,073
Borrowings	Amortised cost	**4,203**	3,220	**4,203**	3,220

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

19. Contingent liabilities

Royalty
The Group is obliged to pay Deepgreen Minerals Corporation Pty Limited US$1 per tonne of coal produced and sold from the Phulbari mine. The Directors are of the opinion that a provision is not required in respect of these matters, as coal has not yet been produced at Phulbari.

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 2021 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 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 2021 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 Develpment; 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 2021.

20. Related Party Transactions

Key management personnel

	2021 £000	2020 £000
Short-term benefits	**651**	597
Termination benefits	**–**	–
Share based payments	**1**	12
	652	675

Related party loan
GCM is beneficiary to a £3.5 million loan facility from its largest shareholder, with a current interest rate of 15% per annum. As at 30 June 2021 the Group had utilised £3.2 million of the loan facility (2020: £2,600,000) and an interest accrual of £1,003,000 (2020: £620,000). The terms of the loan were amended in March 2021, refer to note 12 of the Financial Statements. 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 2021, 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 (2020: £6,000) and management services of £297,600 paid to a management services company (2020: £297,600).

For the period September 2018 to March 2021 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 £769,000 has not been paid and is being accrued accordingly.

As at 30 June 2021 the amount owing to the management services company of Datuk Michael Tang PJN was £843,000 (2020: £546,000).

21. Events after the end of the reporting period

The following events took place subsequent to 30 June 2021, for which there has been no adjustment to the 30 June 2021 financial statements:

- On 31 August 2021, the Company agreed a memorandum of understanding ("**MOU**") with Sion Corporation of Japan ("**SION**"), Versatech Energy Innovation Limited ("**VERSATECH**"), and AC Biode Co. Ltd ("**AC BIODE**") for providing a suitable and effective environmental solution for the management of the fly-ash waste product that will be produced by the Phulbari Coal and Power Project ("**the Project**"). This will include, inter alia, investigations into the production of the composite material CircuLite from fly-ash produced by the Project and the application of CircuLite to various environmental and agricultural improvements within Bangladesh.
- On 19 October 2021, the Company announced that it is in discussions with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("**NFC**") to agree a 12 month extension of the framework agreements announced on 15 October 2020 which expired on 12 October 2021.
- On 1 November 2021 the Company announced the resignation of James Hobson from his position as an Independent Non-Executive Director. Mr Hobson's resignation takes effect from 1 December 2021. The Company is currently in the process of recruiting a replacement Independent Non-Executive director.
- On 23 November 2021 the Company announced, Power Construction Corporation of China, Ltd. ("**PowerChina"**) had agreed to an extension for a period of a further 12 months from 6 December 2021 to 6 December 2022 on the same terms as the previous memorandum of understanding ("**MoU**") which is primarily focused on the Phulbari coal mine development. This will allow PowerChina and GCM to determine the modality for PowerChina to become a Mine Development Partner, subject to the approval of PowerChina internal compliance and all other relevant regulatory agencies.

GCM Resources plc
Company Financial Statements 2021

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 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
Total comprehensive loss	–	–	–	(1,850)	(1,850)
Share issuances	792	2,155	(1,938)	–	1,009
Share issue costs	–	(78)	–	–	(78)
Shares to be issued	–	–	809	–	809
Share based payments	–	–	6	–	6
Balance at 30 June 2021	**12,048**	**55,611**	**583**	**(26,346)**	**41,896**

Company Balance Sheet

As at 30 June

Company number 04913119

	Notes	2021 £000	2020 £000
Current assets			
Cash and cash equivalents		**712**	51
Other receivables	5	**9**	12
Security deposit		**2**	2
Total current assets		**723**	65
Non-current assets			
Investments	6	**46,640**	46,064
Property, plant and equipment		**–**	–
Total non-current assets		**46,640**	46,064
Total assets		**47,363**	46,129
Current liabilities			
Payables	7	**(1,264)**	(909)
Borrowings	8	**–**	(3,220)
Total current liabilities		**(1,264)**	(4,129)
Non-current liabilities			
Borrowings	8	**(4,203)**	–
Total non-current liabilities		**(4,203)**	–
Total liabilities		**(5,467)**	(4,129)
Net assets		**41,896**	42,000
Equity			
Share capital	10	**12,048**	11,256
Share premium account	10	**55,611**	53,534
Other reserves	10	**583**	1,706
Accumulated losses		**(26,346)**	(24,496)
Total equity		**41,896**	42,000

These financial statements were approved by the Board of Directors and were signed on their behalf by:

Keith Fulton
Executive Director
21 December 2021

The Parent Company recorded a loss of £1,850,000 for the year ended 30 June 2021 (2020: loss of £1,403,000).

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 21 December 2021.

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 2021. 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 4.

Until approval of the Scheme of Development from the Government of Bangladesh is received there is continued uncertainty over the recoverability of the assets relating to the Project. The Directors consider that it is appropriate to continue to record the investment in Asia Energy Corporation (Bangladesh) Pty Limited and related inter-company balances at cost. However if for whatever reason the Scheme of Development is not ultimately approved the Company would be required to impair its investment totalling £46,640,000 at 30 June 2021.

Going concern
As at 30 June 2021, the Group had £717,000 in cash and £732,000 in net current liabilities. The directors and management have prepared a cash flow forecast to December 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 January 2022, in order to meet current operating cost projections. The Directors also note that, under the amended terms of the existing Polo Loan Facility, the lender agreed not to serve a repayment request in cash for 5 years from the date of amended terms, 26 March 2021, or alternatively convert to shares at 7.5 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 available for drawdown under the Polo Loan Facility at the date of this report, and 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. At the current run rates, along with the Company's existing cash resources, this is only expected to provide sufficient capital for the next four 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 2022.

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:

– Sufficient additional funding can be obtained for working capital purposes; 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.Notes to the Company Financial Statements

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:

<u>Classification and measurement of financial assets</u>
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.

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.

Notes to the Company Financial Statements (continued)

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.Notes to the Company Financial Statements

2. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Company financial statements.

	2021 £000	2020 £000
Audit of the Company financial statements	**10**	10

3. Staff numbers

The average monthly number of employees during the year was 1 (2020:1).

4. Taxation

Reconciliation of the tax charge in the income statement

	2021 £000	2020 £000
(Loss) on ordinary activities before tax	**(1,850)**	(1,403)
UK corporation tax @ 19% (2021) and 19% (2020)	**(352)**	(267)
Unrecognised deferred tax assets during the year	**352**	267
Non-deductible expenditure	**–**	–
Total tax expense reported in the income statement	**–**	–

Unrecognised deferred tax assets

	2021 £000	2020 £000
Deferred tax asset		
Tax losses carried forward	**4,110**	3,716
Impairment	**891**	891
Other	**1**	1
	5,002	4,608
Less: deferred tax assets de-recognised	**(5,002)**	(4,608)
	–	–

At 30 June 2021 tax losses for which a deferred tax asset was not recognised amounted to £21,410,000 (2020: £19,560,000). 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

	2021 £000	2020 £000
Current debtors		
Prepayments	**7**	8
Other debtors	**2**	4
	9	12

6. Investments

	2021 £000	2020 £000
Subsidiary undertakings at cost		
Opening balance	**46,064**	45,587
Additions	**576**	477
As at 30 June	**46,640**	46,064
Carrying amount as at 30 June	**46,640**	46,064

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 2021	2020
Subsidiaries			
South African Coal Limited	England and Wales	**100%**	100%
Asia Energy Corporation Pty Limited	Australia	**100%**	100%
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**100%**	100%
Asia Energy (Bangladesh) Pvt Ltd	Bangladesh	**100%**	100%
Fair Value Through Other Comprehensive Income			
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

	2021 £000	2020 £000
Trade payables	**421**	363
Related party accrued payable	**843**	546
	1,264	533

8. Borrowings

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

	2021 £000	2020 £000
Loan from related party		
Balance at 1 July	**3,220**	2,343
Loan instalments drawndown	**600**	600
Interest charges	**383**	277
Balance at 30 June	**4,203**	2,343

The Company on 26 March 2021, as part of the completed placing, extended and amended the terms of the loan facility provided by Polo Resources Limited (the "Facility") of which, as was announced on 7 January 2021, there is £300,000 of the initial £3.5 million facility remaining undrawn. The lender has agreed that it will not serve a repayment request on the company for 5 years from the date of the agreement replacing the previous provision that it was payable on demand with 90 days' notice. The Company and Polo Resources Limited have agreed an increase in the interest rate from 12% to 15% per annum rising by 1.5% on the third anniversary and by a subsequent 1.5% on each anniversary thereafter. Furthermore, the lender may request conversion by the issuance of new ordinary shares in the Company at 7.5 pence per share (being the Issue Price) subject to any necessary regulatory approvals. The Company may elect to repay all or part of the outstanding loan at any time giving 60 days' notice and with the agreement of Polo Resources Limited. 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 39 for details of Management judgement used in accounting for the loan amendment.

9. Commitments

Operating lease commitments

As at 30 June 2021, the Company had an operating lease on premises, which has a duration of less than one year.

	2021 £000	2020 £000
Operating leases expiring:		
Within one year	**1**	1
After one year but not more than five years	**–**	–
	1	1

10. Issued share capital

	Ordinary Shares Thousands	Deferred A Shares Thousands	Total share capital £000
Allotted, called up and fully paid:			
At 1 July 2019	98,639	–	9,864
Shares issued	13,921	–	1,392
At 30 June 2020	112,560	–	11,256
At 1 July 2020	112,560	–	11,256
Shares issued	6,022	–	602
Total pre capital reorganisation	118,582	–	11,858
Capital reorganisation (see below)	118,582	118,582	–
Shares issued	19,011	–	190
At 30 June 2021	137,593	118,582	12,048

Notes to the Company Financial Statements (continued)

Share Issues

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.

On 8 September 2020, 6,021,621 shares were issued to consultants in accordance with the terms of the their agreements, at prices from 14p to 26.5p, for a total non cash consideration of £1,276,873.

On 1 April 2021, 13,446,661 shares were issued on completion of a successful placing at a price of 7.5p, raising gross cash proceeds of £1,008,500.

On 7 May 2021, 5,564,591 shares were issued to consultants in accordance with the terms of the their agreements, at prices from 10.25p to 18p, for a total non cash consideration of £661,638.

Capital reorganisation

On the 25 February 2021, at the Annual General Meeting the shareholders approved the sub-division of the existing ordinary shares of 10p each into new ordinary shares of 1p each and deferred A shares of 9p each. The rights attached to the new ordinary shares are in all material aspects the same as the rights attaching to the existing ordinary shares.

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.

The Deferred Shares have no voting rights and do not carry any entitlement to attend general meetings of the Company; nor will they be admitted to AIM or any other market. They carry only a priority right to participate in any return of capital to the extent of £1 in aggregate over the class. In addition, they carry only a priority right to participate in any dividend or other distribution to the extent of £1 in aggregate over the class. In each case a payment to any one holder of Deferred Shares shall satisfy the payment required. The Company will be authorised at any time to effect a transfer of the Deferred Shares without reference to the holders thereof and for no consideration pursuant to and in accordance with the Act. Accordingly, the Deferred Shares will, for all practical purposes, be valueless and it is the Board's intention, at an appropriate time, to have the Deferred Shares cancelled, whether through an application to the Companies Court or otherwise in accordance with the Act.

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 £0.01 ordinary shares, and £0.09 deferred A 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 but not settled, and consultants service payments to be also settled by way of share issues.

11. Related Party Transactions

Related party loan

GCM is beneficiary to a £3.5 million loan facility from its largest shareholder, with a current interest rate of 15% per annum. As at 30 June 2021 the Group had utilised £3.2 million of the loan facility (2020: £2,600,000) and an interest accrual of £1,003,000 (2020: £620,000). The terms of the loan were amended in March 2021, refer to note 8 of the Company 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 2021, 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 (2020: £6,000) and management services of £297,600 paid to a management services company (2020: £297,600).

For the period September 2018 to March 2021 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 £769,000 has not been paid and is being accrued accordingly

As at 30 June 2021 the amount owing to the management services company of Datuk Michael Tang PJN was £843,000 (2020: £546,000).

12. Events after the end of the reporting period

The following events took place subsequent to 30 June 2021, for which there has been no adjustment to the 30 June 2021 financial statements:

- On 31 August 2021, the Company agreed a memorandum of understanding ("MOU") with Sion Corporation of Japan ("SION"), Versatech Energy Innovation Limited ("VERSATECH"), and AC Biode Co. Ltd ("AC BIODE") for providing a suitable and effective environmental solution for the management of the fly-ash waste product that will be produced by the Phulbari Coal and Power Project ("the Project"). This will include, inter alia, investigations into the production of the composite material CircuLite from fly-ash produced by the Project and the application of CircuLite to various environmental and agricultural improvements within Bangladesh.
- On 19 October 2021, the Company announced that it is in discussions with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") to agree a 12 month extension of the framework agreements announced on 15 October 2020 which expired on 12 October 2021.
- On 1 November 2021 the Company announced the resignation of James Hobson from his position as an Independent Non-Executive Director. Mr Hobson's resignation takes effect from 1 December 2021. The Company is currently in the process of recruiting a replacement Independent Non-Executive director.
- On 23 November 2021 the Company announced, Power Construction Corporation of China, Ltd. ("PowerChina") had agreed to an extension for a period of a further 12 months from 6 December 2021 to 6 December 2022 on the same terms as the previous memorandum of understanding ("MoU") which is primarily focused on the Phulbari coal mine development. This will allow PowerChina and GCM to determine the modality for PowerChina to become a Mine Development Partner, subject to the approval of PowerChina internal compliance and all other relevant regulatory agencies.

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