

GCM Resources plc

Interim Report for the six months to 31 December 2023

(LON:GCM)

Chairman's Statement

The operating environment in the six months ending 31 December 2023 was dominated by the run up to the National Election in Bangladesh held on 7th January 2024. Notwithstanding the intensity of the election process, our team in Dhaka managed to maintain contact with the necessary government agencies and it became noticeable that momentum to develop domestic energy resources is building.

The driver for this apparent swing away from the Country's growing dependence on imported energy products is the inability of the Bangladesh economy to keep pace with the costs, given since 2022 its currency has devalued by over 30% and its foreign exchange reserves have dropped by over 50%.

With the Awami League returned to government, the move to reduce this dependency on imported energy has continued; the Ministry of Power, Energy and Mineral Resources ("the Ministry") is reported to be carrying out rapid actions to define a development strategy for the domestic coal sector. Thus far this has been in the form of internal presentations looking into likely coal production and environmental management issues for the known coal deposits, being Barapukuria, Phulbari, Dighipara, Khalaspir and Jamalganj. It is ubiquitously being reported that the proposed Phulbari open pit development offers the best opportunity for significant long-term coal production.

An open pit development at the northern end of the Barapukuria deposit is also mooted. However, with the annual coal requirement forecast to soon reach 36 million tonnes, there is certainly scope to develop more than one open pit operation, given Phulbari's name plate annual production of 15 million tonnes could deliver over 40% of that requirement.

At the same time the Ministry has recently invited international bidding for oil and gas exploration in 24 blocks in the Bay of Bengal as it endeavours to discover new gas resources to combat a growing gas shortage and fast depleting gas reserves.

The Bangladesh Government is committed to coal-fired power being a significant part of its balanced energy and power strategic mix. The current focused discussions within the Ministry are an important step towards finally delivering Government Policy to kick-start its domestic coal sector and deliver a large volume of much needed energy for power generation.

GCM is closely monitoring the situation and is looking forward to holding discussions with the Government and working through its Phulbari Coal and Power Project ("the Project") Proposal, including the modality for state participation as a partner in the Project.

GCM also continues to work with its Development Partner, Power Construction Corporation of China, Ltd. ("PowerChina") to further enhance the Project Proposal.

On 28th November 2023 the Company announced a further 12 months extension to the MOU – Phulbari Coal Mine Development was announced. The intention being for GCM and PowerChina to work towards a mutually agreed business relationship for developing the proposed Phulbari coal mine.

Working under this MOU, it was announced on 11th March 2024 that GCM and PowerChina had signed an EPC Contract for "Phulbari Coal Mining Infrastructure Construction and Overburden Stripping" which covers mine development works with a value of approximately US\$1 billion, necessary to position the mine to commence coal extraction.

The scope of works includes design, procurement, installation, construction and commissioning of mine infrastructure and overburden removal, dewatering and drainage. It also includes selective mining and stockpiling of valuable industrial mineral co-products that occur in the overburden such as China clay, silica sands, and aggregates for the construction industry. These co-products are expected to deliver cashflow for the Project ahead of any coal extraction.

The "Notice to Proceed" with the extensive works under this Contract is dependent on receiving the necessary approvals from the Bangladesh Government and financial closure. PowerChina has previously expressed its commitment to assist with project financing. The Contract duration is four years and overburden removal to expose first coal is expected to take approximately two years.

GCM and PowerChina will continue to work together under the MOU to formulate additional contracts covering coal extraction and associated activities to achieve our aim of delivering high quality coal supporting at least 6,600MW power generation for over 30 years.

On 22nd March 2024, the Company announced the appointment to the Board of Paul Shackleton as acting Non-Executive Chairman and Charlie Green as an Independent Non-Executive Director, whilst Christian Taylor Wilkinson resigned as Independent Non-Executive Chairman on 28 February 2024.

Financials

GCM incurred a loss after tax of £702,000 for the six months ended 31 December 2023 (31 December 2022: loss after tax of £693,000). The most significant expenditure during the period was pre-development expenditure, while administrative expenses for the six months ended 31 December 2023 were £355,000 (31 December 2022: £368,000) and capitalised project expenditure for the period was £173,000 (31 December 2022: £277,000).

On 1 February 2024, the Company issued 30,303,040 Ordinary Shares by way of subscription at a price of 1.65p per share, raising £0.5m before expenses. As previously announced, the Company will need to raise further funds in the coming weeks in order to strengthen its financial position and to meet its immediate working capital requirements; although there can be no guarantee of such, the directors remain confident that sufficient funding will be obtained as required. Accordingly, the financial statements have been prepared on a going concern basis, however there is material uncertainty due to the need for additional near-term funding. Please refer to the accounting policy note on going concern (Note 1 to the Financial Statements) for further information.

Outlook

At the United Nations Climate Change Conference COP 28 late last year, the Bangladesh delegation stated that, although they are pursuing renewable energy, there is a large divide between developed countries and developing countries in the ability to phase out fossil fuels. Solar and wind power generation, however, have limited application in Bangladesh so thermal and nuclear remain the main options for providing base-load power to support its economic development.

The Bangladesh Government has already taken steps to move away from its current "net-energy-importing" situation aimed at both bringing its domestic coal resources into the energy mix and exploring for gas. With this in mind, and Bangladesh's deteriorating foreign exchange position, it is envisaged that Government Policy will be forthcoming to finally enable extraction of the Country's extensive long-term strategic coal energy assets, such as the Phulbari deposit, and move Bangladesh away from its exposure the long-term vagaries of the international energy market.

The Company remains grateful for the ongoing support of its shareholders, stakeholders and staff.

We are more confident than we have been in recent years that we are getting closer to a political breakthrough for the Phulbari Coal and Power Project. When this happens, we are ready to deliver the benefits and investment returns that our patient shareholders deserve.

Paul Shackleton

Acting Non-Executive Chairman

Interim Consolidated Income Statement

	6 months ended 31 December 2023 unaudited £000	6 months ended 31 December 2022 unaudited £000	Year ended 30 June 2023 audited £000
Operating expenses			
Pre-development expenditure	(90)	(90)	(180)
Exploration and evaluation costs	(15)	7	68
Administrative expenses	(355)	(368)	(728)
Operating loss	(460)	(451)	(840)
Finance costs	(242)	(242)	(480)
Loss before tax	(702)	(693)	(1,320)
Taxation	-	-	-
Loss and total comprehensive income for the period	(702)	(693)	(1,320)
Earnings per share			
Basic loss per share (pence)	(0.3p)	(0.4p)	(0.7p)
Diluted loss per share (pence)	(0.3p)	(0.4p)	(0.7p)

Interim Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Share based payments not settled	Accumulated losses	Total
	£000	£000	£000	£000	£000
Balance at 1 July 2022	12,495	57,576	642	(32,632)	38,081
Total comprehensive loss	-	-	-	(1,320)	(1,320)
Share issuances	253	513	(255)	-	511
Share issuance costs	-	(35)	-	-	(35)
Shares to be issued	-	-	180	-	180
Share based payments	-	-	2	-	2
Balance at 30 June 2023	12,748	58,054	569	(33,952)	37,419
Total comprehensive loss	-	-	-	(702)	(702)
Share issuances	-	-	-	-	-
Shares to be issued	-	-	90	-	90
Share based payments	-	-	1	-	1
Balance at 31 December 2023 (unaudited)	12,748	58,054	660	(34,654)	36,808
Balance at 1 July 2022	12,495	57,576	642	(32,632)	38,081
Total comprehensive loss	-	-	-	(693)	(693)
Share issuances	-	-	-	-	-
Shares to be issued	-	-	90	-	90
Share based payments	-	-	1	-	1
Balance at 31 December 2022 (unaudited)	12,495	57,576	733	(33,325)	37,479

Interim Consolidated Balance Sheet

	Notes	31 December 2023 unaudited £000	31 December 2022 unaudited £000	30 June 2023 audited £000
Current assets				
Cash and cash equivalents		54	740	543
Receivables		38	43	25
Total current assets		92	783	568
Non-current assets				
Property, plant and equipment		-	1	-
Right of use assets		30	5	42
Intangible assets	3	43,540	43,005	43,367
Total non-current assets		43,570	43,011	43,409
Total assets		43,662	43,794	43,977
Current liabilities				
Payables	4	(1,417)	(1,375)	(1,353)
Lease liabilities		(32)	(15)	(20)
Borrowings	5	-	-	-
Total current liabilities		(1,449)	(1,390)	(1,373)
Non-current liabilities				
Lease liabilities		-	-	(22)
Borrowings		(5,405)	(4,925)	(5,163)
Total non-current liabilities		(5,405)	(4,925)	(5,185)
Total liabilities		(6,854)	(6,315)	(6,558)
Net assets		36,808	37,479	37,419
Equity				
Share capital	6	12,748	12,495	12,748
Share premium account	6	58,054	57,576	58,054
Other reserves		660	733	569
Accumulated losses		(34,654)	(33,325)	(33,952)
Total equity		36,808	37,479	37,419

Interim Consolidated Statement of Cash Flows

	6 months ended 31 December 2023 unaudited £000	6 months ended 31 December 2022 unaudited £000	Year ended 30 June 2023 audited £000
Cash flows used in operating activities			
Loss before tax	(702)	(693)	(1,320)
Adjusted for:			
Non-cash pre-development expenditure	90	90	180
Non-cash finance costs	242	242	480
Other non-cash expenses	-	-	10
	(370)	(361)	(650)
Movements in working capital:			
(Increase)/decrease in operating receivables	(1)	(7)	12
Increase/(decrease) in operating payables	58	25	11
Cash used in operations	(313)	(343)	(627)
Net cash used in operating activities	(313)	(343)	(627)
Cash flows from investing activities			
Payments for intangible assets	(176)	(278)	(656)
Payments for property, plant and equipment	-	-	-
Net cash generated from investing activities	(176)	(278)	(656)
Cash flows from financing activities			
Issue of ordinary share capital	-	400	900
Share issue costs	-	-	(35)
Proceeds from borrowing	-	-	-
Interest paid	-	-	-
Net cash from financing activities	-	400	865
Total (decrease) in cash and cash equivalents	(489)	(221)	(418)
Cash and cash equivalents at the start of the period	543	961	961
Cash and cash equivalents at the end of the period	54	740	543

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 28 March 2024.

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 2023 and applied in accordance with the Companies Act 2006.

The interim condensed consolidated financial statements for the six months ended 31 December 2023 have been prepared using the same policies and methods of computation as applied in the financial statements for the year ended 30 June 2023. 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 2023 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 (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. The Group's strategy of developing the Phulbari coal deposit as a captive, large-scale, open pit mining operation supporting some 6,600MW of highly energy-efficient Ultra-Supercritical power generation will enable cheaper coal-fired electricity than imported coal options. This evolving strategy has been enhanced to include installation of a large-scale Solar Power Park (up to 2,500MW) within the Project area, to be installed within the first two years of gaining land access; operating the Phulbari coal mine as a "Net Zero Carbon" or "Green Mine"; and participation modalities for Government.

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 £43,540,000 as at 31 December 2023.

Going concern

As at 31 December 2023, the Group had £54,000 in cash and £1,357,000 in net current liabilities. As announced on 26 January 2024, the Company raised Gross Proceeds of £500,000 through an equity subscription. The directors and management have prepared a cash flow forecast to March 2025, 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 raised from third parties to meet current operating cost projections. The Company is currently exploring funding options with the aim to complete and secure the necessary third-party funding in the coming weeks. The £3.5million loan facility with Polo Resources Limited ("Polo Loan Facility"), currently has £3,200,000 utilised within the facility.

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.

It was stated in the Company's final results for the year ended 30 June 2023 that there was a material uncertainty related to going concern. This statement noted that although "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 Company's financial standing has not notably improved since this statement was made, and therefore the Directors believe this material uncertainty relating to going concern still exists.

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 £173,000. 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 2023 unaudited £000	31 December 2022 unaudited £000	30 June 2023 audited £000
Trade payables	598	581	559
Related party accrued payable	819	794	794
Transaction costs payable	-	-	-
	1,417	1,375	1,353

The related party accrued payable of £819,000 at 31 December 2023 relates to accrued fees owing to the management services company of the Chief Executive Officer of the Company, Datuk Michael Tang PJJ.

5. Borrowings

	31 December 2023 unaudited £000	31 December 2022 unaudited £000	30 June 2023 audited £000
Short-term loan facility from related party	5,405	4,925	5,163
	5,405	4,925	5,163

GCM is party to a £3,500,000 short-term loan facility with its largest shareholder, Polo Resources Limited ("Polo"). As at 31 December 2023, the Company owed £5,405,000, comprising £3,200,000 loan balance and accrued finance costs on borrowings of £2,205,000.

The Company on 1 March 2022, as part of the completed placing and subscriptions, amended the terms of the loan facility, such that 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.

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 was at 31 December 2023, £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 to the Group accounting policies for details of Management judgement used in accounting for the loan amendment.

6. Share issues

There were no shares issued during the period.

7. Events after the end of the reporting period

The following events took place subsequent to 31 December 2023, for which there has been no adjustment to the 31 December 2023 financial statements:

- On 24 January 2024, the Company announced that it received a notice from Polo Investments Limited ("Polo"), pursuant to Section 168 of the Companies Act 2006, requesting that a resolution to remove Christian Taylor-Wilkinson be tabled, as an ordinary resolution, at the forthcoming Annual General Meeting of the Company or a general meeting of GCM to be convened as soon as practicable. Polo currently holds 43,328,003 shares representing 20.9% of the Company's total voting.
- On 26 January 2024, the Company announced that it had successfully raised gross proceeds of £0.5m by means of a direct subscription (the "Subscription") of new Ordinary Shares (the "Subscription Shares") at a price of 1.65 pence per share (the "Subscription Price"). The Company will need to carry out an additional fundraise before the end of May 2024 to fund its working capital for the next 12 months. The Subscription Price represents a discount of 37.7 per cent to the Closing Price of 2.65 pence per Ordinary Share on 23 January 2024, being the latest practicable business day prior to the publication of this announcement.
- On 1 February 2024, the Company announced that, further to the announcement dated 26 January 2024, the subscription to raise gross proceeds of £500,000 had been successfully concluded. The Company therefore requested the restoration of trading in the Company's securities on AIM, which was expected to take place at 7.30am, 2 February 2024, with admission of the subscription shares to follow at 8.00am on 2 February 2024.
- On 2 February 2024, the Company announced that as a result of the resolution received from Polo resources seeking to remove him as a director, Christian Taylor-Wilkinson reluctantly tendered his resignation from his position as Independent Non-Executive Chairman. The Board would like to take this opportunity to thank Christian for his services during the period from May 2020 to date, and to wish him success in the future. Christian's resignation will take effect from 28 February 2024. The Company is currently in the process of seeking to recruit two new Independent Non-Executive Directors ("NEDs"), including a Non-Executive Chairman. As a result of Christian's resignation, the Company advised shareholders that Resolution 5 "That Christian Taylor-Wilkinson be and is hereby removed as a director of the Company with Immediate effect" will no longer be tabled at the AGM as it is redundant.

- On 7 March 2024, the Company announced the following share issues:
 - o Exercise of warrants over 606,060 new ordinary shares of 1 pence each in the Company at an exercise price of 1.65 p per Share, raising £10,000,
 - o in lieu of DG Infratech Pte Ltd's retainer fee for the period from 1 January 2023 to 31 December 2023 of £180,000, the Company issued 4,363,636 new Ordinary Shares to DG at a price of 4.165 pence per share,
 - o the issue of a total of 377,359 new ordinary shares of £0.01 each in the Company ("New Ordinary Shares") to Keith Fulton, for payment of his services as Executive Director of the Company for the period 1 January 2023 to 31 December 2023 of £10,000, as part of his director remuneration agreement.
- On 11 March 2024, the Company announced that working under the coal mine development MOU with Power Construction Corporation of China, Ltd. ("**PowerChina**") (refer to RNS of 28 November 2023), it had signed a contract with PowerChina International Group Limited covering mine development works of approximately US\$1 billion necessary to facilitate coal extraction at the Phulbari Coal and Power Project ("**the Project**"). The advancement of this Contract is subject to receiving the approval of the Scheme of Development for coal mining submitted to the Bangladesh Government under the terms and conditions of its Contract for "Exploration and Mining Coal in Northern Bangladesh". The scope of works under this Mine Construction Contract includes design, procurement, installation, construction and commissioning of mine infrastructure and overburden removal, dewatering and drainage. It also includes selective mining and stockpiling of valuable industrial mineral co-products that occur in the overburden. These co-products are expected to deliver considerable cashflow for the Project ahead of any coal extraction. The Mine Construction Contract duration is four years, with overburden removal to expose first coal taking some two years. The Company and PowerChina expect to enter additional contracts covering coal extraction and associated activities to support ongoing open pit mining operations and the Project's commitment to deliver high quality coal supporting at least 6,600MW power generation for over 30 years. A joint proposal with development partner, PowerChina, will shortly be presented to the newly elected Bangladesh Government. The Mine Construction Contract was entered into on 9 March 2024, however, issuance of a Notice to Proceed with the works is dependent on the Company receiving the necessary approvals from the Bangladesh Government and achieving financial closure. As noted in the beforementioned RNS of 28 November 2023, our development partner, PowerChina is committed to assist with project financing.
- On 22 March 2024, the Company announced the appointment of Paul Shackleton as Acting Non-Executive Chairman and Charlie Green as an Independent Non-Executive Director.