

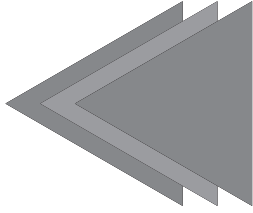


# Tri-Star Resources Plc

Annual Report and Financial Statements  
for the year ended 31 December 2016

# Annual Report and Financial Statements

for the year ended 31 December 2016



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## Company Information

Company registration number	04863813
Registered office	Suite 31, Second Floor 107 Cheapside London EC2V 6DN
Directors	<b>Mark Wellesley-Wood</b> <b>Guy Eastaugh</b> <b>Adrian Collins</b> <b>Emin Eyi</b> <b>Jonathan Quirk</b>
Secretary	<b>St James's Corporate Services Limited</b> Suite 31, Second Floor 107 Cheapside London EC2V 6DN
Nominated adviser and broker	<b>SP Angel Corporate Finance LLP</b> Prince Frederick House 35-39 Maddox Street London W1S 2PP
Registrars	<b>Capita Asset Services</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers	<b>Lloyds Bank Plc</b> PO Box 72 Bailey Drive Gillingham Business Park Kent ME8 0LS
Solicitors	<b>Fladgate LLP</b> 16 Great Queen Street London WC2B 5DG
Auditor	<b>Grant Thornton UK LLP</b> The Colmore Building 20 Colmore Circus Birmingham B4 6AT

# Chairman's Statement

for the year ended 31 December 2016

I am pleased to report another year of steady progress for the Company. In conjunction with its joint venture partners, Tri-Star has continued the development of the Oman Antimony Roaster Project ("OAR") from a successful financial close in September 2015 through to actual construction works, which commenced on site in Sohar, Oman, in 2017.

Tri-Star owns 40% of the equity in the Oman joint venture company, Strategic & Precious Metals Processing LLC ("SPMP"). During 2016 SPMP brought on board an experienced engineering, procurement, construction and management partner to assist in completing the detailed design work and commenced actual procurement of the key items of equipment required. As at the date of this report, SPMP has contracted to acquire approximately two-thirds, by value, of an updated estimated \$80 million capital budget for the OAR. Hot commissioning of the OAR is slated to commence before the end of 2017, with first antimony being produced in Q1 2018. Meanwhile the outlook for antimony processing looks strong as Chinese smelters face closure by environmental inspectors due to those facilities' high pollution emissions.

As the first environmentally compliant antimony smelter to be built in the West for over 50 years, the OAR plant has relied heavily on R&D and technology. In addition to the approx. \$6.0 million TSTR spent on developing the core technology, SPMP has spent a further \$1.3 million to date in enhancing the process and improving its operational deliverability. It is that technology which underpins SPMP's competitive position and as such further testing will be continuing throughout the first half of 2017. We have been fortunate in having engaged with Technology Partners from an early stage and we are confident that all parties are working to a Fault Free and successful start-up.

An increase in the capital cost estimate to \$80 million has arisen as a result of the decision by SPMP to change the plant flowsheet in order to increase throughput, improve operating flexibility and also to add on a gold recovery circuit. Throughput has increased by 39% and the introduction of a gold recovery circuit, which accounts for approximately \$10 million of cost increase, has added an important co-product, raising SPMP forecast revenues by 45%. The plant's competitive position as the lowest cost source of antimony has therefore been further enhanced. The joint venture remains on track to delivering the OAR into commercial production in 2018, and it continues to represent an attractive project for all stakeholders in the business.

In 2015, shareholders will recall we took some very difficult decisions around the scale of business that our limited resources could support and we are now able to see the beneficial financial impacts of that rationalisation clearly in these results. We reduced our footprint to comprise solely the strategically important antimony prospect in the Bald Hill region of New Brunswick, Canada. The associated gold assets had long been considered non-core and in January 2016 a significant proportion of these gold assets, comprising the Golden Pike properties were sold. Operations at the Company's sole antimony mine in Göynük, Turkey have been significantly scaled back in light of prevailing market conditions.

As regards the overall result for the year, I am extremely pleased to report that the Group recorded a very greatly reduced loss from operations of £832,000 (2015: £7,192,000) coupled with a reduced total comprehensive loss of £3,373,000 (2015: £7,630,000). The Directors do not recommend the payment of a dividend at this time.

I would like to thank our partners, the management team and our employees for their dedication and effort during what turned out to be another good year for Tri-Star. The Board is looking forward to the coming year with confidence.

**Mark Wellesley-Wood**

Chairman

9 March 2017

# Strategic Report

for the year ended 31 December 2016

## Introduction

Our goal is to become a leading antimony metal processing and technology company. The Company's principal asset is its 40% share in Strategic & Precious Metals Processing LLC FZC which is developing a 26,000 tonne per annum antimony and 50,000 oz. per annum gold production facility in Sohar, Sultanate of Oman, the "OAR". Tri-Star also owns upstream antimony assets in Canada and Turkey.

I am pleased to report on the Company's progress towards achieving its aims during 2016 and set out the clear priorities for Tri-Star's financial and other resources for the future.

## Result for the year

The results for 2016 reflect the impact of the considerable rationalisation of the business that took place in the latter part of 2015 and into the first part of 2016. Tri-Star was successful in substantially reducing administrative overhead in 2016, as compared with previous years and accomplished this without recourse to further stakeholder funding during the year. Administration costs, which are very largely cash in nature, fell by 57% in 2016 to £763,000 after stripping out the one-off advisory costs associated with financial close in 2015. Share based payments fell by over 80% to £66,000.

<b>Expanded Profit and Loss Account</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Share based payments	(66)	(337)
Exploration and administrative costs	(763)	(1,789)
Impairments and amortisation	(3)	(4,203)
Financial advisory costs payable on financial close	–	(863)
<b>Loss from operations</b>	<b>(832)</b>	<b>(7,192)</b>
Gain on sale of Intellectual Property	–	1,555
Share of loss in associates	(769)	(382)
<b>Loss before finance expense</b>	<b>(1,601)</b>	<b>(6,019)</b>
Net finance (expense)	(1,978)	(1,710)
Taxation	179	601
<b>Loss after taxation</b>	<b>(3,400)</b>	<b>(7,128)</b>

Share of loss in associates represents Tri-Star's share of SPMP's pre-tax result for the year. SPMP has been loss making to date during what are the early stages of its development.

Net finance expense of £1,978,000 in 2016 (2015: £1,710,000) represents the net impact on profit and loss of the revaluation of the Convertible Notes at the financial year end. This item is non-cash in nature. Further detail on this is set out in the accompanying notes to the financial statements.

The net tax credit of £179,000, comprises £151,000 actual cash tax receivable in the year rebated to the Company under the UK tax regime in respect of qualifying research and development expenditure, and £28,000 of deferred tax offset against losses in the year.

With respect to the statement of financial position, the Group had cash of £447,000, as at 31 December 2016 and continues to hold its equity method investment in SPMP, which was reduced to £1,483,000 as at the end of the year, in order to record its share of the company's losses. Tri-Star had loans outstanding of £10,429,000 which increased from £8,318,000 in the prior year.

# Strategic Report

continued

## Antimony

Antimony (Sb) is a silvery-white, shining, soft and brittle metal, sometimes classified also as a metalloid. It is a semiconductor and has thermal conductivity lower than most metals. Due to its poor mechanical properties, pure antimony is only used in very small quantities; larger amounts are used for alloys and in antimony compounds. Antimony is a member of the Group 15 "pnictogen" elements, also known as the nitrogen family, in the Periodic Table. Antimony has atomic number 51 and an atomic weight of 122. The metal is brittle and has a low melting point of 630°C and boils at 1380°C.

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 automobiles. The largest applications for metallic antimony 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. The second most common use of antimony alloy is as a hardener for lead electrodes in lead acid batteries. 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.

## Oman Antimony Roaster

### Background

In 2011, the Company began seeking partners in the Gulf region to investigate the siting and construction of an antimony production facility to be engineered to meet EU environmental and regional based standards. The facility currently under construction is being designed to produce antimony ingot, ATO and related products, including gold.

### Oman joint venture

Strategic & Precious Metals Processing LLC FZC, an Omani company, was formed in June 2014 to develop and build the OAR within the Port of Sohar Free Zone in the Sultanate of Oman. Tri-Star has a 40% equity interest in SPMP, with the other joint venture partners being; Oman Investment Fund (which also owns 40%) and DNR Industries Limited (which owns the remaining 20%).

### Development and financial close

During 2014 and the first half of 2015, the Company worked closely with its joint venture partners to progress the legal, engineering and environmental due diligence work streams associated with the project. The process moved on to the finalisation of the banking documentation in August 2015 and ultimately financial closure in September 2015.

In 2016, the Company made a number of announcements relating to progress made by SPMP, most notably:

- In February 2016, SPMP secured the appointment of a leading global engineering consultancy as its engineering, procurement, construction and management ("EPCM") contractor;
- In March 2016, SPMP's annual environmental permit from the Ministry of Environmental and Climate Affairs was renewed for a further year;
- In April 2016, the Board of SPMP formally approved the incorporation of a gold plant as part of the overall OAR. The gold plant has an outline design capacity of 50,000ozs Au per annum; and
- In August 2016, SPMP began its procurement process in earnest with the order of three furnaces.

Since financial year end, SPMP has announced, in February 2017, that it has successfully renewed its preliminary environmental permit for the third consecutive year. SPMP has now commenced groundworks and actual construction of the project. The joint venture's goal being to work towards commencement of hot commissioning of the OAR by the end 2017, with commercial production starting in 2018.

# Strategic Report

continued

## Refractory gold

Refractory gold is in the ground gold 'ore' trapped in sulphide lattice structures that conventional processes are unable to unlock. The clean roasting antimony technology developed by Tri-Star and sold to SPMP in 2015 has opened the treatment again of these world gold resources, estimated to be 30%-50% of remaining gold in the ground. The second phase of SPMP's proposed antimony plant in Oman envisages a refractory gold roaster that solves this problem efficiently and at low cost to provide potentially a very valuable alternative processing route for the world's gold resources trapped in this manner.

## Canada

In 2013, the Company completed the acquisition of Portage Minerals, a Canadian exploration company. As a consequence of the transaction, Tri-Star now owns Portage's Bald Hill deposit, which is one of the largest undeveloped antimony projects in Canada. As outlined in the NI 43-101 technical report for the Bald Hill property, drilling indicated a potential quantity and grade in the 725,000 to 1,000,000 tonne range grading 4.11% to 5.32% contained antimony. The Bald Hill deposit presents a synergistic opportunity for Tri-Star given the potential to develop the deposit and for Bald Hill to become a potential future supplier of feedstock for the Roaster Project.

In 2016, the Company completed the rationalisation of its operations in Canada, selling (in January 2016) a portion of historically held gold assets (the Golden Pike discovery) and ceasing further exploration at Bald Hill, for the time being. The consideration for the sale of Golden Pike, which completed in January 2016, comprised 350,000 shares in Globex Mining Enterprises Inc. and a potential future royalty payment accruing to Tri-Star dependent on production. The Golden Ridge joint venture has been discontinued.

As a result of the acquisition of Portage Minerals Inc. in October, 2013, Tri-Star became a reporting issuer in certain provinces of Canada. Since January 1, 2015, Tri-Star is a "designated foreign issuer" in Canada under National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers. As a designated foreign issuer, Tri-Star will satisfy its continuous disclosure obligations under Canadian securities laws (including any requirements relating to financial statements, information circulars and proxies) by complying with the regulatory requirements of the AIM Market of the London Stock Exchange.

## Turkey

Tri-Star's Göynük Project is a historical artisanal mine in a known antimony belt in the Murat Dagı mountains of western Turkey. The mine is about 250 kilometres east of the port of Izmir on the west coast and 50 kilometres north of Usak.

The property comprises a permitted mining area of 47 hectares within an exploration area of 783 hectares. A further exploration area of 696 hectares (Göynük East) which was added in June 2011 contiguous to the east of the original area is in the process of being released. The Company announced the grant of a licence extension to the original 783 hectare area in January 2016.

## Financial position

As at 28 February 2017, the Company had £350,000 in cash.

## Costs

The Company pays close attention to its costs, looking to minimise these wherever possible. One of the largest cash cost items is employee and Board costs. The Company has made considerable progress in this area and in 2016 Directors remuneration has been reduced by 61.5% over 2015 levels.

## Key Performance Indicators

Given the early stage of the Company's development and its current scale of operations, the Board does not consider the use of particular financial or operational KPIs.

# Strategic Report

continued

## 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. The Group is not yet revenue generating. The principal risks and uncertainties facing the Group involve the ability to raise funding in order to finance the continued development of the OAR. Although the OAR is proceeding on schedule, the timing and progress is not under the direct control of the group.

The Group is currently relying upon the receipt of the balance of the \$2million due from SPMP to continue as a going concern, as detailed in the going concern note. Should it look likely that this will not be received when expected, the Company will need to seek additional financing.

## Financial risk management objectives and policies

The Group's principal financial instruments comprise of cash, convertible notes and other financial liabilities. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial instruments such as loans and also 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 below.

### Liquidity risk

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

### Price risk

The Group is exposed to fluctuating commodity prices of antimony and the existence and quality of the antimony product within the licensed area. The Directors will continue to review the prices of antimony when significant mining is undertaken and will consider how this risk can be mitigated at that stage.

### Foreign exchange risk

The Group operates in a number of jurisdictions and carries out transactions in Sterling, Turkish Lira, Canadian dollars and US dollars. The Group puts in place hedging arrangements only 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. Furthermore, it is the Group's policy not to engage in use of currency derivatives, derivative trading or to take part in currency speculation.



# Strategic Report

continued

## Going concern

The Directors have prepared cash flow forecasts for the period ending 31 March 2018. The forecasts assume that the balance of \$2 million due from SPMP on completion of testing will be received as described further in Note 19, and identify unavoidable running costs of the Group. Although the directors are confident that the \$2m will be paid, until the testing has been completed there remains uncertainty as to when or if this balance will be received. In the event that this receipt is not received or is delayed significantly, the Company would have to seek additional financing. This represents a material uncertainty which may cast significant doubt on the group's and the parent company's ability to continue as a going concern and, therefore, that the group and parent company may not be able to realise its assets or discharge its liabilities as they fall due. The forecasts demonstrate that the Group will have sufficient cash resources available, assuming the \$2m is received, to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the accounts have been prepared on a going concern basis.

## Future prospects

We expect the remainder of the year to be challenging, but Tri-Star will remain focussed on active management of its 40% interest in SPMP as the OAR moves forward into the commissioning phase.

### **Guy Eastaugh**

Chief Executive Officer

9 March 2017

# Report of the Directors

for the year ended 31 December 2016

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 2016.

## Principal activity

The principal activity of the Group is, in conjunction with its joint venture partners, the design and construction of an antimony processing facility in the Sultanate of Oman. The Group also owns antimony and mining resources in Turkey and Canada.

## Domicile and principal place of business

Tri-Star is domiciled in the United Kingdom. Its principal places of business are the UK, Turkey, 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.

Mark Wellesley-Wood  
 Guy Eastaugh  
 Adrian Collins  
 Emin Eyi  
 Jonathan Quirk

## Director's shareholdings

<b>Director</b>	<b>Number of ordinary shares of 0.005p each held at 31 December 2016</b>	<b>Percentage of issued ordinary share capital %</b>
Mark Wellesley-Wood	7,000,000	0.08
Guy Eastaugh	40,000,000	0.47
Adrian Collins	28,245,800	0.33
Emin Eyi	1,575,000,000	18.59
Jonathan Quirk	13,500,000	0.16

Details of the directors' entitlement to share options are given in note 15.

## Matters covered in the Group's Strategic Report

The principal risks and uncertainties have been included in the Group's Strategic Report.

# Report of the Directors

continued

## Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company, which had been notified as at 13 March 2017 were as follows:

	Number of ordinary shares of 0.005p each	Percentage of issued ordinary share capital %
Emin Eyi	1,575,000,000	18.59
Cemile Eyi	800,000,000	9.44
Lynchwood Nominees Limited	718,268,388	8.48
Vehbi Eyi	500,000,000	5.90
The Bank of New York (Nominees) Limited	366,805,697	4.33
Barclayshare Nominees Limited	291,050,308	3.44
Spreadex Limited	257,692,074	3.04

## Biographical details of Directors

### Mark Wellesley-Wood (Chairman)

Mark Wellesley-Wood joined the Board in March 2015 as Chairman. Mark is a mining engineer, with over 40 years' experience in both the mining industry and investment banking. Until recently Mark was a director of Investec Investment Banking and Securities in London. He has been closely involved in mining activities in Africa, having started his career on the Zambian copper-belt and is a former Executive Chairman and CEO of South African gold miner, DRD Gold Limited and former Chairman of ASA Resource Group plc (formerly Mwana Africa plc).

Mr Wellesley-Wood also chairs the Remuneration Committee.

### Guy Eastaugh (Chief Executive Officer)

Guy Eastaugh joined the Board in June 2014 as Chief Financial Officer and was appointed Chief Executive Officer in September 2015. Guy began his career at PricewaterhouseCoopers in London, qualifying as a chartered accountant in 1987. He subsequently spent six years in investment banking before moving into industry. Guy has held senior positions at Enron Europe Limited, Hanson plc and GKN plc. In May 2007, Guy joined listed property fund manager Invista Real Estate as Chief Financial Officer. He remained part of the executive team that led the successful sale of the business to private equity in August 2012. Mr Eastaugh holds an MA in Natural Sciences from University of Cambridge and is a member of the Association of Corporate Treasurers.

### Adrian Collins (Senior Independent Director)

Adrian Collins joined the Board in August 2010. Adrian has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management where he became Managing Director. He has held a number of senior positions in the fund management industry and is currently Chairman of Liontrust Asset Management plc. He is also on the boards of a number of listed investment trusts and other companies, both in the UK and overseas. Mr Collins is a previous Chairman of the Company, having served from August 2010 until March 2015.

### Emin Eyi (Deputy Chairman)

Emin Eyi joined the Board in January 2012 as Managing Director, becoming Deputy Chairman in September 2015 coincident with his appointed as Chief Executive Officer of Strategic & Precious Metals Processing LLC. Prior to joining the Company Emin was a partner of SP Angel Corporate Finance LLP. He has particular experience of the mining and natural resource industry having had some 20 years investment banking experience at a number of high profile firms including Cazenove & Co, Barings, HSBC and Goldman Sachs. Mr Eyi holds a Master's Degree in Mining Engineering from Imperial College in London and is a Fellow of the Geological Society.

# Report of the Directors

continued

## **Jonathan Quirk** (Non-executive Director)

Jonathan Quirk joined the Board in August 2010. Jonathan is a chartered accountant and has worked in the financial services sector since 1974 for, amongst others, Morgan, Grenfell & Co. and Deutsche Bank in their capital markets divisions. Since 1997 he has been a founding director of Cairnsea Investments Ltd, a company which invests in quoted and unquoted smaller companies, particularly in the financial services sector.

Mr Quirk chairs the Audit Committee.

## 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 that 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. 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; and
- 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 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.

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.

## 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.

## **St James's Corporate Services Ltd**

9 March 2017

# Corporate Governance

for the year ended 31 December 2016

## Remuneration report

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 Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Company's expense.

The Directors that served during the year are detailed on page 9. The Non-executive Chairman of the Board is Mark Wellesley-Wood.

The Remuneration Committee, chaired by Mark Wellesley-Wood, meets 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.

## Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

## Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investments and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit Committee, chaired by Jonathan Quirk, 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 Board has considered the need for an internal audit function but has decided the size and complexity of the Group does not justify it at present. However, it will keep this decision under annual review.

# Report on Remuneration

for the year ended 31 December 2016

## Policy on Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Company operates within a competitive environment and its performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

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 them for enhancing shareholder value and return. It 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.

Amounts shown as "Share option expense" represent a theoretical calculation of the accounting cost to the Company of the share options granted to the Directors. The amounts shown in the table below do not represent cash payments to the directors either made in the past or due in the future. Further details of share option awards are set out in Note 15 to the accompanying financial statements.

The remuneration of the Directors in 2016 was as follows:

### Year to 31 December 2016

Director	Salary and fees £	Share option expense £	Bonus £	Benefits £	Total £	Employers NI (note 4) £
Mark Wellesley-Wood	51,750	–	–	–	51,750	6,022
Guy Eastaugh	175,000	–	58,333	–	233,333	31,081
Adrian Collins	30,000	–	–	–	30,000	–
Emin Eyi	45,000	–	–	–	45,000	–
Jonathan Quirk	20,000	–	–	–	20,000	1,641
Total	321,750	–	58,333	–	380,083	

The remuneration of the Directors in 2015 was as follows:

### Year to 31 December 2015

Director	Note	Salary and fees £	Share option expense £	Bonus £	Benefits £	Total £	Employers NI (note 4) £
Mark Wellesley-Wood	1	37,032	66,100	–	–	103,132	3,949
Guy Eastaugh		175,000	144,851	68,333	–	388,184	32,445
Adrian Collins		30,000	46,270	–	–	76,270	–
Emin Eyi		135,000	–	60,000	66,098	261,098	–
Jonathan Quirk		20,000	39,660	–	–	59,660	1,641
Ken Hight	2	67,456	–	–	–	67,456	–
Michael Hirschfield	3	3,462	–	–	–	3,462	478
Brian Spratley	3	25,417	–	–	–	25,417	4,209
Jocelyn Trusted	3	3,462	–	–	–	3,462	478
Total		496,829	296,881	128,333	66,098	988,141	

#### Notes

- 1 Appointed 25 March 2015
- 2 Resigned 24 September 2015
- 3 Resigned 25 March 2015
- 4 Employers NIC is disclosed for IFRS purposes and does not comprise remuneration

# Report on Remuneration

continued

## **Pensions**

The Group does not make pension contributions on behalf of the Directors.

## **Share options**

During the year the Company operated an employee share plan and details of options granted are shown in note 15 to the financial statements. No Directors exercised share options during the year ended 31 December 2016.

## **Notice periods of the Directors**

The Chairman's contract is terminable on three months' notice on either side. The contracts of Mr Eastaugh and Mr Eyi are both terminable on six months' notice on either side. On a change of control, should either Mr Eastaugh or the Company serve notice of termination within one year following the change of control Mr Eastaugh will be entitled to a payment on termination of 12 months' salary.

The other 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

We have audited the financial statements of Tri-Star Resources Plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows, and the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of the Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities Statement 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

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 2016 and of the group's loss for the year then ended;
- the 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in "Principal accounting policies – going concern" on page 23 to the financial statements concerning the group's and parent company's ability to continue as a going concern. The group incurred a net loss of £3,400,000 during the year ended 31 December 2016 and, at that date, the group's total liabilities exceeded its total assets by £9,504,000 and it had net current liabilities of £470,000. These conditions, along with the other matters explained in 'Principal accounting policies – going concern', indicate the existence of a material uncertainty which may cast significant doubt about the group's and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and parent company was unable to continue as a going concern.



# Report of the Independent Auditor

continued

## Opinion on other matter prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

## Matters on which we are required to report by exception

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

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

### **David White**

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

9 March 2017

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Share based payments		(66)	(337)
Amortisation and impairment of intangible assets		(3)	(4,203)
Exploration expenditure and other administrative expenses		(763)	(2,652)
<b>Total administrative expenses and loss from operations</b>		<b>(832)</b>	<b>(7,192)</b>
Profit on sale of intangible asset	2	–	1,555
Share of loss in associated companies		(769)	(382)
Finance income	3	133	3
Finance cost	3	(2,111)	(1,713)
Loss before taxation	4	(3,579)	(7,729)
Taxation	5	179	601
<b>Loss after taxation, and loss attributable to the equity holders of the Company</b>		<b>(3,400)</b>	<b>(7,128)</b>
<b>Loss after taxation attributable to</b>			
Non-controlling interest		–	232
Equity holders of the parent		(3,400)	(7,360)
<b>Other comprehensive income/(expenditure)</b>			
<b>Items that will be reclassified subsequently to profit and loss</b>			
Increase in value of available for sale asset		47	–
Exchange loss on translating foreign operations		(20)	(502)
Other comprehensive income for the period, net of tax		27	(502)
<b>Total comprehensive loss for the year, attributable to owners of the Company</b>		<b>(3,373)</b>	<b>(7,630)</b>
<b>Total comprehensive loss attributable to</b>			
Non-controlling interest		–	232
Equity holders of the parent		(3,373)	(7,862)
<b>Loss per share</b>			
Basic and diluted loss per share (pence)	6	(0.04)	(0.09)

The accompanying principal accounting policies and notes on pages 23 to 47 form an integral part of the financial statements.

# Consolidated Statement of Financial Position

as at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current</b>			
Intangible assets	8	17	–
Investment in associates	9	1,483	2,252
Property, plant and equipment	10	43	62
		1,543	2,314
<b>Current</b>			
Cash and cash equivalents		447	1,308
Available for resale asset		89	–
Trade and other receivables	11	37	148
<b>Total current assets</b>		573	1,456
<b>Total assets</b>		2,116	3,770
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	12	74	373
Financial liability	13	969	1,100
<b>Total current liabilities</b>		1,043	1,473
<b>Loans repayable after one year</b>			
Loans	13	10,429	8,318
Deferred tax liability	14	148	176
<b>Total liabilities</b>		11,620	9,967
<b>Equity</b>			
Issued share capital	16	2,601	2,601
Share premium		14,525	14,515
Share based payment reserve		1,130	1,074
Other reserves		(6,887)	(6,914)
Retained earnings		(20,870)	(17,470)
		(9,501)	(6,194)
Non-controlling interest		(3)	(3)
<b>Total equity</b>		(9,504)	(6,197)
<b>Total equity and liabilities</b>		2,116	3,770

The consolidated financial statements were approved by the Board and authorised for issue on 9 March 2017.

## Guy Eastaugh

Director

The accompanying principal accounting policies and notes on pages 23 to 47 form an integral part of the financial statements.

# Company Statement of Financial Position

as at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current</b>			
Investment in associates	9	3,893	3,893
Property, plant and equipment	10	27	41
		3,920	3,934
<b>Current</b>			
Cash and cash equivalents		430	1,285
Available for resale asset		89	–
Trade and other receivables	11	21	100
<b>Total current assets</b>		540	1,385
<b>Total assets</b>		4,460	5,319
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	12	68	99
Financial liability	13	969	1,100
<b>Total current liabilities</b>		1,037	1,199
<b>Loans repayable after one year</b>			
Loans	13	10,429	8,318
Deferred tax liability	14	148	176
<b>Total liabilities</b>		11,614	9,693
<b>Equity</b>			
Issued share capital	16	2,601	2,601
Share premium		14,525	14,515
Share based payment reserve		1,130	1,074
Other reserves		47	–
Retained earnings		(25,457)	(22,565)
<b>Total equity</b>		(7,154)	(4,375)
<b>Total equity and liabilities</b>		4,460	5,318

The Company's loss for the year was £2,892,000 (year ended 31 December 2015: £9,554,000).

The Company financial statements were approved by the Board and authorised for issue on 9 March 2017.

**Guy Eastaugh**  
Director

The accompanying principal accounting policies and notes on pages 23 to 47 form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Other reserves £'000	Share based payment reserves £'000	Translation reserve £'000	Retained earnings £'000	Total attributable to owners of parent £'000	Non-controlling interest £'000	Total equity £'000
<b>Balance at 1 January 2015</b>	2,525	13,179	(6,156)	767	(256)	(10,140)	(81)	(235)	(316)
Share based payments	–	–	–	337	–	–	337	–	337
Issue of share capital	76	1,449	–	–	–	–	1,525	–	1,525
Share placing costs	–	(113)	–	–	–	–	(113)	–	(113)
Transfer on exercise of warrants	–	–	–	(30)	–	30	–	–	–
<b>Transactions with owners</b>	76	1,336	–	307	–	30	1,749	–	1,749
Exchange difference on translating foreign operations	–	–	–	–	(502)	–	(502)	–	(502)
Loss for the year	–	–	–	–	–	(7,360)	(7,360)	232	(7,128)
<b>Total comprehensive loss for the period</b>	–	–	–	–	(502)	(7,360)	(7,862)	232	(7,630)
<b>Balance at 31 December 2015</b>	2,601	14,515	(6,156)	1,074	(758)	(17,470)	(6,194)	(3)	(6,197)
Share based payments	–	–	–	56	–	–	56	–	56
Issue of share capital	–	10	–	–	–	–	10	–	10
<b>Transactions with owners</b>	–	10	–	56	–	–	66	–	66
Exchange difference on translating foreign operations	–	–	–	–	(20)	–	(20)	–	(20)
Increase in value of available for sale asset	–	–	47	–	–	–	47	–	47
Loss for the period	–	–	–	–	–	(3,400)	(3,400)	–	(3,400)
<b>Total comprehensive loss for the period</b>	–	–	47	–	(20)	(3,400)	(3,373)	–	(3,373)
<b>Balance at 31 December 2016</b>	2,601	14,525	(6,109)	1,130	(778)	(20,870)	(9,501)	(3)	(9,504)

The accompanying principal accounting policies and notes on pages 23 to 47 form an integral part of the financial statements.

# Company Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Share based payment reserves £'000	Available for sale reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2015</b>	2,525	13,179	767	–	(13,040)	3,431
Share based payments	–	–	337	–	–	337
Issue of share capital	76	1,449	–	–	–	1,525
Share placing costs	–	(113)	–	–	–	(113)
Transfer on exercise of warrants	–	–	(30)	–	30	–
<b>Transactions with owners</b>	76	1,336	307	–	30	1,749
Loss for the period	–	–	–	–	(9,555)	(9,555)
<b>Total comprehensive loss for the period</b>	–	–	–	–	(9,555)	(9,555)
<b>Balance at 31 December 2015</b>	2,601	14,515	1,074	–	(22,565)	(4,375)
Share based payments	–	–	56	–	–	56
Issue of share capital	–	10	–	–	–	10
<b>Transactions with owners</b>	–	10	56	–	–	66
Increase in value of available for sale asset	–	–	–	47	–	47
Loss for the period	–	–	–	–	(2,892)	(2,892)
<b>Total comprehensive loss for the period</b>	–	–	–	47	(2,892)	(2,845)
<b>Balance at 31 December 2016</b>	2,601	14,525	1,130	47	(25,457)	(7,154)

The accompanying principal accounting policies and notes on pages 23 to 47 form an integral part of the financial statements.

# Consolidated and Company Statements of Cash Flows

for the year ended 31 December 2016

	Note	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Cash flow from operating activities</b>					
<b>Continuing operations</b>					
Loss after taxation		(3,400)	(7,128)	(2,892)	(9,554)
Amortisation and impairment of intangibles	8	3	4,203	6	3,923
Depreciation	10	20	20	15	15
Finance income	3	(2)	(3)	(2)	(3)
Finance cost	3	2,111	1,503	2,111	1,698
Loss from associates	9	769	382	–	–
Fees paid by shares		10	25	10	25
Share based payments		56	337	56	337
Movement on fair value of derivatives		(131)	210	(131)	210
Decrease/(increase) in trade and other receivables		116	(30)	79	3,699
(Decrease) in trade and other payables		(448)	(483)	(61)	(65)
<b>Net cash (outflow) from operating activities</b>		<b>(896)</b>	<b>(964)</b>	<b>(809)</b>	<b>285</b>
<b>Cash flows from investing activities</b>					
Finance income	3	2	3	2	3
Cash invested in subsidiaries		–	–	(6)	–
Cash invested in associates		–	(2,589)	–	(3,627)
Investment in AFSA		(41)	–	(41)	–
Purchase of property, plant and equipment	10	(1)	(15)	(1)	(3)
Purchase of intangible assets		(20)	–	–	–
<b>Net cash outflow from investing activities</b>		<b>(60)</b>	<b>(2,601)</b>	<b>(46)</b>	<b>(3,627)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		–	1,500	–	1,500
Share issue costs		–	(113)	–	(113)
Finance costs	3	–	–	–	(194)
New loans	13	–	2,000	–	2,000
<b>Net cash inflow from financing activities</b>		<b>–</b>	<b>3,387</b>	<b>–</b>	<b>3,193</b>
<b>Net change in cash and cash equivalents</b>		<b>(956)</b>	<b>(178)</b>	<b>(855)</b>	<b>(149)</b>
Cash and cash equivalents at beginning of period		1,308	1,496	1,285	1,434
Exchange differences on cash and cash equivalents		95	(10)	–	–
<b>Cash and cash equivalents at end of period</b>		<b>447</b>	<b>1,308</b>	<b>430</b>	<b>1,285</b>

The accompanying principal accounting policies and notes on pages 23 to 47 form an integral part of the financial statements.

# Principal Accounting Policies

## Basis of preparation

The group and company financial statements have been prepared under the historical cost convention except for the 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'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 for the Company and its subsidiaries (together "the Group") and the Company financial statements have been prepared under IFRS and the principal accounting policies adopted remain unchanged from those adopted by the Group and the Company in preparing its financial statements for the prior year.

## Going concern

The Directors have prepared cash flow forecasts for the period ending 31 March 2018. The forecasts assume that the balance of \$2 million due from SPMP on completion of testing will be received, as described further in Note 19, and identify unavoidable running costs of the Group. Although the directors are confident that the \$2m will be paid, until the testing has been completed there remains uncertainty as to when or if this balance will be received. In the event that this receipt is not received or is delayed significantly, the Company would have to seek additional financing. This represents a material uncertainty which may cast significant doubt on the group's and the parent company's ability to continue as a going concern and, therefore, that the group and parent company may not be able to realise its assets or discharge its liabilities as they fall due. The forecasts demonstrate that the Group will have sufficient cash resources available, assuming the \$2m is received, to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the accounts have been prepared on a going concern basis.

## 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.

## 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.



# Principal Accounting Policies

continued

## 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.

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.

# Principal Accounting Policies

continued

## Intangible assets

### (A) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives.

Intangible assets are recognised on business combinations if they are separately identifiable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

### (B) 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.

### (C) Goodwill

Goodwill is recognised as the excess between (A) and (B), where (A) is the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and in the case of a business combination achieved in stages, the fair value on the acquisition date of the previously held interest in the acquiree and (B) the net value, at the acquisition date, of the identifiable assets acquired, the liabilities and contingent liabilities assumed, measured at fair value. If the resultant amount is negative, as in the case of a bargain purchase, the difference is recognised as income directly in the consolidated statement of comprehensive income. Consideration transferred is recognised at fair value.

Goodwill relating to the acquisition of subsidiaries is included in intangible assets, while goodwill relating to associates is included in investment in associates.

Goodwill is carried at initial value less accumulated impairment losses. Goodwill is allocated to Cash Generating Units for the purposes of impairment testing, these CGUs being the units which are expected to benefit from the business combination that generated the goodwill.

### (D) Intangible exploration assets

Intangible exploration assets are disclosed 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 resources

All costs associated with mineral exploration prior to 31 December 2016 (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

## Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities. These available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income. Reversals of impairment losses are recognised in other comprehensive income.

## Financial assets

The Group's financial assets comprise other receivables.

All financial assets are initially recognised at fair value, plus transaction costs.

Interest and other cash flows resulting from holding financial assets are recognised in the statement of comprehensive income using the effective interest method, regardless of how the related carrying amount of financial assets is measured, except instruments that are designated at fair value through profit and loss on initial recognition.

Trade and other receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

## 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.

# Principal Accounting Policies

continued

## 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 and equity yet to be issued.

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 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 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).

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 ultimately are 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 include other financial liabilities and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities 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 with the exception of derivatives.

# Principal Accounting Policies

continued

## 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.

## Financial derivative liabilities

Pursuant to the terms of the Convertible Notes, when investors exercise their conversion rights the Company has an obligation to deliver ordinary shares to those investors (see note 13 for further information).

In accordance with IAS 32 and 39, 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 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 Sterling which is the functional currency of the parent 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.

# Principal Accounting Policies

continued

## 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 following 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:

### Share based payment transaction

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The charge for the year ended 31 December 2016 of £66,000 (2015: £337,000) is determined by using a Black-Scholes valuation model, using the assumptions detailed in note 15. The key assumptions in the model involving a critical estimate are the share price volatility of 115% and the life of the warrants. The former has been determined by calculating the historical volatility of the Tri-Star share price. The Board have assumed the warrants will be exercised immediately.

### Other intangible exploration asset valuation and goodwill

Tri-Star carried on its balance sheet goodwill and an exploration asset arising from the acquisition of Portage Minerals Inc. during 2013. The goodwill and exploration asset are required to be reviewed for impairment if the Directors judge that there are any indications that the carrying amount exceeds the recoverable amount. During the year ended 31 December 2015 the Directors considered that the carrying amount should be impaired in full. Further details on the carrying value of this asset are set out in note 8 to the financial statements.

### Treatment of exploration and evaluation costs

IFRS 6 "Exploration for and Evaluation of Mineral Resources" requires an entity to consistently apply a policy to account for expenditure on exploration and evaluation of a mineral resource. The Directors have chosen to expense the exploration and evaluation costs to date on the basis that the future development of the mine remains uncertain as at 31 December 2016. The Directors will continue to assess this and when feasibility is determined will look to capitalise further costs in line with accounting standards.

### Convertible loan accounting

The Group has measured the carrying value of the liability component of the Convertible Notes as the initial amount loaned plus costs, less the fair value of the derivative liability on issue plus interest, calculated using the amortised interest rate. This is based on the judgement that the terms of the instrument fails the fixed for fixed test on the basis that the number of shares in to what the liability converts is variable over time.

The fair value of the derivative liability embedded in the Convertible Notes was calculated using the Black-Scholes option valuation model. The movement in fair value since issue is recorded in profit and loss in the consolidated statement of comprehensive income.

The following assumptions were used in calculating the fair value:

- The model assumes that the Notes will be exercised on 30 September 2017. The share price volatility is 87% which was based on historic volatility;
- An exercise price of 0.20p being the fixed exercise price and a share price of 0.115p being the market share price at that time; and
- The effects of potential dilution were not factored in.

In valuing the derivative component of the Convertible Notes, the Directors have assumed a conversion price of 0.20p which represents the fixed conversion price of the Convertible Notes.

Other critical assumptions underlying the valuation of the derivative (or "option") component of the Convertible Notes are: the period to conversion; volatility; the risk free rate and the impact of dilution.

# Principal Accounting Policies

continued

The Directors believe that the Convertible Notes are likely to be subject to conversion during the life of the Notes and that it is unlikely that the Convertible Notes will run to term. Conversion is not in the control of the Company but it is the Directors expectation that the Convertible Notes are likely to be the subject of conversion in the near term and so for the basis of the option valuation, a conversion date of 30 September 2017 has been assumed.

Volatility of the Company's ordinary shares has been calculated by reference to the actual observed volatility of the Company's ordinary shares for the twelve months to 31 December 2016. The risk free rate is currently 0.25% (UK Bank of England lending rate).

As regards the impact of dilution, as Tri-Star is a publicly traded company the impact of dilution on option valuation has not been factored into the valuation model as the valuation has been based on Tri-Star's share price immediately after the Convertible Notes were issued. The Directors believe that the post announcement share price would have incorporated the potential dilution effect of the Convertible Notes on Tri-Star's share capital as a whole and therefore the dilution impact has not been considered again when the option was valued.

## Contingent asset

Under the agreement to sell the Roaster IP to SPMP, there is a balance of US\$2 million due to be paid to Tri-Star. This payment is contingent upon the successful completion of a pilot plant. Accordingly, the Directors have determined not to accrue this deferred income.

## 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. These are:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018, EU endorsed)
- IFRS 14 Regulatory Deferral Accounts (IASB effective 1 January 2016, EU endorsement deferred until final standard released)
- IFRS 15 Revenue from Contracts with Customers (IASB effective 1 January 2018, EU endorsed)
- IFRS 16 Leases (IASB effective 1 January 2019, EU not yet endorsed)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (deferred indefinitely)
- Amendments to IAS 12: Recognition of Deferred Tax assets for Unrealised Losses (IASB effective 1 January 2017, EU not yet endorsed)
- Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows (IASB effective 1 January 2017, EU not yet endorsed)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (IASB effective 1 January 2018, EU not yet endorsed)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IASB effective 1 January 2018, EU not yet endorsed)
- Amendments to IFRS 4: Applying IFRS 9 to IFRS 4 Insurance Contracts (IASB effective 1 January 2018, EU not yet endorsed)
- Annual Improvements to IFRS 2014-2016 Cycle – Relating to IFRS 1 First time adoption of IFRS and IAS 28 Investment in Associates and Joint Ventures (IASB effective 1 January 2017, EU not yet endorsed)
- Annual Improvements to IFRS 2014-2016 Cycle – Relating to IFRS 12 Disclosure of interest in other entities (IASB effective 1 January 2018, EU not yet endorsed)
- IFRIC Interpretation on foreign currency transactions and advance considerations (IASB effective 1 January 2018, EU not yet endorsed)

The Company is currently evaluating whether the new standards will have an impact, but due to the limited operations at present, the Company does not believe that the new standards will have a significant impact.

# Notes to the Financial Statements

for the year ended 31 December 2016

## 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 Company comprises only one operating segment, that of mining and development.

In respect of the non-current assets, £27,000 (2015: £41,000) arise in the UK, and £1,516,000 (2015: £2,273,000) arise in the rest of the world.

## 2 Profit on sale of intangible asset

On 16 September 2015, when the Company's associate SPMP achieved financial close, the IP for the OAR was sold to SPMP for US\$4 million. A further US\$2 million will become due to Tri-Star on successful completion of a pilot plant. This further US\$2 million has not been recognised in the accounts. In 2015 the Group had recognised profits of US\$2.4 million (GBP £1,555,000) being 60% of the proceeds received as the Group had a 40% interest in SPMP. The costs of developing the IP had previously been recognised in the profit and loss of the Group. The full US\$4 million (GBP £2,592,000) had been recognised by the Company.

## 3 Finance income and costs

	Group	
	2016 £'000	2015 £'000
<b>Finance costs</b>		
Interest payable on historic loans	–	(6)
Movement in derivative	–	210
Interest payable on convertible loan	2,111	1,509
	2,111	1,713
<b>Finance income</b>		
Bank interest	2	3
Movement in derivative	131	–
	133	3

Further details regarding the movement in fair value of derivatives and interest payable on the convertible loan are set out in note 13.



# Notes to the Financial Statements

continued

## 4 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 £2,892,000 (year ended 31 December 2015: £9,554,000).

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

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

	2016 £'000	Group	2015 £'000
Staff costs	433		744
Share-based payment charge	66		337
Depreciation of owned property, plant and equipment	20		20
Amortisation and impairment of intangible assets	3		4,203
Profit on disposal of intangible asset	(41)		–
Operating lease rentals	3		36
Fees payable to the Company's auditor for the audit of the financial statements	49		32
Fees payable to the Company's auditor and its associates for other services:			
Other services relating to taxation compliance	30		14

## 5 Taxation

Unrelieved tax losses of approximately £15.58 million (2015: £14.92 million) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2016 is £3,932,000 (2015: £3,269,000) which 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 charge for the year comprises:

	2016 £'000	Group	2015 £'000
Research and development taxation relief	151		76
Deferred taxation in respect of transition to IFRS	28		(176)
Deferred taxation in respect of intangible asset	–		701
	179		601

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

	2016 £'000	Group	2015 £'000
Loss before taxation	(3,579)		(7,729)
Loss multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(716)		(1,661)
Effect of:			
Expenses not deductible for tax purposes	16		(2)
Overseas loss not recognised	172		293
R&D tax rebate	151		76
Impairment of goodwill	–		140
Interest disallowed	396		409
Unrelieved tax losses	160		1,346
Total tax charge for year	179		601

# Notes to the Financial Statements

continued

## 6 Loss per share

The calculation of the 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.

	Group	
	2016 £'000	2015 £'000
(Loss) attributable to owners of the Company after tax	(3,400)	(7,128)
	2016 Number	2015 Number
Weighted average number of ordinary shares for calculating basic loss per share	8,464,881,335	7,554,686,570
	2016 Pence	2015 Pence
Basic and diluted loss per share	(0.04)	(0.09)

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.

## 7 Employee benefit expense

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Wages and salaries	390	671	386	1,386
Social security	43	73	37	73
Share based payment charge	–	337	–	337
Total Emoluments	433	1,081	423	1,796
Average monthly number of employees:				
	2016 Number	2015 Number	2016 Number	2015 Number
Directors	4	6	4	6
Other	5	11	–	2
	9	17	4	8

The Directors are the key management personnel of the Group. Details of Directors' remuneration are included in the report on remuneration on pages 13 and 14. The Company only 2015 figures include £731,000 of wages and salaries and £65,000 of social security relating to previous years. These had been recharged to Tri-Star Union LLC in previous years and were recharged back to Tri-Star Resources Plc in 2015.

# Notes to the Financial Statements

continued

## 8 Intangible assets

Group	Other intangible exploration asset £'000	Mining and mineral licences £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 1 January 2015	3,981	102	796	4,879
Exchange Difference	(479)	–	(95)	(574)
At 31 December 2015	3,502	102	701	4,305
Additions	–	20	–	20
At 31 December 2016	3,502	122	701	4,325
<b>Amortisation and impairment</b>				
At 1 January 2015	–	102	–	102
Amortisation charge in the year	3,502	–	701	4,203
At 31 December 2015	3,502	102	701	4,305
Impairment charge in the year	–	3	–	3
At 31 December 2016	3,502	105	701	4,308
<b>Net book value</b>				
<b>At 31 December 2016</b>	–	17	–	17
At 31 December 2015	–	–	–	–
At 1 January 2015	3,981	–	796	4,777

The exploration asset relates to the acquisition of Portage Minerals Inc. in 2013. The exploration asset is required to be reviewed for impairment only if there are any indications that the carrying amount exceeds the recoverable amount. Following an impairment review, the Directors had concluded that the asset should be fully impaired at 31 December 2015.

Goodwill on acquisition relates to goodwill arising on the acquisition of Portage Minerals Inc. Goodwill is not amortised but is reviewed for impairment on an annual basis or more frequently if there are any indications that goodwill may be impaired. The Directors considered that the goodwill should be fully impaired as at 31 December 2015 in light of the decision to fully impair the related exploration asset. In January 2016 a significant proportion of the non-core gold assets in Canada, comprising the Golden Pike properties were sold. In return Tri-Star received 350,000 shares in Globex Mining Inc. which is listed on the Canadian Stock Exchange. At the time of the receipt these were worth approximately £41,000, which has been included in the consolidated statement of income. In addition Tr-Star is entitled to a share in potential future revenues from Golden Pike.

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

# Notes to the Financial Statements

continued

## 9 Investments

### Company

	Investment in group undertakings £'000	Investment in associates £'000	Total £'000
<b>Cost</b>			
At 1 January 2015	5,866	266	6,132
Additions	–	3,627	3,627
At 31 December 2015	5,866	3,893	9,759
Additions	6	–	6
At 31 December 2016	5,872	3,893	9,765
<b>Amortisation and impairment</b>			
At 1 January 2015	(1,943)	–	(1,943)
Impairment in the year	(3,923)	–	(3,923)
At 31 December 2015	(5,866)	–	(5,866)
Impairment in the year	(6)	–	(6)
At 31 December 2016	(5,872)	–	(5,872)
<b>Net book value</b>			
<b>At 31 December 2016</b>	–	3,893	3,893
At 31 December 2015	–	3,893	3,893
At 1 January 2015	3,923	266	4,189

During the year the Company increased its investment in Uc Yildiz by £6,000 which has been provided for in full.

During the year ended 31 December 2015 Tri-Star provided for its investment in Tri-Star Antimony Canada Inc. in full (£3,923,000).

At 31 December 2016, the Company held the following interests in subsidiary undertakings and associates:

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Tristar Trading Limited	100%	Dormant	England and Wales
Üç Yıldız Antimon Madencilik İthalat Ve İhracat Sanayi ve Ticaret Anonim Şirketi	99%	Mining	Turkey
Tri-Star Antimony Canada Inc	100%	Mining	Canada
Tri-Star Union FZ-LLC	90%	Mining services	UAE
Strategic & Precious Metals Processing LLC	40%	Mining services	Oman
Rockport Mining Corporation*	100%	Mining	Canada
Golden Ridge Joint Venture*	60%	Mining	Canada

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

Strategic and Precious Metals Processing LLC ("SPMP") was incorporated in Oman in 2014. Tri-Star has a 40% interest in the company and has accounted for it as an associate undertaking. SPMP made a loss of £1,923,000 in 2016 (2015: 954,000) of which Tri-Star's share in the Group accounts was £769,000 (2015: £382,000). Tri-Star invested £Nil (2015: £3,627,000) in SPMP during the year and had a net investment of £1,483,000 on consolidation as at 31 December 2016 (2015: £2,252,000).

# Notes to the Financial Statements

continued

## 9 Investments continued

The movement in the investment in the associated undertaking was:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 1 January	2,252	45	3,893	266
Share of loss for year	(769)	(382)	–	–
Revenue on sale of IP eliminated on consolidation	–	(1,038)	–	–
Investment during the year	–	3,627	–	3,627
At 31 December	1,483	2,252	3,893	3,893

Summarised financial information in respect of the Group's only material associate, Strategic & Precious Metal Processing LLC (FZC) is set out below.

	2016 £'000	2015 £'000
Administrative expenses	(1,927)	(953)
<b>Operating loss</b>	(1,927)	(953)
Finance income/(costs)	4	(1)
Loss for the period	(1,923)	(954)
Other comprehensive income	1,521	(62)
<b>Loss and total comprehensive loss for the period</b>	(402)	(1,016)
	<b>2016 £'000</b>	<b>2015 £'000</b>
Non-current assets	13,148	3,117
Current assets	2,748	5,819
Total assets	15,896	8,936
Current liabilities	4,303	364
Liabilities due after one year	3,423	–
Total liabilities	7,726	364
Share capital	10,168	439
Share capital pending registration	–	9,729
Revaluation reserve	1,433	(88)
Retained earnings	(3,431)	(1,508)
Total equity	8,170	8,572
Total equity and liabilities	15,896	8,936

# Notes to the Financial Statements

continued

## 10 Property, plant and equipment

<b>Group</b>	<b>Land £'000</b>	<b>Vehicles £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2015	2	112	43	157
Additions	–	–	15	15
Exchange difference	–	(8)	(2)	(10)
At 31 December 2015	2	104	56	162
Additions	–	–	1	1
Cost at 31 December 2016	2	104	57	163
<b>Depreciation</b>				
At 1 January 2015	–	52	37	89
Exchange difference	–	(7)	(2)	(9)
Charge for the year	–	17	3	20
At 31 December 2015	–	62	38	100
Charge for the year	–	14	6	20
At 31 December 2016	–	76	44	120
<b>Net book value</b>				
<b>At 31 December 2016</b>	2	28	13	43
At 31 December 2015	2	42	18	62
At 1 January 2015	3	60	6	68

Exchange differences have arisen on assets which are held by foreign subsidiaries. These are translated from the functional currency of the subsidiary into Sterling at the prevailing exchange rate at each period end.

# Notes to the Financial Statements

continued

## 10 Property, plant and equipment continued

Company	Motor vehicles £'000	Computer equipment £'000	Office equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2015	67	25	4	96
Additions	–	3	–	3
At 31 December 2015	67	28	4	99
Additions	–	1	–	1
Cost at 31 December 2016	67	29	4	100
<b>Depreciation</b>				
At 1 January 2015	15	24	4	43
Charge for the year	14	1	–	15
At 31 December 2015	29	25	4	58
Charge for the year	13	2	–	15
At 31 December 2016	42	27	4	73
<b>Net book value</b>				
<b>At 31 December 2016</b>	25	2	–	27
At 31 December 2015	38	3	–	41
At 1 January 2015	52	1	–	53

## 11 Trade and other receivables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Current</b>				
Other receivables	23	130	7	87
Prepayments and accrued income	14	18	14	13
Trade and other receivables	37	148	21	100

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

All other receivables have been reviewed for indicators of impairment, none are overdue.

# Notes to the Financial Statements

continued

## 12 Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	14	14	14	10
Social security and other taxes	12	41	10	40
Other payables	5	136	1	–
Accruals and deferred income	43	182	43	49
	74	373	68	99

The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statement of financial position to be a reasonable approximation of their fair value.

## 13 Convertible secured loan notes (Group and Company)

The Company has issued three tranches of convertible secured loan notes ("Notes") to Odey European Inc. ("OEI"). The Notes carry a non-cash coupon of 15% per annum which compounds half yearly and are secured by way of a guarantee and debenture granted by Tri-Star Antimony Canada Inc. The Notes are redeemable at 100% of their principal amount plus accrued interest by way of the issue of new Tri-Star ordinary shares on 19 June 2018 (unless otherwise previously so converted).

On 19 June 2013, Tri-Star made the initial issuance of £4.0 million of Notes to OEI. These Notes were drawn down in two tranches of £1.33 million on 20 June 2013 and of £2.67 million on 27 September 2013.

On 27 August 2014, Tri-Star issued additional £2.0 million of Notes to OEI under the same terms as in 2013. On 11 August 2015, Tri-Star issued a further £2.0 million of Notes, again, under the same terms.

The Notes were initially, on issue, convertible at 100% of their principal amount plus accrued interest at the holder's option into ordinary shares at a conversion price which is fixed at the time of conversion at a 10% discount to the lower of:

- the latest equity funding round completed prior to the issue of the conversion notice; and
- any equity funding round completed within 10 days of the conversion notice.

On 16 September 2015, the terms of the Notes were amended. The conversion price was fixed at £0.0020 (0.2 pence) for the remainder of the term of the Notes (until June 2018). On maturity in June 2018, if a conversion notice has not been served previously, the Loan Notes will convert into new Tri-Star ordinary shares at £0.0020 (0.2 pence) removing the pre-existing option for OEI to otherwise have the loan notes redeemed in cash in full.

The rate of interest accruing on the Notes remains unchanged (being a non-cash coupon of 15% per annum, calculated on a daily basis, and compounding half yearly). OEI has the option to serve a conversion notice at any time in the period to maturity of the Notes in June 2018. If the conversion of Notes results in OEI holding more than 29.9% of the Company's enlarged voting share capital, OEI has the option of either continuing to hold those notes the conversion of which would increase its holding of shares above 29.9% or to have those notes redeemed in cash.

The Directors consider that the use of the Black-Scholes model is the most appropriate method of valuing the derivative component of the Notes.

The following assumptions were used in calculating the fair value:

- The model assumes that the Notes will be exercised on 30 September 2017;
- The share price volatility is 87% which was based on historic volatility;
- An exercise price of 0.20p and a share price of 0.115p being the market share price at that time; and
- The effects of potential dilution were not factored in.



# Notes to the Financial Statements

continued

## 13 Convertible secured loan notes (Group and Company) continued

The Notes are recorded in the Consolidated Statement of Financial Position as:

<b>Notes issued in 2013</b>	<b>At 31 December 2015 £'000</b>	<b>Profit and loss movement £'000</b>	<b>At 31 December 2016 £'000</b>
<b>Liability</b>			
Carrying value of host debt instrument	(4,280)	(1,248)	(5,528)
Fair value of derivative	(608)	72	(536)
<b>Total</b>	<b>(4,888)</b>	<b>(1,176)</b>	<b>(6,064)</b>
<b>Notes issued in 2014</b>	<b>At 31 December 2015 £'000</b>	<b>Profit and loss movement £'000</b>	<b>At 31 December 2016 £'000</b>
<b>Liability</b>			
Carrying value of host debt instrument	(2,162)	(460)	(2,622)
Fair value of derivative	(263)	32	(231)
<b>Total</b>	<b>(2,425)</b>	<b>(428)</b>	<b>(2,853)</b>
<b>Notes issued in 2015</b>	<b>At 31 December 2015 £'000</b>	<b>Profit and loss movement £'000</b>	<b>At 31 December 2016 £'000</b>
<b>Liability</b>			
Carrying value of host debt instrument	(1,876)	(403)	(2,279)
Fair value of derivative	(229)	27	(202)
<b>Total</b>	<b>(2,105)</b>	<b>(376)</b>	<b>(2,481)</b>
<b>All Notes consolidated</b>	<b>At 31 December 2015 £'000</b>	<b>Profit and loss movement £'000</b>	<b>At 31 December 2016 £'000</b>
<b>Liability</b>			
Carrying value of host debt instrument	(8,318)	(2,111)	(10,429)
Fair value of derivative	(1,100)	131	(969)
<b>Total</b>	<b>(9,418)</b>	<b>(1,980)</b>	<b>(11,398)</b>

The key data for the valuation model were the share price and number of shares, expected option maturity, risk free interest rate and underlying volatility as set out in the table below.

	<b>2016</b>	<b>2015</b>
"Spot Tri-Star" price, in £	0.00115	0.00085
"Strike" conversion price, in £	0.0020	0.0020
Maturity	30 September 2017	31 December 2016
Volatility	87%	117%
Number of shares	6,549,780,004	5,882,066,881

On issue the host debt instrument of the 2013 loan note was recorded at £2,343,000 being the difference between the fair value of the derivative and the proceeds. Thereafter in line with accounting standards the host debt instrument is carried at amortised cost with an effective interest rate of 27.24%. On issue the host debt instrument of the 2014 loan note was recorded at £1,666,713 being the difference between the fair value of the derivative and the proceeds. Thereafter in line with accounting standards the host debt instrument is carried at amortised cost with an effective interest rate of 20.18%. On issue the host debt instrument of the 2015 loan note was recorded at £1,736,376 being the difference between the fair value of the derivative and the proceeds. Thereafter in line with accounting standards the host debt instrument is carried at amortised cost with an effective interest rate of 20.35%.

# Notes to the Financial Statements

continued

## 14 Deferred tax liability (Group)

The deferred tax liability which relates to an imputed tax on intangible assets in the Consolidated Financial Statements can be reconciled as follows:

	2016 £'000	2015 £'000
At 1 January	176	796
Exchange movement	–	(95)
Release to profit and loss on impairment of intangible	–	(525)
Offset against current year losses	(28)	–
At 31 December	148	176

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 £28,000 has been offset against current year losses.

## 15 Share based payments (Group and Company)

The Group operates share option schemes for certain employees and consultants (including Directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The expected life of the options issued in 2011 ranges from 12 months to 36 months based on management's expectation of when they will be exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The expected life of the options issued in 2013 is 6 months, and they expire on 31 December 2017 if they remain unexercised. The expected life of the options issued in 2014 is 12 months and they expire after 10 years. The expected life of options issued in 2015 is 1 month and they expire after 10 years. Options are forfeited after 12 months if the employee leaves the Group. There are no performance related conditions for exercise. The options will vest in accordance with the agreed timetable ranging from the date of the grant to the second anniversary of the date of the grant. There are no other vesting conditions.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2016		2015	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	643,470,000	0.01243	398,470,000	0.01916
Issued during the year	–	–	245,000,000	0.0011
Outstanding at the end of the year	643,470,000	0.01243	643,470,000	0.01243

# Notes to the Financial Statements

continued

## 15 Share based payments (Group and Company) continued

The share options outstanding at the end of the period have a weighted average remaining contractual life of 5.96 years (2015: 6.96) and have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Exercise price £	Fair value £	2016 Number	2015 Number
10-May-11	10-May-11	0.01	0.002517	34,000,000	34,000,000
10-May-11	10-May-11	0.02	0.001645	34,000,000	34,000,000
10-May-11	10-May-11	0.03	0.001625	50,000,000	50,000,000
10-May-12	10-May-11	0.01	0.002517	34,000,000	34,000,000
10-May-12	10-May-11	0.02	0.001645	34,000,000	34,000,000
10-May-12	10-May-11	0.03	0.001625	50,000,000	50,000,000
10-May-13	10-May-11	0.01	0.003539	34,000,000	34,000,000
10-May-13	10-May-11	0.02	0.001645	34,000,000	34,000,000
10-May-13	10-May-11	0.03	0.001625	50,000,000	50,000,000
04-Oct-13	04-Oct-13	0.005	0.000899	27,800,000	27,800,000
02-Oct-14	02-Oct-14	0.0019	0.001301	16,670,000	16,670,000
22-Sep-15	22-Sep-15	0.0011	0.001322	245,000,000	245,000,000
Total				643,470,000	643,470,000

At 31 December 2016 all of the 643,470,000 options outstanding were exercisable (2015: 643,470,000).

The weighted average exercise price of the options at the year end is £0.012.

The share options issued on 2 October 2014 are exercisable immediately and expire on 28 August 2024. It has been assumed that these will be exercised 12 months after the grant date.

The share options issued on 22 September 2015 are exercisable immediately and expire on 21 September 2025. It has been assumed that these will be exercised within one month after the grant date.

The fair values of new options granted were calculated using the Black-Scholes valuation model. The inputs into the model were as follows:

	2015	2014
Risk free rate	0.5%	0.5%
Share price volatility	116.9%	85.5%
Expected life	1 month	12 month
Share price at date of grant	£0.0014	£0.0016

Expected volatility was determined by calculating the historical volatility of the Tri-Star share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### Warrants

In addition there are 70,200,000 warrants outstanding with an exercise price of £0.001 and a remaining contractual life of 2.59 years. These are exercisable immediately and expire on 5 August 2019. These were valued using the Black-Scholes model with a risk free interest rate on 0.5% and volatility of 115%. The share price at the date of grant was £0.00105 and they were expected to vest within one month.

The Group recognised total expenses of £56,000 (2015: £337,000) relating to equity-settled share-based payment transactions during the year. These recognised expenses are not, and never will be, a cash cost to the Group but are merely an accounting charge to the income statement reflecting the theoretical cost to the Group if options are exercised in the future where the receipts from exercise are lower than if the same number of shares had been issued at the then prevailing market value.

## Notes to the Financial Statements

continued

### 15 Share based payments (Group and Company) continued

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

Director	At the beginning of the year Number	Granted during the year Number	Exercised during the year Number	At the end of the year Number	Exercise price Pence
M Wellesley-Wood	50,000,000	–	–	50,000,000	0.11
J Quirk	12,750,000	–	–	12,750,000	1
	12,750,000	–	–	12,750,000	2
	18,750,000	–	–	18,750,000	3
	30,000,000	–	–	30,000,000	0.11
	74,250,000	–	–	74,250,000	
A Collins	12,750,000	–	–	12,750,000	1
	12,750,000	–	–	12,750,000	2
	18,750,000	–	–	18,750,000	3
	35,000,000	–	–	35,000,000	0.11
	79,250,000	–	–	79,250,000	
G Eastaugh	16,670,000	–	–	16,670,000	0.19
	100,000,000	–	–	100,000,000	0.11
	116,670,000	–	–	116,670,000	
Total	320,170,000	–	–	320,170,000	

### 16 Share capital (Group and Company)

	2016 £'000	2015 £'000
<b>Allotted, issued and fully paid</b>		
1,363,925,475 deferred shares of 0.1p (2015: 1,363,925,475)	1,364	1,364
856,547,275 deferred shares of 0.095p (2015: 856,547,275)	814	814
8,470,583,101 Ordinary shares of 0.005p (2015: 8,460,552,843)	423	423
	2,601	2,601

Following the issue of the 5,701,254 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 18 May 2016 and the issue of the 4,329,004 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 25 October 2016, there were 8,470,583,101 Ordinary Shares in issue (each of which are voting shares) as at 31 December 2016.

# Notes to the Financial Statements

continued

## 17 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, UAE Dirhams and Omani Rials. The Group does not have a policy to hedge FX arrangements but where the amounts and timing of related transactions is reasonably certain will continue to keep this under review. The Group operates foreign currency bank accounts to help mitigate the foreign currency risk.

### Financial assets by category

The IAS 39 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:

Consolidated	2016			2015		
	Loans and receivables £'000	Non financial assets £'000	Statement of financial position total £'000	Loans and receivables £'000	Non financial assets £'000	Statement of financial position total £'000
Trade and other receivables	23	14	37	130	18	148
Available for sale assets	89	–	89	–	–	–
Cash and cash equivalents	447	–	447	1,308	–	1,308
<b>Total</b>	<b>559</b>	<b>14</b>	<b>573</b>	<b>1,438</b>	<b>18</b>	<b>1,456</b>

Company	2016			2015		
	Loans and receivables £'000	Non financial assets £'000	Statement of financial position total £'000	Loans and receivables £'000	Non financial assets £'000	Statement of financial position total £'000
Trade and other receivables	7	14	21	87	13	100
Available for sale assets	89	–	89	–	–	–
Cash and cash equivalents	430	–	430	1,285	–	1,285
<b>Total</b>	<b>526</b>	<b>14</b>	<b>540</b>	<b>1,372</b>	<b>13</b>	<b>1,385</b>

### Financial liabilities by category

The IAS 39 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:

Consolidated	2016			2015			Total £'000
	Other financial liabilities at amortised cost £'000	Liabilities carried at fair value £'000	Liabilities not within the scope of IAS 39 £'000	Other financial liabilities at amortised cost £'000	Liabilities carried at fair value £'000	Liabilities not within the scope of IAS 39 £'000	
Trade payables	14	–	–	14	–	–	14
Social Security and other taxes	–	–	12	–	–	41	41
Other payables	5	–	–	5	136	–	136
Accruals and deferred income	43	–	–	43	182	–	182
Host debt instrument	10,429	–	–	10,429	8,318	–	8,318
Financial derivative liability	–	969	–	969	–	1,100	1,100
Deferred tax liability	–	–	148	–	–	176	176
<b>Total</b>	<b>10,491</b>	<b>969</b>	<b>160</b>	<b>11,620</b>	<b>8,650</b>	<b>1,100</b>	<b>9,967</b>

# Notes to the Financial Statements

continued

## 17 Financial risk management policies and objectives continued

Company	2016			2015			Total £'000
	Other financial liabilities at amortised cost £'000	Liabilities carried at fair value £'000	Liabilities not within the scope of IAS 39 £'000	Other financial liabilities at amortised cost £'000	Liabilities carried at fair value £'000	Liabilities not within the scope of IAS 39 £'000	
Trade payables	14	–	–	14	10	–	10
Social Security and other taxes	–	–	10	10	–	–	40
Other payables	1	–	–	1	–	–	–
Accruals and deferred income	43	–	–	43	49	–	49
Host debt instrument	10,429	–	–	10,429	8,318	–	8,318
Financial derivative liability	–	969	–	969	–	1,100	1,100
Deferred tax liability	–	–	148	148	–	–	176
<b>Total</b>	<b>10,487</b>	<b>969</b>	<b>158</b>	<b>11,614</b>	<b>8,377</b>	<b>1,100</b>	<b>9,693</b>

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).

The derivative value element of the convertible loan has been classified as a Level 3 liability.

In accordance with IAS 32 and 39, since Tri-Star has a contractual right to deliver a variable number of shares, the conversion option qualifies as an embedded derivative.

### Credit risk

The Group and Company's principal financial assets are cash balances and other receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned.

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:

Consolidated	2016	2015
	£'000	£'000
Trade and other receivables	23	130
Company	2016	2015
	£'000	£'000
Trade and other receivables	7	87

None of the amounts included in trade and other receivables are past due or impaired (2015: £nil).

# Notes to the Financial Statements

continued

## 17 Financial risk management policies and objectives continued

### 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 liability analysis is as follows:

	Expiry date	2016 £'000	2015 £'000
Trade and other payables	Less than one year	19	150
Accruals and deferred income	Less than one year	43	182
Convertible loan – derivative element	Less than five years	969	1,100
Convertible loan – host debt element	Less than five years	10,429	8,318
<b>Total</b>		<b>10,491</b>	<b>8,650</b>

The Company's financial liability analysis is as follows:

	Expiry date	2016 £'000	2015 £'000
Trade and other payables	Less than one year	14	10
Accruals and deferred income	Less than one year	43	49
Convertible loan – derivative element	Less than five years	969	1,100
Convertible loan – host debt element	Less than five years	10,429	8,318
<b>Total</b>		<b>10,486</b>	<b>8,377</b>

### Foreign exchange risk

The Group operates in a number of jurisdictions and carries out transactions in 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.

### 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 has limited external loan financing and is funded predominantly through equity.

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

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### 18 Related party transactions

During the year, the Company made loans of £110,146 (2015: £109,653) to Üç Yıldız (a subsidiary undertaking). At 31 December 2016 Tri-Star was owed £1,265,553 (2015: £1,155,407) from Üç Yıldız. This balance is fully provided in Tri-Star.

During the year, the Company was charged £Nil by Tri-Star Union FZ-LLC (2015: £2,349,267) for services provided and invoices paid on their behalf. At 31 December 2016, Tri-Star was owed £Nil (2015: Nil) from Tri-Star Union FZ-LLC. Tri-Star Union FZ-LLC is a 90% owned subsidiary undertaking.

During the year, the Company charged £40,339 (2015: £379,169) to Strategic and Precious Metal Processing LLC for invoices paid on their behalf, and invested £Nil (2015: £3,267,178). Strategic and Precious Metal Processing LLC is an associate company in which the Group has a 40% interest. Additionally in 2015 Tri-Star Resources Plc sold the Roaster IP to SPMP for £2,592,353 (\$4,000,000) of which 60% was taken into profit and loss on consolidation £1,555,412. There is a deferred payment of \$2,000,000 due to the Company, on successful completion of a pilot plant. This further \$2 million has not been recognised in the accounts. During the year, the Company made loans of £235,397 (2015: £322,492) to Tri-Star Antimony Canada Inc.. At 31 December 2016, Tri-Star was owed £1,977,401 (2015: £1,742,004) by Tri-Star Antimony Canada Inc. Tri-Star Antimony Canada Inc. is a 100% owned subsidiary undertaking. This balance is fully provided in Tri-Star.

### 19 Contingent assets (Group and Company)

Under the agreement to sell the Roaster IP to SPMP, there is a balance of US\$2 million due to be paid to Tri-Star. 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 US\$2 million at 31 December 2016 (31 December 2015: US\$2 million).





