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GCM Resources plc

Annual Report and Accounts 2015

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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 Project (the Project) in North-West Bangladesh. GCM is awaiting approval from the Government of Bangladesh to develop the Project.

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Executive Chairman's Statement

The last twelve months have been challenging for the junior mining sector as commodity markets continue to deteriorate and raising new funding has become particularly difficult for any mining company that is not producing.

In contrast to the decline in global demand for coal, Bangladesh, where GCM's operations are located, is expected to see a significant increase in demand for high quality thermal coal in-country as the Government continues to restructure the country's power sector towards coal. As discussed on page 4 the Bangladesh Government plans to generate over 19,000MW from coal by 2030, and is currently considering coal-fired power plants with a combined generation capacity of 13,316MW. While the current plans assume coal is imported there is a strong case for the country to use its own indigenous resources.

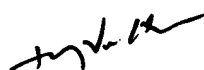
The Company agreed a two year £3 million convertible loan facility on 29 May 2015 which may be drawn down as and when required and will assist in financially supporting GCM's activities as it continues to pursue approval of the Phulbari Coal Project (the Project). As at 30 June 2015 GCM had drawn down £0.2 million from the convertible loan facility (£0.51 million at 19 November 2015). While achieving approval continues to be a challenge, the Board believes that it is in the best interests of all stakeholders that the Project is developed. To this end the Board's strategy is to present the Project to the satisfaction of the Government of Bangladesh and to secure an agreement that meets the objectives of both parties.

Understanding the importance of local community support the Company has continued its engagement activities throughout the year, retaining a working relationship with community leaders and understanding the views of local residents from a diverse range of backgrounds. As discussed further on page 5 the Company has met around 2,500 people since it first started its re-engagement activities in late 2012.

Finally, we saw the successful closure of the OECD examination on 10 September 2015 after a thorough and impartial examination which first started in December 2012. Despite this result we understand that there will continue to be some who will remain opposed to the Project. I reiterate our commitment that the Project developed by GCM will be undertaken with integrity and fairness for all stakeholders, and in adherence to the highest international and national environmental and social standards. The Project can be a catalyst for economic growth and social development both within the region and throughout the country and I look forward to making progress towards its implementation for the benefit of all stakeholders.

Our financial results reflect our focus on keeping costs under control while pursuing Project approval. The Group incurred a loss of £0.9 million for the year ended 30 June 2015 compared to £1.3 million last financial year and £3.2 million in 2013. Project related expenditure of £0.6 million for the year was also kept at a minimum (2014: £0.8 million).

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 continued perseverance and support during these challenging times.



Michael Tang
Executive Chairman

Group Strategic Report

Business & Strategy

GCM Resources, through its subsidiary, has a contract with the Government of Bangladesh to explore, develop and mine coal in a number of licence areas in North-West Bangladesh. The Company's proposal, called the Phulbari Coal Project (the Project), includes a 35 year coal mine producing up to 15 million tonnes per annum of high quality thermal coal as well as coal fired power plants. Upon development the Project will make a significant economic and social contribution to the region as well as the country.

GCM's Definitive Feasibility Study and Scheme of Development, completed in 2005, pulls together 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 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.

572 million tonnes of high quality coal (2004 JORC code) has been defined within the licence areas held by GCM; a resource that when utilised can greatly assist the Government's plans of delivering substantial and much needed coal fired power generation to the people and businesses of Bangladesh.

While the global market for natural resources has suffered a severe downturn in recent years, Bangladesh's in-country demand of high quality thermal coal is set to increase significantly. Understanding the need to re-structure the country's power sector, the Government of Bangladesh adopted the Power System Master Plan of 2010 (PSMP). The PSMP sets out the roadmap to create a diversified energy sector, including 19,000MW of power generation from coal by 2030 from its current starting point of 250MW. Under the Government's strategy, coal-fired power generation projects would first rely on imported coal and locally sourced coal would be utilised thereafter.

Despite some frustrations and delays the PSMP is being implemented. The Government currently has plans for 18 coal-fired power plants which will have a combined generation capacity of 13,316MW when operational. While these power plants are intended to rely on coal sourced outside the country, there is a lack of necessary infrastructure to handle the 39 million tonnes per annum of high quality thermal coal that would be required to supply the 18 coal-fired power plants. The Project could support the Government's plans by supplying up to 15 million tonnes per annum of high quality thermal coal sufficient to support a generating capacity of 4,000MW.

GCM has the only large scale coal mining proposal in the country which has undertaken a comprehensive Definitive Feasibility Study and Scheme of Development, as well as an Environmental and Social Impact Assessment approved by the Department of Environment. As such out of the five coal areas in Bangladesh identified by the Government, the Company's Project is best placed to significantly support the Government's objectives of power sector development.

GCM's business is about realising the potential of this key asset in a socially and environmentally cohesive way to achieve positive outcomes for all stakeholders. In order to progress the Project Government approval of the Scheme of Development is needed. The challenge, and part of the Board's strategy, is to present the proposal in an agreeable manner to meet the desired outcomes of the Government. To this end GCM continues to have discussions with the Government. The Company is also in discussions with potential partners who may assist GCM in fulfilling its goals.

An important part of the Company's strategy is to develop and enhance the relationship with the local communities in North-West Bangladesh. GCM recognises the value of retaining a social licence as the Project moves from approval, to development through to operation. The Company will continue to be active throughout the region and will work extensively with local communities to understand their needs and views, and update the Company's plans as necessary.

Year in review

The Company has continued its discussions with the Government of Bangladesh throughout the year, explaining the positive role the Project could play in developing the country's power sector. We have sought to open new channels of communication and at the same time searched for a partnership which may assist the approval and/or development process.

The Government of Bangladesh is now considering, or has contracted 18 coal-fired power plants, which have the combined capacity generation of 13,316MW. Over the last twelve months the Government has focused on government-to-

Government opportunities and are currently discussing joint venture projects with Malaysia, India, China, South Korea, and Singapore which have a combined generation capacity of 7,300MW.

During the year the Company continued to visit local communities throughout the proposed project area to discuss the Project, and understand their views. GCM has met around 2,500 people since it commenced its re-engagement strategy. Participants have reflected the diversity of the broader community and have included community and political leaders. Local business representatives, NGOs, youth groups, farmers and members of the indigenous community.

The Company saw the successful closure of the OECD examination on 10 September 2015 ending a two and a half year process. The OECD's UK Branch, the National Contact Point (NCP), published its report on the examination in November 2014 which found overwhelmingly in favour of the Company. In its September 2015 Follow-Up Statement, the NCP reported that there were no changes to the findings published in November 2014. It also confirmed there was no basis to find GCM's actions either inadequate or inappropriate to the nature and context of the Company's operations. GCM has reiterated its commitment to developing the Project in accordance with the highest international and national environmental and social standards.

Finance review

During the year the Board of Directors secured a two year £3 million convertible loan facility which expires in June 2017. The terms of the agreement achieved are favourable for the Company; an unsecured financing facility, which may be drawn on request and no interest payable on the outstanding balance. In return the lender has the right to convert outstanding balances to GCM's ordinary shares at 11 pence per share at any time during the loan period, provided that its interest does not reach or exceed 30% of the Company's enlarged issued capital. Once converted the shares are locked in for two years. Furthermore GCM has the right to repay the outstanding balance at any time during the loan period and is not restricted from obtaining further funding from other sources. As at 30 June 2015 the unutilised balance of the convertible loan was £2.8 million, £2.49 million as at 19 November 2015. GCM activities will be funded by further drawdowns on the convertible loan facility. If for whatever reason an issue arises with the convertible loan drawdowns and no alternative funding is secured the Group's ability to continue its operations will be affected. The Directors remain confident that necessary funds will be available as and when required. Refer to the going concern section on page 8 for further information.

GCM continued to control its expenditure throughout the year, incurring a loss of £937,000 for the year ended 30 June 2015, down by £365,000 from the previous year (2014: loss of £1,302,000). In addition, capitalised Project expenditure for the year ended 30 June 2015 was £579,000, a reduction of £181,000 from last year (2014: £760,000). Included in the loss for the year was £177,000 of non-cash expenditure related to options awarded to Directors and senior management. Administrative expenses had slightly increased for the year at £688,000 (2014: £633,000). The Company will continue to retain the necessary resources to progress the Company's strategy while keeping expenditure at a minimum.

Corporate Responsibility

Underlying GCM's activities, strategy and plans are the Company's key core values of integrity and fairness to all stakeholders. For the Project to be ultimately successful it is important that GCM continues to be a good corporate citizen and retains a social licence to operate in the host communities.

GCM's values are best demonstrated by its activities to date and the commitments it has made. The Definitive Feasibility Study and Scheme of Development and the Environmental and Social Impact Assessment were prepared in accordance with international best practice at the time, prepared in conjunction with reputable and experienced international consulting firms engaged by the Company.

During the last three years the Company has actively engaged with the community, holding many 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.

The Company has explained the substantial investment that Project development would bring into the communities and the significant opportunities available, including an estimated 17,000 jobs which would be created as a consequence of Project development.

GCM has been consistently transparent about the need to resettle approximately 40,000 people on Project development sites. This will involve 12,000 people moving to a new town extension and the remainder moving to new village sites. 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. Detailed plans are in place to support the

local communities including new housing, religious centres, schools, health centres, electricity, reticulated water supply and improved sanitation.

Only one third of the mine footprint will be needed at any one time, allowing farming to continue prior to utilisation and after rehabilitation. 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.

National benefits will also be substantial, with an estimated average 1% increase in Bangladesh GDP over the life of the Project. Over US\$6 billion will be paid to the Government of Bangladesh in taxes, royalties and service charges and the country will benefit from reduced annual imported coal to supply its planned coal-fired power plants.

GCM reiterates its commitment to developing the Phulbari Coal Project in accordance with the highest international and national environmental and social standards. 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

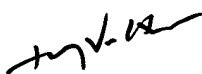
The predominant risks and uncertainties faced by the Company are set out below.

Political and economic – risk that approval of the Scheme of Development is not ultimately forthcoming. 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 hand 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.

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, 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 5.

On behalf of the Board,



Michael Tang
Executive Chairman
24 November 2015

Board of Directors

Executive Director

Michael Tang (*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 Laws 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 a recognition of his invaluable service and contribution to the nation.

Non-Executive Directors

Dato' Md Wira Dani Bin Abdul Daim (*Non-Executive Director*) manages a diverse portfolio of investments. He and his family have interests in mineral resources, real estate and banking spanning Asia, Africa and Australia. Currently, he is the Chairman of ISR Capital Limited and Deputy Chairman of LionGold Corp Limited, both of which are listed on the Singapore Stock Exchange, as well as a Director of a number of private entities. He holds a Bachelor of Arts and a Master of Arts from the University of Cambridge.

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. Raof 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 2015.

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 Project in Bangladesh.

Business review

Phulbari Coal Project

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

Financial resources

As at 30 June 2015 GCM held £169,000 in cash (2014: £1,332,000 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 5.

Financial review

The Group recorded a loss after tax of £937,000 for the year ended 30 June 2015 (2014: loss after tax of £1,302,000). Non-cash expenses of £177,000 were incurred during the year (2014: £575,000).

Capitalised evaluation expenditure relating to the Phulbari Coal Project was £579,000 for the year ended 30 June 2015 (2014: £760,000).

Dividends

The Directors do not recommend the payment of a dividend (2014: nil).

Going concern

GCM relies on its cash as well as committed £3,000,000 convertible loan facility to fund its operating activities. The convertible loan facility was agreed on 29 May 2015 with Revenue Anchor Sdn Bhd, a third party Malaysian private company. As at the 19 November 2015 the Company had drawn down £510,000 from the convertible loan facility. The combined resources available to GCM as at 19 November 2015 were £2,565,000. For at least the next twelve months, the Group's activities will be funded by further drawdowns on the convertible loan facility. If for whatever reason an issue arises with the convertible loan drawdowns and no alternative funding is secured the Group's ability to continue its operations will be affected. While the Directors remain confident that necessary funds will be available as and when required this represents a material uncertainty 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 Project have been prepared and, taking into account a number of factors, including the assumption that approval of the Scheme of Development is not withheld in the next twelve months, the Directors have satisfied themselves that the Group has 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. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

Future outlook

The Group is fully committed to the Phulbari Coal 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 Project is included in the Group Strategic Report starting on page 4.

Principal risks and uncertainties

The Group operates in the mining industry, and in a politically changing and unstable region. These both carry inherent risks associated with them. Not all can be controlled or mitigated by the Group, but at times may have an impact on its performance and reputation. For detailed information please refer to page 6.

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
<i>Executive Directors</i>		
Michael Tang	26 June 2013	-
<i>Non-Executive Directors</i>		
Guy Elliott	26 June 2013	30 September 2015
Dato' Md Wira Dani Bin Abdul Daim	2 October 2013	-

Raof Daud was appointed as a Non-Executive Director on 30 September 2015 and took the place of Guy Elliott.

Amounts paid for services of Directors for the year ended 30 June 2015 were:

	Director fees £	Services £	Total £	2014 £
<i>Executive Directors</i>				
Michael Tang	6,000	297,600 ⁽¹⁾	303,600	215,633
<i>Non-Executive Directors</i>				
Guy Elliott	6,000	-	6,000	6,400
Dato' Md Wira Dani Bin Abdul Daim	6,000	-	6,000	4,500
Neil Herbert	-	-	-	3,000
	18,000	297,600	315,600	229,533

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

The Directors who held office at 30 June 2015, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2015 Shares	2015 Options	2014 Shares	2014 Options
<i>Executive Directors</i>				
Michael Tang	-	7,250,000 ⁽¹⁾	-	5,500,000
<i>Non-Executive Directors</i>				
Guy Elliott	-	950,000 ⁽¹⁾	-	750,000
Dato' Md Wira Dani Bin Abdul Daim	-	950,000 ⁽¹⁾	-	750,000

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

On 29 May 2015 options were awarded to Directors as follows: 1,750,000 options to Michael Tang, 200,000 to Guy Elliott and 200,000 to Dato' Md Wira Dani Bin Abdul Daim. The terms of the awarded options were an exercise price of £0.11, vesting on 1 January 2016 and expiring on 31 May 2020. In addition options previously awarded to Directors were amended to the same terms. 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

The Board consists of one executive director and two non-executive directors. The Board considers that its composition is 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 2015 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. The Audit Committee consists of Raof Daud and Dato' Md Wira Dani Bin Abdul Daim, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

The Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It consists of Raof Daud and Dato' Md Wira Dani Bin Abdul Daim. Non-Executive Directors' remuneration is considered by the Board. Financial packages for the Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another Company.

The Nominations Committee

The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives. The Nominations Committee consists of 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 holds its cash and investments 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 and a convertible loan facility. The Group does not hold other loans, financial leases, or other non-current finance obligations.

	2015	2014
	£000	£000
Cash	169	1,332
Convertible loan facility	2,800	-
Capital	<u>2,969</u>	<u>1,332</u>

Upon approval of the Phulbari Coal 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 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 7. 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.

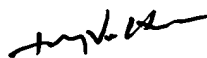
Statement of Directors' responsibilities

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,



Michael Tang
Executive Chairman
24 November 2015

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For year ended 30 June

	Notes	2015 £000	2014 £000
Operating expenses			
Exploration and evaluation costs		(75)	(109)
Share based payments	16	(177)	(570)
Administrative expenses		(688)	(633)
Operating loss	3	(940)	(1,312)
Finance revenue		4	10
Finance costs		(1)	-
Loss before tax		(937)	(1,302)
Taxation	6	-	-
Loss and total comprehensive income for the year		(937)	(1,302)
Loss per share			
Basic (pence per share)	7	(1.5p)	(2.2p)
Diluted (pence per share)	7	(1.5p)	(2.2p)

Consolidated Statement of Changes in Equity

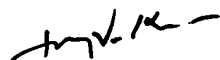
For year ended 30 June

	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 2013	5,115	44,258	588	-	(13,088)	36,873
Total comprehensive loss	-	-	-	-	(1,302)	(1,302)
Shares issued during the year	1,171	1,148	-	-	-	2,319
Share issue transaction costs	-	(120)	-	-	-	(120)
Share based payments	-	-	(3)	-	570	567
Balance at 30 June 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

Consolidated Balance Sheet

As at 30 June

	Notes	2015 £000	2014 £000
Current assets			
Cash and cash equivalents		169	1,332
Receivables	8	213	64
Total current assets		382	1,396
Non-current assets			
Property, plant and equipment	9	32	35
Intangible assets	10	37,732	37,153
Receivables	8	60	-
Total non-current assets		37,824	37,188
Total assets		38,206	38,584
Current liabilities			
Payables	12	(424)	(247)
Total current liabilities		(424)	(247)
Non-current liabilities			
Borrowings	13	(152)	-
Total non-current liabilities		(152)	-
Total liabilities		(576)	(247)
Net assets		37,630	38,337
Equity			
Share capital	15	6,286	6,286
Share premium account	15	45,286	45,286
Other reserves	15	638	585
Accumulated losses		(14,580)	(13,820)
Total equity		37,630	38,337



Michael Tang
Executive Chairman
24 November 2015

Consolidated Cash Flow Statement

For year ended 30 June

	2015 £000	2014 £000
Cash flows from/(used in) operating activities		
(Loss) before tax	(937)	(1,302)
Adjusted for:		
Finance costs	1	-
Finance revenue	(4)	(10)
Share based payments	177	570
Other non-cash expenses	-	5
	(763)	(737)
Movements in working capital:		
(Increase)/decrease in operating receivables	(68)	114
Increase/(decrease) in operating payables	15	(111)
Cash used in operations	(816)	(734)
Interest received	4	10
Net cash used in operating activities	(812)	(724)
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment	-	(1)
Payments for intangible assets	(551)	(849)
Net cash generated from/(used in) investing activities	(551)	(850)
Cash flows from/(used in) financing activities		
Proceeds from convertible loan	200	-
Issue of ordinary share capital	-	2,319
Costs on issue of ordinary share capital	-	(120)
Net cash from financing activities	200	2,199
Total increase in cash and cash equivalents	(1,163)	625
Cash and cash equivalents at the start of the year	1,332	707
Cash and cash equivalents at the end of the year	169	1,332

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 24 November 2015, and the Consolidated Balance Sheet was signed on the Board's behalf by Michael Tang.

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 2015 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 2015.

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 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 £37,732,000 as at 30 June 2015.

Going concern

GCM relies on its cash as well as committed £3,000,000 convertible loan facility to fund its operating activities. The convertible loan facility was agreed on 29 May 2015 with Revenue Anchor Sdn Bhd, a third party Malaysian private company. As at the 19 November 2015 the Company had drawn down £510,000 from the convertible loan facility. The combined resources available to GCM as at 19 November 2015 were £2,565,000. For at least the next twelve months, the Group's activities will be funded by further drawdowns on the convertible loan facility. If for whatever reason an issue arises with the convertible loan drawdowns and no alternative funding is secured the Group's ability to continue its operations will be affected. While the Directors remain confident that necessary funds will be available as and when required this represents a material uncertainty 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 Project have been prepared and, taking into account a number of factors, including the assumption that approval of the Scheme of Development is not withheld in the next twelve months, the Directors have satisfied themselves that the Group has 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. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

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 17 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.

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 a number of new and amended standards and interpretations, however their application did not have any impact on the accounting policies, financial position or performance of the Group.

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
<i>International Accounting Standards (IAS / IFRSs)</i>		
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	1 July 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016	1 July 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	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
IFRS 15 Revenue from Contracts with Customers	1 January 2017	1 July 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018	1 July 2018

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 Project (the Project) in Bangladesh.

3. Operating loss

	2015 £000	2014 £000
The operating loss is stated after charging:		
Directors' remuneration ⁽¹⁾	316	200
Share based payments ⁽²⁾	177	570
Other staff costs ⁽³⁾	125	159
Operating lease rentals ⁽⁴⁾	12	15
Depreciation of property, plant and equipment ⁽⁵⁾	-	1
Exchange differences	(4)	3

(1) Total Directors' remuneration for 2015 financial year was £316,000 which was expensed in administrative expenses (2014: £200,000 expensed in administrative expenses and £30,000 capitalised).

(2) Total share based payments for the 2015 financial year was £190,000 of which £177,000 was expensed and £13,000 was capitalised to intangibles (2014: £570,000 expensed and a credit of £3,000 to intangibles).

(3) Other staff costs for 2015 financial year were £334,000 of which £125,000 was expensed in administrative expenses, £10,000 expensed in exploration and evaluation costs and £199,000 capitalised (2014: £159,000 expensed in administrative expenses, £75,000 expensed in exploration and evaluation costs and £199,000 capitalised).

(4) Operating lease rental costs for 2015 financial year were £132,000 of which £12,000 was expensed and £120,000 capitalised (2014: £181,000 of which £15,000 was expensed and £166,000 capitalised).

(5) Total depreciation for 2015 was £3,000 which was capitalised to intangibles (2014: £8,000 of which £1,000 was expensed and £7,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £75,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2014: £109,000).

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.

	2015 £000	2014 £000
Audit of the financial statements	45	45
Audit of subsidiaries	8	9
Total audit	53	54
Total fees	53	54

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

	2015 £000	2014 £000
Amounts paid for Directors' services	316	230

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

Staff costs

Wages and salaries ⁽¹⁾	319	416
Social security costs	15	17
	334	433

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2015 Number	2014 Number
Exploration and evaluation	17	19
Administration	5	6
	22	25

6. Taxation

Reconciliation of the tax charge in the income statement

	2015 £000	2014 £000
(Loss) on ordinary activities before tax	(937)	(1,302)
UK corporation tax @ 20.75% (2015) and 22.5% (2014)	(194)	(292)
Unrecognised deferred tax assets during the year	113	164
Non-deductible expenditure	81	128
Total tax expense reported in the income statement	-	-

The reduction in the rate of corporation tax from 21% to 20% from 1 April 2015 was enacted during the year and has been fully incorporated into the accounts.

Unrecognised deferred tax assets

	2015 £000	2014 £000
<i>Deferred tax asset</i>		
Tax losses carried forward	1,982	1,967
Impairment	939	985
Other	1	1
	<hr/> 2,922	<hr/> 2,953
Less: deferred tax assets de-recognised	(2,922)	(2,953)
	<hr/> -	<hr/> -

At 30 June 2015 tax losses for which a deferred tax asset was not recognised amounted to £9,911,000 (2014: £9,369,000). 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

	2015 £000	2014 £000
(Loss) for the year	<hr/> (937)	<hr/> (1,302)
	Thousands	Thousands
<i>Weighted average number of shares</i>		
Basic and diluted weighted average number of shares	62,861	60,391
<i>(Loss) per share</i>		
Basic (pence per share)	(1.5p)	(2.2p)
Diluted (pence per share)	(1.5p)	(2.2p)

There are 12,584,437 potentially dilutive options, conditional shares and shares convertible from a convertible loan over the Ordinary Shares at 30 June 2015 (2014: 8,524,830), which are not included in the calculation of diluted earnings per share in 2015 because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

8. Receivables

	2015 £000	2014 £000
<i>Current</i>		
Related party accrued receivable	94	-
Unamortised transaction costs	80	-
Prepayments	30	43
Other receivables	9	21
	<hr/> 213	<hr/> 64
<i>Non-current</i>		
Unamortised transaction costs	60	-
	<hr/> 60	<hr/> -

9. Property, plant and equipment

	Buildings	Plant and equipment	Vehicles	Total
	£000	£000	£000	£000
<i>Cost</i>				
At 1 July 2013	77	307	17	401
Additions	-	1	-	1
Disposals	-	(50)	-	(50)
At 30 June 2014	77	258	17	352
At 30 June 2015	77	258	17	352
<i>Depreciation</i>				
At 1 July 2013	(43)	(294)	(17)	(354)
Depreciation during the year	(2)	(6)	-	(8)
Disposals	-	45	-	45
At 30 June 2014	(45)	(255)	(17)	(317)
Depreciation during the year	(1)	(2)	-	(3)
At 30 June 2015	(46)	(257)	(17)	(320)
Net book value at 30 June 2015	31	1	-	32
Net book value at 30 June 2014	32	3	-	35

10. Intangible assets

	Exploration & evaluation expenditure	Mineral rights	Total
	£000	£000	£000
At 1 July 2013	35,246	1,147	36,393
Additions – exploration & evaluation	760	-	760
At 30 June 2014	36,006	1,147	37,153
Additions – exploration & evaluation	579	-	579
Cost and net book value at 30 June 2015	36,585	1,147	37,732
Cost and net book value at 30 June 2014	36,006	1,147	37,153

The mineral rights will be amortised over the licence period (including extensions) once commercial production commences at the Phulbari Coal 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	
		2015	2014
<i>Subsidiaries</i>			
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%
<i>Available-for-sale financial asset</i>			
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

	2015 £000	2014 £000
Trade payables	274	247
Transaction costs payable	150	-
	<u>424</u>	<u>247</u>

13. Borrowings

Convertible loan

	2015 £000	2014 £000
<i>Recognition of convertible loan during the year</i>		
Fair value of liability component on initial recognition	158	-
Equity component	42	-
	<u>200</u>	<u>-</u>
<i>Consideration received during the year</i>		
<i>Movement in convertible loan</i>		
Liability on initial recognition	158	-
Amortised transaction costs	(7)	-
Effective interest	1	-
	<u>152</u>	<u>-</u>
Liability as at 30 June		
<i>Movement in convertible loan equity component</i>		
Liability on initial recognition	42	-
Amortised transaction costs	(2)	-
	<u>40</u>	<u>-</u>
Equity component as at 30 June		

During the year the Company entered into a £3,000,000 convertible loan facility with Revenue Anchor Sdn Bhd (the Lender) with no interest payable. Funds may be drawdown at the Company's request and must be repaid by 30 June 2017 if not previously converted to shares or previously repaid. 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 rate of 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:

	2015 £000	2014 £000
<i>Operating leases expiring:</i>		
Within one year	82	100
After one year but not more than five years	18	-
	<u>100</u>	<u>100</u>

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 (£4.14 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

	2015 Thousands	2014 Thousands	2015 £000	2014 £000
<i>Authorised</i>				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
<i>Allotted, called up and fully paid</i>				
At 1 July	62,861	51,149	6,286	5,115
Shares issued	-	11,712	-	1,171
At 30 June	<u>62,861</u>	<u>62,861</u>	<u>6,286</u>	<u>6,286</u>

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.

There were no shares issued during the year ended 30 June 2015. In the previous financial year the Company entered into a share placement to raise £2,316,601 by issuing 11,700,007 shares at 19.8 pence per share. The share placement was completed with the issue of shares on 16 September 2013. In addition a company, in which Greg James (an ex-director) had a beneficial interest subscribed for 12,500 shares on 27 August 2013. The consideration of the issued shares was equal to the market price on the day of purchase, in accordance with the contract for the provision of service.

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

	2015 £000	2014 £000
Share based payments not settled	598	585
Convertible loan equity component	40	-
	<u>638</u>	<u>585</u>

16. Share based payments

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

	2015 £000	2014 £000
<i>Charged to the income statement</i>		
Options awarded during current financial year	23	-
Modified options	29	-
Options awarded during previous financial year	125	600
Forfeited options	-	(30)
	<u>177</u>	<u>570</u>
<i>Charged/(Credited to intangibles)</i>		
Conditional shares	13	(3)
	<u>13</u>	<u>(3)</u>

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.

Options awarded during current 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 shall be expensed over the vesting period of the options. Accordingly, £23,000 was expensed during the current financial year and a further £132,000 shall be expensed during the year ended 30 June 2016.

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

On 29 May 2015 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 shall be expensed over the amended vesting period of the options. Accordingly £29,000 was expensed during the current financial year and a further £161,000 shall be expensed during the year ended 30 June 2016.

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%

Options awarded during previous financial year

7,700,000 options were granted during the year ended 30 June 2014 with a weighted average fair value of £0.0943 per option at grant date. The total cost of the options granted was £725,000 which has been expensed over the vesting period of the options. Accordingly, £600,000 was expensed during the year ended 30 June 2014 and a further £125,000 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 August 2013	14 March 2014	14 March 2014
Share price at grant date	£0.23	£0.159	£0.159
Expiry date	28 February 2019	28 February 2019	31 August 2019
Vesting period	0.5 years	none	0.55 years
Expected term	2.75 years	2.48 years	2.74 years
Exercise price	£0.198	£0.198	£0.198
Risk free rate	1.08%	0.95%	1.19%
Expected volatility	78%	87%	87%
Expected dividend yield	0%	0%	0%
Options	3,000,000	250,000	4,450,000

During the previous financial year 250,000 options with a recognised fair value at grant date of £30,000 were forfeited prior to vesting and accordingly the fair value was credited against the share based payments expense for the comparative financial year.

Movement in options

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

	2015 Options Thousands	2015 WAEP	2014 Options Thousands	2014 WAEP
At 1 July	11,930	£0.42	4,480	£0.80
Options granted	2,625	£0.11	7,700	£0.198
Expired options	(2,380)	£1.15	-	-
Options forfeited	-	-	(250)	£0.198
Outstanding at 30 June	<u>12,175</u>	£0.15	<u>11,930</u>	£0.42
Exercisable at 30 June	<u>1,500</u>	£0.40	<u>7,480</u>	£0.56

The options outstanding at 30 June 2015 have an exercise price in the range of £0.11 to £0.40 (2014: £0.198 to £1.35) and a weighted average contractual life of 4.4 years (2014: 3.5 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 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:

	2015 Thousands	2014 Thousands
At 1 July	313	313
30 June	313	313

The grant details of the conditional shares outstanding as at 30 June 2015 are as follows:

Grant date	Share price at grant date £	Conditional shares Thousands
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 2015 is £598,000 (2014: £585,000) 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 £13,000 for the year ended 30 June 2015 is directly attributable to the Phulbari Coal Project, and accordingly capitalised to intangibles on this basis (2014: reduction of £3,000).

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 and a convertible loan. 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.

Interest rate risk

The interest rate maturity profile of the financial assets of the Group is as follows:

	2015 £000	2014 £000
<i>Floating rate – within 1 year</i>		
Cash and cash equivalents	1	1,211

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 2015 was £168,000 (2014: £121,000).

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 2015 was as follows:

	2015 £000	2014 £000
Cash and cash equivalents	169	1,332

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 2015 and 2014.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	1 – 2 years £000	Total £000
2015					
Payables	199	20	205	-	424
Borrowings	-	-	-	200	200
	199	20	205	200	624
2014					
Payables	178	10	56	-	244

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		Fair value	
		2015 £000	2014 £000	2015 £000	2014 £000
Financial assets					
Cash and cash equivalents		169	1,332	169	1,332
Receivables	Loans and receivables	9	21	9	21
Financial liabilities					
Creditors	Amortised cost	424	247	424	247
Borrowings	Amortised cost	152	-	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
2015				
Available-for-sale financial asset	-	-	-	-
Borrowings	-	-	152	152
2014				
Available-for-sale financial asset	-	-	-	-
Borrowings	-	-	-	-

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.

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.

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

	2015 £000	2014 £000
Short-term benefits	581	504
Share based payments	177	545
	<hr/> 758	<hr/> 1,049

Other

As at 30 June 2015 the Group was due reimbursable expenditure of £94,000 from Polo Resources Limited, a company which holds 27.83% of the issued shares of the Group and in which the Executive Chairman Michael Tang is a director. The amount has been recorded as an accrued receivable as at 30 June 2015 in the financial statements and was paid by Polo Resources Limited subsequent to the financial year ending. Refer to note 8.

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 2015 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 12, 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 2015 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 £37,732,000 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 uncertainty 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 2015. That report includes emphasis of matters in respect of the recoverability of investments and intercompany loan and going concern.

Ernst & Young LLP

William Binns

Senior statutory auditor

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 November 2015

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 2015

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.

Company Balance Sheet

As at 30 June

	Notes	2015 £000	2014 £000
Fixed assets			
Investments	5	1,948	1,935
Loans to subsidiaries	6	39,350	38,588
Debtors	6	60	-
		<hr/> 41,358	<hr/> 40,523
Current assets			
Debtors	6	197	50
Security deposit		3	-
Cash at bank and in hand		95	1,259
		<hr/> 295	<hr/> 1,309
Creditors: amounts falling due within one year		(263)	(98)
Net current assets		<hr/> 32	<hr/> 1,211
Total assets less current liabilities		<hr/> 41,390	<hr/> 41,734
Borrowings	7	(152)	-
Net assets		<hr/> 41,238	<hr/> 41,734
Capital and reserves			
Called up share capital account	9	6,286	6,286
Share premium account	10	45,286	45,286
Other reserves	10	638	585
Profit and loss account	10	(10,972)	(10,423)
Equity shareholders' funds		<hr/> 41,238	<hr/> 41,734



Michael Tang
Executive Chairman
24 November 2015

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 24 November 2015.

Basis of preparation of financial statements

The company financial statements of GCM Resources plc are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

No profit and loss account is presented for GCM Resources plc as permitted by section 408 of the Companies Act 2006.

Political and economic risks - carrying value of investments and loans to subsidiaries

The Company's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited (AECB), controls the Phulbari Coal 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 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 and related inter-company balances, totalling £41,276,000 at 30 June 2015.

Going concern

GCM relies on its cash as well as committed £3,000,000 convertible loan facility to fund its operating activities. The convertible loan facility was agreed on 29 May 2015 with Revenue Anchor Sdn Bhd, a third party Malaysian private company. As at the 19 November 2015 the Company had drawn down £510,000 from the convertible loan facility. The combined resources available to GCM as at 19 November 2015 were £2,565,000. For at least the next twelve months, the Company's activities will be funded by further drawdowns on the convertible loan facility. If for whatever reason an issue arises with the convertible loan drawdowns and no alternative funding is secured the Company's ability to continue its operations will be affected. While the Directors remain confident that necessary funds will be available as and when required this represents a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

Projections of future costs for a number of scenarios leading to approval of the Phulbari Coal Project have been prepared and, taking into account a number of factors, including the assumption that approval of the Scheme of Development is not withheld in the next twelve months, the Directors have satisfied themselves that the Company has 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 Company was unable to continue as a going concern. Upon achieving approval of the Phulbari Coal Project, additional financial resources will be required to proceed with development.

Tangible fixed assets

All fixed assets are stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

Office furniture and equipment	-	over 3 to 15 years
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The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments are recorded at the lower of cost or recoverable amount.

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.

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 currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, with the exception of foreign currency differences directly attributable to exploration and evaluation activities, which are capitalised.

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. Result of the parent company

The parent company recorded a loss of £726,000 for the year ended 30 June 2015 (2014: loss of £1,049,000).

3. Auditor's remuneration

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

	2015 £000	2014 £000
Audit of the Company financial statements	10	10

4. Unrecognised deferred tax assets

	2015 £000	Movement for the year £000	2014 £000
<i>Deferred tax assets</i>			
Tax losses	1,795	24	1,771
Impairment of investments	939	(47)	986
	2,734	(23)	2,757

As at 30 June 2015 the deferred tax asset amounting to £2,734,000 was not recognised (2014: £2,757,000). Deferred tax assets will be recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, arise.

5. Investments

	Subsidiary undertakings £000
<i>Cost</i>	
Opening balance	1,935
Additions	13
As at 30 June 2015	1,948
Net book value at 30 June 2015	1,948
Net book value at 30 June 2014	1,935

Part of the cost of share based payments are capitalised as an investment in the Company's subsidiary. The effect for the current year is the addition of £13,000 (2014: reduction of £3,000).

The investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

	Country of incorporation	Ownership interest	
		2015	2014
<i>Subsidiaries</i>			
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%
<i>Available-for-sale financial asset</i>			
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.

6. Debtors

	2015 £000	2014 £000
<i>Current debtors</i>		
Related party accrued receivable	94	-
Unamortised transaction costs	80	-
Other debtors	5	17
Prepayments	18	33
	197	50
<i>Non-current debtors</i>		
Amounts due from subsidiaries	39,350	38,588
Unamortised transaction costs	60	-
	39,410	38,588

The amounts due from subsidiaries in non-current debtors relates to wholly owned subsidiaries. A repayment schedule has not been agreed between the companies.

7. Borrowings

Convertible loan

	2015 £000	2014 £000
<i>Recognition of convertible loan during the year</i>		
Fair value of liability component on initial recognition	158	-
Equity component	42	-
Consideration received during the year	200	-
<i>Movement in convertible loan</i>		
Liability on initial recognition	158	-
Amortised transaction costs	(7)	-
Effective interest	1	-
Liability as at 30 June	152	-
<i>Movement in convertible loan equity component</i>		
Liability on initial recognition	42	-
Amortised transaction costs	(2)	-
Equity component as at 30 June	40	-

During the year the Company entered into a £3,000,000 convertible loan facility with Revenue Anchor Sdn Bhd (the Lender) with no interest payable. Funds may be drawdown at the Company's request and must be repaid by 30 June 2017 if not previously converted to shares or previously repaid. 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 rate of 14.82%.

8. Commitments

Operating lease commitments

As at 30 June 2015, the Company had an operating lease on premises, which has a duration of less than one year. In the comparative year the Company had entered no operating leases on premises.

	2015 £000	2014 £000
<i>Operating leases expiring:</i>		
Within one year	14	-
After one year but not more than five years	-	-
	14	-

9. Authorised share capital

	2015 Thousands	2014 Thousands	2015 £000	2014 £000
<i>Authorised</i>				
Ordinary shares of 10p each	200,000	200,000	20,000	20,000
<i>Allotted, called up and fully paid</i>				
At 1 July	62,861	51,149	6,286	5,115
Shares issued	-	11,712	-	1,171
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.

10. Reserves

	Share capital	Share premium account	Other reserves	Profit and loss account	Total
	£000	£000	£000	£000	£000
Balance at 1 July 2014	6,286	45,286	585	(10,423)	41,734
Share based payments	-	-	13	177	190
Drawdown of convertible loan	-	-	40	-	40
Loss for the financial year	-	-	-	(726)	(726)
Balance at 30 June 2015	6,286	45,286	638	(10,972)	41,238

11. Share based payments

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

	2015 £000	2014 £000
<i>Charged to the income statement</i>		
Options awarded during current financial year	23	-
Modified options	29	-
Options awarded during previous financial year	125	600
Forfeited options	-	(30)
	177	570
<i>Charged/(Credited) to intangibles</i>		
Conditional shares	13	(3)
	13	(3)

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.

Options awarded during current 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 shall be expensed over the vesting period of the options. Accordingly, £23,000 was expensed during the current financial year and a further £132,000 shall be expensed during the year ended 30 June 2016.

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

On 29 May 2015 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 shall be expensed over the amended vesting period of the options. Accordingly £29,000 was expensed during the current financial year and a further £161,000 shall be expensed during the year ended 30 June 2016.

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%

Options awarded during previous financial year

7,700,000 options were granted during the year ended 30 June 2014 with a weighted average fair value of £0.0943 per option at grant date. The total cost of the options granted was £725,000 which has been expensed over the vesting period of the options. Accordingly, £600,000 was expensed during the year ended 30 June 2014 and a further £125,000 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.

	29 August 2013	14 March 2014	14 March 2014
Grant date	29 August 2013	14 March 2014	14 March 2014
Share price at grant date	£0.23	£0.159	£0.159
Expiry date	28 February 2019	28 February 2019	31 August 2019
Vesting period	0.5 years	none	0.55 years
Expected term	2.75 years	2.48 years	2.74 years
Exercise price	£0.198	£0.198	£0.198
Risk free rate	1.08%	0.95%	1.19%
Expected volatility	78%	87%	87%
Expected dividend yield	0%	0%	0%
Options	3,000,000	250,000	4,450,000

During the previous financial year 250,000 options with a recognised fair value at grant date of £30,000 were forfeited prior to vesting and accordingly the fair value was credited against the share based payments expense for the comparative financial year.

Movement in options

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

	2015 Options Thousands	2015 WAEP	2014 Options Thousands	2014 WAEP
At 1 July	11,930	£0.42	4,480	£0.80
Options granted	2,625	£0.11	7,700	£0.198
Expired options	(2,380)	£1.15	-	-
Options forfeited	-	-	(250)	£0.198
Outstanding at 30 June	<u>12,175</u>	£0.15	<u>11,930</u>	£0.42
Exercisable at 30 June	<u>1,500</u>	£0.40	<u>7,480</u>	£0.56

The options outstanding at 30 June 2015 have an exercise price in the range of £0.11 to £0.40 (2014: £0.198 to £1.35) and a weighted average contractual life of 4.4 years (2014: 3.5 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 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:

	2015 Thousands	2014 Thousands
At 1 July	313	313
30 June	<u>313</u>	<u>313</u>

The grant details of the conditional shares outstanding as at 30 June 2015 are as follows:

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

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2015 is £598,000 (2014: £585,000) 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

12. Related Party Transactions

In accordance with FRS8 Related Party Disclosures transactions with wholly owned subsidiaries have not been disclosed.

As at 30 June 2015 the Group was due reimbursable expenditure of £94,000 from Polo Resources Limited, a company which holds 27.83% of the issued shares of the Group and in which the Executive Chairman Michael Tang is a director. The amount has been recorded as an accrued receivable as at 30 June 2015 in the financial statements and was paid by Polo Resources Limited subsequent to the financial year ending. Refer to note 6.

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 2015 which comprise the Parent Company Balance Sheet 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).

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 36, 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 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of investment and inter-company loan

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 and loans to subsidiaries" 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 and certain inter-company balances. 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 and inter-company balances included in the Parent Company balance sheet with a carrying value totalling £41,276,000 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 and the inter-company balances 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 a material uncertainty 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 2015. 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
24 November 2015

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.