GCM Resources plc

Interim Report for the six months to 31 December 2021

(LON:GCM)

Chairman's Statement

The Company's performance over the six months ending 31 December 2021 continued to be hindered by the effects of the Coronavirus Pandemic. Bangladesh, unlike most of Europe, did not move from the rolling lock-downs until late August and the return to "business as usual" has been slow.

Our commitment to delivering a return to shareholders in recognition of their continued support is unrelenting. We have been continuously reappraising the best way to present the Phulbari Coal and Power Project ("the Project") so to maximise alignment with the energy and power needs of the Government and People of Bangladesh. Prime considerations in this appraisal have included:

- World energy crisis that commenced in 2020;
- Chinese President Xi Jinping delivered a pre-recorded address to the United Nations General Assembly on 22 September 2021 where 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. The actual ramifications of these statements are yet to be realised, given that China itself has stated coal power remains in its energy/power mix and that the long-term strategy is energy efficiency (more power for less coal) and a pursuit of "Net Zero Carbon Emissions" also involves carbon off-setting.
- World energy crisis now exacerbated by turmoil unfolding in Eastern Europe and timeframe for energy and power markets to return to normality appear to be extensively protracted;
- Supply chains are under enormous pressure and international shipping freight rates are skyrocketing;
- In response to the above, countries are trending towards developing internal natural energy resources to enhance energy security and control costs;
- Bangladesh's gas reserves have depleted and the country appears to be exposed to the growing uncertainties and risks of supply and costs in the highly competitive world energy market.

The Project's core asset is the Phulbari coal deposit which consists of 527 million tonnes (JORC 2004) of high-energy thermal and metallurgical coal, capable of supporting over 6,600MW power generation for at least 30-years. The fundamental consideration has always been ensuring the coal mining operation's economic sustainability. We have explored options with our international development partners and believe the entire Phulbari Geologic Basin should be declared an "Energy Park" of national significance for Bangladesh. It is rich in natural energy resources and power generating potentials, capable of supporting over 4,500MW Solar Power and over 6,600MW thermal power, and in parallel producing enormous volumes of valuable industrial mineral co-products from the overburden material removed to access the coal.

In the reporting period we have continued to grow our relationship with development partner Power Construction Corporation of China, Ltd ("PowerChina"). On 23 November 2021, GCM and PowerChina agreed to extend to 6 December 2022 a memorandum of understanding ("MoU") focused on the Phulbari coal mine development. The aim is to allow PowerChina and GCM to determine the modality for PowerChina to become a Mine Development Partner. The areas covered under the MoU include finance of the coal mine development.

GCM is still in discussion with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") to extend involvement in the Phulbari coal mine development following expiry of the Frame Work Agreement on 12 October 2021.

Beyond the reporting period:

- On 2 March 2022, the Company announced it raised gross proceeds of £2.13 million through a placing of 25,291,828 shares and a subscription for 16,171,777 shares at a price of 5.14 pence per share representing a discount of approximately 36.9% to the closing mid-market share price on 1 March 2022. These funds will be principally be used for Project development capital and are sufficient to cover operating expenses through to Q2 2023.
- On 11 March 2022, the Company announced extension of the joint venture agreements with PowerChina covering phased development of some 4,000MW of power generation, for a further two years to 15 March 2024. GCM and PowerChina have reinforced their belief that the High-Efficiency, Low-Emissions Coal-Fired Power Generation planned under these Joint Venture Agreements should remain an attractive option available to the Bangladesh Government. This translates to more power for less coal consumed (higher energy efficiency with reduced emissions) and increasing energy and power security for Bangladesh as it continues to develop its economy and at the same time move towards "Net Zero Emission" targets over the coming decades.

Financials

GCM incurred a lower loss after tax of £763,000 for the six months ended 31 December 2021 (31 December 2020: loss after tax of £1,091,000). The most significant expenditure during the period was pre-development expenditure, while administrative expenses for the six months ended 31 December 2021 were £352,000 (31 December 2020: £329,000) and capitalised project expenditure for the period was £273,000 (31 December 2020: £234,000).

On 2 March 2022, the Company announced it had secured Gross Funding proceeds of £2.13 million through a placing and subscription of new ordinary shares (See Note 7 for details). This funding provides the Company with sufficient funds to cover its corporate and project operating expenses through to Q2 2023. The Company has at the date of this report drawn down £3.2 million of the total short-term loan facility of £3.5 million with Polo Resources Ltd, the terms of the facility are detailed in Note 5 of the interim report.

Over the next 12 months, the Company will seek to further strengthen GCM's financial position and provide future funding, and the directors remain confident that sufficient funding will be obtained as and when required. As such, the financial statements have been prepared on a going concern basis. Please refer to the accounting policy note on going concern (Note 1 to the Financial Statements) for further information.

Outlook

The World energy crisis is intensifying and given Bangladesh has become largely reliant on imported fuels, its economy is growingly exposed to the vagaries of energy supply competition and price escalations. All nations are now turning inward to maximise recovery of their own naturally occurring energy resources to off-set this crisis and somehow insulate their economies. GCM and its main development partner working to demonstrate the importance of the Project and the development of the 'Energy Park' for the Government and people of Bangladesh.

I would like to thank our shareholders and stakeholders for their continued commitment and support for GCM and our commitment to deliver returns on your investment.

Mohd Najib Bin Abdul Aziz
Non-Executive Chairman

Interim Consolidated Income Statement

	6 months ended 31 December 2021 unaudited £000	6 months ended 31 December 2020 unaudited £000	Year ended 30 June 2021 audited £000
Operating expenses			
Pre-development expenditure	**(174)**	(587)	(809)
Exploration and evaluation costs	**5**	(7)	35
Administrative expenses	**(352)**	(329)	(717)
Operating loss	**(521)**	(923)	(1,491)
Finance costs	**(242)**	(168)	(383)
Loss before tax	**(763)**	(1,091)	(1,874)
Taxation	**-**	-	-
Loss and total comprehensive income for the period	**(763)**	(1,091)	(1,874)
Earnings per share			
Basic loss per share (pence)	**(0.6p)**	(0.9p)	(1.5p)
Diluted loss per share (pence)	**(0.6p)**	(0.9p)	(1.5p)

Interim Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Share based payments not settled £000	Accumulated losses £000	Total £000
Balance at 1 July 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
Total comprehensive loss	-	-	-	(763)	(763)
Share issuances	-	-	-	-	-
Shares to be issued	-	-	174	-	174
Share based payments	-	-	15	-	15
Balance at 31 December 2021 (unaudited)	**12,048**	**55,611**	**772**	**(31,716)**	**36,715**
Balance at 1 July 2020	11,256	53,534	1,706	(29,079)	37,417
Total comprehensive loss	-	-	-	(1,091)	(1,091)
Share issuances	602	675	(1,277)	-	-
Shares to be issued	-	-	587	-	587
Share based payments	-	-	5	-	5
Balance at 31 December 2020 (unaudited)	**11,858**	**54,209**	**1,021**	**(30,170)**	**36,918**

Interim Consolidated Balance Sheet

	Notes	31 December 2021 unaudited £000	31 December 2020 unaudited £000	30 June 2021 audited £000
Current assets				
Cash and cash equivalents		**116**	48	717
Receivables		**48**	35	13
Total current assets		**164**	83	730
Non-current assets				
Property, plant and equipment		**6**	10	8
Right of use assets		**37**	19	59
Intangible assets	3	**42,452**	41,861	42,179
Receivables		**-**	-	-
Total non-current assets		**42,495**	41,890	42,246
Total assets		**42,659**	41,973	42,976
Current liabilities				
Payables	4	**(1,457)**	(1,284)	(1,422)
Lease liabilities		**(31)**	(26)	(40)
Borrowings	5	**-**	(3,737)	-
Total current liabilities		**(1,488)**	(5,047)	(1,462)
Non-current liabilities				
Lease liabilities		**(11)**	(8)	(22)
Borrowings		**(4,445)**	-	(4,203)
Total non-current liabilities		**(4,456)**	(8)	(4,225)
Total liabilities		**(5,944)**	(5,055)	(5,687)
Net assets		**36,715**	36,918	37,289
Equity				
Share capital	6	**12,048**	11,858	12,048
Share premium account	6	**55,611**	54,209	55,611
Other reserves		**772**	1,021	583
Accumulated losses		**(31,716)**	(30,170)	(30,953)
Total equity		**36,715**	36,918	37,289

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2021 unaudited £000	6 months ended 31 December 2020 unaudited £000	Year ended 30 June 2021 audited £000
Cash flows used in operating activities			
Loss before tax	**(763)**	(1,091)	(1,874)
Adjusted for:			
Non-cash pre-development expenditure	**174**	587	809
Non-cash finance costs	**242**	168	383
Other non-cash expenses	**-**	-	-
	(347)	(336)	(682)
Movements in working capital:			
(Increase)/decrease in operating receivables	**(34)**	(19)	2
Increase in operating payables	**35**	212	354
Cash used in operations	**(346)**	(143)	(326)
Net cash used in operating activities	**(346)**	(143)	(326)
Cash flows from investing activities			
Payments for intangible assets	**(255)**	(228)	(557)
Payments for property, plant and equipment	**-**	-	-
Net cash generated from investing activities	**(255)**	(228)	(557)
Cash flows from financing activities			
Issue of ordinary share capital	**-**	-	1,009
Share issue costs	**-**	-	(78)
Proceeds from borrowing	**-**	350	600
Interest paid	**-**	-	-
Net cash from financing activities	**-**	350	1,531
Total (decrease)/increase in cash and cash equivalents	**(601)**	(21)	648
Cash and cash equivalents at the start of the period	**717**	69	69
Cash and cash equivalents at the end of the period	**116**	48	717

Notes to the Interim Condensed Consolidated Financial Statements

1. Accounting policies

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

This unaudited interim report was authorised for issue by the Board of Directors on 24 March 2022.

Basis of preparation

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as they apply to the financial statements of the Group for the year ended 30 June 2021 and applied in accordance with the Companies Act 2006.

The interim condensed consolidated financial statements for the six months ended 31 December 2021 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2021. The financial information contained herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 and is unaudited. The figures for the year ended 30 June 2021 have been extracted from the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and contained an unqualified auditors' report which included an emphasis of matter concerning significant doubt over the ability for the Group to continue as a going concern and did not include a statement under section 498(2)(a) or (b), or section 498(3) of the Companies Act 2006.

Political and economic risks – carrying value of intangible asset

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

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

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

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

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

Accordingly, the Directors are confident that the Phulbari Coal and Power Project (Project) will ultimately receive approval, although the timing of approval remains in the hands of the Government. To enhance the prospects of the Project, GCM has engaged in a strategy to align the Project with the needs and objectives of the Government. The Government seeks to rapidly expand the country's power generation, including the increase in coal fired power generation from the current 250MW to approximately 20,000MW. The Group's strategy is to work with the Government of Bangladesh and its international development partners to develop the planned coal mine together with power plants and supply chains to utilise the full coal production which can support over 6,600MW power generation.

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 £42,452,000 as at 31 December 2021.

Going concern

As at 31 December 2021, the Group had £116,000 in cash and £1,324,000 in net current liabilities. The directors and management have prepared a cash flow forecast to March 2023, which showed that the Group would 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 the current forecast, additional funding would need to be either raised from third parties or drawn down under the £3.5million loan facility with Polo Resources Limited ("Polo Loan Facility"), which currently has £300,000 available to, in order to meet current operating cost projections.

The Company on 2 March 2022, announced it had secured Gross Funding proceeds of £2.13million through a placing and subscription of new ordinary shares (See Note 7 for details). This funding provides the Company with sufficient funds to cover its corporate and project operating expenses through to Q2 2023.

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

- In the event that the Polo Loan Facility becomes payable, sufficient funding can be obtained; and

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

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

2. Segment analysis

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

3. Intangibles

During the period intangibles increased by £273,000. The increase is due to capitalised mining exploration and evaluation expenditure relating to the Phulbari Coal and Power Project in Bangladesh.

4. Payables

	31 December 2021 unaudited £000	31 December 2020 unaudited £000	30 June 2021 audited £000
Trade payables	**663**	590	579
Related party accrued payable	**794**	694	843
Transaction costs payable	**-**	-	-
	1,457	1,284	1,422

The related party accrued payable of £794,000 at 31 December 2021 relates to accrued fees owing to the management services company of the Executive Chairman of the Company, Datuk Michael Tang PJN.

5. Borrowings

	31 December 2021 unaudited £000	31 December 2020 unaudited £000	30 June 2021 audited £000
Short-term loan facility from related party	**4,445**	3,737	4,203
	4,445	3,737	4,203

GCM is party to a £3,500,000 short-term loan facility with its largest shareholder, Polo Resources Limited ("Polo"). As at 31 December 2021, the Company owed £4,445,000, comprising £3,200,000 loan balance and accrued finance costs on borrowings of £1,245,000. 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 as at the date of this report. 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. As noted below, on 2 March 2022, the Company agreed to amend the issue price of the shares from 7.5p to 5.14p as part of Polo's participation in the subscription and fund raising on that date, all other terms as above remained unchanged.

6. Share issues

There were no shares issued during the period.

7. Post-balance sheet events

On 2 March 2022, the Company announced that the Company had raised gross proceeds of £2.13million through a placing (the "Placing") of 25,291,828 shares and a subscription for 16,171,777 shares (the "Subscription") of new ordinary 1p shares in the Company ("Fundraising Shares") at a price of 5.14 pence per share ("the Placing Price"), representing a discount of approximately 36.9% to the closing mid-market share price on 1 March 2022 (being the last business day prior to this announcement).

- The Company raised gross proceeds of approximately £1,300,000 by means of a placing (the "Placing") of 25,291,828 new Ordinary Shares (the "Placing Shares") at the Placing Price through ETX Capital, which is the trading name of Monecor (London) Limited. ETX Capital is acting as broker in connection with the Placing.
- The Company also announced that it had appointed ETX Capital as joint broker, as part of the Placing.
- An issue of 16,171,777 new ordinary shares of 1p each in the capital of the Company (the "Subscription Shares") to certain individuals including Polo Resources Ltd at the Issue Price to raise £830,000 (the "Subscription") at an issue price of 5.14p ("the issue price").
- The Company as part of the proposed subscription, agreed to amend the terms of the loan facility provided by Polo Resources Limited (the "**Facility**") of which, as announced on 26 March 2021, there is £300,000 of the initial £3.5 million facility remaining undrawn. The lender may request conversion by the issuance of new ordinary shares in the Company at 5.14 pence per share (being the Issue Price) subject to any necessary regulatory approvals. All other terms of the agreement remained unchanged.

On 11 March 2022, the Company announced that further to the announcement of 19 January 2021, it had completed the extension of the joint venture agreements announced on 17 January 2019 and 13 January 2020 ("**First JV Agreement**") and 15 March 2019 ("**Second JV Agreement**") with Power Construction Corporation of China **("PowerChina")**. The joint venture agreements which were both due to expire on 15 March 2021 have both been extend for a further two years to 15 March 2024.