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GCM Resources plc

Annual Report and Accounts 2016

(LON:GCM)

GCM Resources plc

GCM Resources plc (GCM), the AIM listed resource exploration and development company, has identified a world class coal resource of 572 million tonnes (JORC 2004 compliant) at the Phulbari Coal and Power Project (the Project) in north-west Bangladesh. GCM is awaiting approval from the Government of Bangladesh to develop the Project.

Contents

Group Strategic Report

Executive Chairman's Statement	3
Group Strategic Report	4

Governance

Board of Directors	8
Directors' Report	9

Group Accounts

Consolidated Financial Statements	14
Notes to the Consolidated Financial Statements	18
Independent Auditor's Report	35

Company Financial Statements

Statement of Directors' Responsibilities	38
Company Statement of Changes in Equity	39
Company Balance Sheet	40
Notes to the Company Financial Statements	41
Independent Auditor's Report	50

Executive Chairman's Statement

I am pleased to present the 2016 Annual Report to our shareholders and would like to express my appreciation for the continued support for the Company and its prospects. Although the mining sector has continued to face significant challenges over the last twelve months, we remain positive on the potential of the Phulbari Coal and Power Project (the Project) and are advancing the Company towards realising its objectives.

The Government of Bangladesh (the Government) continues to execute its strategy of substantially increasing the country's power supply, and has made progress during the year towards meeting its objective of generating over 19,000MW from coal by 2030. The expansion of coal fired power plants is expected to result in a significant increase in demand for high quality thermal coal within the country. As discussed on page 4, GCM is well placed to meet this need.

Once developed, the Project can supply sufficient high quality thermal coal to support over 4,000MW of power generation for Bangladesh, making a substantial contribution towards the Government's goals. It is also expected to transform the Rangpur Division in north-west Bangladesh, from one of the poorest areas in the country into an economic centre with industries based on the new power supply, the mine and co-industries. An estimated 17,000 jobs are expected to be created due to mine development and this figure increases to approximately 50,000 when taking into account the power generation and downstream industries enabled through using the Phulbari's coal and industrial mineral co-products. The Government would also benefit financially, deriving over US$7 billion revenue in the form of royalties, taxes and service charges from a producing Phulbari coal mine over its economic life and the Project would contribute an estimated 1% to GDP.

While pursuing approval from the Government of Bangladesh to proceed with development, we are negotiating with potential partners to expedite the Project. GCM has agreed a memorandum of understanding (MOU) with China Gezhouba Group International Engineering Co. Ltd (CGGCINTL) to mutually investigate the feasibility of a joint venture with respect to the development of mine-mouth coal fired power plants generating up to 2,000MW in total at the Phulbari Coal and Power Project site. CGGCINTL has a wealth of experience in major infrastructure projects including developing coal-fired power plants and we are very pleased to partner with them in investigating this opportunity.

Project implementation will mean substantial investment into the locality and we are committed to ensuring that the Project is developed for the benefit of all stakeholders. During the year the Company continued to engage with the local community, maintaining its relationships and listening to their views.

The Group incurred a loss of £1,043,000 for the year ended 30 June 2016 which included £340,000 of non-cash expenditure, compared to a loss of £937,000 in the previous financial year. Capitalised Project related expenditure amounted to £655,000 for the year, compared to £579,000 for the comparative year.

Finally, I would like to thank the Board and staff for all their hard work over the last twelve months and to the shareholders for their commitment and support.

Datuk Michael Tang PJN
Executive Chairman

Group Strategic Report

Business & Strategy

The fundamental business of GCM Resources is to develop a coal mine in Dinajpur in north-west Bangladesh, along with mine-mouth coal fired power plants (the Project) generating up to 4,000MW in a socially and environmentally cohesive way to achieve positive outcomes for all stakeholders.

Through its wholly owned subsidiary, the Company has a contract with the Government of Bangladesh (the Government) for the "exploration and mining of coal in Northern Bangladesh". GCM has extensively studied and evaluated the 572 million tonne resource (JORC 2004) within its licence and lease areas. GCM's Definitive Feasibility Study and Scheme of Development is based on hundreds of studies undertaken by a world-class team of experts, to achieve a mining plan which comprehensively deals with the multiple-facets of the proposed mining operation. From the optimum mining method, to agriculture, water management, resettlement, environment management and impact mitigation, transportation and rehabilitation; all aspects of the mine have been extensively researched, plans developed and fine-tuned in order to deliver a world-class mining project in accordance with the highest international and national standards.

The Phulbari deposit is conducive to a long life, low cost mining operation, benefiting from the combination of high quality coal, a large coal resource, thick seams, highly competitive average stripping ratio, high volume production rate, low operating costs, a project life of over 35 years (based on the current planned mining reserve) as well as the possibility of mine-mouth coal fired power plants. In our view this combination of characteristics makes Phulbari the most feasible proposition for Bangladesh - to meet its need for a new reliable source of commercial energy and to support its plans for expansive coal-based power generation.

The challenge for the Company remains to obtain approval from the Government of Bangladesh in order to proceed with Project development. The Project is in the unique position of being able to energise the Government's strategic objectives for the country's power sector. The Government is working hard towards dramatically increasing power supply, and specifically, coal fired power generation from its current capacity of 250MW to 19,000MW by 2030. Accordingly, the in-country demand for high quality thermal coal is expected to significantly increase to approximately 58 million tonnes per annum of which the Project could contribute some 15 million tonnes per annum. In-country coal production has averaged 860,000 tonnes over the past five years with no other announced new production in the pipeline. While it is envisaged that both domestic and imported coal supplies will be needed, there is a lack of necessary infrastructure to handle the importation and shipment of large quantities of power plant quality coal. In addition, importation may expose the country to unpredictable fluctuations of global coal prices, supply issues, substantial outflow of foreign exchange and resultant higher power tariffs.

The Project is a credible large scale domestic coal mining proposal that is ready for immediate implementation. The Scheme of Development is based on a comprehensive Definitive Feasibility Study and Environmental and Social Impact Assessment which received environmental clearance from the Department of Environment. The Government's Barapukuria underground coal mine, located to the north of the Project, has a relatively low total planned production. The other three known coal deposits are yet to be fully explored and do not appear to be amenable to large scale coal production. The Company's proposal is, therefore, best placed to support the Government's objective to make coal a significant component of the country's energy mix and rapidly increase power generation.

The Board's current strategy in pursuing approval of the Scheme of Development is to present the Project in a manner which meets the needs and objectives of both the Government and GCM, while ensuring the local community is well looked after and environmental impacts are minimised. In doing so we highlight that up to 4,000MW of power can be generated from the Project, which comparatively would be the cheapest source of coal available to power plants in the country. Although the mine can supply coal to other strategic locations in Bangladesh through a combination of rail and barging, mine-mouth power generation is the cheapest and most reliable power supply as it does not incur the significant costs of coal handling and transportation. The mine plan factors in mine-mouth power plants with the additional benefit of a simple low cost conveyor feed from the mine coal stockpiles, obviating the need for any land acquisition or resettlement that would be required by plants elsewhere.

GCM's strategy also includes identifying potential partners who may assist in delivering Government approval and Project funding, favouring those who have experience in developing substantial projects, have strong political and business networks or are skilled in coal mine or coal-fired power developments.

Whilst the Company is heavily engaged in advocacy, an important part of the Company's strategy is to enhance relationships with the local communities in and around the Project area. GCM recognises the value of retaining a social licence as the Project moves from approval through development to production. The Company will continue to be active throughout the region and will work sensitively with local communities to understand their needs and views, and update the Company's plans as necessary.

Year in review

Over the last twelve months the Government has continued to pursue its strategy of developing coal fired power generation in the country, favouring arrangements on a government-to-government basis. The Government is currently advancing its discussions with China, Japan, India, Malaysia, South Korea, and Singapore. In April 2016 a government-to-government agreement was made with Malaysia for a 1,320 MW coal fired power plant, which included the consortium of Tenaga Nasional Berhad and Powertek Energy Sdn Bhd - companies sponsored by the Malaysian Government.

The most advanced new coal-fired power plant initiatives in the country are: the Matarbari Project in south-east Bangladesh, being a joint venture with the Japanese International Cooperation Agency (JICA); the Rampal Power Plant in south-west Bangladesh, being a joint venture with India's National Thermal Power Corporation; and the Payra Power Plant in southern Bangladesh, being a joint venture with China's National Machinery Import and Export Corporation.

All of these projects are not without their challenges. JICA has reportedly suspended proceeding with their project citing security concerns, following the tragic death of staff members in the July 2016 terrorist incident in Dhaka. Matarbari, Payra and Rampal all depend on establishing coal supply infrastructure, with deep-sea ports being mooted for both Matarbari and Payra. The Rampal Power Plant has faced significant opposition due to its proximity to, and planned coal supply route through, the Sundarbans forest, a world heritage site. The Government has gone to considerable lengths to defend the Rampal project, including the Honourable Prime Minister Sheikh Hasina addressing a two-hour televised media conference on 27th August this year. During her speech she also referred to successful open coal mining and associated power generation in Germany's Cologne area, making note of the effective environmental management of these operations, including water management.

Despite the challenges and delays, the Government is demonstrating its commitment to achieve its power sector goals as part of its overall strategy for Bangladesh to become a middle-income country. GCM strongly believes it can assist the Government in its objectives by providing the means to support a generating capacity of 4,000MW, while contributing approximately 1% to the country's GDP per annum and providing the Government an estimated US$7 billion in revenue from royalties, taxes and service charges over the life of the Project. To this end the Company has continued its discussions with the Government, expounding the positive role the Project will play in developing the country's power sector and addressing any concerns raised regarding environmental and social impacts.

During the year GCM has also been in discussions with potential partners who may assist in advancing the Project, with special emphasis on those who have an interest in constructing coal fired power plants and coal mine development in Bangladesh. On 11 November 2016 GCM agreed a memorandum of understanding (MOU) with China Gezhouba Group International Engineering Co. Ltd (CGGCINTL). The purpose of the MOU is to engage and mutually investigate the feasibility of a joint venture with respect to the development of mine-mouth coal fired power plants generating up to 2,000MW in total at the Phulbari Coal and Power Project site. CGGCINTL is part of the China Gezhouba Group Corporation (CGGC) Group, which in turn is a super central state-owned enterprise. CGGC has a wealth of experience in developing major infrastructure projects including coal-fired power plants and we are very pleased to partner with them in this MOU.

Finance review

The Group reported a loss of £1,043,000 for the year ended 30 June 2016 (2015: loss of £937,000), which included £340,000 of non-cash expenditure (2015: £178,000) and £663,000 in administrative expenses (2015: £688,000). The non-cash expenditure mainly related to options awarded in the previous financial year. Capitalised Project expenditure for the year ended 30 June 2016 was £655,000, compared to £579,000 during the previous financial year.

During the previous financial year GCM secured a £3 million convertible loan facility to be drawn down upon as required, in order to provide sufficient funding for the foreseeable future. The Company reported in the December 2015 Interim Report that GCM had utilised £510,000 of the facility, but had experienced difficulties in drawing further funds in accordance with its rights under the agreement. In light of this, GCM has engaged with a new investor, a private investment company, to take over the convertible loan facility. While an agreement has not yet been finalised, the Company has been encouraged that the new investor has funded £608,000 while negotiations continue.

In addition, in December 2015 the Company secured a £100,000 temporary, unsecured interest free loan facility from its largest shareholder, Polo Resources Limited. Subsequent to the financial year end, the terms of the temporary loan were modified to increase the loan facility by £1,000,000 (£390,000 on 23 August 2016 and £610,000 on 16 November 2016), at the rate of 12% per annum with the notice period of repayment extended from 30 to 90 days. As at the date of this report the Company had utilised £250,000 of the temporary loan facility.

For the foreseeable future GCM's activities are expected to be funded primarily through a revised convertible loan facility with the new investor, which is anticipated to include an extension of the convertible facility from its current expiry date of 30 June 2017. In the event that negotiations are not successful, funds will need to be sought from alternative sources. Until sufficient, definitive and reliable funding is secured there is a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. GCM will always seek a solution which is in the shareholders best interests. Directors are confident that the necessary funds will be obtained as and when required. Refer to the going concern section on page 9 for further information.

Corporate Responsibility

GCM is committed to developing the Phulbari Coal and Power Project in a manner which promotes the key core values of integrity and fairness to all stakeholders. As a mining company we recognise the importance of partnering and engaging with all relevant stakeholders, particularly local communities, throughout the planning and operation of the Project. For any mining project to be viewed as successful it is vital that its impacts on the local people and environment are managed effectively.

The Company has continued with its community engagement activities within the Project area, holding a number of meetings and focus group discussions. In those meetings we have listened to the views of participants to understand their concerns and fully answer their questions. We have sought to explain the consequences of mining including the benefits to the local communities as well as the potential impacts and how those will be mitigated.

Project development will bring substantial investment into the locality. An estimated 17,000 new jobs would be created by the mine development and some 50,000 when taking into account the power generation and the down-stream industries enabled through using the Project's coal and industrial mineral co-products. In addition, as part of GCM's water management plan, farms will have year-round access to irrigation, which combined with improved inputs and training, will greatly increase agricultural output in the region.

GCM has conducted extensive studies into the potential impacts of open pit mining at Phulbari as well as associated activities. As a result of these studies the Company has developed an in-depth understanding and appreciation of the ecology and geology of the region.

Over the estimated 35 year life of the Project, the mine footprint will cover a total of 5,192 hectares. However, at any one time only one third of the mine footprint will be needed, allowing farming to continue on most of the land prior to utilisation and then to recommence after rehabilitation has been completed. At the same time farmers will enjoy improved productivity and incomes through support of the Project's Agriculture Improvement Plan and the water made freely available for irrigation.

As part of Project development, GCM will provide a new township development and new villages, all with reticulated water, modern sanitation systems and power supply as well as facilities such as schools, medical and community centres and places of worship for those that will need to be resettled. This includes approximately 12,000 people (3,000 households) in the Phulbari Municipality and approximately 28,000 people (6,000 households) in surrounding villages. The Company clearly explains how resettlement would take place over a period of ten years and the opportunity for communities to provide input into the planning process prior to implementation. At each stage the process will be managed sensitively and take into account the individual circumstances and preferences of local people, both those to be resettled and host communities. The Project's Resettlement Plan provides for oversight committees with local community representation to support the implementation process.

As a responsible corporate citizen concerned with the welfare of all stakeholders, the Company is committed to the principal that no one will be worse off as a result of Project development. Compensation to those affected will, where appropriate, be a mix of measures such as long term livelihood restoration support, replacement homes, retraining, employment and financial packages.

GCM reiterates its commitment to developing the Project in accordance with the highest international and national environmental and social standards. The Company demonstrated its standards when preparing the Definitive Feasibility Study and Scheme of Development and the Environmental and Social Impacts Assessment (ESIA) in accordance with international best practice at the time. These detailed reports were prepared in conjunction with reputable and experienced international consultancy firms engaged by the Company and the ESIA was independently reviewed by the Asian Development Bank.

The Company continues 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.

Risks and uncertainties

Political and economic – risk that the Scheme of Development is not ultimately approved by the Government of Bangladesh. The Board believes that despite the delays in receiving approval, it is in the best interests of shareholders and all stakeholders to pursue the strategy in place to achieve Project approval. However, the timing of approval remains in the hands of the Government of Bangladesh. The Company retains its right to seek legal redress in accordance with the terms of the Contract with the Government of Bangladesh in the event approval is not ultimately forthcoming. Refer to Note 1 of the consolidated financial statements for further information.

Financing – risk that the Company will not be able to raise necessary funds as and when required. The Company is currently negotiating with a new investor, a private investment company, to take over the convertible loan facility. While an agreement has not yet been finalised, the Company has been encouraged that new investor has funded £608,000 while negotiations continue. In the event that negotiations are not successful, funds will need to be sought from alternative sources. Directors are confident that the necessary funds will be obtained as and when required. For further details refer to page 5.

Legal – risk that the mining lease and exploration licences are revoked. The Company has complied with all terms of the contract with the Government and is careful to ensure that all ongoing conditions 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 is committed to developing the Project and meeting the highest international social and environmental standards. For further details refer to page 6.

On behalf of the Board,

Datuk Michael Tang PJN
Executive Chairman
17 November 2016

Board of Directors

Executive Director

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 with significant corporate and financial experience in natural resources, power generation, manufacturing and real estate. Mr 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. Mr 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.

Non-Executive Directors

Nik Raof Daud *(Non-Executive Director)* commenced his career in the mining and oil and gas industries in Asia, and subsequently transitioned to industrial products in Europe. His more than 30 years' experience covers both technical and corporate roles at senior management level. He is an Associate of the Royal School of Mines and holds a B.Sc. (Eng.) with First Class Honours in Mining from Imperial College London. Mr Daud attended a postgraduate course in Control Engineering and Operational Research at the University of Cambridge and programmes at INSEAD, France and Manchester Business School, England.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2016.

Principal activities

GCM Resources plc (GCM) was incorporated as a Public Limited Company (Company register number 04913119) on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The Company's principal activity, through its subsidiaries, is the development of the Phulbari Coal and Power Project in Bangladesh.

Business review

Phulbari Coal and Power Project
A detailed review of progress on the Phulbari Coal and Power Project is included in the Group Strategic Report starting on page 4.

Financial resources
As at 30 June 2016 GCM held £194,000 in cash (2015: £169,000 cash).

Corporate responsibility
GCM is committed to undertaking its activities in accordance with the highest international social and environmental as well as operational standards. For detailed information please refer to page 6.

Financial review
The Group recorded a loss after tax of £1,043,000 for the year ended 30 June 2016 (2015: loss after tax of £937,000). Non-cash expenses of £340,000 were incurred during the year (2015: £178,000).

Capitalised evaluation expenditure relating to the Phulbari Coal and Power Project was £655,000 for the year ended 30 June 2016 (2015: £579,000).

Dividends

The Directors do not recommend the payment of a dividend (2015: nil).

Going concern

During the previous financial year GCM secured a £3 million convertible loan facility from a private company, to be drawn down upon as required. GCM has utilised £510,000 of the facility to date but it has not been possible to draw down further funds under the terms of the agreement. As a result, the Company has been in discussions with a new investor, a private investment company, with a view to taking over the remainder of the undrawn facility. The new investor has demonstrated its commitment by lending £608,000 to date in accordance with the terms of the convertible loan facility while negotiations continue. GCM also has in place a temporary loan facility of £1,100,000 from its largest shareholder, Polo Resources Limited, of which £250,000 has been utilised to date.

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:

- The drawdowns from the temporary loan facility with Polo Resources Limited will continue in a consistent and timely manner as and when requested by GCM and that the facility will not be withdrawn;
- A revised convertible loan facility will be successfully agreed with the new investor, including an extension from its current repayment date of 30 June 2017, if not converted. Conversion is outside GCM's control;
- Drawdowns from the new investor under the remaining facility of £1.88 million will be received in a consistent and timely manner as and when requested by GCM;
- The £510,000 utilised under the existing convertible loan facility, repayable on 30 June 2017, will be extended if not converted by the holder; and
- Should any of the above assumptions not be sufficiently achieved, funding from alternative sources will be obtained.

In addition, in the longer term, upon achieving approval of the Phulbari Coal and Power Project additional financial resources will be required to proceed with development.

While the Directors remain confident that necessary funds will be available as and when required, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal and Power Project have been prepared and, taking into account a number of factors, the Directors have satisfied themselves that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. Accordingly 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.

Future outlook

The Group is fully committed to the Phulbari Coal and Power Project and is directly engaging with the Government of Bangladesh and other stakeholders to move the Project forward. A detailed review of progress on the Phulbari Coal and Power Project is included in the Group Strategic Report starting on page 4.

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties can be found on page 7.

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 17 to the financial statements.

Directors

The Directors who served during the year:

	Appointed	Resigned
Executive Directors		
Datuk Michael Tang PJN	26 June 2013	-
Non-Executive Directors		
Dato' Md Wira Dani Bin Abdul Daim	2 October 2013	19 August 2016
Nik Raof Daud	30 September 2015	-
Guy Elliott	26 June 2013	30 September 2015

Amounts paid for services of Directors for the year ended 30 June 2016 were:

	Director fees	Services	Total	2015
	£	£	£	£
Executive Directors				
Datuk Michael Tang PJN	6,000	297,600 (1)	303,600	303,600
Non-Executive Directors				
Dato' Md Wira Dani Bin Abdul Daim	6,000	-	6,000	6,000
Nik Raof Daud	4,517	-	4,517	-
Guy Elliott	1,500	-	1,500	6,000
	18,017	297,600	315,617	315,600

(1) The amount for services was paid to a company in which Datuk Michael Tang PJN has an interest.

The Directors who held office at 30 June 2016, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2016 Shares	2016 Options		2015 Shares	2015 Options
Executive Directors					
Datuk Michael Tang PJN	-	7,250,000	(1)	-	7,250,000
Non-Executive Directors					
Dato' Md Wira Dani Bin Abdul Daim	-	950,000	(1)	-	950,000
Nik Raof Daud	-	200,000	(1)	-	-
Guy Elliott	-	-		-	950,000

(1) Options with an exercise price of £0.11, vesting on 1 January 2016 and an expiry date of 31 May 2020

On 25 November 2015 200,000 options were awarded to Nik Raof Daud. The terms of the awarded options were an exercise price of £0.11, vesting on 1 January 2016 and expiring on 31 May 2020. Refer to note 16 to the financial statements for further information on conditional shares and options.

Corporate governance

The Directors consider the corporate governance procedures are appropriate relative to the size and stage of development of the Group.

Code of Practice

The Listing Rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code which sets out the principles of Good Governance and the Code of Best Practice for listed companies. In addition the Quoted Companies Alliance Code (QCA Code) provides corporate governance guidance for small and mid-sized quoted companies. While there is no requirement to adopt a code of corporate governance the Board recognises the importance of sound corporate governance and considers the principles of both codes, while also being mindful of the Company's size and activities, when assessing the adequacy of its corporate governance procedures.

Board composition

During the year ended 30 June 2016 the Board consisted of one executive director and two non-executive directors. Non-Executive Director Dato' Md Wira Dani Bin Abdul Daim resigned on 30 September 2015 and the Company is in the process of finding a replacement. Upon appointment of a new non-executive director the Board composition will return to one executive director and two non-executive directors. The Board considers that this composition will be satisfactory, taking into account 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 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. For the 12 months ended 30 June 2016 the Board met three times.

All directors have access to the advice and services of the Group's solicitors 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, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. During the year ended 30 June 2016 the Audit Committee consisted of Nik Raof Daud and Dato' Md Wira Dani Bin Abdul Daim.

The Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. 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. During the year ended 30 June 2016 the committee consisted of Nik Raof Daud and Dato' Md Wira Dani Bin Abdul Daim. Non-Executive Directors' remuneration is considered by the Board.

The Nominations Committee

The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives. During the year ended 30 June 2016 the Nominations Committee consisted of Nik Raof Daud and Dato' Md Wira Dani Bin Abdul Daim.

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

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 17 for liquidity risk.

Capital management

Capital comprises cash, a convertible loan facility and a temporary loan. The Group does not hold other loans, financial leases, or other non-current finance obligations.

	2016 £000		2015 £000
Cash	194		169
Borrowing facilities	1,882	(1)	2,800
Capital	2,076		2,969

(1) In stating that borrowing facilities as at 30 June 2016 is £1,882,000 it is assumed that a revised convertible loan agreement with a new investor is finalised. Refer to page 9 for the Company's going concern statement.

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.

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 Annual Report.

Auditors

The auditors to the Group, Ernst and Young LLP, have expressed their willingness to continue in office as auditors and pending the outcome of a re-tender, a resolution proposing their reappointment will be submitted at the AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 8. Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards as adopted by the European Union. Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- make judgements that are reasonable.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

On behalf of the Board,

Datuk Michael Tang PJN
Executive Chairman
17 November 2016

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For year ended 30 June

	Notes	2016 £000	2015 £000
Operating expenses			
Exploration and evaluation costs		(40)	(75)
Share based payments	16	(271)	(177)
Administrative expenses		(663)	(688)
Operating loss	3	(974)	(940)
Finance revenue		-	4
Finance costs		(69)	(1)
Loss before tax		(1,043)	(937)
Taxation	6	-	-
Loss and total comprehensive income for the year		(1,043)	(937)
Loss per share			
Basic (pence per share)	7	(1.7p)	(1.5p)
Diluted (pence per share)	7	(1.7p)	(1.5p)

Consolidated Statement of Changes in Equity

For year ended 30 June

	Share capital	Share premium account	Share based payments not settled	Convertible loan equity component	Accumulated losses	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 July 2014	6,286	45,286	585	-	(13,820)	38,337
Total comprehensive loss	-	-	-	-	(937)	(937)
Drawdown of convertible loan	-	-	-	40	-	40
Share based payments	-	-	13	-	177	190
Balance at 30 June 2015	6,286	45,286	598	40	(14,580)	37,630
Total comprehensive loss	-	-	-	-	(1,043)	(1,043)
Drawdown of convertible loan	-	-	-	129	-	129
Share based payments	-	-	11	-	271	282
Balance at 30 June 2016	6,286	45,286	609	169	(15,352)	36,998

Consolidated Balance Sheet

As at 30 June

	Notes	2016 £000	2015 £000
Current assets			
Cash and cash equivalents		194	169
Receivables	8	136	213
Total current assets		330	382
Non-current assets			
Property, plant and equipment	9	29	32
Intangible assets	10	38,387	37,732
Receivables	8	-	60
Total non-current assets		38,416	37,824
Total assets		38,746	38,206
Current liabilities			
Payables	12	(684)	(424)
Borrowings	13	(1,064)	-
Total current liabilities		(1,748)	(424)
Non-current liabilities			
Borrowings	13	-	(152)
Total non-current liabilities		-	(152)
Total liabilities		(1,748)	(576)
Net assets		36,998	37,630
Equity			
Share capital	15	6,286	6,286
Share premium account	15	45,286	45,286
Other reserves	15	778	638
Accumulated losses		(15,352)	(14,580)
Total equity		36,998	37,630

Datuk Michael Tang PJN
Executive Chairman
17 November 2016

Consolidated Cash Flow Statement

For year ended 30 June

	2016 £000	2015 £000
Cash flows from/(used in) operating activities		
(Loss) before tax	(1,043)	(937)
Adjusted for:		
Finance costs	69	1
Finance revenue	-	(4)
Share based payments	271	177
Other non-cash expenses	-	-
	(703)	(763)
Movements in working capital:		
Decrease/(increase) in operating receivables	91	(68)
Increase/(decrease) in operating payables	223	15
Cash used in operations	(389)	(816)
Interest received	-	4
Net cash used in operating activities	(389)	(812)
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment	(2)	-
Payments for intangible assets	(603)	(551)
Net cash generated from/(used in) investing activities	(605)	(551)
Cash flows from/(used in) financing activities		
Proceeds from borrowing	1,019	200
Net cash from financing activities	1,019	200
Total increase in cash and cash equivalents	25	(1,163)
Cash and cash equivalents at the start of the year	169	1,332
Cash and cash equivalents at the end of the year	194	169

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 17 November 2016, and the Consolidated Balance Sheet was signed on the Board's behalf by Datuk Michael Tang PJN.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2016 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 2016.

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 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.

The Directors are confident that the Phulbari Coal and Power Project will ultimately receive approval, although until that approval is received there is significant 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 £38,387,000 as at 30 June 2016.

Going concern

During the previous financial year GCM secured a £3 million convertible loan facility from a private company, to be drawn down upon as required. GCM has utilised £510,000 of the facility to date but it has not been possible to draw down further funds under the terms of the agreement. As a result, the Company has been in discussions with a new investor, a private investment company, with a view to taking over the remainder of the undrawn facility. The new investor has demonstrated its commitment by lending £608,000 to date in accordance with the terms of the convertible loan facility while negotiations continue. GCM also has in place a temporary loan facility of £1,100,000 from its largest shareholder, Polo Resources Limited, of which £250,000 has been utilised to date.

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:

- The drawdowns from the temporary loan facility with Polo Resources Limited will continue in a consistent and timely manner as and when requested by GCM and that the facility will not be withdrawn;
- A revised convertible loan facility will be successfully agreed with the new investor, including an extension from its current repayment date of 30 June 2017, if not converted. Conversion is outside GCM's control;
- Drawdowns from the new investor under the remaining facility of £1.88 million will be received in a consistent and timely manner as and when requested by GCM;
- The £510,000 utilised under the existing convertible loan facility, repayable on 30 June 2017, will be extended if not converted by the holder; and
- Should any of the above assumptions not be sufficiently achieved, funding from alternative sources will be obtained.

In addition, in the longer term, upon achieving approval of the Phulbari Coal and Power Project additional financial resources will be required to proceed with development.

While the Directors remain confident that necessary funds will be available as and when required, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal and Power Project have been prepared and, taking into account a number of factors, the Directors have satisfied themselves that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. Accordingly 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.

Use of assumptions and estimates

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

If an impairment trigger under IFRS 6 is identified and intangibles are tested for impairment, 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. Refer to "Political and economic risks – carrying value of intangible asset" section on page 18 for further details in respect of the recoverability of intangible mining assets.

Share based payments

Note 16 outlines the significant assumptions made when accounting for options and conditional shares. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to the income statement.

Basis of consolidation

The Group financial statements consist of the consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in preparation of the consolidated financial statements are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

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.

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.

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 carrying amount exceeds the recoverable amount. 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 unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. 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 assets

Financial assets are classified in accordance with IAS 39. The Group 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:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified as financial assets at fair value through profit or loss, held-to-maturity assets, or loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised, or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values
The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

The fair value of financial instruments is determined and disclosed using the following hierarchy of valuation techniques:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

Impairment of financial assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the income statement. An available-for-sale investment is impaired when there is a significant or prolonged diminution in fair value of the asset.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Convertible loan
The component of the convertible loan that exhibits characteristics of a liability is recognised as a liability in the balance sheet net of transaction costs. On drawdown of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan; and this amount is classified as a financial liability at amortised cost until it is extinguished on conversion or repaid. The remainder of the proceeds is allocated to the conversion option

that is recognised and included in shareholders equity net of transaction costs. The carrying amount of the conversion options is not re-measured in subsequent years.

The transaction costs are apportioned between the liability and equity components of the convertible loan based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Interest on the liability component of the instrument is determined using the effective interest method and is recognised as an expense. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other loans and borrowings

All loans and borrowings which are basic 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.

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).

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.

Exceptional items

Exceptional items represent significant items of income and expense that, due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include profit or loss on sale of investments and impairment of investments.

New standards and interpretations applied

There were no new and amended standards and interpretations applied during the year.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

	Effective date	**Adoption date**
International Accounting Standards (IAS / IFRSs)		
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	1 July 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016	1 July 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	1 July 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	1 July 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	1 July 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	1 July 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016	1 July 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016	1 July 2016
Disclosure Initiative (Amendments to IAS 7)	1 January 2017	1 July 2017
Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	1 July 2017
IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 July 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018	1 July 2018
Classification and Measurement of Share Based Transactions (Amendments to IFRS 2)	1 January 2018	1 July 2018
IFRS 16 Leases	1 January 2019	1 July 2019

The Directors do not anticipate that the adoption of the above standards and interpretations will 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

	2016 £000	2015 £000
The operating loss is stated after charging:		
Directors' remuneration (1)	316	316
Share based payments (2)	271	177
Other staff costs (3)	126	125
Operating lease rentals (4)	18	12
Depreciation of property, plant and equipment (5)	-	-
Exchange differences	4	(4)

(1) Total Directors' remuneration for 2016 financial year was £316,000 which was expensed in administrative expenses (2015: £316,000 expensed in administrative expenses).

(2) Total share based payments for the 2016 financial year was £282,000 of which £271,000 was expensed and £11,000 was capitalised to intangibles (2015: £177,000 expensed and £13,000 capitalised).

(3) Other staff costs for 2016 financial year were £350,000 of which £126,000 was expensed in administrative expenses and £224,000 capitalised (2015: £125,000 expensed in administrative expenses, £10,000 expensed in exploration and evaluation costs and £199,000 capitalised).

(4) Operating lease rental costs for 2016 financial year were £146,000 of which £18,000 was expensed and £128,000 capitalised (2015: £132,000 of which £12,000 was expensed and £120,000 capitalised).

(5) Total depreciation for 2016 was £5,000 which was capitalised to intangibles (2015: £3,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £40,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2015: £75,000).

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.

	2016 £000	2015 £000
Audit of the financial statements	48	45
Audit of subsidiaries	9	8
Total audit	57	53
Total fees	57	53

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

	2016 £000	2015 £000
Amounts paid for Directors' services		
Amounts paid for Directors' services	316	316

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report on page 9.

	2016 £000	2015 £000
Staff costs		
Wages and salaries[1]	336	319
Social security costs	14	15
	350	334

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2016 Number	2015 Number
Exploration and evaluation	18	17
Administration	5	5
	23	22

6. Taxation

Reconciliation of the tax charge in the income statement

	2016 £000	2015 £000
(Loss) on ordinary activities before tax	(1,043)	(937)
UK corporation tax @ 20% (2016) and 20.75% (2015)	(209)	(194)
Unrecognised deferred tax assets during the year	105	113
Non-deductible expenditure	104	81
Total tax expense reported in the income statement	-	-

Unrecognised deferred tax assets

	2016 £000	2015 £000
Deferred tax asset		
Tax losses carried forward	2,087	1,982
Impairment	939	939
Other	1	1
	3,027	2,922
Less: deferred tax assets de-recognised	(3,027)	(2,922)
	-	-

At 30 June 2016 tax losses for which a deferred tax asset was not recognised amounted to £10,436,000 (2015: £9,911,000). 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. Earnings per share

	2016 £000	2015 £000
(Loss) for the year	(1,043)	(937)
	Thousands	**Thousands**
Weighted average number of shares		
Basic and diluted weighted average number of shares	62,861	62,861
(Loss) per share		
Basic (pence per share)	(1.7p)	(1.5p)
Diluted (pence per share)	(1.7p)	(1.5p)

There are 16,440,578 potentially dilutive options and shares convertible from a convertible loan over the Ordinary Shares at 30 June 2016 (2015: 11,243,006), which are not included in the calculation of diluted earnings per share in 2016 because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

8. Receivables

	2016	2015
	£000	£000
Current		
Related party accrued receivable	-	94
Unamortised transaction costs	94	80
Prepayments	32	30
Other receivables	10	9
	136	213
Non-current		
Unamortised transaction costs	-	60
	-	60

9. Property, plant and equipment

	Buildings	Plant and equipment	Vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 July 2014	77	258	17	352
At 30 June 2015	77	258	17	352
Additions	-	2	-	2
Disposals	-	(3)	-	(3)
At 30 June 2016	77	257	17	351
Depreciation				
At 1 July 2014	(45)	(255)	(17)	(317)
Depreciation during the year	(1)	(2)	-	(3)
At 30 June 2015	(46)	(257)	(17)	(320)
Depreciation during the year	(4)	(1)	-	(5)
Disposals	-	3	-	3
At 30 June 2016	(50)	(255)	(17)	(322)
Net book value at 30 June 2016	27	2	-	29
Net book value at 30 June 2015	31	1	-	32

10. Intangible assets

	Exploration & evaluation expenditure	Mineral rights	Total
	£000	£000	£000
At 1 July 2014	36,006	1,147	37,153
Additions – exploration & evaluation	579	-	579
At 30 June 2015	36,585	1,147	37,732
Additions – exploration & evaluation	655	-	655
Cost and net book value at 30 June 2016	37,240	1,147	38,387
Cost and net book value at 30 June 2015	36,585	1,147	37,732

The mineral rights will be amortised over the licence period (including extensions) once commercial production commences at the Phulbari Coal and Power Project.

11. Financial assets

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 2016	2015
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%
GCM Resources Singapore Pte Ltd	Singapore	100%	100%
Asia Energy (Bangladesh) Pvt Ltd	Bangladesh	100%	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	37%	37%

The investment in PeoplesTel has been accounted for as an available-for-sale financial asset as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

12. Payables

	2016	2015
	£000	£000
Trade payables	286	274
Related party accrued payable	248	-
Transaction costs payable	150	150
	684	424

Refer to note 19 for details of the related party accrued payable.

13. Borrowings

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

	2016 £000	2015 £000
Convertible loan	964	152
Temporary loan from related party	100	-
	1,064	152

Refer to note 19 for details of the temporary loan from related party.

Convertible loan

	2016 £000	2015 £000
Recognition of convertible loan during the year		
Fair value of liability component on initial recognition	782	158
Equity component	136	42
Consideration received during the year	918	200
Movement in convertible loan liability component		
Opening balance	152	-
Liability components of drawdowns on initial recognition	782	158
Amortised transaction costs	(39)	(7)
Effective interest	69	1
Liability as at 30 June	964	152
Movement in convertible loan equity component		
Opening balance	40	-
Equity components of drawdowns on initial recognition	136	42
Amortised transaction costs	(7)	(2)
Equity component as at 30 June	169	40

The convertible loan facility allows the Company to drawdown funds up to £3 million at the Company's request and must be repaid by 30 June 2017 if not previously converted to shares or previously repaid. There is no interest payable on the Convertible Loan. The Lender has the right to convert the outstanding balance of the loan at any time during the loan period at a conversion price of £0.11 per share, provided that the Lenders interest in the Company does not reach 30% of the Company's issued capital.

Interest charged to the income statement is determined using the effective interest method at the weighted average rate of 16% (2015: 14.82%).

14. Commitments

Operating lease commitments
The Group has entered into operating leases on land and buildings, vehicles and office equipment. The duration of the leases are between 1 and 5 years. Future minimum rentals on these operating leases are as follows:

	2016 £000	2015 £000
Operating leases expiring:		
Within one year	89	82
After one year but not more than five years	1	18
	90	100

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 (£4.86 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.

15. Authorised and issued share capital

	2016 Thousands	2015 Thousands	2016 £000	2015 £000
Authorised				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
Allotted, called up and fully paid				
At 1 July	62,861	62,861	6,286	6,286
At 30 June	62,861	62,861	6,286	6,286

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.

Reserves
Share capital
The balance held in share capital relates to the nominal net proceeds on issue of the Company's equity share capital, comprising £0.10 ordinary shares.

Share premium account
The share premium account represents the premium received over the nominal value of ordinary shares on issue of the Company's equity. The share premium account has been reduced by expenditure associated with issuing shares such as listing costs.

Other reserves
This reserve records the equity component of conditional shares awarded which have not yet been settled and the equity component of the convertible loan (refer to note 13).

	2016 £000	2015 £000
Share based payments not settled	609	598
Convertible loan equity component	173	40
	782	638

16. Share based payments

The charge for share based payments during the year is shown in the following table:

	2016 £000	2015 £000
Charged to the income statement		
Options awarded during current financial year	6	23
Options awarded during previous financial year	120	125
Modified options during previous financial year	161	29
Forfeited options	(16)	-
	271	177
Charged to intangibles		
Conditional shares	11	13
	11	13

Options

Options are issued to incentivise Directors and other senior executives. When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

During the financial year ended 30 June 2016 950,000 options with a recognised fair value at grant date of £28,000 were forfeited prior to vesting and accordingly the fair value was credited against the share based payments expense.

Options awarded during current financial year

200,000 options were granted during the year ended 30 June 2016 with a fair value of £0.0288 per option at grant date. The total cost of the options granted was £6,000 which was expensed during the year.

The fair values of the options granted were determined using the Black-Scholes model. The following table lists the inputs to the model.

Grant date	25 November 2015
Share price at grant date	£0.0725
Expiry date	31 May 2020
Vesting period	0.10 years
Expected term	2.32 years
Exercise price	£0.11
Risk free rate	0.744%
Expected volatility	88%
Expected dividend yield	0%
Options	200,000

Options awarded during previous financial year

2,625,000 options were granted during the year ended 30 June 2015 with a fair value of £0.0592 per option at grant date. The total cost of the options granted was £155,000 which has been expensed over the vesting period of the options. Accordingly, £23,000 was expensed during the year ended 30 June 2015 and a further £132,000 was expensed during the current financial year.

The fair values of the options granted were determined using the Black-Scholes model. The following table lists the inputs to the model.

Grant date	29 May 2015
Share price at grant date	£0.1088
Expiry date	31 May 2020
Vesting period	0.60 years
Expected term	2.81 years
Exercise price	£0.11
Risk free rate	0.885%
Expected volatility	88%
Expected dividend yield	0%
Options	2,625,000

Modified options during previous financial year

During the previous financial year the terms of 8,050,000 options were amended to reduce the exercise price to 11p per option, extend the vesting period to 1 January 2016 and the date of expiry to 31 May 2020. The incremental fair value as a result of the modifications was £190,000 which has been expensed over the amended vesting period of the options. Accordingly £29,000 was expensed during the year ended 30 June 2015 and a further £161,000 was expensed during the current financial year.

The fair values of the options granted were determined using the Black-Scholes model. The following table lists the weighted average inputs to the model.

	Original terms	Modified terms
Exercise price	£0.213	£0.11
Vesting period	Nil	0.60 years
Expected term	1.92 years	2.81 years
Risk free rate	0.694%	0.885%
Expected volatility	92%	88%
Expected dividend yield	0%	0%

Movement in options

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

	2016 Options Thousands	**2016 WAEP**	**2015 Options Thousands**	**2015 WAEP**
At 1 July	12,175	£0.42	11,930	£0.42
Options granted	200	£0.11	2,625	£0.11
Expired options	(1,500)	£0.40	(2,380)	£1.15
Options forfeited	(950)	£0.11	-	-
Outstanding at 30 June	9,925	£0.11	12,175	£0.15
Exercisable at 30 June	9,925	£0.11	1,500	£0.40

The options outstanding at 30 June 2016 have an exercise price of £0.11 (2015: £0.11 to £0.40) and a weighted average contractual life of 3.9 years (2015: 4.4 years).

Conditional shares scheme

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

Movement in non-vested conditional shares:

	2016 Thousands	**2015 Thousands**
At 1 July	313	313
30 June	313	313

The grant details of the conditional shares outstanding as at 30 June 2016 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6.32	60
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	208
		313

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2016 is £609,000 (2015: £598,000) 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 £11,000 for the year ended 30 June 2016 is directly attributable to the Phulbari Coal and Power Project, and accordingly capitalised to intangibles on this basis (2015: £13,000).

17. 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, a convertible loan and a temporary loan from a related party. Trade payables are recognised at fair value on initial recognition and subsequently measured at amortised cost. The fair value of the liability component of the convertible loan at initial recognition is measured at fair value, determined as the present value of future cash flows, discounted at estimated market rates. The temporary loan was recognised based on the present value of cash payable to the lender. As the temporary loan is a short-term interest free loan 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:

	2016 £000	2015 £000
Floating rate – within 1 year		
Cash and cash equivalents	-	1

Other financial instruments of the Group are non-interest bearing and are therefore not subject to interest rate risk. Non-interest bearing cash and cash equivalents as at 30 June 2016 was £194,000 (2015: £168,000).

Credit risk
The Group considers the credit ratings of banks in which it holds funds in order to manage exposure to credit risk. The maximum credit risk at 30 June 2016 was as follows:

	2016 £000	2015 £000
Cash and cash equivalents	194	169

Liquidity risk
The Group ensures that it has sufficient cash to meet all its commitments when required. The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2016 and 2015.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	1 – 2 years £000	Total £000
2016					
Payables	71	16	597	-	684
Borrowings	-	-	1,218	-	1,218
	71	16	1,815	-	1,902
2015					
Payables	199	20	205	-	424
Borrowings	-	-	-	200	200
	199	20	205	200	624

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 2016 £000	Book value 2015 £000	Fair value 2016 £000	Fair value 2015 £000
Financial assets					
Cash and cash equivalents		194	169	194	169
Receivables	Loans and receivables	10	9	10	9
Financial liabilities					
Creditors	Amortised cost	684	424	684	424
Borrowings	Amortised cost	1,064	152	1,064	152

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.

Fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
2016				
Available-for-sale financial asset	-	-	-	-
Borrowings	-	-	1,064	1,064
2015				
Available-for-sale financial asset	-	-	-	-
Borrowings	-	-	152	152

The Group holds one available-for-sale financial asset, being shares in a private company domiciled in Bangladesh, which is categorised in level 3 of the fair value hierarchy and has been recorded at the lower of cost and net realisable value, as fair value is not capable of reliable measurement due to uncertainty on the recoverability of the investment. The Company will retain the investment for the foreseeable future.

Borrowings comprise of the liability component of the convertible loan and a temporary loan. The liability component of the convertible loan is categorised in level 3 of the fair value hierarchy (unobservable inputs). The fair value is estimated at the present value of future cash flows, discounted at estimated market rates. Market rates have been estimated by comparing rates charged to similar sized companies within the same industry. The temporary loan is categorised in level 3 of the fair value hierarchy (unobservable inputs). The fair value is estimated as the present value of cash payable to the lender. As the temporary loan is a short-term interest free loan the present value of the cash payable is equal to the principal value of the loan.

18. Contingent liabilities

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.

19. Related Party Transactions

Key management personnel

	2016 £000	2015 £000
Short-term benefits	530	581
Share based payments	274	177
	804	758

Other

On the 8 December 2015 the Company received an unsecured temporary loan of £100,000 from Polo Resources Limited (Polo), a company which holds 27.83% of the issued shares of the Group and in which the Executive Chairman Datuk Michael Tang PJN is a director. The terms of the temporary loan requires repayment within 30 days of receiving notice from Polo and no interest is payable. Refer to note 13. Subsequent to the financial year ended the terms of the temporary loan were modified to increase the loan facility by £1,000,000 (£390,000 on 23 August 2016 and £610,000 on 16 November 2016), *charge 12% per annum and increase the notice period of repayment to 90 days. The Company also received* reimbursement for expenditure of £105,000 from Polo during the year, of which £94,000 had been recorded as an accrued receivable as at 30 June 2015. Refer to note 8.

During the year Datuk Michael Tang PJN, Executive Chairman of the Company, offered to defer payment of his management services remuneration until further notice in order to assist the Company. As at 30 June 2016 the amount of £248,000 was owing to the management services company of Datuk Michael Tang PJN. Refer to note 12.

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the group financial statements of GCM Resources plc for the year ended 30 June 2016 which comprise the Consolidated Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of mining assets

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks- carrying value of intangible asset" section of note 1 to the financial statements concerning the significant uncertainty over the recoverability of the Group's intangible exploration assets. GCM has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, intangible assets included in the balance sheet at £38,387,000 would be fully impaired. The ultimate outcome of these matters cannot be determined at present and no impairment has been recorded in respect of the intangible exploration assets in the financial statements.

Emphasis of matter – going concern

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The conditions as explained in note 1 to the financial statements indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Other matter

We have reported separately on the parent company financial statements of GCM Resources plc for the year ended 30 June 2016. That report includes emphasis of matters in respect of the recoverability of investments and going concern.

Ernst & Young LLP

William Binns
Senior statutory auditor
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 November 2016

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GCM Resources plc

Company Financial Statements 2016

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 parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 and of the profit or loss of the Company for that period. 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 applicable UK Accounting Standards have been followed, 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.

Statement of Changes in Equity

For the year ended 30 June

	Share capital	Share premium account	Share based payments not settled	Convertible loan equity component	Accumulated losses	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 July 2014	6,286	45,286	585	-	(10,423)	41,734
Total comprehensive loss	-	-	-	-	(726)	(937)
Drawdown of convertible loan	-	-	-	40	-	40
Share based payments	-	-	13	-	177	190
Balance at 30 June 2015	6,286	45,286	598	40	(10,972)	41,238
Total comprehensive loss	-	-	-	-	(865)	(865)
Drawdown of convertible loan	-	-	-	129	-	129
Share based payments	-	-	11	-	271	282
Balance at 30 June 2016	6,286	45,286	609	169	(11,566)	40,784

Company Balance Sheet

As at 30 June

	Notes	2016 £000	2015 £000
Current assets			
Cash and cash equivalents		189	95
Debtors	5	117	197
Security deposit		3	3
Total current assets		309	3295
Non-current assets			
Investments	6	42,025	41,298
Debtors	5	-	60
Total non-current assets		42,025	41,358
Total assets		42,334	41,653
Current liabilities			
Payables	7	(486)	(263)
Borrowings	8	(1,064)	-
Total current liabilities		(1,550)	(263)
Non-current liabilities			
Borrowings	8	-	(152)
Total non-current liabilities		-	(152)
Total liabilities		(1,550)	(415)
Net assets		40,784	41,238
Equity			
Share capital	10	6,286	6,286
Share premium account	10	45,286	45,286
Other reserves	10	778	638
Accumulated losses		(11,566)	(10,972)
Total equity		40,784	41,238

Datuk Michael Tang PJN
Executive Chairman
17 November 2016

The parent company recorded a loss of £865,000 for the year ended 30 June 2016 (2015: loss of £726,000).

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 17 November 2016.

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.

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 2016. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

Transition of accounting framework

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. The Company has early adopted SI 2015/980 amendment applicable for annual periods beginning 1 January 2016 or thereafter. Transition tables showing all material adjustments are disclosed in note 12. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment:
(b) the requirements of IFRS 7 *Financial Instruments: Disclosures,*
(c) the requirements of paragraphs 91-99 of IFRS *13 Fair Value Measurement*
(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1.
(e) the requirements of paragraphs 10(d), 10(f) 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
(f) the requirements of IAS 7 Statement of Cash Flows;
(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(h) the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
(i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(j) the requirements of paragraphs 130 (f) (ii)-(iii), 134(d)-134(f) and 135(c) to (e) of IAS 36 Impairment of Assets,
(k) the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6 to 21 to present an opening statement of financial position at transition.

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 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 of Bangladesh. 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 Bangladesh 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.

The Directors are confident that the Phulbari Coal and Power Project will ultimately receive approval, although until that approval is received there is significant 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 £42,005,000 at 30 June 2016.

Going concern

During the previous financial year GCM secured a £3 million convertible loan facility from a private company, to be drawn down upon as required. GCM has utilised £510,000 of the facility to date but it has not been possible to draw down further funds under the terms of the agreement. As a result, the Company has been in discussions with a new investor, a private investment company, with a view to taking over the remainder of the undrawn facility. The new investor has demonstrated its commitment by lending £608,000 to date in accordance with the terms of the convertible loan facility while negotiations continue. GCM also has in place a temporary loan facility of £1,100,000 from its largest shareholder, Polo Resources Limited, of which £250,000 has been utilised to date.

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:

- The drawdowns from the temporary loan facility with Polo Resources Limited will continue in a consistent and timely manner as and when requested by GCM and that the facility will not be withdrawn;
- A revised convertible loan facility will be successfully agreed with the new investor, including an extension from its current repayment date of 30 June 2017, if not converted. Conversion is outside GCM's control;
- Drawdowns from the new investor under the remaining facility of £1.88 million will be received in a consistent and timely manner as and when requested by GCM;
- The £510,000 utilised under the existing convertible loan facility, repayable on 30 June 2017, will be extended if not converted by the holder; and
- Should any of the above assumptions not be sufficiently achieved, funding from alternative sources will be obtained.

In addition, in the longer term, upon achieving approval of the Phulbari Coal and Power Project additional financial resources will be required to proceed with development.

While the Directors remain confident that necessary funds will be available as and when required, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal and Power Project have been prepared and, taking into account a number of factors, the Directors have satisfied themselves that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. Accordingly 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.

Use of assumptions and estimates

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 under IAS 36 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" section on page 41 for further details in respect of the recoverability of the investment in subsidiaries.

Financial assets
Financial assets are classified in accordance with IAS 39. 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:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified as financial assets at fair value through profit or loss, held-to-maturity assets, or loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised, or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values
The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

Impairment of financial assets
The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the income statement. An available-for-sale investment is impaired when there is a significant or prolonged diminution in fair value of the asset.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Convertible loan
The component of the convertible loan that exhibits characteristics of a liability is recognised as a liability in the balance sheet net of transaction costs. On drawdown of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan; and this amount is classified as a financial liability at amortised cost until it is extinguished on conversion or repaid. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders equity net of transaction costs. The carrying amount of the conversion options is not re-measured in subsequent years.

The transaction costs are apportioned between the liability and equity components of the convertible loan based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Interest on the liability component of the instrument is determined using the effective interest method and is recognised as an expense. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other loans and borrowings
All loans and borrowings which are basic 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.

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).

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

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

2. Correction of an error

In the preparation of the Company financial statements a prior year accounting error has been identified in relation to the presentation of funds contributed to the Company's subsidiaries. In prior financial statements the balance of funds contributed to subsidiaries has been presented on the Company's balance sheet as "loan to subsidiaries". However, as there are no loan agreements or repayment terms the funds are not repayable. Accordingly, the amounts contributed should have been classed as a capital contribution and recorded as part of the investment in the Company's subsidiaries.

The following is an extract of the Company's most recent financial statements (for the year ended 30 June 2015) before correction of the error.

	2015	2014
	£000	£000
Fixed Assets		
Investments	1,948	1,935
Loans to subsidiaries	39,350	38,588

After the retrospective correction to the prior period accounting error, the extract to the Company's most recent financial statements is as follows:

	2015	2014
	£000	£000
Fixed Assets		
Investments	41,298	40,523

As the error relates only to classification of prior year Balance Sheet items, there has been no effect on the Company's Statement of Changes in Equity.

3. Auditor's remuneration

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

	2016	2015
	£000	£000
Audit of the Company financial statements	10	10

4. Taxation

Reconciliation of the tax charge in the income statement

	2016 £000	2015 £000
(Loss) on ordinary activities before tax	(865)	(726)
UK corporation tax @ 20% (2016) and 20.75% (2015)	(173)	(151)
Unrecognised deferred tax assets during the year	105	114
Non-deductible expenditure	68	37
Total tax expense reported in the income statement	-	-

Unrecognised deferred tax assets

	2016 £000	2015 £000
Deferred tax asset		
Tax losses carried forward	1,900	1,795
Impairment	939	939
Other	1	1
	2,840	2,735
Less: deferred tax assets de-recognised	(2,840)	(2,735)
	-	-

At 30 June 2016 tax losses for which a deferred tax asset was not recognised amounted to £9,500,000 (2015: £8,976,000). 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.

5. Debtors

	2016 £000	2015 £000
Current debtors		
Unamortised transaction costs	94	80
Prepayments	19	18
Other debtors	4	5
Related party accrued receivable	-	94
	117	197
Non-current debtors		
Unamortised transaction costs	-	60
	-	60

6. Investments

	2016 £000	2015 £000
Subsidiary undertakings at cost		
Opening balance	41,298	40,523
Additions	727	775
As at 30 June	42,025	41,298
Carrying amount as at 30 June	42,025	41,298

Additions represent monies advanced to the Company's subsidiaries from the Company through inter-company funding. The funding has been identified and accounted for as an equity instrument under *IAS 32 Financial Instruments: Presentation*, as there are no repayment terms.

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 2016	2015
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%
GCM Resources Singapore Pte Ltd	Singapore	100%	100%
Asia Energy (Bangladesh) Pvt Ltd	Bangladesh	100%	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd	Bangladesh	37%	37%

The investment in Peoples Telecommunication and Information Services Ltd has been accounted for as an available-for-sale financial asset as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

7. Payables

	2016 £000	2015 £000
Trade payables	88	113
Related party accrued payable	248	-
Transaction costs payable	150	150
	486	263

8. Borrowings

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

	2016 £000	2015 £000
Convertible loan	964	152
Temporary loan from related party	100	-
	1,064	152

Convertible loan

	2016 £000	2015 £000
Recognition of convertible loan during the year		
Fair value of liability component on initial recognition	782	158
Equity component	136	42
Consideration received during the year	918	200
Movement in convertible loan liability component		
Opening balance	152	-
Liability components of drawdowns on initial recognition	782	158
Amortised transaction costs	(39)	(7)
Effective interest	69	1
Liability as at 30 June	964	152
Movement in convertible loan equity component		
Opening balance	40	-
Equity components of drawdowns on initial recognition	136	42
Amortised transaction costs	(7)	(2)
Equity component as at 30 June	169	40

The convertible loan facility allows the Company to drawdown funds up to £3 million at the Company's request and must be repaid by 30 June 2017 if not previously converted to shares or previously repaid. There is no interest payable on the Convertible Loan. The Lender has the right to convert the outstanding balance of the loan at any time during the loan period at a conversion price of £0.11 per share, provided that the Lenders interest in the Company does not reach 30% of the Company's issued capital.

Interest charged to the income statement is determined using the effective interest method at the weighted average rate of 16% (2015: 14.82%).

9. Commitments

Operating lease commitments
As at 30 June 2016, the Company had an operating lease on premises, which has a duration of less than one year.

	2016 £000	2015 £000
Operating leases expiring:		
Within one year	19	14
After one year but not more than five years	-	-
	19	14

10. Authorised share capital

	2016 Thousands	2016 £000
Authorised		
Ordinary shares of 10p each	200,000	20,000
Allotted, called up and fully paid		
At 1 July	62,861	6,286
Shares issued	-	-
At 30 June	62,861	6,286

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.

Reserves

Share capital

The balance held in share capital relates to the nominal net proceeds on issue of the Company's equity share capital, comprising £0.10 ordinary shares.

Share premium account

The share premium account represents the premium received over the nominal value of ordinary shares on issue of the Company's equity. The share premium account has been reduced by expenditure associated with issuing shares such as listing costs.

Other reserves

This reserve records the equity component of conditional shares awarded which have not yet been settled and the equity component of the convertible loan (refer to note 8).

11. Related Party Transactions

On the 8 December 2015 the Company received a temporary loan of £100,000 from Polo Resources Limited (Polo), a company which holds 27.83% of the issued shares of the Group and in which the Executive Chairman Datuk Michael Tang PJN is a director. The terms of the temporary loan requires repayment within 30 days of receiving notice from Polo and no interest is payable. Refer to note 8. Subsequent to the financial year ended the terms of the temporary loan were modified to increase the loan facility by £1,000,000 (£390,000 on 23 August 2016 and £610,000 on 16 November 2016), charge 12% per annum and increase the notice period of repayment to 90 days. The Company also received reimbursement for expenditure of £105,000 from Polo during the year, of which £94,000 had been recorded as an accrued receivable as at 30 June 2015. Refer to note 5.

During the year Datuk Michael Tang PJN, Executive Chairman of the Company, offered to defer payment of his management services remuneration until further notice in order to assist the Company. As at 30 June 2016 the amount of £248,000 was owing to the management services company of Datuk Michael Tang PJN.

12. Transition to FRS101

For all periods up to and including the year ended 30 June 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 30 June 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 July 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards", except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position and the date of transition.

There has been no material recognition or measurement differences on adoption of FRS 101.

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for 30 June 2015 year ends retrospectively. The Company has taken advantage of the following exemption: IFRS 2 *Share based payment* has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 July 2006. This is treatment is consistent with the transitional provisions taken when the company adopted FRS 20, the UK equivalent standard.

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the parent company financial statements of GCM Resources plc for the year ended 30 June 2016 which comprise the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of investment

In forming our opinion on the Parent Company's financial statements, which is not modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks- carrying value of investments" section of note 1 to the Parent Company financial statements concerning the significant uncertainty over the recoverability of the Company's investment in Asia Energy Corporation (Bangladesh) Pty Limited. Asia Energy Corporation (Bangladesh) Pty Limited has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, the investment included in the Parent Company balance sheet with a carrying value totalling £42,005,000 would be fully impaired. The ultimate outcome of these matters cannot be determined at present and no impairment has been recorded in respect of the Company's investment in the financial statements.

Emphasis of matter – going concern

In forming our opinion on the Parent Company's financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the company's financial statements concerning the Parent Company's ability to continue as a going concern. The conditions as explained in note 1 to the financial statements indicate the existence of material uncertainties which may cast significant doubt about the Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Parent Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion 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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Other matter
We have reported separately on the group financial statements of GCM Resources plc for the year ended 30 June 2016. That report includes emphasis of matters in respect of the recoverability of mining assets and going concern.

Ernst & Young LLP

William Binns
Senior statutory auditor
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 November 2016

The maintenance and integrity of ***GCM Resources plc's*** *web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.