Tri-Star Resources Plc

Annual Report and Financial Statements

for the year ended 31 December 2018

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Company Information

Company registration number	04863813
Registered office	16 Great Queen Street London WC2B 5DG
Directors	**David Facey** (CEO and CFO) **Adrian Collins** (Non-executive Chairman) **David Fletcher** (Non-executive Director)
Secretary	**Lavinia Jessup** 16 Great Queen Street London WC2B 5DG
Nominated adviser	**S.P. Angel Corporate Finance LLP** Prince Frederick House 35-39 Maddox Street London W1S 2PP
Broker	**finnCap Limited** 60 New Broad Street London EC2M 1JJ
Registrars	**Link Asset Services** 6th Floor 65 Gresham Street London EC2V 7NQ
Bankers	**Lloyds Bank Plc** PO Box 72, Bailey Drive Gillingham Business Park Kent ME8 0LS
Solicitors	**Fladgate LLP** 16 Great Queen Street London WC2B 5DG
Auditor	**Grant Thornton UK LLP** The Colmore Building 20 Colmore Circus Birmingham B4 6AT
Financial PR	**Tavistock Communications Limited** 1 Cornhill London EC3V 3NR

Chairman's Statement

for the year ended 31 December 2018

We are pleased to report and reflect on another year of restructuring and progress for Tri-Star Resources Plc ("Tri-Star", "TSTR" or the "Company" and together with its subsidiaries, the "Group").

Tri-Star holds a 40% interest in Strategic & Precious Metals Processing LLC ("SPMP"), which has constructed the world's first antimony and gold processing plant, designed to the highest European Union environmental standards. With the plant completed and ongoing remedial work largely finished, following some first metal false starts in January and February 2019, a more sustainable ramp up is now underway.

The infrastructure for the SPMP roasting facility in Oman to process mixed antimony and gold ores (the "SPMP Project" or the "Project") is now in place. In early 2019, the plant produced unrefined antimony metal from intermediate products (crude antimony trioxide and impure antimony trioxide), proving the process chemistry. The chemical composition had a 97.3% purity in its unrefined form, which was a key milestone for both Tri-Star and SPMP. Gold doré and antimony production is expected in the near future.

Whilst there are a number of challenges ahead, we believe that SPMP's long term prospects remain good with SPMP management identifying a number of opportunities to drive performance once commercial production has been achieved, now targeted for the end of this year.

Highlights for TSTR from the year include:

- In January 2018, the Company completed an Open Offer with £4.4m of funds raised through the issue of 44,204,755,697 ordinary shares of 0.005p each at 0.01 pence per share. This offer was oversubscribed and showed strong shareholder support for not only Tri-Star but also the SPMP Project. Strong shareholder support was further illustrated in June 2018 by a second successful fund raising of £13.0m which was achieved through a placing of 30,232,558 ordinary shares of 5 pence each at 43 pence per share.
- Using the proceeds from the fund raisings, TSTR was able to provide additional mezzanine loans of $16.7m (£12.7m) to SPMP to assist in further development of the Project. These loans were issued with identical terms to the existing mezzanine loan Tri-Star invested in SPMP in November 2017 at a compound interest rate of 15% per annum. At the same time, Tri-Star was able to reduce its own debt levels from $6m (£4.3m) to $1.5m (£1.1m).
- In March 2018, Karen O'Mahony, non-executive director at the time, was appointed Acting CEO and CFO of Tri-Star to oversee the restructure and transition of the Company. In parallel, the Board of Tri-Star was streamlined to make it more cost effective and efficient. Lavinia Jessup was appointed as Company Secretary for Tri-Star in October 2018.
- In March 2018, the Board of Tri-Star helped SPMP negotiate a senior debt facility with Alizz Islamic Bank for the amount of Omani Rials 10m (approx. USD $26m) to be used for a combination of project and trade finance.
- In August 2018, Steven Din joined SPMP as CEO to lead the plant through hot commissioning and into commercial production.
- In November 2018, Tri-Star negotiated changes to SPMP's shareholder agreement which reduced Tri-Star's potential liability for capex over-run.
- In December 2018, Tri-Star negotiated the successful sale of the non-core asset Göynük mine in Turkey for a total cash consideration of USD $0.5m (of which $0.1m is due on first product sales), and this deal completed in early 2019. The sales agreement neutralised any of Tri-Star's liabilities associated with the mine whilst also allowing room for SPMP to negotiate an offtake agreement on any future production from the mine. These offtake arrangements are currently being negotiated.

Chairman's Statement

continued

Highlights post year end include:

- In March 2019, Tri-Star aided SPMP in securing a shareholder loan of $35m with no dilution to Tri-Star shareholders. As part of this agreement, the shareholders of SPMP have agreed to explore a full range of liquidity and funding options, and to convert the majority of the existing mezzanine loan to equity or interest free equity debt.
- In April 2019, Karen O'Mahony resigned and was replaced by David Facey as CEO and CFO of the Company. In addition, Mark Wellesley-Wood resigned as a Director and Non-Executive Chairman, and Adrian Collins replaced him as Non-Executive Chairman of the Company.

Financial Summary

The Group has substantially strengthened its financial position, reducing debt from £4.3m as of year-end 2017 to £1.1m as of year-end 2018, whilst at the same time investing $16.7m (£13.9m) in the form of a mezzanine loan in SPMP.

Regarding the overall result for the year, I am pleased to report that the Group's current year total comprehensive loss of £2.0m (2017: £6.6m) was much improved, due to the absence of the prior year £3.6m charge on conversion of the convertible secured loan notes which was a major factor in the Group's prior year total comprehensive loss. Administrative expenses rose to £0.8m (2017: £0.7m), primarily due to termination expenses in order to reduce ongoing Board costs. The Group's share of losses in SPMP was £0.3m (2017: £0.0m). A dividend payment is not being recommended at this time.

Outlook and Summary

With the Project in Sohar completed, we now look forward to the finalisation of hot commissioning and ramp up of commercial production. We are encouraged by the progress to date, and are optimistic that commercial operation of the SPMP Project in Oman is now within reach.

We are pleased to welcome David Facey to the Board, and I would like to thank Karen O'Mahony for all her hard work over the last 16 months in getting the Group to the position it now is. As previously announced, Mark Wellesley-Wood stood down as Chairman of the Company in April 2019, and it was with enormous regret that I had to report his untimely death a few weeks later. Mark was a great man and his wisdom and support over the years was of huge help to us all. He will be missed, and our thoughts are with his wife and family.

Partnership and sustainability remain our important priorities. We continue to strengthen our partnership with Oman, and our Omani associates. I would like to thank our partners, the management team, our employees and our shareholders for their dedication, commitment and efforts during the year. The Board and I are looking forward to the coming year with confidence.

Adrian Collins
Non-Executive Chairman

24 June 2019

Strategic Report

for the year ended 31 December 2018

Introduction

The Company's principal activities are in the SPMP Project, an antimony and gold production facility. The SPMP Project is based in Sohar, Sultanate of Oman, and is being developed by SPMP, an Omani company in which Tri-Star has a 40% equity interest. The Project is due to become commercially operational in the second half of 2019.

Tri-Star also has antimony exploration licenses in Canada which are held for their potential contribution of feedstock to the SPMP Project.

SPMP Project

Background

The SPMP Project is a commercial facility which will produce high grade antimony ingots, powdered antimony trioxides ("ATO"), gypsum and gold ore bars. Feedstock is sourced internationally and treated by an environmentally friendly roasting process.

The Project remains an attractive prospect for Tri-Star:

- **Scale:** The Project is the largest antimony roaster outside of China and the world's first clean plant, designed to EU environmental standards. It is designed to have the capacity to produce more than 50,000 oz. of gold per annum and 20,000 tonnes in combined antimony metal and ATO products which represents 12%-15% of average annual world antimony production and will thus establish Oman as a major global producer of antimony.
- **Earnings:** The Project is forecast to generate significant revenues, divided approximately 60:40 between antimony and gold. In terms of developing end products, antimony derivatives offer the potential for further margin growth over and above the normal conversion margin.
- **Technology:** The Project applies a proprietary antimony and gold roasting technology that is flexible and sophisticated enough to be able to process many types of grade and impurities.
- **Logistics:** The Project will supply value added antimony products to customers across the globe. The location of the Project in the Gulf region provides an excellent centralised logistics route, and access to relatively inexpensive energy and modern infrastructure.
- **Demand for product:** Antimony is a rare metal with a range of industrial applications. Amongst other things it is used as an additive to flame retardant compounds, utilised in printed circuit boards, computers and other electronic products. Antimony has consistently ranked highly in European and US risk lists for supply of chemical elements or element groups required to maintain the current economy and lifestyle.
- **Board:** SPMP has an experienced and internationally focused Board of Directors who have helped manage the project from inception through to near completion.

Oman joint venture

SPMP was formed in June 2014 to develop and build the Project. Tri-Star has a 40% equity interest in SPMP, with the other joint venture partners being The Oman Investment Fund ("OIF") (40% equity holder) and DNR Industries Limited, part of Dutco Group in Dubai (20% equity holder).

Project status

In early 2019, the Plant produced unrefined antimony metal from intermediate products (crude antimony trioxide and impure antimony trioxide), proving the process chemistry. The chemical composition had a 97.3% purity in its unrefined form, this was a key milestone for both Tri-Star and SPMP. Gold doré and antimony production is expected in the near future.

Strategic Report

continued

Antimony

Currently, the principal use of antimony is in flame retardants as antimony trioxide ("ATO"). ATO is most commonly used as a synergist to improve the performance of other flame retardants such as aluminium hydroxide, magnesium hydroxide and halogenated compounds. ATO is used in this way in many products including plastics, textiles, rubber, adhesives and plastic covers for aircrafts and cars. The largest applications for metallic antimony (metal ingots) are as alloying material for lead and tin and for lead antimony plates in lead-acid batteries. Alloying lead and tin with antimony improves the properties of the alloys which are used in solders, bullets and plain bearings. This use is in decline as the antimony content of typical automotive battery alloys has declined by weight as calcium, aluminium and tin alloys are expected to replace it over time.

An emerging application is the use of antimony in microelectronics.

Refractory Gold

Refractory gold is gold 'ore', where the metal is trapped in sulphide lattice structures that conventional processes are unable to extract. The clean antimony roasting technology developed by Tri-Star and sold to SPMP in 2015 has unlocked the potential of these gold resources, estimated to be 30% – 50% of remaining gold in the ground globally.

Other Tri-Star projects

Canada

The Company owns 100% of Tri-Star Antimony Canada. Through this Canadian subsidiary, the Company owns a license to explore the land of a large undeveloped antimony project in Canada ("Bald Hill deposit"). The Bald Hill deposit could become a potential future supplier of feedstock for the SPMP Project.

Turkey

The Company disposed of its non-core asset Göynük mine in Turkey for a total cash consideration of USD $0.5m (of which $0.1m is due on first product sales) which was completed in March 2019.

Financing

Tri-Star announced an Open Offer on 21 December 2017 to raise up to approximately £4.4 million before expenses through the issue of new ordinary shares in the Company at an issue price of 0.01 pence per share. The Open Offer successfully closed on 10 January 2018 having been oversubscribed.

In June 2018 Tri-Star completed a consolidation of its shares whereby every one thousand ordinary shares of 0.005 pence were consolidated into one share of 5 pence each.

In July 2018 Tri-Star completed a placing of 30,232,558 ordinary shares at 43 pence per share raising £13.0m to repay $4.7m (£3.6m) of the $6.0m (£4.6m) loans from the Odey funds plus interest of $0.65m (£0.5m), and to provide further loans of $16.7m (£12.7m) to SPMP, as well as for general working capital.

Result for the year

The results for 2018 reflect the impact of the extinguishment of the Odey Asset Management ("OAM") convertible loan liability that took place in June 2017. Administration costs rose by 12% in 2018 to £787,000 from £704,000 in 2017.

Summary Profit and Loss Account	2018 £'000	2017 £'000
Share based payments	(580)	(135)
Administrative expenses	(787)	(704)
Loss from operations	(1,367)	(839)
Share of loss in associate	(306)	(41)
Movement in the fair value of financial asset	293	(705)
Finance expense net	(624)	(1,364)
Loss before extinguishment of debt	(2,004)	(2,949)
Loss on extinguishment of debt	–	(3,637)
Loss before taxation	(2,004)	(6,586)

Strategic Report

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Share of loss in associate represents Tri-Star's share of SPMP's post-tax result for the year. SPMP has not been profitable to date as the SPMP Project is only due to commence commercial operations in H2 2019, with full production forecast for 2020.

In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 20% has been applied. The discount rate, being the assumed market rate, has been derived by reference to Tri-Star's estimated cost of the funding required in order to provide the SPMP Mezzanine Loan. The Mezzanine Loan is assumed to be repaid on the due date (December 2022). It is assumed that there will be no default on these loans and that the conversion discount has no value.

Financial position

At 31 December 2018 the Group had £312,000 (2017: £485,000) in cash, total assets of £18,303,000 (2017: £5,803,000), and total liabilities of £1,336,000 (2017: £4,555,000). As at 30 April 2019, the Group had £220,000 in cash.

Key Performance Indicators ("KPIs")

At this stage in the Group's development, the key performance indicator is the loss after tax, given the nature of the Group's assets and the current development of its operations. This will be reviewed in the forthcoming year.

Safety, health and environmental policies

Tri-Star is committed to meeting international best industrial practice in each jurisdiction in which it operates with respect to human rights, safety, health and environmental ("SHE") policies. Management, employees and contractors are governed by, and required to comply with, Tri-Star's SHE policies as well as all applicable international, national federal, provincial and municipal legislations and regulations. It is the primary responsibility of the supervisors and other senior field staff of Tri-Star and its subsidiaries to oversee safe work practices and ensure that rules, regulations, policies and procedures are being followed.

Principal risks and uncertainties

The Board continually reviews the risks facing the Group and Company. The Group is not yet revenue generating. The principal risks and uncertainties facing the Group and Company involve delays to the commissioning and ramp up of the SPMP Project which may lead to higher funding requirements from the SPMP shareholders. Delays can be caused by construction issues, design failures or technological problems. At the same time, as a processing plant, SPMP requires successful partnerships with suppliers of metal ores and with Offtake providers or distributors to buy the plant's output. The availability of such partners and the terms of engagement may impact plant operations and profitability. The SPMP Project has had recent setbacks and the timing and progress is not under the direct control of the Tri-Star Group. In terms of other more significant but lower probability risks, there is the matter of political risk within Oman, and internationally.

Other risks and uncertainties are set out in the Corporate Governance section below.

Financial risk management objectives and policies

The Group's principal financial instruments comprise of cash, loan notes and other financial liabilities. The Group has various other financial instruments such as loans and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are liquidity risk, price risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised under Corporate Governance below.

Strategic Report

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Going concern

The Group and Company are not yet revenue generating and are reliant upon funds raised from issuing loans and shares. The holders of the secured loan notes have agreed to extend the term of the notes to 30 June 2020. However, an additional cash requirement of approximately £350,000 in unavoidable running costs was identified based on cash flow forecasts for the period ending 30 June 2020, as prepared by the Directors. The Directors consider that there are a number of options to cover this deficit:

(1) SPMP makes the $2 million (approximately £1.5 million) payment in respect of its acquisition from Tri-Star of the intellectual property ("IP") of the Project, due on successful commissioning of the plant.

(2) Tri-Star raises further funds by way of an equity or debt placing or a further loan from the OAM Funds.

(3) Tri-Star is due to receive the deferred payment of USD $100,000 from the sale of its Turkish subsidiary on sale of first product, which would reduce the amount required to be raised by a placing or loan.

The Directors are confident that the Group and Company will secure the funds required from one of the above sources, or from a combination of the above sources. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. However, there is no certainty that they will be able to do so. These matters along with the matter set forth above mean that there is a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and, therefore, that the Group and Company may not be able to realise its assets or discharge its liabilities as they fall due.

Future prospects

We expect the remainder of 2019 to be positive, and Tri-Star will remain focussed on the active management of its 40% interest in SPMP as the Project moves forward into production. We will also remain focused on cutting costs at the Group level in order to maintain a lean operation.

Approval by and signature on behalf of the board

David Facey
Chief Executive Officer & Chief Financial Officer

24 June 2019

Report of the Directors

for the year ended 31 December 2018

The Directors present their annual report together with the audited financial statements of Tri-Star Resources Plc ("Tri-Star") and its subsidiaries (the "Group") for the year ended 31 December 2018.

Principal activity

The principal activity of the Group is, in conjunction with its joint venture partners, the design, construction and operation of an antimony and gold processing facility in the Sultanate of Oman owned by Strategic & Precious Metals Processing LLC ("SPMP"). The Group also owns antimony and mining resources in Canada. Since the reporting date the Group has disposed of its operations in Turkey.

Domicile and principal place of business

Tri-Star is domiciled in the United Kingdom. Its principal places of business are the UK, Canada and the Sultanate of Oman.

Directors

The current membership of the Board and those directors who served during the year is set out below.

David Facey (appointed 30 April 2019)
Adrian Collins
David Fletcher
Mark Wellesley-Wood (resigned 12 April 2019)
Karen O'Mahony (resigned 30 April 2019)
Guy Eastaugh (resigned 2 March 2018)
Scott Morrison (resigned 8 March 2018)

Directors' shareholdings

Directors' shareholdings	**Number of ordinary shares of 5p each held at 1 June 2018**	**Percentage of issued ordinary share capital %**
Adrian Collins	94,902	0.10

Details of the Directors' entitlements to share options are given in note 16.

Matters covered in the Group's Strategic Report

The principal risks and uncertainties, future developments and going concern have been included in the Group's Strategic Report.

Post balance sheet events

On 5 March 2019, Tri-Star announced that it had completed the sale of its Turkish subsidiary Uc Yildiz for an total sum of $500,000. To date $400,000 has been received with a final payment of US$100,000 due on the first sale of material from the mine.

On 20 March 2019, Tri-Star announced that it had agreed that $52m of the mezzanine loan to SPMP, plus accrued interest will be converted into either an interest free loan or equity. This includes $20.8m of the principle loan made by Tri-Star to SPMP which, once completed, will leave $2m of the principle owed to Tri-Star as mezzanine loan.

On 12 April 2019, Tri-Star announced the issue of 5,382 ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") at a price of 46.4 pence per Ordinary Share in consideration for services provided.

As at the date of this report, the Company has 94,125,845 Ordinary Shares in issue.

Report of the Directors

continued

On 12 April 2019, Tri-Star also announced the resignation of Karen O'Mahony and Mark Wellesley-Wood, and the appointment of David Facey as CEO and CFO. On the same date, Adrian Collins stepped up as Non-Executive Chairman, and a total of 800,000 options were issued to Adrian Collins and David Facey at an exercise price of 39.5p.

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company, which had been notified as at 1 June 2019, are as follows:

	Number of ordinary shares of 5p each	**Percentage of issued ordinary share capital %**
Funds managed by Odey Asset Management LLP	68,258,299	72.52

Odey Asset Management LLP is the investment manager of Odey European Inc., OEI MAC Inc. and Odey Swan Fund, which collectively own 72.52% of Tri-Star. (Odey Asset Management LLP itself does not own any shares in Tri-Star).

Odey Asset Management LLP is 98% owned by Odey Asset Management Group Ltd, which is itself 100% owned by Odey Holdings AG. David Fletcher, a director of Tri-Star Resources plc, owns 1.8% of Odey Holdings AG.

Biographical details of Directors

David Facey (CEO & CFO)

David Facey joined the Board in April 2019. David is a Fellow of the Institute of Chartered Accountants of England and Wales and has over 20 years' experience in corporate finance and equity capital markets. He is currently the Finance Director of BlueRock Diamonds plc, an AIM listed diamond producer.

Adrian Collins (Non-executive Chairman)

Adrian Collins joined the Board in August 2010. Adrian has worked in the fund management business for over 40 years, a large part of which was at Gartmore Investment Management where latterly he was Managing Director. His experience in fund management and in project finance makes him suitably equipped to lead and advise as Chariman of Tri-Star.

Adrian is currently Chairman of Liontrust Asset Management, CIP Merchant Capital Ltd and a non-executive Director of Bahamas Petroleum plc and other private companies. Adrian is currently Chairman of the Remuneration Committee.

David Fletcher (Non-executive Director)

David Fletcher joined the Board in June 2017. David is a Partner and Non-Executive Chairman of Odey Asset Management. He has been part of the management team at Odey Asset Management for over 20 years since joining as Chief Executive in 1995. David is also a Senior Adviser at Social Finance, a not for profit social sector innovator. Previously, David was CEO at Leopold Joseph, the UK merchant bank.

David is currently Chairman of the Tri-Star Audit Committee. David is also Non-Executive Director for Strategic & Precious Metals Processing LLC.

Directors' Indemnity Provisions

The Company has provided qualifying third party indemnity provisions in respect of the directors who were in force during the period and at the date of the report.

Report of the Directors

continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors', Strategic Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under this law the Directors have to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice "United Kingdom Accounting Standards and applicable laws", including FRS 101, the Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 and profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor and Annual General Meeting

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 489(4) of the Companies Act 2006. A resolution to reappoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

Approval by and signature on behalf of the board

Lavinia Jessup

24 June 2019

Corporate Governance

for the year ended 31 December 2018

The board recognises the importance of good corporate governance and has adopted the QCA (Quoted Companies Alliance) Corporate Governance Code on 28 September 2018. Our website provides further information on where we comply with the QCA Corporate Governance Code at this point in time.

The maintenance of a strong system of internal control to safeguard shareholders, investments and company assets is important to the Board. The Board has adopted a code of conduct for dealings in the shares of the Company by directors and employees. In addition, the Board and employees are required to operate in accordance with a "financial position and prospects procedures" manual which sets out the rules for financial controls, accounting procedures and management reporting requirements.

The Board has assumed responsibility for ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied within the Company as a whole. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

Tri-Star's business is focussed on its associate company, Strategic & Precious Metals Processing LLC ("SPMP") which is developing a rare earth metals processing plant (the "SPMP Project") in Oman. One of the members of the Tri-Star Board, being David Fletcher has a position on the board of SPMP and takes responsibility for acting in the best interest of Tri-Star shareholders. Tri Star's interest comprises a minority 40% shareholding and associated loan instruments and its rights and obligations are governed by a Shareholder Agreement. SPMP has its own Board Charter and Code of Conduct.

The Board recognises that the corporate culture that it promotes impacts how the business operates and is mindful of this in pursuing the company's objectives, strategy and business model. The Board's approach to its activities is centred upon maintaining open and respectful communication with employees, clients and other stakeholders. It is worth noting that Tri-Star's shareholding is a minority 40% and therefore lacks control at the SPMP level. Unanimous votes between SPMP's three shareholders are required for key decisions at the SPMP level.

The QCA Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Company applies each of the principles:

Principle One

Establish a strategy and business model which promote long-term value for shareholders

The Board's Strategy is to become a leading specialist metals processor with interests in mines, processing technology and manufacturing plants. By investing in creating the operating SPMP plant in Oman, it hopes to see early cashflow and returns to enable it to both pay dividends and support its broader growth strategy.

The Board's focus is to implement a cost cutting strategy at the Tri-Star level, which involves maintaining a low cost base at the UK plc and Canadian subsidiary levels. The Board's approach to promoting medium and long term value for shareholders is centred in its strategy of active management and support of its key investment in the SPMP Project. The Company continues to hold a significant stake and remains actively involved with the development of the SPMP Project through its representation on the board of SPMP. As the SPMP Project moves into full operation, it is the longer term strategy of the Company to explore financing options and upstream partnerships or acquisitions to complement the SPMP Project and generate enhanced value for its shareholders.

Principle Two

Seek to understand and meet shareholder needs and expectations

The Board is committed to keeping investors and other stakeholders informed of key developments and information relating to the SPMP Project. The Company works closely with its Nominated Advisor to ensure that information is shared in an appropriate and timely manner. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company and all shareholders are encouraged to attend the Company's Annual General Meeting. Although OAM is a controlling shareholder, the Board is mindful that its duties are to all shareholders. It therefore takes steps to ensure that it communicates with all shareholders and to understand and meet minority shareholders' needs. Investors also have access to current information on the

Corporate Governance

Company though its website, www.tri-starresources.com, its Twitter page, https://twitter.com/TriStarSPMP and via David Facey, CEO & CFO, who is available to answer investor relations enquiries on call and via email, ceo@tri-starresources.com.

Principle Three

Take into account wider stakeholder and social responsibilities and their implications for long term success

The Board recognises that the long term success of the Company is reliant on having good relationships with its wider stakeholder group, e.g. employees, advisors, regulators, and others. The Board has put in place processes and systems (which it has documented in its internal "Financial Position and Prospects Procedures" manual) to ensure that there is close oversight and contact with its key resources and relationships. The Company is primarily an investment vehicle whose principal asset is the SPMP Project, and as such does not have conventional customers, contractors or suppliers as wider stakeholders. The Company's stakeholders comprise mostly of its advisors in its capacity as an AIM listed company, i.e. it's legal advisors, nominated advisor, brokers, registrar, auditor, IT service providers and consultants. Where the Company contracts externally, it seeks reputable service providers with the relevant experience. The Company maintains open discussions with its stakeholders and obtains verbal and written feedback as needed.

Tri Star's partner in SPMP is the Government of Oman and consequently due support is given to the country's objectives of Omanisation and compliance with cultural norms.

Principle Four

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board continually reviews the risks facing the Company. The Company's risk reviews have highlighted the following risks as being relevant:

Funding risk

The Company is not yet revenue generating and therefore the principal risks surround funding on which it has had to rely on support from its 72% shareholder, the funds under the discretionary management of Odey Asset Management ("Odey Funds"). The principal risks and uncertainties facing the Company involve delays to the commissioning and ramp up of the SPMP Project which may lead to higher funding requirements from the SPMP shareholders. Although the SPMP Project is proceeding, the timing and progress is not under the direct control of the Company.

Tri-Star controlling shareholder risk

The Odey Funds own a controlling 72% shareholding in the Company and as a result have majority influence. This risk is governed by a Relationship Agreement which ensures that transactions with the Odey Funds are on arm's length terms, and that the Board must consist of at least two directors who are independent of the Odey Funds.

Technology risk

The SPMP Project involves the implementation of new technology. However, independent pilot testing has yielded positive results and SPMP Management have sourced experienced engineers and technical experts to take the Project through commissioning and full operations.

Sovereign risk

The Company's principle asset is its investment in SPMP, an Omani based company and is therefore exposed to the economy of Oman. The Oman economy is largely reliant on oil production. However, the gradual recovery of oil prices and the government's focus on economic diversification away from oil and hydrocarbon products supports the investment case in SPMP, which will produce antimony products and gold. The stake is in a joint venture with the Government of Oman, which reduces the political risks. In terms of political stability, the country has been ruled by Sultan Qaboos bin Said Al-Said since 1970 who is now 77 years of age. It is expected that his succession will be a smooth transition.

Corporate Governance

SPMP: Minority investment risk

The Company does not control its associate which imposes restrictions on its ability to receive and disseminate information and to implement certain interventions which require unanimous shareholder consent. However, SPMP does maintain its own Risk Register which is reviewed by management and its own Risk Committee.

The Company's principal financial instruments comprise of cash, loan notes and other financial liabilities. The Company has various other financial instruments such as loans and trade payables, which arise directly from its operations. It is the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk, price risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to fund the Company's operating activities. Management monitors the forecasts of the Company's cash flows and cash balances monthly and raises funds in discrete tranches to manage the activities through to revenue generation.

Price risk

The Company may be exposed directly or indirectly to fluctuating commodity prices of antimony and gold and the existence and quality of the antimony product. The Board will continue to review the prices of antimony as the SPMP Project goes into production and will consider how this risk can be mitigated at that stage.

Foreign exchange risk

The Company, its subsidiaries and associate operates in a number of jurisdictions and carries out transactions in UK Pounds, US Dollars, Omani Rials, Turkish Lira, Canadian Dollars and indirectly for SPMP, South African Rand. It is the Group's policy not to engage in the use of currency derivatives, derivative trading or to take part in currency speculation. The Company puts in place natural hedging arrangements when receipts and/or payments in a foreign currency are due and known with a high degree of certainty. Otherwise, no currency hedging takes place.

The Board have established procedures ("Financial Positions and Prospects Procedures") that is approved annually, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the Executive Director. However, the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the Company financial controller and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

Principle Five

Maintain the board as a well-functioning, balanced team led by the chair

As at the date hereof the Board comprises, the CEO and CFO, David Facey, a Non-Executive Director, David Fletcher and a Non-Executive Chairman, Adrian Collins.

Biographical details of the Board are set out in the Directors' Report above. A third of the Executive and Non-Executive Directors are subject to retirement from office by rotation every year at the annual general meeting. The letters of appointment of all members of the Board are available for inspection at the Company's registered office during normal business hours. The Board including the Non-Executive Directors are expected to provide as much time to the Company as is required. The Board elects the Chairman to chair every meeting.

The Company has a substantial shareholder in Odey Funds who have the option to take up two Board seats. Currently one seat is occupied by an Odey Funds representative, David Fletcher who is actively involved in the company's decision making processes and day to day running, and is on the Board of SPMP. The relationship with Odey Funds is defined in a Relationship Agreement which provides protection for minority shareholders.

Corporate Governance

The Board will continue to monitor the need to match resources to its operational performance and costs and the composition of the Board will be kept under review going forward. David Facey and Adrian Collins are the Directors of the Company who are independent of the Odey Funds. David Fletcher and Adrian Collins are the Non-Executive Directors of the Company. The QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. The Board has elected to deviate from this recommendation by the QCA by having one fully independent non-executive Chairman, however, the Board is satisfied that this arrangement provides sufficient oversight of the Executive Directors and maintains a well-functioning board. The Board shall review further appointments as the Company's main investment in the SPMP Project moves from a construction/ramp up phase into steady operations.

The Board meets formally at least 4 times per annum. It has established an Audit, Remuneration, and a Nomination Committee particulars of which appear below. The setup of a compliance committee has not been considered relevant due to the size of the Board to date, but will be kept under review.

The following table shows the number of Board and committee meetings held during the year and the attendance record of individual Directors. In order to be efficient, the Directors meet formally and informally both in person and by telephone. In addition, the CEO has informal communication with the Directors frequently to keep them up to date. The CEO issues regular reports and monthly cashflow forecasts to the Board and disseminates important information as necessary.

	Board	**Audit Committee**	**Remuneration Committee**	**Nominations Committee**
Number attended				
K O'Mahony	12	–	–	–
M Wellesley-Wood	12	2	–	–
A Collins	12	2	2	2
D Fletcher	10	2	2	2
G Eastaugh	1	–	–	–
S Morrison	1	–	–	–
Total number held	12	2	2	2

Principle Six

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board currently consists of three directors and, in addition, the Company has employed the outsourced services of Lavinia Jessup to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across industries.

The Board recognises that it that it needs to improve its diversity and gender balance. This will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for pursuing further professional development whether formal or informal.

Principle Seven

Evaluate board performance board based on clear and relevant objectives, seeking continuous improvement

Given the nature of the Company's assets and the current development of its operations, the Board does not consider the use of financial or operational KPIs as a measure of performance. However, internal evaluation of the Board, the Committees and individual directors is to be undertaken on an annual basis in the form of peer-to-peer appraisal and discussions to determine effectiveness and performance as well as the Board's continued independence and continuous professional learning.

Corporate Governance

Succession planning is also a vital task for boards and the management of succession planning represents a key responsibility of the Board.

Whilst the Board considers this evaluation process is currently best carried out internally, the Board will keep this under review and may consider independent external evaluation reviews in due course as the Company grows.

Principle Eight

Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that the corporate culture promoted impacts how the business operates and are mindful of this in pursuing the company's objectives, strategy and business model. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole.

The Board recognises that an important aspect of good corporate culture is maintaining sound ethical values and behaviours, and sees this as crucial to the ability of the Company to successfully achieve its corporate objectives. The Board considers that at present the Company has an open culture with its stakeholders, employees and associate company, SPMP, built on comprehensive conversation and feedback and are open to constructive challenge.

The Company has adopted a code for members of the Board and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Company has also adopted a Social Media Policy.

Principle Nine

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Company supports the concept of an effective board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved for decision. Procedures are in place for operational management to supply the Board with appropriate and timely information and the Board are free to seek any further information they consider necessary. The Board has access to advice from the Company Secretary and independent professional advice at the Company's expense.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

The Chairman's primary responsibility is in maintaining an effective Board. Management of the Company's day to day operations and communications with SPMP LLC and shareholders are delegated by the Board to the Chief Executive Officer. Other role delegations are discussed below. However, it is the responsibility of the whole Board to continuously monitor the governance structure, particularly at points of significant change in the business, to ensure that the structure remains fit for purpose.

Audit Committee

The Audit Committee meets at least twice a year to consider the integrity of the financial statements of the Company, including its annual and interim accounts, the effectiveness of the Company's internal controls and risk management systems, auditor reports, and terms of appointment and remuneration for the auditors. The Audit Committee is currently chaired by David Fletcher who is a Non-Executive Director and has one other member, Adrian Collins.

Remuneration Committee

The Remuneration Committee meet at least twice a year and has as its remit the determination and review of, amongst others, the remuneration of executives on the Board and any share incentive plans of the Company. The Remuneration Committee is currently chaired by Adrian Collins who is an Independent Non-Executive Director and has one other member, David Fletcher.

Corporate Governance

Nominations Committee

The Nomination Committee meets at least once a year to evaluate review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and make recommendations to the board with regard to any changes. It is also responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nominations Committee is chaired by Adrian Collins who is an Independent Non-Executive Director and has one other member, David Fletcher.

Principle Ten

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Board is committed to keeping investors and other stakeholders informed of key developments and information relating to the SPMP Project. The Company works closely with its nominated advisor to ensure that information is shared in an appropriate and timely manner. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company and all shareholders are encouraged to attend the Company's Annual General Meeting.

Results of shareholder meetings and details of votes cast will be publicly announced through the regulatory system and displayed on the Company's website with suitable explanations of any actions undertaken as a result of any significant votes against resolutions.

Investors also have access to current information on the Company though its website, www.tri-starresources.com, its Twitter page, https://twitter.com/TriStarSPMP and via David Facey, CEO & CFO who is available to answer investor relations enquiries on call and via email, ceo@tri-starresources.com.

Report on Remuneration

for the year ended 31 December 2018

Policy on Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward Directors for enhancing shareholder value and return. The Board aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives.

The remuneration of the Directors in 2018 was as follows:

Director	Notes	Salary and fees	Loss of office	Share based payments	Total	Employers NI (note 6)
Mark Wellesley-Wood		88,164	–	55,527	143,691	13,935
Guy Eastaugh	5	30,513	100,000	–	130,513	16,286
Adrian Collins		30,000	–	–	30,000	–
David Fletcher	1	25,000	–	166,582	191,582	2,287
Scott Morrison	2	6,250	–	–	6,250	–
Karen O'Mahony	1	78,782	–	336,016	414,798	9,709
Total		258,709	100,000	558,125	916,834	

The remuneration of the Directors in 2017 was as follows:

Director	Notes	Salary and fees	Bonus	Share based payments	Total	Employers NI (note 6)
Mark Wellesley-Wood		70,360	–	–	70,360	8,583
Guy Eastaugh		175,000	–	–	175,000	23,024
Adrian Collins		30,000	–	–	30,000	–
David Fletcher	1	13,269	–	–	13,269	921
Scott Morrison	2	11,474	–	–	11,474	921
Karen O'Mahony	1	13,269	–	–	13,269	921
Emin Eyi	4	45,000	22,500	–	67,500	–
Jonathan Quirk	3	12,513	–	–	12,513	690
Total		370,885	22,500	–	393,385	

Notes

1 Appointed 20 June 2017
2 Appointed 17 July 2017, resigned 18 March 2018
3 Resigned 17 July 2017
4 Resigned 19 December 2017
5 Resigned 2 March 2018
6 Employers NIC is disclosed for IFRS purposes and does not comprise remuneration

Pensions

During the year, the Group made a total pension contribution of £721 (2017: £104) to Ms O'Mahony. No other pension contributions were made on behalf of the other Directors.

Share options

Details of options granted to Directors are shown in note 16 to the financial statements. No Directors exercised any share options during the years ended 31 December 2018 or 31 December 2017.

Notice periods of the Directors

The CEO's contract is terminable on three months' notice on either side.

The non-executive Directors' contracts are terminable on one month's notice on either side.

Report of the Independent Auditor

to the members of Tri-Star Resources Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Tri-Star Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and the company statements of financial position, the consolidated and the company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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. 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, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to 'Principal accounting policies – going concern' on page 30 in the financial statements, which indicates that the group and parent company are not yet revenue generating and that the forecasts prepared by the directors of the group and parent company identify a cash deficit of £350,000 for the period ending 30 June 2020. Accordingly, the group and parent company are reliant on funds raised from issuing loans and shares or receipt of a $2,000,000 (approximately £1,500,000) contingent payment for intellectual property sold previously. As stated in 'Principal accounting policies – going concern', these events or conditions, along with the other matters as set forth in 'Principal accounting policies – going concern', indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report of the Independent Auditor

to the members of Tri-Star Resources Plc continued

Grant Thornton

Overview of our audit approach

- Overall group materiality: £196,000, which represents 1% of the group's preliminary total assets;
- A key audit matter was identified as accuracy of loan to associate; and
- We performed full-scope audit procedures on the financial statements of Tri-Star Resources Plc. We performed analytical procedures on the financial information of the subsidiaries based in Turkey and Canada. A full-scope audit of the associated undertaking – Strategic & Precious Metals Processing LLC ('SPMP') based in Oman is performed through the component auditor.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
Risk 1 – Accuracy of loan to associate • At 31 December 2018, the carrying value of the loan to associate was £16,727k (2017: £3,737k). • The principal terms of the loan are disclosed in note 11 to the financial statements. • IFRS 9 'Financial Instruments' is effective for the Group for the financial year ending 31 December 2018 and replaces the existing financial instruments standard IAS 39 'Financial Instruments: Recognition and Measurement'. • IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and the underlying cashflow characteristics. • Due to the equity conversion option included within the loan agreement, the loan to the associate should be classified and measured at fair value through profit or loss under IFRS 9. Historically under IAS 39 the loan to associate has been held at amortised cost. • Due to the materiality of the loan balance, the significant increase in the value of the loan in the year, and the subjective nature of the calculations used to determine the fair value of the loan, we identified the accuracy of loan to associate as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the Group's accounting policies that address classification and measurement of the loan to the associate are compliant with the requirements of IFRS 9; • Testing that management had evaluated and classified the loan to the associate in line with IFRS 9 by reviewing the terms of the loan agreement with the requirements of the standard; • Testing the key inputs and mathematical accuracy of the fair value calculation performed by management; • Challenging the primary assumptions used in the calculations performed by management to determine the fair value of the loan to the associate, including the discount rate applied and the timing of future cashflows; and • Using a valuation specialist to review the discount rate assumption used. The group's accounting policy on loan to associate is shown in principal accounting policies to the financial statements and related disclosures are included in note 11. **Key observations** Based on our audit work, we did not identify evidence of material misstatement in the accuracy of the loan to associate recognised as at 31 December 2018.

Report of the Independent Auditor

to the members of Tri-Star Resources Plc continued

Our application of materiality

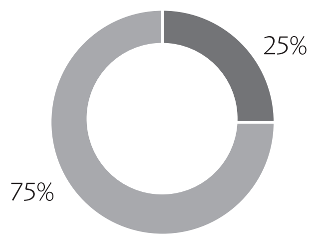
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

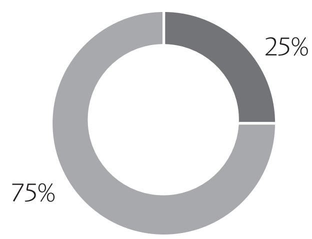
Materiality measure	**Group**	**Parent**
Financial statements as a whole	£196,000 which represents 1% of preliminary total assets. This benchmark is considered the most appropriate because the group is not yet trading and on an annual basis, significant investments are being made to the intangible and tangible assets of the group. Therefore, this is a key benchmark for users of the financial statements. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 to reflect the change in benchmark from loss before tax to total assets.	£195,000 which represents 1% of total assets, capped at the level of component materiality which reflects the relative size of the parent company in proportion to the group as a whole. This benchmark is considered the most appropriate for the same reasons as group materiality. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 for the same reasons as group materiality.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£9,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



Report of the Independent Auditor

to the members of Tri-Star Resources Plc continued

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. For example, significance as a percentage of the group's total assets, revenues and profit before taxation or significance based on qualitative factors, such as specific use is or concerns over specific components;
- We performed a full-scope audit of the financial statements of the parent company;
- We performed analytical reviews at interim stage and evaluated the group's internal controls environment including its IT systems and controls;
- The component auditor performed a full-scope audit of SPMP based in Oman. We communicated with the component auditor via emails and regular conference calls throughout the planning, substantive and completion stages of the group audit, discussed and challenged the component auditor's risk assessment in order to identify significant risks of material misstatement in the group financial statements and performed a review of their work at the completion stage;
- We performed analytical procedures over the remaining components of the group (operations in Turkey and Canada). This meant that a total of 96.8% of the consolidated loss before tax and 99.9% of the consolidated assets of the group were subject to full-scope audit procedures; and
- This year our audit was focussed on the key risk area of the group, being the accuracy of loan to associates due to the significant increase in the balance, and the transition to IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Report of the Independent Auditor

to the members of Tri-Star Resources Plc continued

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 11 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David White BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

24 June 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	2018 £'000	2017 (restated) £'000
Share based payments	16	(580)	(135)
Exploration expenditure and other administrative expenses		(787)	(704)
Total administrative expenses		(1,367)	(839)
Loss from operations		(1,367)	(839)
Share of loss in associate company	9	(306)	(41)
Movement in the fair value of financial asset	11	293	(705)
Finance income	2	43	–
Loss on extinguishment of debt	2, 14	–	(3,637)
Finance cost	2	(667)	(1,364)
Loss before taxation	3	(2,004)	(6,586)
Taxation	4	48	80
Loss after taxation, and loss attributable to the equity holders of the Company from continuing operations		(1,956)	(6,506)
Loss from discontinued operations	7	(70)	(104)
Loss after taxation, and loss attributable to the equity holders of the Company		(2,026)	(6,610)
Loss after taxation attributable to:			
Non-controlling interest		–	(1)
Equity holders of the parent		(2,026)	(6,609)
Other comprehensive expenditure			
Items that will be reclassified subsequently to profit and loss			
Exchange loss on translating foreign operations		(14)	(19)
Other comprehensive income for the period, net of tax		(14)	(19)
Total comprehensive loss for the year, attributable to owners of the company		(2,040)	(6,629)
Total comprehensive loss attributable to:			
Non-controlling interest		–	(1)
Equity holders of the parent		(2,040)	(6,628)
Loss per share			
Basic and diluted loss per share (pence)	5	(2.64)	(45.97)

The 2017 Statement of Comprehensive Income has been restated for the impact of IFRS 9, for further details see note 22.

The accompanying principal accounting policies and notes on pages 30-60 form an integral part of the financial statements.

Consolidated Statement of Financial Position

as at 31 December 2018

	Note	2018 £'000	2017 (restated) £'000
Assets			
Non-current			
Intangible assets	8	–	12
Investment in associates	9	1,136	1,442
Loan to associate held at fair value through profit or loss	11	16,727	3,737
Property, plant and equipment	10	–	21
		17,863	5,212
Current			
Trade and other receivables	12	105	106
Cash and cash equivalents		312	485
Asset classified as held for sale	7	23	–
Total current assets		440	591
Total assets		18,303	5,803
Liabilities			
Current			
Trade and other payables	13	94	77
Short term loans	14	1,129	4,348
Liabilities classified as held for sale	7	2	–
Total current liabilities		1,225	4,425
Non-current			
Deferred tax liability	15	111	130
Total liabilities		1,336	4,555
Equity			
Issued share capital	17	6,884	3,160
Share premium		44,816	31,347
Share based payment reserve	16	1,671	1,105
Other reserves		(6,967)	(6,953)
Retained earnings		(29,433)	(27,407)
		16,971	1,252
Non-controlling interest		(4)	(4)
Total equity		16,967	1,248
Total equity and liabilities		18,303	5,803

The 2017 Statement of Financial Position has been restated for the impact of IFRS 9, see note 22.

The consolidated financial statements were approved by the Board and authorised for issue on 24 June 2019.

David Facey
Chief Executive Officer & Chief Financial Officer

24 June 2019

Company number: 04863813

The accompanying principal accounting policies and notes on pages 30-60 form an integral part of the financial statements.

Company Statement of Financial Position

as at 31 December 2018

	Note	2018 £'000	2017 (restated) £'000
Assets			
Non-current			
Investment in subsidiary	9	247	–
Investment in associates	9	3,893	3,893
Loan to associate held at fair value through profit or loss	11	16,727	3,737
Property, plant and equipment	10	–	12
		20,867	7,642
Current			
Trade and other receivables	12	105	91
Cash and cash equivalents		312	473
Total current assets		417	564
Total assets		21,284	8,206
Liabilities			
Current			
Trade and other payables	13	91	73
Short term loans	14	1,129	4,348
Total current liabilities		1,220	4,421
Non-current			
Deferred tax liability	15	111	130
Total liabilities		1,331	4,551
Equity			
Issued share capital	17	6,884	3,160
Share premium		44,816	31,347
Share based payment reserve	16	1,671	1,105
Retained earnings		(33,418)	(31,957)
Total equity		19,953	3,655
Total equity and liabilities		21,284	8,206

The Company's loss for the year was £1,462,000 (year ended 31 December 2017: loss £6,572,000 restated).

The 2017 Statement of Financial Position has been restated for the impact of IFRS 9, for further details see note 22.

The consolidated financial statements were approved by the Board and authorised for issue on 24 June 2019.

David Facey
Chief Executive Officer & Chief Financial Officer

24 June 2019

Company number: 04863813

The accompanying principal accounting policies and notes on pages 30-60 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Share based payment reserves £'000	Trans-lation reserve £'000	Retained earnings £'000	Total attributable to owners of parent £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2017 (restated)	2,601	14,525	(6,156)	1,130	(778)	(20,823)	(9,501)	(3)	(9,504)
Issue of share capital	559	13,062	–	–	–	–	13,621	–	13,621
Share issue costs	–	(54)	–	–	–	–	(54)	–	(54)
Transfer on lapse of options	–	–	–	(25)	–	25	–	–	–
Fair value on extinguishment of loan	–	3,814	–	–	–	–	3,814	–	3,814
Transactions with owners	559	16,822	–	(25)	–	25	17,381	–	17,381
Exchange difference on translating foreign operations	–	–	–	–	(19)	–	(19)	–	(19)
Loss for the year	–	–	–	–	–	(6,609)	(6,609)	(1)	(6,610)
Total comprehensive loss for the period	–	–	–	–	(19)	(6,609)	(6,628)	(1)	(6,629)
Balance at 31 December 2017 (restated)	3,160	31,347	(6,156)	1,105	(797)	(27,407)	1,252	(4)	1,248
Issue of share capital	3,724	13,711	–	–	–	–	17,435	–	17,435
Share issue costs	–	(242)	–	–	–	–	(242)	–	(242)
Share based payments	–	–	–	566	–	–	566	–	566
Transactions with owners	3,724	13,469	–	566	–	–	17,759	–	17,759
Exchange difference on translating foreign operations	–	–	–	–	(14)	–	(14)	–	(14)
Loss for the period	–	–	–	–	–	(2,026)	(2,026)	–	(2,026)
Total comprehensive loss for the period	–	–	–	–	(14)	(2,026)	(2,040)	–	(2,040)
Balance at 31 December 2018	6,884	44,816	(6,156)	1,671	(811)	(29,433)	16,971	(4)	16,967

The 2016 and 2017 Statement of Changes in Equity have been restated for the impact of IFRS 9, for further details see note 22.

The accompanying principal accounting policies and notes on pages 30-60 form an integral part of the financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Share based payment reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017 (restated)	2,601	14,525	1,130	(25,410)	(7,154)
Issue of share capital	559	13,062	–	–	13,621
Share issue costs	–	(54)	–	–	(54)
Transfer on lapse of options	–	–	(25)	25	–
Fair value on extinguishment of loan	–	3,814	–	–	3,814
Transactions with owners	559	16,822	(25)	25	17,381
Loss for the period	–	–	–	(6,572)	(6,572)
Total comprehensive loss for the period	–	–	–	(6,572)	(6,572)
Balance at 31 December 2017 (restated)	3,160	31,347	1,105	(31,957)	3,655
Issue of share capital	3,724	13,711	–	–	17,435
Share issue costs	–	(242)	–	–	(242)
Share based payments	–	–	566	–	566
Transactions with owners	3,724	13,469	566	–	17,759
Loss for the period	–	–	–	(1,461)	(1,461)
Total comprehensive loss for the period	–	–	–	(1,461)	(1,461)
Balance at 31 December 2018	6,884	44,816	1,671	(33,418)	19,953

The 2016 and 2017 Statement of Changes in Equity have been restated for the impact of IFRS 9, for further details see note 22.

The accompanying principal accounting policies and notes on pages 30-60 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	2018 £'000	2017 (restated) £'000
Cash flow from operating activities		
Loss after taxation	(2,026)	(6,610)
Amortisation	–	2
Depreciation	12	20
Finance income	(43)	–
Finance cost	667	1,312
Loss from associates	306	41
Movement in the fair value of financial asset	(293)	705
Fees paid by shares	15	135
Loss on extinguishment of loans	–	3,637
Share based payments	565	–
Movement on fair value of derivatives	–	52
Increase in trade and other receivables	(14)	(10)
Decrease in trade and other payables	(1)	(15)
Net cash outflow from operating activities	(812)	(731)
Cash flows from investing activities		
Finance income	43	–
Loans made to associate	(12,698)	(4,511)
Net receipts on sale of financial asset held at fair value through profit or loss	–	96
Net cash outflow from investing activities	(12,655)	(4,415)
Cash flows from financing activities		
Proceeds from issue of share capital	17,420	1,300
Share issue costs	(242)	(54)
Finance costs	(491)	(498)
Loans repaid	(3,560)	–
New loans	–	4,511
Net cash inflow from financing activities	13,127	5,259
Net change in cash and cash equivalents	(340)	113
Cash and cash equivalents at beginning of period	485	447
Exchange differences on cash and cash equivalents	167	(75)
Cash and cash equivalents at end of period	312	485

The 2017 Statement of Cash Flows has been restated for the impact of IFRS 9, for further details see note 22.

The accompanying principal accounting policies and notes on pages 30-60 form an integral part of the financial statements.

Principal Accounting Policies

for the year ended 31 December 2018

Basis of Preparation

The Group financial statements have been prepared under the historical cost convention except for the loan to associate and derivative financial instrument which is at fair value and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Company financial statements have been prepared under the historical cost convention except for the loan to associate and derivative financial instrument which is at fair value and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101, and in accordance with the Companies Act 2006. The Company accounts have also adopted the following disclosure exemptions as it meets the definition of a qualifying entity due to the disclosures being made in the consolidated financial statements:

- the requirement to present a statement of cash flows and related notes
- the requirement to disclose key management personnel compensation
- the requirement to disclose share based payment information
- the requirement to disclose financial instruments

The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange. The Company applies the Companies Act 2006 when preparing its annual financial statements.

The Group financial statements have been prepared under IFRS and the principal accounting policies adopted remain unchanged from those adopted by the Group in preparing its financial statements for the prior year, other than financial assets measured in accordance with IFRS 9. The impact of this change is described on page 37 and in note 22. The Company financial statements have been prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101, and in accordance with the Companies Act 2006. The previous year the Company prepared its financial statements under IFRS.

Going concern

The Group and Company are not yet revenue generating and are reliant upon funds raised from issuing loans and shares. The holders of the secured loan notes have agreed to extend the term of the notes to 30 June 2020. However, an additional cash requirement of approximately £350,000 in unavoidable running costs was identified based on cash flow forecasts for the period ending 30 June 2020, as prepared by the Directors. The Directors consider that there are a number of options to cover this deficit:

(1) SPMP makes the $2 million (approximately £1.5 million) payment in respect of its acquisition from Tri-Star of the intellectual property ("IP") of the Project, due on successful commissioning of the plant.

(2) Tri-Star raises further funds by way of an equity or debt placing or a further loan from the OAM Funds.

(3) Tri-Star is due to receive the deferred payment of USD $100,000 from the sale of its Turkish subsidiary on sale of first product, which would reduce the amount required to be raised by a placing or loan.

The Directors are confident that the Group and Company will secure the funds required from one of the above sources, or from a combination of the above sources. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. However, there is no certainty that they will be able to do so. These matters along with the matter set forth above mean that there is a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and, therefore, that the Group and Company may not be able to realise its assets or discharge its liabilities as they fall due.

Principal Accounting Policies

continued

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the statement of financial position date. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group has power over the investee, has the right to variable returns from the investee and has the power to affect its returns. The Group obtains and exercises control through voting rights and control is reassessed if there are indications that the status of any of the three elements have changed.

Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group's investment in associated undertakings is accounted for using the equity method. The consolidated income statement includes the Group's share of the associated profits and losses while the Group's share of net assets of associates is shown in the consolidated statement of financial position.

Discontinued operations/Assets held for sale

As the Group was in advanced negotiations to dispose of its Turkish subsidiary at 31 December 2018, the Turkish activities have been classified as discontinued in the Consolidated Statement of Income and the net assets of the subsidiary have been classified as assets held for sale in the Consolidated Statement of Financial Position, as the assets and liabilities met the following condition.

The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale meets the criteria for highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

The assets and liabilities are measured at the lower of carrying amount and fair value less costs to sell.

Investments

Investments in subsidiary and associated undertakings in the Company accounts are recorded at cost less provision for impairment as described in the impairment policy below.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of comprehensive income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with IAS12 no deferred tax is recognised on the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. This also applies to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Principal Accounting Policies

continued

Taxation continued

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to other comprehensive income or equity are charged or credited directly to other comprehensive income or equity.

Impairment testing of intangible assets and property, plant and equipment

Once fair values in respect of business combinations have been finalised, for the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Intangible assets with an indefinite useful life and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit and loss in the statement of comprehensive income, for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss on other assets is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation if no impairment loss had been recognised.

Intangible assets

Licences

Licences are recognised as an intangible asset at historical cost and are carried at cost less accumulated amortisation and accumulated impairment losses. The licences have a finite life and no residual value and are amortised on a straight-line basis over the life of the licence, being ten years to 2025.

Intangible Exploration Assets

Intangible exploration assets are recorded in the accounts where there is a viable future economic benefit to the Group which would result from the exploitation of the mine. As a result, the asset is held on an indefinite life basis with an impairment review not being required unless there are any indications that the carrying amount exceeds the recoverable amount.

Exploration of mineral eesources

All costs associated with mineral exploration prior to 31 December 2017 (except those acquired as part of a business combination) have been expensed in profit and loss in the statement of comprehensive income due to the uncertainty of the future revenues and speculative nature of the exploration costs. The Directors will continue to assess exploration of mineral resources on a project-by-project basis and will capitalise costs once the feasibility of the project is established.

Principal Accounting Policies

continued

Property, plant and equipment

Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the consolidated statement of comprehensive income.

Depreciation

Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, which is revised annually, over its useful economic life on a straight-line basis as follows:

Motor Vehicles:	5 years
Equipment:	3 years

Financial assets

The Group's financial assets comprise cash, loan to associate held at fair value through profit or loss and trade and other receivables.

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- loans and receivables at amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Principal Accounting Policies
continued

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements would apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The loan to the associate is measured at fair value through P&L due to it having an equity conversion option. This option is described in note 11.

Assets which were previously held as available-for-sale assets have been reclassified at fair value through P&L. The impact of this is shown in note 22.

Impairment of financial assets
The Group considers trade and other receivables individually in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand, bank deposits repayable on demand, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable within three months from the date of advance if the advance forms part of the Group's cash management.

Equity
Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other reserves comprise the amounts arising on the reverse acquisition.

Translation reserves are amounts in respect of translation of overseas subsidiaries.

Share based payment reserve comprises amounts arising on the share based employee remuneration and share based payments made to consultants in the settlement of services provided.

Retained earnings include all current and prior periods results as disclosed in the consolidated statement of comprehensive income.

Share based payments
The Company operates equity settled share based compensation in respect of certain third party advisers.

The Company operates equity settled share based remuneration plans for remuneration of its employees and equity settled share based plans in respect of services received from external consultants.

All employee services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Principal Accounting Policies

continued

Share based payments continued

All share based remuneration is ultimately recognised as an expense in profit and loss in the statement of comprehensive income with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options are ultimately exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. Upon exercise of warrants, the value of the warrants exercised is transferred from the share based payment reserve to share capital and share premium.

Fees settled in shares

Where shares have been issued as consideration for services provided they are measured at the fair value of the services provided.

Financial liabilities

The Group's financial liabilities comprise trade and other payables and loans payable.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income using the effective interest method.

Trade and other payables are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the statement of comprehensive income.

Loans payable are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the statement of comprehensive income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. There are currently no financial liabilities held at "fair value through profit or loss".

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Principal Accounting Policies

continued

Financial derivative liabilities

Pursuant to the terms of the Convertible Loan Notes, when investors exercise their conversion rights the Company has an obligation to deliver ordinary shares to those investors (see note 14 for further information).

In accordance with IFRS 9, whilst Tri-Star had a contractual right to deliver a variable number of shares, the conversion option qualifies as an embedded derivative. Thus, the Convertible Loan Notes are treated as a hybrid instrument which includes a component of debt and an embedded derivative for the conversion option held by the noteholder.

The Company initially measured the embedded derivative at fair value and classifies it under the derivative financial instruments liability heading. At the end of each financial accounting reporting period, the embedded derivative is re-measured and changes in fair value are recognised in profit and loss in the consolidated statement of comprehensive income.

The debt component is initially recorded as the difference between the proceeds received for the Convertible Notes and the fair value of the aforementioned embedded derivative. Subsequently, the debt component is measured at amortised cost until it is settled upon conversion or maturity. Debt issuance costs are recognised as a deduction in the value of the debt in the Consolidated Statement of Financial Position and included as part of its amortised cost.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Employee compensation

Short-term employee benefits are recognised as an expense in the period in which they are incurred.

Foreign currencies

These financial statements are presented in UK Pounds Sterling which is the functional currency of the Company. The group carries out transactions in United States dollars, Turkish Lira, Canadian dollars, United Arab Emirates Dirhams and Omani Rials. The Directors are keeping under review the functional currency of the Company.

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity within translation reserve.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The critical accounting judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current and next accounting year are discussed below:

Principal Accounting Policies

continued

Critical accounting estimates and judgements continued

Capitalisation of costs by SPMP

SPMP presently has one activity which is building the antimony plant in Oman. As such the directors have taken the view that most of the costs incurred during the year are directly attributable to the building of the plant and have capitalised them.

The critical accounting estimates are discussed below:

Investment in associate

The Directors have considered the carrying value of the investment in SPMP in the Company only accounts and reviewed this against SPMP cash flows. The Directors concluded that no impairment is required. Note 9 has further details on the investment.

Loan to SPMP

Under IFRS 9, the loan to associate is classified and measured at fair value through profit or loss due to the equity conversion option. The fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 20% has been applied. The discount rate, being the assumed market rate, has been derived by reference to Tri-Star's estimated cost of the funding required in order to provide the SPMP Mezzanine Loan. The Mezzanine Loan is assumed to be repaid on the due date. It is assumed that there will be no default on these loans and that the conversion discount has no value. Note 11 has further details on the loan.

Adoption of new or amended IFRS

The Directors anticipate that the adoption of new standards which are in issue but not yet effective and have not been adopted early by the Group will be relevant to the group but will not result in significant changes to the Group's accounting policies.

The Group has applied IFRS 9 – Financial Instruments and IFRS 15 – Revenue from contracts with customers from 1 January 2018. There was no significant impact from the adoption of IFRS15.

The impact of adopting IFRS 9 has resulted in the loan to associate being measured at fair value through P&L. In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 20% has been applied. The discount rate, being the assumed market rate, has been derived by reference to Tri-Star's estimated cost of the funding required in order to provide the SPMP Mezzanine Loan. The Mezzanine Loan is assumed to be repaid on the due date. It is assumed that there will be no default on these loans and that the conversion discount has no value.

The adjustment recognised at 1 January 2018 resulted in a total comprehensive loss of £681,000, an increase in investment of associates of £21,000 and a decrease in the carrying value of the loan to associate of £702,000. Additionally, the asset previously held as available-for-sale, which was disposed of in 2017, has been reclassified as a financial asset measured at fair value through profit and loss. The impact of this at 1 January 2017 is a credit to retained earnings of £47,000 and a debit to other reserves of £47,000. The impact in 2017 was a reduction in the profit on the sale of £47,000, and an increase in other comprehensive income of £47,000. Further details of these changes are shown in note 22.

- IFRS 16 Leases (IASB effective 1 January 2019, EU not yet endorsed)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (IASB effective date 01 January 2019EU endorsed 01 January 2019)
- IFRS 17 Insurance contracts (IASB effective date 01 January 2021, EU Not yet endorsed)
- Amendments to Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (IASB effective date 01 January 2019, EU Not yet endorsed)

Principal Accounting Policies

continued

Adoption of new or amended IFRS continued

- Amendments to IFRS 3: Business Combinations (issued 22 October 2018) (IASB effective date 01 January 2020, EU Not yet endorsed)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued 12 October 2017) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018), (IASB effective date 01 January 2020, EU Not yet endorsed)
- Annual improvements to IFRS 2014-2016 Cycle (Issued 8 December 2016) – Relating to IFRS 12 Disclosure of interest in other entities (IASB effective date 01 January 2017, EU Not yet endorsed)

The Group is still in the process of quantifying the effect of IFRS 16 Leases for the associate but the impact is not significant for the Company and its subsidiaries. Due to the limited operations at present, the Company does not believe that the other new standards will have a significant impact.

Notes to the Financial Statements

for the year ended 31 December 2018

1 Segmental Reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and an assessment of performance and about which discrete financial information is available.

The Board considers that the Group comprises only one operating segment, that of mining, development and operations.

In respect of the non-current assets, £Nil (2017: £12,000) arise in the UK, and £17,863,000 (2017: £5,200,000) arise in the rest of the world.

2 Finance income and costs

	Group	
	2018 £'000	**2017 £'000**
Finance income		
Bank interest	43	–
	43	–

	Group	
	2018 £'000	**2017 £'000**
Finance costs		
Interest and fees payable on short term loans	667	136
Movement in derivative	–	52
Interest payable on convertible loan	–	1,176
	667	1,364

Further details regarding the movement in fair value of derivatives and interest payable on the convertible loan are set out in note 14.

3 Loss before taxation

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £1,462,000 (year ended 31 December 2017: £6,572,000 restated).

The loss before taxation is attributable to the principal activities of the Group.

The loss before taxation of the Group is stated after charging/(crediting):

	Group	
	2018 £'000	**2017 £'000**
Staff costs	399	466
Share-based payment charge	580	135
Depreciation of owned property, plant and equipment	12	20
Exchange movements	(44)	(62)
Movement in the fair value of financial asset	(293)	705
Share of losses in associate company	306	41
Fees payable to the Company's auditor for the audit of the financial statements	44	43
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	4	12

Notes to the Financial Statements

continued

4 Taxation

Unrelieved tax losses of approximately £6.04 million (2017 restated: £5.74 million) are available to offset against future taxable trading profits. The related deferred tax asset arising at 31 December 2018 is £1,147,000 (2017: £1,105,000) and has not been provided on the grounds that it is uncertain when taxable profits will be generated by the Group to utilise those losses.

The tax credit for the Group for the year comprises:

	Group 2018 £'000	Group 2017 £'000
Research and development taxation relief	29	62
Deferred tax relief in respect of transition to IFRS	19	18
	48	80

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	2018 £'000	2017 (restated) £'000
Loss before taxation	(2,004)	(6,586)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(381)	(1,268)
Effect of:		
Expenses not deductible for tax purposes	117	31
Overseas loss not recognised	60	34
R&D tax rebate	(29)	(62)
Interest disallowed	127	952
Unrelieved tax losses	58	233
Total tax credit for year	(48)	(80)

The 2017 tax losses have been restated for the impact of IFRS 9, for further details see note 22.

5 Loss per share

The calculation of the consolidated basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

	2018 £'000	2017 (restated) £'000
Loss attributable to owners of the Company after tax	(2,026)	(6,610)

	2018 Number	2017 (restated) Number
Weighted average number of ordinary shares for calculating basic loss per share	76,820,518	14,378,619

	2018 Pence	2017 (restated) Pence
Basic and diluted loss per share	(2.64)	(45.97)

Dilutive earnings per share is the same as basic loss per share in each year because the potential shares arising under the share option scheme and share warrants are anti-dilutive. The weighted average number of ordinary shares excludes deferred shares which have no voting rights and no entitlement to a dividend. The prior year number of shares and loss per share have been restated for the share consolidation in line with IAS 33.

Notes to the Financial Statements

continued

6 Employee benefit expense

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	359	430	359	386
Social security	39	36	39	31
Pension contributions	1	–	1	–
Share based payment charge	558	–	558	–
Total emoluments	957	466	957	417

Average monthly number of employees

	2018 Number	2017 Number	2018 Number	2017 Number
Directors	4	6	4	6
Other	6	5	–	–
	10	11	4	6

The Directors are the key management personnel of the Group. Details of Directors' remuneration are included in the report on remuneration on page 18.

7 Discontinued operations

The activities of the Uc Yildiz have been reclassified as discontinued and the net assets are held on the statement of financial position as assets held for sale. The Group announced that it had disposed of Uc Yildiz on 4 Match 2019 for an initial sum of $400,000 (£315,000) with a final payment of US$100,000 (£79,000) due on the first sale of material from the mine. The summarised financial information for Uc Yildiz is as follows:

Statement of comprehensive income

	2018 £'000	2017 £'000
Antimony sales	5	–
Amortisation	(1)	(2)
Administrative expenses	(74)	(102)
Operating loss	(70)	(104)
Loss for the period before taxation	(70)	(104)
Taxation	–	–
Loss and total comprehensive loss for the period	(70)	(104)

Statement of financial position

	2018 £'000	2017 £'000
Non-current assets	12	21
Current assets	11	24
Total assets	23	45
Current liabilities	2	1
Total liabilities	2	1
Total net assets	21	44

Net cash expenditure in respect of discontinued operations were £70,000 in 2018 and £102,000 in 2017.

Notes to the Financial Statements

continued

8 Intangible assets

Group

	Other intangible exploration asset £'000	Mining and mineral licences £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2017	3,502	122	701	4,325
Exchange difference	–	(3)	–	(3)
At 31 December 2017	3,502	119	701	4,322
Reclassified as asset held for sale	–	(119)	–	(119)
At 31 December 2018	3,502	–	701	4,203
Amortisation and impairment				
At 1 January 2017	3,502	105	701	4,308
Amortisation charge in the year	–	2	–	2
At 31 December 2017	3,502	107	701	4,310
Eliminated on reclassification of asset classified as held for sale	–	(107)	–	(107)
At 31 December 2018	3,502	–	701	4,203
Net book value				
At 31 December 2018	–	–	–	–
At 31 December 2017	–	12	–	12
At 1 January 2017	–	17	–	17

Mining and mineral licences are amortised on a straight-line basis over the life of the licences.

9 Investments

At 31 December 2018, the Company held the following interests in subsidiary undertakings and associates:

Subsidiary or Associate	Proportion of ordinary share capital held	Nature of business	Country of incorporation	Registered address
Tri-Star Trading Limited	100%	Dormant	England and Wales	16 Great Queen Street, London, WC2B 5DG
Üç Yildiz Antimon Madencilik İthalat Ve İhracat Sanayi ve	99.5%	Mining	Turkey	Ozyurt Mahallesi. Kutahaya Yolu Uzeri Ticaret Anonim Şirketi 1kn no. 2, Gediz, Kutahya
Tri-Star Antimony Canada Inc	100%	Mining	Canada	1 Germain Street, Suite 1700, Saint John, New Brunswick, E2L 4V1
Tri-Star Union FZ-LLC	90%	Mining services	UAE	PO Box 31291, Al-Jazeera Al-Hamra, Ras Al Khaimah
Strategic & Precious Metals Processing LLC	40%	Mining services	Oman	PO Box 329, PC115, Madinat Al Sultan, Qaboos
Rockport Mining Corporation*	100%	Mining	Canada	1 Germain Street, Suite 1700, Saint John, New Brunswick, E2L 4V1
Golden Ridge Joint Venture*	60%	Mining	Canada	1 Germain Street, Suite 1700, Saint John, New Brunswick, E2L 4V1

* These interests are held by Tri-Star Antimony Canada Inc

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continued

9 Investments continued

Tri-Star has a 40% interest in SPMP and has accounted for it as an associate undertaking. SPMP made a loss of £765,000 in 2018 (2017: £103,000) of which Tri-Star's share in the Group accounts was £306,000 (2017: £41,000). Tri-Star had a net investment of £1,136,000 on consolidation as at 31 December 2018 (2017 restated: £1,442,000) in SPMP. Additionally, the Group made loans of $16,700,000 (£12.7 million) to SPMP during the year (2017: $6,000,000), see note 11.

The movement in the investment in the associated undertaking was:

	Group		Company	
	2018	**2017 (as restated)**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January	1,442	1,483	3,893	3,893
Share of loss for year	(306)	(41)	–	–
At 31 December	1,136	1,442	3,893	3,893

Summarised financial information in respect of the Group's only material associate, SPMP is set out below.

	2018 $'000	**2017 $'000**
Administrative expenses	(686)	(175)
Operating loss	(686)	(175)
Finance costs	(224)	–
Loss for the period	(910)	(175)
Taxation	(111)	–
Loss and total comprehensive loss for the period	(1,021)	(175)

	2018 $'000	**2017 $'000**
Non-current assets	174,446	85,948
Current assets	10,732	3,652
Total assets	185,178	89,600
Current liabilities	35,494	17,195
Liabilities due after one year	140,756	62,456
Total liabilities	176,250	79,651
Share capital	15,052	15,052
Retained earnings	(6,124)	(5,103)
Total equity	8,928	9,949
Total equity and liabilities	185,178	89,600

Notes to the Financial Statements

continued

9 Investments continued

Company

	Investment in group undertakings £'000	Investment in associates £'000	Total £'000
Cost			
At 1 January 2017	5,872	3,893	9,765
At 31 December 2017	5,872	3,893	9,765
Additions	3	–	3
At 31 December 2018	5,875	3,893	9,768
Amortisation and impairment			
At 1 January 2017	(5,872)	–	(5,872)
At 31 December 2017	(5,872)	–	(5,872)
Reversal of Impairment in the year	244	–	244
At 31 December 2018	(5,628)	–	(5,628)
Net book value			
At 31 December 2018	247	3,893	4,140
At 31 December 2017	–	3,893	3,893
At 1 January 2017	–	3,893	3,893

During the year ended 31 December 2018 the Company increased its investment in Uc Yildiz by £3,000 purchasing shares from minority shareholders, and increasing its shareholding from 99% to 99.5%. As the Company was in an advanced stage of negotiating the sale of Uc Yildiz at 31 December 2018 previous impairment of £244,000 was reversed leaving a net book value of £247,000, being the minimum non-deferred proceeds expected from the sale of USD $400,000 less costs.

10 Property, plant & Equipment

Group

	Land £'000	Vehicles £'000	Equipment £'000	Total £'000
Cost				
At 1 January 2017	2	104	57	163
Exchange difference	–	(1)	(1)	(2)
At 31 December 2017	2	103	56	161
Disposals	–	(21)	–	(21)
Reclassified as asset held for resale	(2)	(15)	(23)	(40)
Cost at 31 December 2018	–	67	33	100
Depreciation				
At 1 January 2017	–	76	44	120
Charge for the year	–	15	5	20
At 31 December 2017	–	91	49	140
Charge for the year	–	11	1	12
Eliminated on reclassification	–	(35)	(17)	(52)
At 31 December 2018	–	67	33	100
Net book value				
At 31 December 2018	–	–	–	–
At 31 December 2017	2	12	7	21
At 1 January 2017	2	28	13	43

Notes to the Financial Statements

continued

10 Property, plant & Equipment continued

Company	Motor vehicles £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2017	67	29	4	100
At 31 December 2017	67	29	4	100
Cost at 31 December 2018	67	29	4	100
Depreciation				
At 1 January 2017	42	27	4	73
Charge for the year	14	1	–	15
At 31 December 2017	56	28	4	88
Charge for the year	11	1	–	12
At 31 December 2018	67	29	4	100
Net book value				
At 31 December 2018	–	–	–	–
At 31 December 2017	11	1	–	12
At 1 January 2017	25	2	–	27

11 Loans receivable held at fair value through profit or loss

Loans receivable represent the USD $6 (£4.4) million mezzanine loan which the Company advanced to SPMP as announced on 29 November 2017 and the further amounts of USD $16,700,000 (£12,700,000) advanced during 2018. The principal terms of the loan are as follows:

- An interest rate of 15% per annum compounded, payable in full on redemption of the loan;
- Ranks pari passu with the existing mezzanine loans already in place at SPMP;
- Loan term of five years from December 2017, with SPMP having the option to redeem (with accrued interest to date) from the third anniversary of drawdown; and
- There is an option to convert the loan into shares if it remains outstanding for 12 months after the due date at 80% of the fair value of the shares.

The loan has been measured at fair value. In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 20% has been applied. The discount rate, being the assumed market rate, has been derived by reference to Tri-Star's estimated cost of the funding required in order to provide the SPMP Mezzanine Loan. The Mezzanine Loan is assumed to be repaid on the due date. It is assumed that there will be no default on these loans and that the conversion discount has no value.

12 Trade and other receivables

	Group		Company	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Current				
Trade receivables	75	61	75	61
Other receivables	14	30	14	15
Prepayments and accrued income	16	15	16	15
	105	106	105	91

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

13 Trade and other payables

	Group		Company	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Trade payables	22	15	22	16
Social security and other taxes	7	13	7	13
Other payables	5	5	–	–
Accruals and deferred income	60	44	62	44
	94	77	91	73

14 Secured loan notes (Group and Company)

Issue of secured loan notes to OEI and OMI

Current Loan Notes comprise short-dated secured loan notes issued to OEI and OMI, two of the three OAM Funds. The Loan Notes are secured on a debenture comprising a fixed and floating charge over all the assets of Tri-Star Resources plc. The Loan Notes carry an annual interest rate of 25% and had an original repayment date of 30 June 2018 or equity placement whichever is earlier. As an equity placement took place in January 2018, the loans technically fell due, but OEI and OMI originally agreed to extend repayment until 30 June 2018 and subsequent to the year end have agreed to extend repayment to 30 June 2020 or earlier at the Company's discretion. During the year £4,051,000 (USD $5,320,000) of capital and interest was repaid.

Conversion of OAM Convertible Loan Notes and private placing

In 2017, Tri-Star reached an agreement with OAM to restructure the Company's balance sheet. Accordingly, £4.4 million of Convertible Loan Notes were converted into 3,614 million new ordinary shares (the "Conversion") at a conversion price of 0.121855p and OAM participated in a placing of 7,453 million new ordinary shares in the Company (the "Placing") also at 0.121855p per ordinary share (the "Placing Price"). IFRS requires that the difference between the carrying amount of financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed should be recognised in profit and loss. Additionally, equity instruments issued to the creditor to extinguish the liability should be measured at the fair value of the instruments issued. The fair value of the shares issued in respect of both the Conversion and the Placing in respect of the extinguishment of the Convertible Loan Notes has been measured at 0.16p per ordinary share, being the closing price on 31 May 2017, the day prior to the agreement with OAM being reached. The loss arising on the extinguishment was £3.6m.

Notes to the Financial Statements

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15 Deferred tax liability

The deferred tax liability which relates to an imputed tax on intangible can be reconciled as follows:

	2018 £'000	2017 £'000
At 1 January	130	148
Offset against current year losses	(19)	(18)
At 31 December	111	130

In 2015, the Group and Company recognised a deferred tax liability of £176,000 which has arisen on the transition of the Company to IFRS. This liability was payable over the next nine years on a straight-line basis but may be offset against potential future trading losses in each year, therefore £19,000 (2017: £18,000) has been offset against current year losses.

16 Share options and warrants (Group and Company)

Share options

The Group operates share option schemes for certain employees and consultants (including Directors).

Details of the number of share options outstanding are as follows:

Grant date	First exercise date (when vesting conditions are met)	Expiry date	Exercise price £	Fair value £	2018 Number	2017 (restated) Number
10-May-11	10-May-11	09-May-21	10.0	0.002517	34,000	34,000
10-May-11	10-May-11	09-May-21	20.0	0.001645	34,000	34,000
10-May-11	10-May-11	09-May-21	30.0	0.001625	50,000	50,000
10-May-11	10-May-12	09-May-21	10.0	0.002517	34,000	34,000
10-May-11	10-May-12	09-May-21	20.0	0.001645	34,000	34,000
10-May-11	10-May-12	09-May-21	30.0	0.001625	50,000	50,000
10-May-11	10-May-13	09-May-21	10.0	0.003539	34,000	34,000
10-May-11	10-May-13	09-May-21	20.0	0.001645	34,000	34,000
10-May-11	10-May-13	09-May-21	30.0	0.001625	50,000	50,000
02-Oct-14	02-Oct-14	01-Oct-24	1.90	0.001301	16,670	16,670
22-Sep-15	22-Sep-15	21-Sep-25	1.10	0.001322	245,000	245,000
25-Jun-18	25-Jun-18	25-Jun-21	0.30	0.333163	666,667	-
25-Jun-18	25-Jun-18	25-Jun-21	0.05	0.403219	833,333	-
Total					2,115,670	615,670

At 31 December 2018, all of the 2,115,670 options outstanding were exercisable (2017: 615,670). The 2017 number has been restated for the share consolidation.

The weighted average exercise price of the options at the year-end is £3.83.

Notes to the Financial Statements

continued

16 Share options and warrants (Group and Company) continued

Directors' share options

The following options are held by Directors who served at the year-end:

Director	At the beginning of the year Number (restated)	Granted during the year Number	Exercised during the year	At the end of the year Number
M Wellesley-Wood	50,000	–	–	50,000
M Wellesley-Wood	–	166,667	–	166,667
	50,000	166,667	–	216,667
K O'Mahony	–	833,333	–	833,333
D Fletcher	–	500,000	–	500,000
A Collins	12,750	–	–	12,750
A Collins	12,750	–	–	12,750
A Collins	18,750	–	–	18,750
A Collins	35,000	–	–	35,000
	79,250	–	–	79,250
Total	129,250	1,500,000	–	1,629,250

For those options granted to directors in the year, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

Risk free rate – 0.5%
Share price volatility – 123%
Share price at date of grant – 43.5p
Options are exercisable for 3 years from the grant date

As the options can be exercised immediately the full amount has been charged to the Statement of Comprehensive Income on issue.

Expected volatility was determined by calculating the historical volatility of the Company's share price.

Warrants

On 7 November 2018 the Company announced the issue of 25,000 warrants at 40p. There are now 95,200 warrants outstanding with an average exercise price of £0.84 and a remaining contractual life of 1.19 years. These are all exercisable immediately. For those warrants issued in the year, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

Risk free rate – 0.5%
Share price volatility – 127%
Share price at date of grant – 43.5p
Warrants are exercisable for 3 years from the grant date

As the options can be exercised immediately the full amount has been charged to the Statement of Comprehensive Income on issue.

Expected volatility was determined by calculating the historical volatility of the Company's share price.

All of the 2017 numbers have been restated for the share consolidation.

Notes to the Financial Statements

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17 Share capital (Group and Company)

	2018 £'000	2017 £'000
Allotted, issued and fully paid		
1,363,925,475 deferred shares of 0.1p (2017: 1,363,925,475)	1,364	1,364
856,547,275 deferred shares of 0.095p (2017: 856,547,275)	814	814
94,120,463 ordinary shares of 5p (2017: 19,645,633 restated)	4,706	982
	6,884	3,160

On 12 June 2018, the Group announced that the Company's share consolidation had been approved. Consequently, every 1,000 ordinary shares of 0.005 pence each were consolidated into 1 ordinary share of 5 pence each. The number of shares above and below are for the number of shares post consolidation.

Following the issue of the 44,204,755 ordinary shares of 5 pence each announced on 11 January 2018, the issue of 14,326 ordinary shares of 5 pence each announced on 13 June 2018, the issue of 30,232,558 ordinary shares of 5 pence each announced on 10 July 2018 and the issue of the 23,321 ordinary shares of 5 pence each announced on 7 November 2018, there were 94,120,463 Ordinary Shares in issue (each of which are voting shares) as at 31 December 2018.

The ordinary shares are voting shares and carry the right for the holder to receive notice of, and attend meetings of the Company, the holder has the right to receive dividends.

The deferred shares do not carry the right for the holder to receive notice of, or attend meetings of the Company, the holder will have no right to receive dividends; the deferred shares are not redeemable; and the Directors are authorised to transfer all the deferred shares to any person they may determine for a total price of one penny.

18 Reconciliation of liabilities arising from financing activities

	Long-term borrowings £	Short-term borrowings £	Total £
1 January 2018	–	4,348	4,348
Cash-flows:			
– Repayment in cash	–	(3,560)	(3,560)
– Interest paid	–	(491)	(491)
Non-cash:			
– Accrued interest	–	667	667
– Foreign exchange movement	–	165	165
31 December 2018	–	1,129	1,129

Notes to the Financial Statements
continued

18 Reconciliation of liabilities arising from financing activities continued

	Long-term borrowings £	Short-term borrowings £	Total £
1 January 2017	10,429	969	11,398
Cash-flows:			
– Proceeds	–	4,511	4,511
Non-cash:			
– Repayment in shares and equivalent	(11,165)	(1,021)	(12,186)
– Accrued interest	1,176	101	1,277
– Movement through income statement	(440)	–	(440)
– Amortised costs	–	(199)	(199)
– Movement in financial liability	–	52	52
– Foreign exchange movement	–	(65)	(65)
31 December 2017	–	4,348	4,348

19 Financial risk management policies and objectives

The Group operates in a number of jurisdictions and has carried out transactions in Sterling, Turkish Lira, Canadian dollars, US dollars and Omani Rials. The Group operates foreign currency bank accounts to help mitigate foreign currency risk.

Financial assets by category

The IFRS 9 categories of financial asset included in the consolidated and company statements of financial position and the headings in which they are included are as follows:

Group	**2018**				**2017**			
	Receivables held at amortised cost £'000	Assets held at fair value through P&L £'000	Non financial assets £'000	Statement of financial position total £'000	Receivables held at amortised cost £'000	Assets held at fair value through P&L £'000	Non financial assets £'000	Statement of financial position total £'000
Trade and other receivables	89	–	16	105	91	–	15	106
Loan to associate	–	16,727	–	16,727	–	3,737	–	3,737
Assets held for sale	23	–	–	23	–	–	–	–
Cash and cash equivalents	312	–	–	312	485	–	–	485
Total	424	16,727	16	17,167	576	3,737	15	4,328

Notes to the Financial Statements

continued

19 Financial risk management policies and objectives continued

Financial liabilities by category

The IFRS 9 categories of financial liability included in the consolidated and company statements of financial position and the headings in which they are included are as follows:

Group	2018				2017			
	Other financial liabilities at amortised cost £'000	Liabilities carried at fair value £'000	Liabilities not within the scope of IFRS 9 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Liabilities carried at fair value £'000	Liabilities not within the scope of IFRS 9 £'000	Total £'000
Trade payables	22	–	–	22	15	–	–	15
Social Security and other taxes	–	–	7	7	–	–	13	13
Other payables	5	–	–	5	5	–	–	5
Accruals and deferred income	60	–	–	60	44	–	–	44
Liabilities held for sale	2	–	–	2	–	–	–	–
Loans	1,129	–	–	1,129	4,348	–	–	4,348
Deferred tax liability	–	–	111	111	–	–	130	130
Total	1,218	–	118	1,336	4,412	–	143	4,555

The financial statements include an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The categories are set out below.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 20% has been applied. The discount rate, being the assumed market rate, has been derived by reference to Tri-Star's estimated cost of the funding required in order to provide the SPMP Mezzanine Loan. The Mezzanine Loan is assumed to be repaid on the due date. It is assumed that there will be no default on these loans and that the conversion discount has no value.

Notes to the Financial Statements

continued

19 Financial risk management policies and objectives continued

Credit risk

The Group and Company's principal financial assets are cash balances and other receivables. The Group considers trade and other receivables individually in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group and Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the consolidated and company statements of financial position date, as summarised below:

Group	**2018 £'000**	**2017 £'000**
Trade and other receivables	89	91
Total	89	91

None of the amounts included in trade and other receivables are past due or considered to be impaired (2017: £nil).

Liquidity risk

The Group and Company seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Maturity of financial liabilities

The Group's financial liabilities are trade and other payables, accruals and deferred income and loans. All are due within one year.

Foreign exchange risk

The Group operates in a number of jurisdictions and carries out transactions in UK Pounds Sterling, Turkish Lira, Canadian dollars, US dollars, UAE Dirhams and Omani Rials. The Group does not have a policy to hedge arrangements but will continue to keep this under review. The Group operates foreign currency bank accounts to help mitigate the foreign currency risk.

Tri-Star has invested a total of $22.7 million via a Mezzanine Loan to SPMP. This loan was made from Tri-Star to SPMP in a foreign currency, and whilst this investment was partially offset through the issuance of secured loan notes to OEI and OMI, also in USD, this investment leaves the Group exposed to a foreign currency risk. The Board is considering whether arrangements should be made to mitigate this risk.

Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders and can continue to progress its mining strategy;
- to support the Group's stability and growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group monitors capital on the basis of the carrying amount of equity and cash and cash equivalents as presented on the face of the statement of the financial position.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The management regards total equity as capital and reserves, for capital management purposes.

Notes to the Financial Statements

continued

20 Related party transactions

During the year, the Company made loans of £60,040 (2017: £111,278) to Üç Yildiz (a subsidiary undertaking). At 31 December 2018, Tri-Star was owed £1,436,871 (2017: £1,376,831) from Üç Yildiz. This balance is fully provided for in Tri-Star.

During the year, the Company charged to SPMP £39,337 (2017: £68,041) for invoices paid on its behalf and arrangement fees, made loans of $16,700,000 (2017: $6,000,000) to SPMP and charged £1,344,200 (2017: $71,507) in interest on the loan to SPMP. There is a contingent payment of $2 million relating to the Project IP due to the Company, on successful completion of a pilot plant from SPMP. This $2 million has not been recognised in the accounts. At 31 December 2018, Tri-Star was owed $19,272,370 (2017: $6,071,507) from SPMP in respect of outstanding mezzanine loans together with accrued interest and outstanding recharges.

During the year, the Company made loans of £3,499 (2017: £4,131) to Tri-Star Antimony Canada Inc. At 31 December 2018, Tri-Star was owed £1,985,031 (2017: £1,981,532) by Tri-Star Antimony Canada Inc. Tri-Star Antimony Canada Inc. is a 100% owned subsidiary undertaking. This balance is fully provided for in Tri-Star.

At 31 December 2018, Mr Wellesley-Wood was due £367 (2017: £1,075) in respect of expenses claimed.

During the year fees of £73,448 (2017: £Nil) and expenses of £5,352 (2017: £Nil) were paid to PEAL Investment Advisory Ltd ("PEAL"). a company in which Ms O'Mahony has a 75% equity interest and Odey Asset Management LLP has a 15% equity interest.

OEI and OMI ("Odey funds") became major shareholders on extinguishment of their loans on 20 June 2017, as described in note 14. On 29 November 2017, the Odey funds loaned the Company $6,000,000 (£4,510,939). In 2018 $5,319,750 (£4,051,016) of capital and interest was repaid and interest of £667,196 (2017: £100,512) was charged during the year. At 31 December 2018, the total owed was £1,129,287 (2017: £4,547,413) including (£164,613) (2017: £74,038) in exchange movements. Fees of £60,000 were paid to Odey Asset Management in 2018 and expenses of £3,454 were reimbursed. Additionally, arrangement fees on the loans of £235,186 were paid to the OAM Funds in 2017.

21 Contingent assets (Group and Company)

Under the agreement to sell the Project IP to SPMP, there is a balance of $2 million due to be paid to Tri-Star by SPMP. This payment is contingent upon the successful commissioning of the plant in its pilot phase. The Directors have determined not to accrue this deferred income. Therefore, there is a contingent asset of $2 million at 31 December 2018 (31 December 2017: $2 million).

Notes to the Financial Statements

continued

22 Transition to IFRS 9

The transition to IFRS 9 has resulted in the following retrospective changes to the Consolidated Statement of Comprehensive Income and the Consolidated and Company Statements of Financial Position.

Group statement of comprehensive income

		Year ended 31 December 2017 Previous £'000	Effects of transition to IFRS 9 £'000	Revised £'000
Share based payments		(135)	–	(135)
Exploration expenditure and other administrative expenses	2	(767)	63	(704)
Total administrative expenses		(902)	63	(839)
Loss from operations		(902)	63	(839)
Profit on sale of available for sale asset	1	55	(55)	–
Share of loss in associate company		(41)	–	(41)
Movement in the fair value of financial asset	1, 2	–	(705)	(705)
Finance income	2	31	(31)	–
Loss on extinguishment of debt		(3,637)	–	(3,637)
Finance cost		(1,364)	–	(1,364)
Loss before taxation		(5,858)	(728)	(6,586)
Taxation		80	–	80
Loss after taxation, and loss attributable to the equity holders of the Company from continuing operations		(5,778)	(728)	(6,506)
Loss from discontinued operations		(104)	–	(104)
Loss after taxation, and loss attributable to the equity holders of the Company		(5,882)	(728)	(6,610)
Loss after taxation attributable to				
Non-controlling interest		(1)	–	(1)
Equity holders of the parent		(5,881)	(728)	(6,609)
Other comprehensive expenditure				
Items that will be reclassified subsequently to profit and loss				
Recycle to income statement on disposal of assets	1	(47)	47	–
Exchange loss on translating foreign operations		(19)	–	(19)
Other comprehensive income for the period, net of tax		(66)	47	(19)
Total comprehensive loss for the year, attributable to owners of the company		(5,948)	(681)	(6,629)
Total comprehensive loss attributable to				
Non-controlling interest		(1)	–	(1)
Equity holders of the parent		(5,947)	(681)	(6,628)

Notes to the Financial Statements

continued

22 Transition to IFRS 9 continued

Group statement of financial position

			31 December 2017	
		Previous £'000	Effects of transition to IFRS 9 £'000	Revised £'000
Non-current				
Intangible assets		12	–	12
Investment in associates	2	1,421	21	1,442
Loan to associate held at fair value through profit or loss	2	4,439	(702)	3,737
Property, plant and equipment		21	–	21
		5,893	(681)	5,212
Current				
Trade and other receivables		106	–	106
Cash and cash equivalents		485	–	485
Total current assets		591	–	591
Total assets		6,484	(681)	5,803
Liabilities				
Current				
Trade and other payables		77	–	77
Short term loans		4,348	–	4,348
Total current liabilities		4,425	–	4,425
Non-current				
Deferred tax liability		130	–	130
Total liabilities		4,555	–	4,555
Equity				
Issued share capital		3,160	–	3,160
Share premium		31,347	–	31,347
Share based payment reserve		1,105	–	1,105
Other reserves		(6,953)	–	(6,953)
Retained earnings		(26,726)	(681)	(27,407)
		1,933	(681)	1,252
Non-controlling interest		(4)	–	(4)
Total equity		1,929	(681)	1,248
Total equity and liabilities		6,484	(681)	5,803

Notes to the Financial Statements

continued

22 Transition to IFRS 9 continued

Group statement of financial position

		31 December 2016 Previous £'000	Effects of transition to IFRS 9 £'000	Revised £'000
Non-current				
Intangible assets		17	–	17
Investment in associates		1,483	–	1,483
Property, plant and equipment		43	–	43
		1,543	–	1,543
Current				
Trade and other receivables		37	–	37
Cash and cash equivalents		447	–	447
Other assets held at FVTPL	1	–	89	89
Available-for-sale assets	1	89	(89)	–
Total current assets		573	–	573
Total assets		2,116	–	2,116
Liabilities				
Current				
Trade and other payables		74	–	74
Financial liability		969	–	969
Total current liabilities		1,043	–	1,043
Non-current				
Loans		10,429	–	10,429
Deferred tax liability		148	–	148
Total liabilities		11,620	–	11,620
Equity				
Issued share capital		2,601	–	2,601
Share premium		14,525	–	14,525
Share based payment reserve		1,130	–	1,130
Other reserves	1	(6,887)	(47)	(6,934)
Retained earnings	1	(20,870)	47	(20,823)
		(9,501)	–	(9,501)
Non-controlling interest		(3)	–	(3)
Total equity		(9,504)	–	(9,504)
Total equity and liabilities		2,116	–	2,116

Notes to the Financial Statements

continued

22 Transition to IFRS 9 continued

Company statement of financial position

		Previous £'000	31 December 2017 Effects of transition to IFRS 9 £'000	Revised £'000
Non-current				
Investment in associates		3,893	–	3,893
Loan to associate held at fair value through profit or loss	2	4,439	(702)	3,737
Property, plant and equipment		12	–	12
		8,344	(702)	7,642
Current				
Trade and other receivables		91	–	91
Cash and cash equivalents		473	–	473
Total current assets		564	–	564
Total assets		8,908	(702)	8,206
Liabilities				
Current				
Trade and other payables		73	–	73
Short term loans		4,348	–	4,348
Total current liabilities		4,421	–	4,421
Non-current				
Deferred tax liability		130	–	130
Total liabilities		4,551	–	4,551
Equity				
Issued share capital		3,160	–	3,160
Share premium		31,347	–	31,347
Share based payment reserve		1,105	–	1,105
Retained earnings	2	(31,255)	(702)	(31,957)
Total equity		4,357	(702)	3,655
Total equity and liabilities		8,908	(702)	8,206

Notes to the Financial Statements

continued

22 Transition to IFRS 9 continued

Company statement of financial position

			31 December 2016	
		Previous £'000	**Effects of transition to IFRS 9 £'000**	**Revised £'000**
Non-current				
Investment in associates		3,893	–	3,893
Property, plant and equipment		27	–	27
		3,920	–	3,920
Current				
Trade and other receivables		21	–	21
Cash and cash equivalents		430	–	430
Other assets held at FVTPL	1	–	89	89
Available-for-sale assets	1	89	(89)	–
Total current assets		540	–	540
Total assets		4,460	–	4,460
Liabilities				
Current				
Trade and other payables		68	–	68
Financial liability		969	–	969
Total current liabilities		1,037	–	1,037
Non-current				
Loans		10,429	–	10,429
Deferred tax liability		148	–	148
Total liabilities		11,614	–	11,614
Equity				
Issued share capital		2,601	–	2,601
Share premium		14,525	–	14,525
Share based payment reserve		1,130	–	1,130
Other reserves	1	47	(47)	–
Retained earnings	1	(25,457)	47	(25,410)
Total equity		(7,154)	–	(7,154)
Total equity and liabilities		4,460	–	4,460

Notes to the Financial Statements

continued

22 Transition to IFRS 9 continued

Company losses		**£'000**
Original loss for the year to 31/12/2016		(2,892)
Adjustment due to reclassification of asset previously held for resale	1	47
Revised loss for the year to 31/12/2016		(2,845)
Original loss for the year to 31/12/2017		(5,823)
Adjustment due to reclassification of asset previously held for resale	1	(47)
Adjustment due to reclassification of loan to associate	2	(702)
Revised loss for the year to 31/12/2017		(6,572)

Notes

1. Reclassification of assets previously classified as available-for-sale.

   The asset previously held as available-for-sale, which was disposed of in 2017, has been reclassified as a financial asset measured at fair value through profit and loss. The impact of this at 1 January 2017 is a credit to retained earnings of £47,000 and a debit to other reserves of £47,000. The impact in 2017 was a reduction in the profit on the sale of £47,000, and an increase in other comprehensive income of £47,000.

2. Reclassification of loan to SPMP.

   In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 20% has been applied. The discount rate, being the assumed market rate, has been derived by reference to Tri-Star's estimated cost of the funding required in order to provide the SPMP Mezzanine Loan. The Mezzanine Loan is assumed to be repaid on the due date. It is assumed that there will be no default on these loans and that the conversion discount has no value.

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23 Post balance sheet events

On 5 March 2019, Tri-Star announced that it had completed the sale of its Turkish subsidiary Uc Yildiz for a total sum of $500,000. To date $400,000 has been received with a final payment of US$100,000 due on the first sale of material from the mine.

On 20 March 2019, Tri-Star announced that it had been agreed that $52m of the mezzanine loan to SPMP, plus accrued interest will be converted into either an interest free loan or equity. This includes $20.8m of the principle loan made by Tri-Star to SPMP which, once completed, will leave $2m of the principle owed to Tri-Star as mezzanine loan.

On 12 April 2019, Tri-Star announced the issue of 5,382 ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") at a price of 46.4 pence per Ordinary Share in consideration for services provided.

As at the date of this report the Company has 94,125,845 Ordinary Shares in issue.

On 12 April 2019, Tri-Star also announced the resignation of Karen O'Mahony and Mark Wellesley-Wood, and the appointment of David Facey as CEO and CFO. On the same date, Adrian Collins stepped up as Non-Executive Chairman, and a total of 800,000 options were issued to Adrian Collins and David Facey at an exercise price of 39.5p.

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