# Tri-Star Resources Plc

## Annual Report and Financial Statements

for the year ended 31 December 2014

# Forward Looking Information

This annual report may contain "forward-looking information", as defined under applicable Canadian securities laws. Forward-looking information typically contains statements that relate to future, not past, events and often contains words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. There can be no assurance that the forward-looking information contained in this report will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information.

All statements, other than statements of historical fact, included in this report including, without limitation, relating to the Roaster Project (as defined in this report), the Company's intentions with respect to a gold roasting facility and plans for its mineral properties, constitute forward-looking information. Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect, including, but not limited to, assumptions in connection with the ability to deliver any of the outcomes referred to in the Report in respect of the Roaster Project, the ability to complete construction of the Roaster Project, the availability of financing for the cost of the Roaster Project on acceptable terms, or likewise any facility that might process refractory gold, and general economic and market conditions. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, risks associated with changes in laws applicable to the Roaster Project, the ability to raise finance on acceptable terms for any of the projects or facilities mentioned, the volatility of commodity and raw material prices, currency exchange rates and interest rates, global economic conditions and the additional risks identified in this report or other reports and filings with applicable securities regulators. Forward-looking information in this report is based on the Directors' beliefs, estimates and opinions on the date of this report and the Company does not undertake to update publicly or revise the forward-looking information contained in this report, except as required by applicable securities laws.

Any financial outlook or future-oriented financial information in this report, as defined by applicable Canadian securities laws, has been approved by the Directors as of the date of this report. Such financial outlook or future oriented financial information is provided for the purpose of providing information about the Company's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this report.

# Annual Report and Financial Statements

for the year ended 31 December 2014

## Contents

# Company Information

| | |
|---|---|
| Company registration number | 04863813 |
| Registered office | 16 Great Queen Street<br>London WC2B 5DG |
| Directors | **Mark Wellesley-Wood**<br>**Emin Eyi**<br>**Adrian Collins**<br>**Guy Eastaugh**<br>**Ken Hight**<br>**Jonathan Quirk** |
| Secretary | **Kitwell Consultants Limited**<br>The Gables<br>Potters Green<br>Ware SG12 0JU |
| Nominated adviser and broker | **SP Angel Corporate Finance LLP**<br>Prince Frederick House<br>35-39 Maddox Street<br>London W1S 2PP |
| Registrars | **Capita Asset Services**<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |
| Bankers | **Lloyds Bank Plc**<br>PO Box 72<br>Bailey Drive<br>Gillingham Business Park<br>Kent ME8 0LS |
| Solicitors | **Fladgate LLP**<br>16 Great Queen Street<br>London WC2B 5DG |
| Auditors | **Grant Thornton UK LLP**<br>Statutory Auditors<br>Chartered Accountants<br>Colmore Plaza<br>20 Colmore Circus<br>Birmingham B4 6AT |

# Chairman's Statement

for the year ended 31 December 2014

I am pleased to present this report outlining the achievements of the Company during 2014 and the further progress made since the year end towards achieving the Company's strategy to become a specialist metallurgical processor. The Company has interests in antimony resources and the construction of a roaster plant in Oman. Antimony remains one of the most important and critical metals for the world electronics and plastics industry.

Throughout 2014, the Company continued to progress the Oman Antimony Roaster Project (the "Roaster Project") being carried out by SPMP, an Omani company's in which Tri-Star has a 40% interest. Reports published in 2012 confirmed the Roaster Project's technical and financial viability and the majority of the engineering design work has now been completed. Negotiations continue with our joint venture partners and with a number of other counterparties in relation to the Roaster Project and discussions have commenced with contractors in relation to the construction of the Roaster itself. The target remains to commence site preparation and construction of the facility during 2015 with the aim of beginning the commissioning phase by the end of 2016.

I am pleased to report that, since the end of the year, considerable progress has been made in delivering the Roaster Project with the negotiation of a banking facility offer letter for US$40million, the receipt of the Provisional Environmental Permit and the Independent Engineering Report which confirms our earlier estimate of the capital cost to build. In addition the Company has assisted in negotiating heads of agreement for the supply of concentrate and offtake of metal with an internationally renowned trading group, Traxys Europe SA, on behalf of SPMP.

In addition, together with its joint venture partners, the company is developing plans for the second project in Oman which utilises its existing pyrometallurgical technology to process refractory gold. This will be a contiguous follow on project building further on the excellent infrastructure and energy advantages offered by this location. Since an estimated 30-50% of the world's gold resources are refractory in nature and therefore difficult to treat with existing technologies, the potential market for this proposed second plant is extensive.

I am pleased to confirm that, during the year, the Company secured additional funding through a further £2 million private placing of Convertible Bonds with Odey European Inc. Further details of the terms of the Convertible Bonds are set out in the Strategic Report and in the accompanying financial statements.

In the year to 31 December 2014, the Group recorded a loss before and after tax of £2,397,000 (31 December 2013: £2,747,000) emphasising its increasing investment into its clean roasting technology. The Directors do not recommend the payment of a dividend currently but will be considering an appropriate dividend policy as and when the prospective cash flows from the Roaster Project become available to the Company.

I would like to thank our partners, the management team and our employees for their dedication and effort during an intensive and eventful year for Tri-Star. The Company has made very substantial progress, both in developing the Roaster Project and in its upstream development. The Board is looking forward to the coming year with confidence.

In June 2014, we were delighted to welcome Guy Eastaugh to the Board as Chief Financial Officer. In March of this year, I joined the Board as Chairman, with Brian Spratley, Michael Hirschfield and Jos Trusted stepping down from the Board. On behalf of the Board I thank the three of them for their valuable contribution to the Company's development.

**Mark Wellesley-Wood**
Chairman

24 April 2015

# Strategic Report

for the year ended 31 December 2014

## Introduction

Our strategy is to be the leading integrated antimony metal and value added product manufacturer, utilising modern and environmentally compliant roasting technology, located in the Sultanate of Oman, with raw material supplied from our upstream resource projects as well as from third party sources of antimonal concentrates. I am pleased to report on the Company's progress towards achieving this strategy during 2014 and future plans to realise our clearly defined objectives.

## Antimony

The name antimony is derived from the Greek word for 'never found alone'. The principal use is as an oxide synergist in the flame retardant chemical additive sector. China has dominated world supply for the past 110 years.

Antimony (Sb) is a silvery-white, shining, soft and brittle metal. 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's abundance in the earth's crust is 0.2 parts per million, making the element about as scarce as some of the heavier Rare Earth Elements and a little above silver. Antimony is a member of the Group V elements in the Periodic Table, accompanied by tin and tellurium. Antimony has atomic number 51 and an atomic weight of 122. The metal is brittle and has a low melting point of 630ºC and boils at 1380ºC.

There are over 40 common minerals of antimony but the most important is the sulphide mineral stibnite ($Sb_2S_3$) which has a Sb content of 72%. The element also occurs as an oxide, valentinite ($Sb_2O_3$) and as antimonides and sulpho-antimonides of metals like lead, copper, zinc, silver and gold. Stibnite has been and to date remains the main source for metallic antimony to be commercially mined.

The principal use of antimony is in flame retardants as antimony trioxide ($Sb_2O_3$) ("ATO"), which accounts for approximately 70% of primary antimony consumption. In this use, antimony trioxide is most commonly used as a synergist to improve the performance of other flame retardants such as aluminium hydroxide, magnesium hydroxide and halogenated compounds. This enhanced performance minimises the amount of flame retardant required. Antimony trioxide is used in this way in many products including plastics, textiles, rubber, adhesives and plastic covers for aircrafts and automobiles. Around 90% of flame retardant production is utilised in electronics and plastics, in particular for printed circuit boards in the server and computer industry, while the remaining 10% ends up in coated fabrics and furniture upholstery and bedding.

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. However, demand from this segment has risen in recent years due to automotive production in countries such as Brazil, India and China.

Tri-Star is proceeding to design and construct an antimony roaster with a capacity of 20,000 tonnes per annum of metal and a value-added downstream ATO manufacturing facility in the Sultanate of Oman, processing its own and third party concentrates (the "Roaster Project").

# Strategic Report

continued

## Oman based Roaster Project

**Background**

In 2011, the Company began seeking partners in the Gulf Cooperation Council ("GCC") region to investigate the siting and construction of a antimony concentrate roasting facility designed to meet EU environmental and regional based standards, producing antimony ingot, ATO and related products.

The facility will have the capability to treat up to 40,000 tonnes per annum of antimony concentrates and direct shipping ores to produce up to 20,000 tonnes per annum of both antimony ingots and powdered antimony trioxide at high purity for sale to end users. The feedstock is designed around antimony sulphide concentrates supplied from either Tri-Star owned deposits or from purchases of third-party concentrates and ores from various international sources. When constructed, the proposed facility will be one of the first sizeable Western World antimony roasters designed to be fully compliant with modern environmental legislation, high recoveries and relatively low energy input costs.

**Oman joint venture**

The Company executed and announced, on 14 April 2014, the signing of a shareholders agreement establishing a joint venture company, Strategic & Precious Metals Processing LLC ("SPMP"), to develop and build the roaster within the Port of Sohar Free Zone in the Sultanate of Oman. The joint venture company itself was formed on 25 June 2014 and is treated in the accounts as an associate. The Company has a 40% equity interest in SPMP and the other joint venture partners are Oman Investment Fund (which owns 40%) and Castell Investments Limited (which owns the remaining 20%).

Further to that announcement, the Company has worked with its joint venture partners to progress the legal, engineering and environmental due diligence work streams associated with the Roaster Project. The process, now well advanced, has moved to the finalisation of the associated documentation for the project investment and management. Whilst important tasks remain such as securing the banking finance and obtaining the necessary permits and licenses for the project commencement, an important milestone was reached in February 2015 when the Ministry of Environmental and Climate Affairs in Oman granted SPMP the required Provisional Environmental Permit.

In 2015 to date, the Company made a number of announcements relating to progress made by SPMP, specifically:

- Signing of a Facility Offer Letter ("FOL") with Bank Nizwa, a bank based in Oman, to provide SPMP with a Sharia compliant facility of up to US$40 million to be advanced in Omani Rial. The FOL is subject to the bank's detailed terms and conditions including the entering into of a definitive facility agreement.
- Delivery of an engineering report to SPMP which discussed the viability of the overall antimony roasting process as developed by Tri-Star and provided a capital expenditure estimate of approximately US$62 million for the construction of the facility; and
- The signing by SPMP of heads of agreement with Traxys Europe SA, selecting Traxys as SPMP's nominated trading partner. In this role, Traxys will supply feedstock and provide offtake and related financing and other services to SPMP.

The total funding for SPMP is expected to amount to US$70 million, comprising US$20 million equity to be provided by the joint venture partners; US$40 million to be provided a senior debt facility and a US$10 million mezzanine loan facility from one of the other joint venture partners.

The Company continues to vigorously pursue finalising all the relevant agreements required in order to achieve a financial close of the Roaster Project and this remains Tri-Star's number one priority during 2015.

# Strategic Report

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## Canada

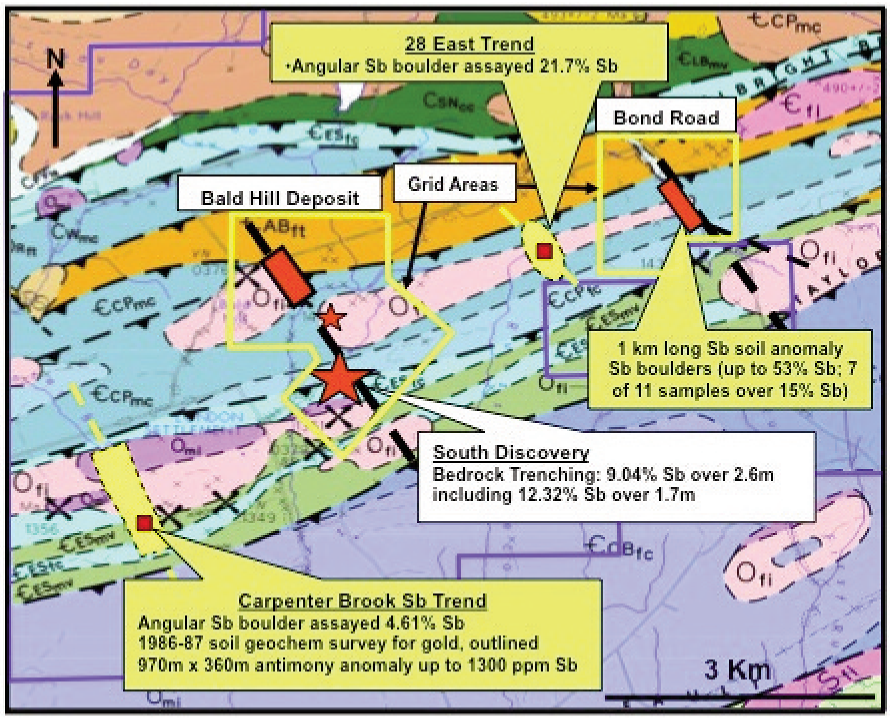
In October 2013, the Company completed the acquisition of Portage Minerals, a Canadian exploration company. As a consequence of the transaction, Tri-Star now owns Portage's Bald Hill deposit, which is one of the largest undeveloped antimony projects in Canada. As outlined in the NI 43-101 technical report for the Bald Hill property, drilling indicated a potential quantity and grade, which is the target of further exploration, 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 addition, Tri-Star Antimony Canada has interests in two gold deposits, formerly held by Portage, both of which have NI 43-101 compliant resource estimates. The first of these, Golden Pike, which is 100% owned by Tri-Star Antimony Canada, has an inferred mineral resource of 214,800 tonnes grading 9.6 grams per tonne ("g/t") for 66,300 ounces of contained gold and the second, Golden Ridge, in which Tri-Star Antimony Canada has a 60% interest, has an inferred mineral resources of 17,780,000 tonnes at 0.91 g/t gold for 520,200 ounces of gold. Both of these gold projects continue to be viewed as non-core by the Company.

In November 2014, the Company provided an update of the ongoing exploration programs on the Bald Hill property which indicated multiple northeast-southwest antimony trends developing in the Bald Hill area. Tri-Star's 100% owned land package in the Bald Hill area consists of 891 claim units totaling 200 km$^2$ and 35 kilometres in length. The Company has only explored a small portion of this large property and numerous historic showings of antimony have been found throughout the land package. Recent results demonstrate the emerging major Sb potential of the Bald Hill antimony project.

The Bald Hill Deposit, South Discovery and Bond Road trend areas (reference figures 1, 2 and 3 below) are further described in the Bald Hill NI 43-101 Technical Report dated 28 October 2014 available on the Company's website further to the announcement dated 31 October 2014.

Figure 1
Regional Geology and Grid Locations
Bald Hill Deposit Area, New Brunswick, Canada

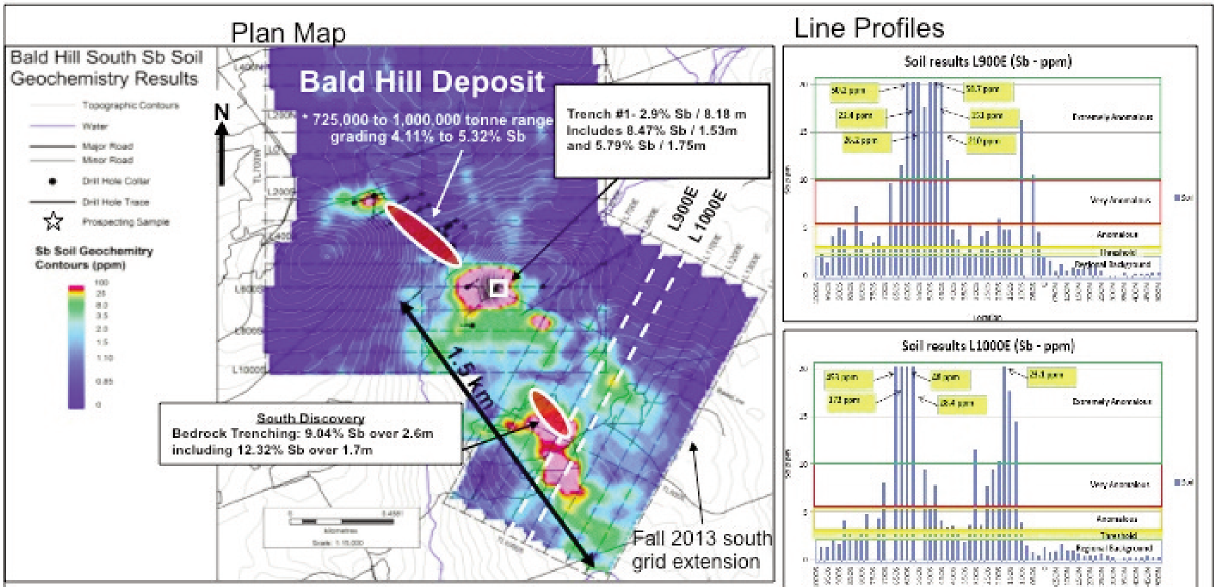


# Strategic Report

continued

Figure 2

Bald Hill Deposit, New Brunswick, Canada




* POTENTIAL QUANTITY AND GRADE RANGES[1] – BALD HILL PROJECT (MAY 2010)

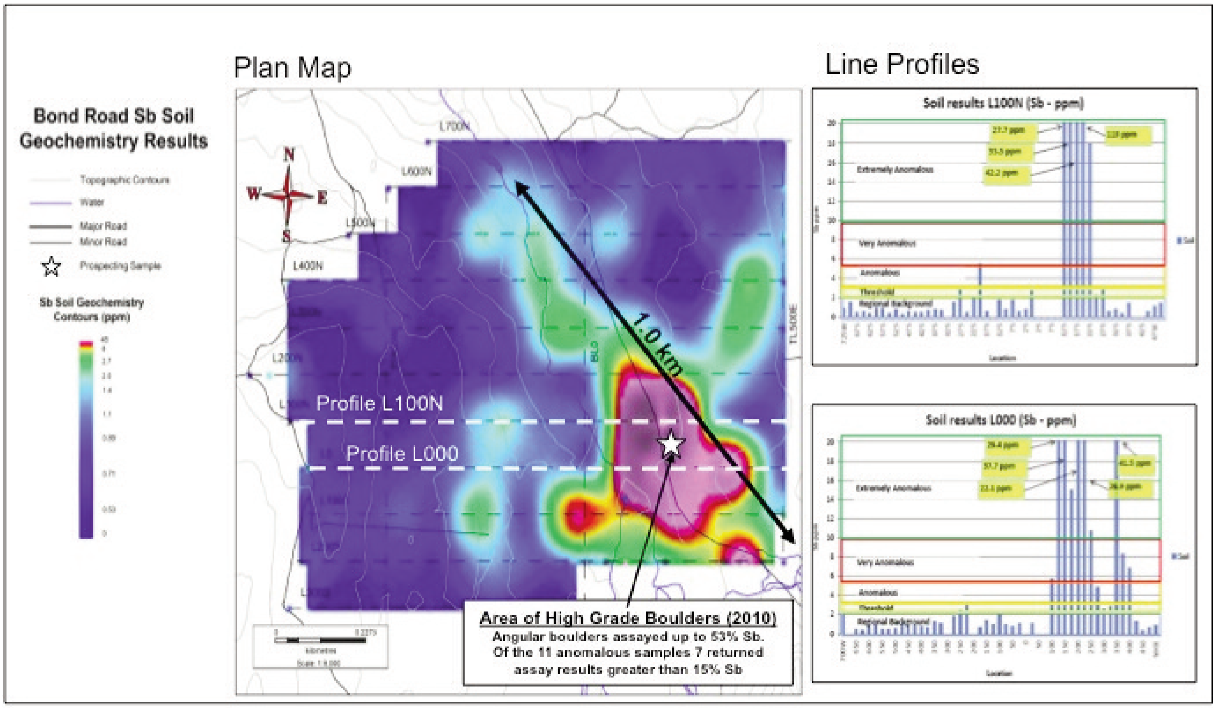
| *Zone* | *Metric Tonnes* | *Grade (%Sb)* |
|---|---|---|
| Main Zone | 700,000 to 900,000 | 4.33% to 5.40% |
| Parallel Zone | 25,000 to 100,000 | 2.13% to 3.19% |
| Total | 725,000 to 1,000,000 | 4.11% to 5.32% |

*Notes:*

*(1) The potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.*

Figure 3

Bond Road, New Brunswick, Canada



# Strategic Report
continued

## Turkey
Tri-Star's Göynük Project is a historical artisanal mine in a known antimony belt in the Murat Dagi 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 Uşak.

The property comprises a mining licence of 25 hectares and is within an exploration area of 780 hectares. A further exploration area was awarded in June 2011 contiguous to the East of the original area (Göynük East) of 685 hectares bringing the total exploration area holding to approximately 1,480 hectares. The historical mine workings are at approximately 1,200 metres to 1,310 metres elevation. The area is predominantly forestry land supervised by the Turkish Department of Forestry.

The Company has a Category 4 exploitation concession covering non-ferrous metals including the normal suite of base metals, minor metals (including antimony) and precious metals. The Göynük deposit is undeveloped other than by small scale artisanal workings in the visible high grade mineralised zones. A dump of the former mine production is located on site.

Additional information on the Göynük Project is contained in the technical report entitled "Technical Report on the Goynuk Mine and Vicinity, Gediz Municipality, Kutahya Province, Turkey" dated July 31, 2013, with an effective date of June 19, 2012, prepared by Allan P. Juhas, Ph.D., CPG is available on the Company's website.

## Funding
In August 2014, the Company completed a private placing of £2.0 million Convertible Bonds with Odey European Inc. The Convertible Bonds 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 Company's wholly owned subsidiary which holds all of the Company's Canadian assets. The Convertible Bonds are redeemable at 100% of their principal amount plus accrued interest and, unless previously redeemed, converted or cancelled, will mature on the fifth anniversary of the issue of the Convertible Bonds in June 2018. Further detail on the terms of the Convertible Bonds, and those previously issued in June 2013, is set out in the notes to the accompanying financial statements.

## 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.

## 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.

# Strategic Report
continued

## Quarterly Reporting
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.

Tri-Star is subject to the regulatory requirements of the AIM Market of the London Stock Exchange. 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. Consequently, Tri-Star is no longer obliged to publish quarterly financial information during 2015.

## Canadian Securities – Qualified Person
Brian Spratley, BSc EurIng CEng MIMMM, Technical Director of Tri-Star is a Qualified Person in compliance with National Instrument 43-101, *Standards of Disclosure for Mineral Projects* and has reviewed and approved the scientific and technical information in this Annual Report and Financial Statements.

## 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 Group's Roaster Project, mining activities and any other opportunities identified by the Board, as well as the uncertainties relating to the amount and quality of metals available in its mines, the obtaining of necessary operating permits and licences, the costs of extraction and production and the exposure to fluctuating commodity prices.

## Financial risk management objectives and policies
The Group's principal financial instruments comprise of cash, convertible bonds 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 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 exploration and 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, 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.

## Going concern and funding

The Group has not earned revenue during 2014 as it is still in the exploration and development phases of its business. Therefore, the operations of the Group are currently being financed from funds which the Company raises from private and public placings of its shares, convertible bonds and other finance sources.

The Directors have prepared cash flow forecasts for the period ending 30 April 2016. The forecasts identify unavoidable third party running costs of the Group and demonstrate that subject to being able to raise additional funds from the issuance of new equity and/or asset sales, the Group will have sufficient cash resources available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. The Directors are confident that despite this material uncertainty, such new funds will become available to the Group on economic terms given the advanced state of discussions concerning the Oman Antimony Roaster Project and so, accordingly, the accounts have been prepared on a going concern basis.

## Future prospects

Going forward, we expect the remainder of the year to be a period of significant advancement for the Company in its ambitions of becoming an integrated producer of antimony and in taking forward the Roaster Project through to financial close and into the construction phase.

**Emin Eyi**
Managing Director
On behalf of the Board

24 April 2015

# Report of the Directors

for the year ended 31 December 2014

The Directors present their annual report together with the audited consolidated financial statements of Tri-Star Resources Plc ("Tri-Star") and its subsidiaries (the "Group") for the year ended 31 December 2014.

## Principal activity

The principal activities of the Group are the identification, development and mining of antimony resources in Turkey and Canada and the design and construction of the antimony roaster project in the Sultanate of Oman.

## Domicile and principal place of business

Tri-Star is domiciled in the United Kingdom. Its principal places of business are the UK, Turkey, Canada, United Arab Emirates 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 (appointed 25 March 2015)
Emin Eyi
Adrian Collins
Guy Eastaugh (appointed 21 June 2014)
Ken Hight
Michael Hirschfield (resigned 25 March 2015)
Jonathan Quirk
Brian Spratley (resigned 25 March 2015)
Jocelyn Trusted (resigned 25 March 2015)

## Director's shareholdings

| **Director** | **Number of ordinary shares of 0.005p each held at 30 April 2015** | **Percentage of issued share capital %** |
|---|---|---|
| Emin Eyi | 1,560,000,000 | 22.47 |
| Adrian Collins | 23,245,800 | 0.33 |
| Ken Hight | 21,663,774 | 0.31 |
| Jonathan Quirk | 3,500,000 | 0.05 |
| Mark Wellesley-Wood | 2,000,000 | 0.03 |
| Guy Eastaugh | 1,757,187 | 0.03 |

## Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company, which had been notified as at 19 January 2015 were as follows:

| | **Number of ordinary shares of 0.005p each** | **Percentage of issued share capital %** |
|---|---|---|
| Emin Eyi | 1,560,000,000 | 22.47 |
| Cemile Eyi | 800,000,000 | 11.52 |
| Platform Securities Nominees | 697,298,555 | 10.04 |
| Vehbi Eyi | 500,000,000 | 7.20 |
| W B Nominees Limited | 234,962,561 | 3.38 |
| Mackie Research Capital Corp | 226,492,411 | 3.26 |
| Spreadex Limited | 225,661,095 | 3.25 |

# Report of the Directors

continued

## Biographical details of Directors

**Mark Wellesley-Wood** (Non-executive Chairman)
Mark Wellesley-Wood joined the board in March 2015 as Non-executive. 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, DRDGold Limited.

Mr Wellesley-Wood, who also chairs the Remuneration Committee, took over as Chairman from Adrian Collins, who remains on the Board as the Senior Independent Non-executive Director.

**Emin Eyi** (Managing Director)
Emin Eyi has been involved in antimony for many years and the Göynük project was acquired by him and his family in 2008. He became Managing Director of Tri-Star in January 2012. Prior to that he was a partner of SP Angel Corporate Finance LLP, the London based advisory company, where he conducted investment and advisory work for clients. He has particular experience of the mining and resource industry and is familiar with those who provide financing and who are active in the investment market for mining and resource companies. Mr. Eyi has 20 years' of investment banking experience in the natural resource sector at a number of firms including Cazenove & Co, Barings, HSBC and Goldman Sachs. He is a graduate of Imperial College in London, with a Masters degree in Mining Engineering, and is a Fellow of the Geological Society.

**Adrian Collins** (Senior Independent Non-executive Director)
Adrian Collins, has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management where latterly, he was Managing Director. He has held a number of positions in the Fund Management industry over the years and is currently Chairman of Liontrust Asset Management and Bahamas Petroleum plc. He is also on the boards of City Natural Resources High Yield Trust plc, New City High Yield Fund and a number of other companies both in the UK and overseas.

**Guy Eastaugh** (Chief Financial Officer)
Guy Eastaugh began his career at PricewaterhouseCoopers in London, qualifying 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 Invista Real Estate Investment Management Holdings plc as Chief Financial Officer. He remained part of the executive team that led the successful sale of the business in 2012 to private equity. Mr Eastaugh is a qualified chartered accountant and a member of the Association of Corporate Treasurers.

**Ken Hight** (Executive Director)
Ken Hight is a capital market specialist with over 40 years' experience in global markets. He has held various positions with major financial institutions in the USA, Canada, Australia and Asia, working for TD Bank and TD Securities, Investment Technology Group, E*Trade and Liquidnet. His responsibilities have included global management of institutional equities and derivatives investment banking and resources finance. Mr Hight has also been a director of several mineral exploration companies listed on the Canadian markets.

**Jonathan Quirk** (Non-executive Director)
Jonathan Quirk is a Chartered Accountant. He has worked in the financial services sector since 1974 for, among others, Morgan Grenfell and Deutsche Bank in their capital markets divisions. Since 1997 he has been a founding director of Cairnsea Investments Ltd, which invests in quoted and unquoted smaller companies particularly in the financial services sector.

Mr Quirk chairs the Company's Audit Committee.

# Report of the Directors

continued

## Group Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' 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 elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under Company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

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

## Auditors 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.

## Future prospects

The Managing Director has commented on the future prospects in the Strategic Report.

ON BEHALF OF THE BOARD

**Kitwell Consultants Limited**

24 April 2015

# Corporate Governance

## Directors

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 11. The Non-executive Chairman of the Board is Mark Wellesley-Wood.

## 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 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. A separate report on remuneration is contained on pages 15 and 16.

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

## 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.

## Policy on Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward 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.

The amounts shown as "Share option expense" relate to a theoretical calculation of the non-cash cost to the Company of the share options granted to the directors, further details of which are provided in Note 13. These do not represent cash payments to the directors either made in the past or due in the future.

| | M Hirschfield (1) £ | B Spratley (1) £ | G Eastaugh (2) £ | J Quirk £ | K Hight £ | A Collins £ | J Trusted (1) £ | E Eyi £ | Total £ |
|---|---|---|---|---|---|---|---|---|---|
| **Short-term employment benefits:** | | | | | | | | | |
| **Year to 31 December 2014** | | | | | | | | | |
| Salary and fees | 15,000 | 130,000 | 91,583 | 20,000 | 98,935 | 30,000 | 15,000 | 180,000 | 580,518 |
| Benefits | – | – | – | – | – | – | – | 97,241 | 97,241 |
| Share option expense | – | – | 9,037 | – | 6,248 | – | – | – | 15,285 |
| Employers NI (3) | 1,110 | 18,274 | 11,752 | 2,030 | – | – | 377 | – | 33,543 |
| Total | 16,110 | 148,274 | 112,372 | 22,030 | 105,183 | 30,000 | 15,377 | 277,241 | 726,587 |
| **Year to 31 December 2013** | | | | | | | | | |
| Salary and fees | 13,000 | 112,626 | – | 14,667 | 25,594 | 18,000 | 13,000 | 150,000 | 346,886 |
| Relocation allowance | – | – | – | – | – | – | – | 90,000 | 90,000 |
| Benefits | – | – | – | – | – | – | – | 64,226 | 64,226 |
| Share option expense | 5,365 | 7,838 | – | 5,365 | 6,248 | 5,365 | 5,365 | – | 35,546 |
| Employers NI (3) | 732 | 14,480 | – | 962 | – | – | 138 | 4,140 | 20,452 |
| Total | 19,097 | 134,944 | – | 20,994 | 31,842 | 23,365 | 18,503 | 308,366 | 557,110 |

**Notes**

(1) resigned 25 March 2015

(2) appointed 21 June 2014

(3) The NI disclosure is for compliance with IFRS and does not form part of the remuneration disclosure under the listing requirements.

K Hight is paid by Rockport Minerals Inc. and his remuneration has been translated from Canadian Dollars at the average exchange rate of 1.82.

In addition, during the year £24,000 (2013: £24,000) was paid to Kitwell Consultants Limited, a Company controlled by M Hirschfield, for Company Secretarial services.

Further details of the share options granted to Directors are given in note 13 to the financial statements.

# Report on Remuneration
continued

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

**Benefits in kind and share options**
E Eyi received £97,241 benefits in kind during the year ended 31 December 2014 (2013: £64,226). During the year the Company operated an employee share plan and details of options granted are shown in note 13 to the financial statements. During the year M Hirschfield exercised share options over 90,000,000 shares. No other Directors exercised share options during the year ended 31 December 2014.

**Bonuses**
There is a discretionary bonus scheme in place for the Executive Directors based on the performance of the Group. No amounts are payable for bonuses in respect of the two years ended 31 December 2014.

**Notice periods of the Directors**
The contract of Mr Eyi is terminable on 12 months' notice on either side. Mr Hight's contract is terminable on nine months' notice by the Company and on three months' notice by the individual. Mr Eastaugh's contract is terminable on six months' notice by the Company and on three months' notice by the individual.

The Chairman's contract is terminable on three months' notice on either side. 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 group financial statements of Tri-Star Resources Plc for the year ended 31 December 2014, which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Directors' Responsibilities Statement set out on page 13, the Directors are responsible for the preparation of the group 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 group 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 (APB'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.

## Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the principal accounting policies concerning the company's ability to continue as a going concern. The group incurred a net loss of £2.5m during the year ended 31 December 2014 and, at that date, the group's total liabilities exceeded its total assets by £316k. These conditions, along with the other matters explained in the principal accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

# Report of the Independent Auditor

**to the members of Tri-Star Resources Plc** continued

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

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matters

We have reported separately on the parent Company financial statements of Tri-Star Resources Plc for the year ended 31 December 2014.

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

24 April 2015

# Principal Accounting Policies

## Basis of preparation

The group 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. Separate financial statements of Tri-Star Resources Plc ("**Tri-Star**" or the "**Company**") have been prepared on pages 49 to 60, under the historical cost convention and in accordance with applicable accounting standards under UK GAAP.

The annual financial statements for the Company and its subsidiaries (together "**the Group**") have been prepared under IFRS and the principal accounting policies adopted remain unchanged from those adopted by the Group in preparing its financial statements for the prior year ended 31 December 2013.

## Going concern

The Group has not earned revenue during 2014 as it is still in the exploration and development phases of its business. Therefore, the operations of the Group are currently being financed from funds which the Company raises from private and public placings of its shares, convertible bonds and other finance sources.

The Directors have prepared cash flow forecasts for the period ending 30 April 2016. The forecasts identify unavoidable third party running costs of the Group and demonstrate that subject to being able to raise additional funds from the issuance of new equity and/or asset sales, the Group will have sufficient cash resources available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. The Directors are confident that despite this material uncertainty, such new funds will become available to the Group on economic terms given the advanced state of discussions concerning the Oman Antimony Roaster Project and so, 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 affects 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.

## Business combinations

On 4 October 2013 Tri-Star acquired 100% of the shares in Portage Minerals Inc., which was then amalgamated with Tri-Star Antimony Canada Inc. (TSAC). The consideration of £3.5 million was satisfied by the issuance of 1,086 million new Tri-Star ordinary shares. Details of the assets and liabilities acquired are set out in note 19. All transaction costs have been reflected in profit and loss in the statement of comprehensive income.

# 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 period, 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 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 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 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 six years to 2015.

(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 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 2014 (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 statement of comprehensive income.

**Depreciation**

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

| | |
|---|---|
| Motor vehicles | 5 years |
| Equipment | 3 years |

## Financial assets

The Group's financial assets comprise 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.

## Equity

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

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

Other reserves comprise the amounts arising on the reverse acquisition.

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

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

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

# Principal Accounting Policies

continued

## 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.

## Financial derivative liabilities

Pursuant to the terms of the Convertible Bond, when investors exercise their conversion rights the Company has an obligation to deliver ordinary shares to those investors (see note 11 for further information).

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. Thus, the Convertible Bonds are treated as a hybrid instrument which includes a component of debt and an embedded derivative for the conversion option held by the bondholder.

The Company initially measures 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 statement of comprehensive income.

The debt component is initially recorded as the difference between the proceeds received for the Convertible Bonds 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.

# Principal Accounting Policies

continued

## 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 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.

## Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

## 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 2014 of £21,000 (2013: £56,000) is determined by using a Black-Scholes valuation model, using the assumptions detailed in note 13. The key assumptions in the model involving a critical estimate are the share price volatility of between 58% and 86% and the life of the options. The former has been determined by calculating the historical volatility of the Tri-Star share price. The Board have assumed the options will be exercised between 6 and 36 months after they have vested.

Services received from external consultants are measured at their fair values, with a charge of £Nil (2013: £357,000) recognised in the financial statements for the year ended 31 December 2014.

# Principal Accounting Policies
continued

**Other intangible exploration asset valuation**

Tri-Star carries on its balance sheet an exploration asset arising from the acquisition of Portage Minerals Inc. during 2013. The exploration asset was deemed to have been acquired at fair value and has not been amortised as actual exploitation or material development of the asset have yet to commence. The exploration asset is required to be reviewed for impairment if the Directors judge that there are any indications that the carrying amount exceeds the recoverable amount. Discounted cash flow analyses prepared by the Company with respect to the economic value of the exploration asset continue to demonstrate, to the Directors' satisfaction, that no impairment of the exploration asset is required. Further details on the carrying value of this asset are set out in note 7 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 2014. The Directors will continue to asses 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 Bonds 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.

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

The following assumptions were used in calculating the fair value:

- The model assumes that the bonds will be exercised on 31 December 2015. The share price volatility is 102% which was based on historic volatility.
- An exercise price of 0.27p being the exercise price which would have applied on 31 December 2014 and a share price of 0.12p being the market share price at that time.
- The effects of potential dilution were not factored.

In valuing the derivative component of the Convertible Bonds, the Directors have assumed a conversion price of 0.27p which represents the current conversion price of the Convertible Bonds. The conversion price may be varied in the future as it is based on the most recent equity fund raising undertaken by the Company at the time of conversion. The Company raised £500,000 in May 2013 at a price of 0.30p, which when applying the 10% discount mandated by the Convertible Bond instrument, provides for a conversion price of 0.27p. The Directors believe that until a further fund raising is undertaken the current conversion price represents the most appropriate basis on which to base valuation of the Convertible Bonds.

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

The Directors believe that the Convertible Bond is likely to be subject to conversion during the life of the Bond and that it is unlikely that the Convertible Bond will run to term. Conversion is not in the control of the Company but it is the Directors expectation that the Convertible Bond is likely to be the subject of conversion in the near term and so for the basis of the option valuation, a conversion date of 31 December 2015 has been assumed.

# Principal Accounting Policies

continued

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 2014. The risk free rate is currently 0.5% (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 Bond was issued. The Directors believe that the post announcement share price would have incorporated the potential dilution effect of the Convertible Bond on Tri-Star's share capital as a whole and therefore the dilution impact has not been considered again when the option was valued.

**Goodwill valuation**

Goodwill arising on the acquisition of Portage Minerals Inc. was calculated as being the difference between the purchase cost and the provisional value of the net assets acquired. Goodwill was reviewed for impairment at 31 December 2014.

In accordance with International Financial Reporting Standards the directors have assessed the carrying value of the goodwill with reference to the fair value less costs to sell. Given the intangible exploration asset held in Canada as a result of this acquisition remains at the same fair value as when acquired, the directors do not consider this goodwill to be impaired.

## 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 early adopted 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)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- Amendments to IAS 19 and the annual updates to various other standards (effective 1 July 2014)

There are other standards in issue but not yet effective, which are not likely to be relevant to the group which have therefore not been listed.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Share based payments | | (21) | (413) |
| Amortisation of intangible assets | | (6) | (16) |
| Exploration expenditure and other administrative expenses | | (2,255) | (2,272) |
| **Total administrative expenses and loss from operations** | | (2,282) | (2,701) |
| Share of loss in associated companies | | (221) | – |
| Finance income | | 944 | 174 |
| Finance cost | 2 | (838) | (220) |
| **Loss before and after taxation, and loss attributable to the equity holders of the Company** | 3 | (2,397) | (2,747) |
| **Loss before and after taxation attributable to** | | | |
| Non-controlling interest | | (62) | (173) |
| Equity holders of the parent | | (2,335) | (2,574) |
| **Other comprehensive (expenditure)/income** | | | |
| **Items that will be reclassified subsequently to profit and loss** | | | |
| Exchange differences on translating foreign operations | | (104) | (249) |
| Other comprehensive (expenditure)/income for the period, net of tax | | (104) | (249) |
| **Total comprehensive loss for the year, attributable to owners of the company** | | (2,501) | (2,996) |
| **Total comprehensive loss attributable to** | | | |
| Non-controlling interest | | (62) | (173) |
| Equity holders of the parent | | (2,439) | (2,823) |
| **Loss per share** | | | |
| Basic and diluted loss per share (pence) | | (0.03) | (0.05) |

The accompanying principle accounting policies and notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

| | Share capital £'000 | Share premium £'000 | Other reserves £'000 | Share based payment reserves £'000 | Trans-lation reserve £'000 | Retained earnings £'000 | Total attributable to owners of parent £'000 | Total controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | 2,441 | 9,118 | (6,156) | 1,659 | 97 | (6,544) | 615 | – | 615 |
| Share based payments | – | – | – | 413 | – | – | 413 | – | 413 |
| Issue of share capital | 79 | 4,076 | – | (1,000) | – | 987 | 4,142 | – | 4,142 |
| Share placing costs | – | (32) | – | – | – | – | (32) | – | (32) |
| **Transactions with owners** | 79 | 4,044 | – | (587) | – | 987 | 4,523 | – | 4,523 |
| Exchange difference on translating foreign operations | – | – | – | – | (249) | – | (249) | – | (249) |
| Loss for the year | – | – | – | – | – | (2,574) | (2,574) | (173) | (2,747) |
| **Total comprehensive loss for the period** | – | – | – | – | (249) | (2,574) | (2,823) | (173) | (2,996) |
| **Balance at 31 December 2013** | 2,520 | 13,162 | (6,156) | 1,072 | (152) | (8,131) | 2,315 | (173) | 2,142 |
| Share based payments | – | – | – | 21 | – | – | 21 | – | 21 |
| Issue of share capital | 5 | 17 | – | – | – | – | 22 | – | 22 |
| Transfer on exercise of options | – | – | – | (326) | – | 326 | – | – | – |
| **Transactions with owners** | 5 | 17 | – | (305) | – | 326 | 43 | – | 43 |
| Exchange difference on translating foreign operations | – | – | – | – | (104) | – | (104) | – | (104) |
| Loss for the period | – | – | – | – | – | (2,335) | (2,335) | (62) | (2,397) |
| **Total comprehensive loss for the period** | – | – | – | – | (104) | (2,335) | (2,439) | (62) | (2,501) |
| **Balance at 31 December 2014** | 2,525 | 13,179 | (6,156) | 767 | (256) | (10,140) | (81) | (235) | (316) |

The accompanying principle accounting policies and notes form an integral part of the financial statements.

# Consolidated Statement of Financial Position

as at 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Intangible assets | 7 | 4,777 | 4,897 |
| Investment in associates | 17 | 45 | – |
| Property, plant and equipment | 8 | 68 | 87 |
| | | 4,890 | 4,984 |
| **Current** | | | |
| Cash and cash equivalents | | 1,496 | 2,101 |
| Trade and other receivables | 9 | 117 | 87 |
| **Total current assets** | | 1,613 | 2,188 |
| **Total assets** | | 6,503 | 7,172 |
| **Liabilities** | | | |
| **Current** | | | |
| Trade and other payables | 10 | 324 | 413 |
| Derivative financial liability | 11 | 626 | 1,234 |
| **Total current liabilities** | | 950 | 1,647 |
| **Loans repayable after one year** | | | |
| Loans | 11 | 5,073 | 2,568 |
| Deferred tax liability | 12 | 796 | 815 |
| **Total liabilities** | | 6,819 | 5,030 |
| **Equity** | | | |
| Issued share capital | 13 | 2,525 | 2,520 |
| Share premium | | 13,179 | 13,162 |
| Share based payment reserve | | 767 | 1,072 |
| Other reserves | | (6,156) | (6,156) |
| Translation reserve | | (256) | (152) |
| Retained earnings | | (10,140) | (8,131) |
| **Equity attributable to equity holders of parent** | | (81) | 2,315 |
| Non-controlling interest | | (235) | (173) |
| **Total equity** | | (316) | 2,142 |
| **Total equity and liabilities** | | 6,503 | 7,172 |

The consolidated financial statements were approved by the Board and authorised for issue on 24 April 2015.

**Guy Eastaugh**
Director

The accompanying principle accounting policies and notes form an integral part of the financial statements.

# Consolidated Statement of Cash Flows

for the year ended 31 December 2014

| | Note | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Continuing operations** | | | |
| Loss after taxation | | (2,397) | (2,747) |
| Amortisation of intangibles | 7 | 6 | 16 |
| Depreciation | 8 | 24 | 26 |
| Finance income | | (4) | (3) |
| Finance cost | | 838 | 225 |
| Loss from associates | | 221 | – |
| Fees paid by shares | | 17 | 110 |
| Share based payments | | 21 | 413 |
| Movement on fair value of derivatives | | (940) | (171) |
| (Increase)/decrease in trade and other receivables | | (32) | 65 |
| (Decrease) in trade and other payables | | (96) | (524) |
| **Net cash outflow from operating activities** | | (2,342) | (2,590) |
| **Cash flows from investing activities** | | | |
| Finance income | | 4 | 3 |
| Cash on acquisitions | 19 | – | 7 |
| Cash invested in associates | 17 | (266) | – |
| Purchase of property, plant and equipment | 8 | (10) | (74) |
| Proceeds of sale of property, plant and equipment | | 11 | – |
| **Net cash outflow from investing activities** | | (261) | (64) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 5 | 500 |
| Share issue costs | | – | (32) |
| Finance cost | | – | (252) |
| New loans | 11 | 2,000 | 4,000 |
| **Net cash inflow from financing activities** | | 2,005 | 4,216 |
| **Net change in cash and cash equivalents** | | (598) | 1,562 |
| Cash and cash equivalents at beginning of period | | 2,101 | 601 |
| Exchange differences on cash and cash equivalents | | (7) | (62) |
| **Cash and cash equivalents at end of period** | | 1,496 | 2,101 |

The accompanying principle accounting policies and notes form an integral part of the financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2014

## 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 chief operating decision maker has defined that the Group's only operating segment during the period is mining. All of the corporate headquarter costs are allocated to the mining segment.

The Group has not generated any revenues from external customers during the period.

In respect of the non-current assets, £53,000 (2013: £70,000) arise in the UK, and £4,837,000 (2013: £4,914,000) arise in the rest of the world.

## 2 Finance income and costs

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Finance income** | | |
| Bank interest | 4 | 3 |
| Movement in fair value of derivative | 940 | 171 |
| | 944 | 174 |

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Finance costs** | | |
| Bank interest | – | (5) |
| Interest payable on convertible loan | 838 | 225 |
| | 838 | 220 |

Further details regarding the movement in fair value of derivatives and interest payable on the convertible loan are available in note 11.

## 3 Loss before taxation

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

The loss before taxation is stated after charging:

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Staff costs | 813 | 716 |
| Share-based payment charge | 21 | 413 |
| Depreciation of owned property, plant and equipment | 24 | 26 |
| Amortisation of intangible assets | 6 | 16 |
| Operating lease rentals | 61 | 119 |
| Fees payable to the Company's auditor for the audit of the financial statements | 36 | 36 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| Other services relating to taxation ompliance and advice | 7 | 2 |
| All other services | – | 10 |

# Notes to the Financial Statements

continued

## 4 Taxation

Unrelieved tax losses of approximately £8.27 million (2013: £5.09 million) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2014 is £1,923,000 (2013: £1,239,000) 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 assessed for the period differs from the standard rate of corporation tax in the UK as follows:

| | **2014 £'000** | **2013 £'000** |
|---|---|---|
| Loss before taxation | (2,397) | (2,747) |
| Loss multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%) | (515) | (639) |
| Effect of: | | |
| Expenses not deductible for tax purposes | – | – |
| Overseas loss not recognised | (169) | (3) |
| Unrelieved tax losses | 684 | 641 |
| Total tax charge for year | – | – |

## 5 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.

| | **2014 £'000** | **2013 £'000** |
|---|---|---|
| (Loss) attributable to owners of the Company after tax | (2,397) | (2,747) |

| | **2014 Number** | **2013 Number** |
|---|---|---|
| Weighted average number of ordinary shares for calculating basic loss per share | 6,876,723,387 | 5,815,090,030 |

| | **2014 Pence** | **2013 Pence** |
|---|---|---|
| Basic and diluted loss per share | (0.03) | (0.05) |

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.

# Notes to the Financial Statements

continued

## 6 Employee benefit expense

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Wages and salaries | 762 | 667 |
| Social security | 51 | 49 |
| Share based payment charge | 23 | 56 |
| Total Emoluments | 836 | 772 |

Average monthly number of employees:

| | 2014 Number | 2013 Number |
|---|---|---|
| Directors | 8 | 6 |
| Other | 9 | 10 |
| | 17 | 16 |

The Directors are the key management personnel of the Group. Details of Directors' remuneration are included in the report on remuneration on pages 15 and 16.

## 7 Intangible assets

| | Other intangible exploration asset £'000 | Mining and mineral licences £'000 | Goodwill £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2013 | – | 103 | – | 103 |
| Arising on acquisition | 4,296 | – | 815 | 5,111 |
| Exchange Difference | (220) | (1) | – | (221) |
| At 31 December 2013 | 4,076 | 102 | 815 | 4,993 |
| Exchange Difference | (95) | – | (19) | (114) |
| At 31 December 2014 | 3,981 | 102 | 796 | 4,879 |
| **Amortisation and impairment** | | | | |
| At 1 January 2013 | – | 80 | – | 80 |
| Amortisation charge in the year | – | 16 | – | 16 |
| At 31 December 2013 | – | 96 | – | 96 |
| Amortisation charge in the year | – | 6 | – | 6 |
| At 31 December 2014 | – | 102 | – | 102 |
| **Net book value** | | | | |
| **At 31 December 2014** | 3,981 | – | 796 | 4,777 |
| At 31 December 2013 | 4,076 | 6 | 815 | 4,897 |
| At 1 January 2013 | – | 23 | – | 23 |

# Notes to the Financial Statements

continued

## 7 Intangible assets continued

The exploration asset relates to the acquisition of Portage Minerals Inc. during 2013. The exploration asset has not been amortised in the year as actual exploitation or material development of the asset have yet to commence. The exploration asset is not required to be reviewed for impairment unless there are any indications that the carrying amount exceeds the recoverable amount. The directors consider that there are no indications that the carrying amount exceeds the recoverable amount as at 31 December 2014.

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 consider that there are no indications that the goodwill is impaired as at 31 December 2014 after considering the fair value less costs to sell.

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

## 8 Property, plant and equipment

| | Land £'000 | Vehicles £'000 | Equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2013 | 3 | 59 | 37 | 99 |
| Additions | – | 67 | 7 | 74 |
| Exchange difference | (1) | (10) | (1) | (12) |
| At 31 December 2013 | 2 | 116 | 43 | 161 |
| Additions | – | 9 | 1 | 10 |
| Disposals | – | (12) | – | (12) |
| Exchange difference | – | (1) | (1) | (2) |
| Cost at 31 December 2014 | 2 | 112 | 43 | 157 |
| **Depreciation** | | | | |
| At 1 January 2013 | – | 37 | 20 | 57 |
| Exchange difference | – | (8) | (1) | (9) |
| Charge for the year | – | 14 | 12 | 26 |
| At 31 December 2013 | – | 43 | 31 | 74 |
| Exchange difference | – | (1) | (1) | (2) |
| Eliminated on disposals | – | (7) | – | (7) |
| Charge for the year | – | 17 | 7 | 24 |
| At 31 December 2014 | – | 52 | 37 | 89 |
| **Net book value** | | | | |
| **At 31 December 2014** | 2 | 60 | 6 | 68 |
| At 31 December 2013 | 2 | 73 | 12 | 87 |
| At 1 January 2013 | 3 | 22 | 17 | 42 |

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

## 9 Trade and other receivables

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| **Current** | | |
| Other receivables | 57 | 69 |
| Prepayments and accrued income | 60 | 18 |
| Trade and other receivables | 117 | 87 |

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.

## 10 Trade and other payables

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| Trade payables | 102 | 100 |
| Social security and other taxes | 21 | 11 |
| Other payables | 138 | 127 |
| Accruals and deferred income | 63 | 175 |
| | 324 | 413 |

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.

## 11 Convertible secured loan notes

On 19 June 2013, Tri-Star issued Convertible Secured Loan Notes to Odey, for £4.0 million (the "Convertible Bonds"). The Convertible Bonds were drawn down in two tranches of £1.33 million on 20 June 2013 and of £2.67 million on 27 September 2013. The Convertible Bonds 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. They are redeemable at 100% of their principal amount plus accrued interest on 19 June 2018 (unless otherwise previously redeemed or converted). On 17 July 2014, Tri-Star issued further Convertible Secured Loan Notes to Odey, for £2.0 million (the "Convertible Bonds"), under the same terms. The Convertible Bonds were drawn down on 27 August 2014.

The Convertible Bonds are 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

As at 31 December 2014, the conversion price stood at £0.0027 per Tri-Star ordinary share.

The carrying value of the host debt component of the Convertible Bonds at 31 December 2014 amounted to £5,073,000 (2013: £2,436,000).

# Notes to the Financial Statements

continued

## 11 Convertible secured loan notes continued

The conversion option (limited by the early repayment clause) is an embedded derivative treated as a liability at fair value through profit and loss. The fair value of the embedded derivative, calculated using the Black-Scholes option valuation model, was £626,000 (2013: £1,234,000). The decrease in fair value amounting to £941,000, has been recorded in finance income in the Consolidated Income Statement for the year ended 31 December 2014 (2013: £171,000).

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

| **Bonds issued in 2013**<br>**Asset/liability** | **On Issue £'000** | **Profit and loss movement £'000** | **At 31 December 2013 £'000** | **Profit and loss movement £'000** | **At 31 December 2014 £'000** |
|---|---|---|---|---|---|
| Carrying value of host debt instrument | (2,343) | (225) | (2,568) | (721) | (3,289) |
| Fair value of derivative | (1,405) | 171 | (1,234) | 797 | (437) |
| Total | (3,748) | (54) | (3,802) | 76 | (3,726) |

| **Bonds issued in 2014**<br>**Asset/liability** | **On Issue £'000** | **Profit and loss movement £'000** | **At 31 December 2014 £'000** |
|---|---|---|---|
| Carrying value of host debt instrument | (1,667) | (117) | (1,784) |
| Fair value of derivative | (333) | 144 | (189) |
| Total | (2,000) | 27 | (1,973) |

The movement is the carrying value of the host debt instrument relates to accrued interest.

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

| | **2014** | **2013** |
|---|---|---|
| "Spot Tri-Star" price, in £ | 0.0012 | 0.0028 |
| "Strike" conversion price, in £ | 0.0027 | 0.0027 |
| Maturity | 31 December 2015 | 31 December 2014 |
| Volatility | 102% | 58% |
| Number of shares | 2,984,370,116 | 1,803,010,994 |

On issue the host debt instrument of the 2013 bond 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 bond 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%.

## 12 Deferred tax liability

A deferred tax liability of £796,000 (2013: £815,000) has been recognised on the intangible exploration asset acquired as part of the business combination.

# Notes to the Financial Statements

continued

## 13 Share based payments

**In respect of employees**

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. 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:

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Number | WAEP £ | Number | WAEP £ |
| Outstanding at the beginning of the year | 471,800,000 | 0.01704 | 444,000,000 | 0.01704 |
| Issued during the year | 16,670,000 | 0.0019 | 27,800,000 | 0.005 |
| Exercised during the year | (90,000,000) | 0.00005 | – | – |
| Outstanding at the end of the year | 398,470,000 | 0.01916 | 471,800,000 | 0.01586 |

The share options outstanding at the end of the period have a weighted average remaining contractual life of 6.26 years (2013: 7.03) 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 £ | 31 December 2014 Number | 31 December 2013 Number |
|---|---|---|---|---|---|
| 27-Feb-11 | 27-Aug-10 | 0.00005 | 0.0039 | – | 90,000,000 |
| 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 | – |
| Total | | | | 398,470,000 | 471,800,000 |

# Notes to the Financial Statements

continued

## 13 Share based payments continued

At 31 December 2014 all of the 398,470,000 options outstanding were exercisable (2013: 471,800,000).

The weighted average exercise price of the options at the year end is £0.019.

The share options issued on 27 August 2010 can be exercised up to 9.5 years after the date first exercisable. They are first exercisable once the commercial viability of the Turkish mine is established and additional funds are raised to enable further exploration and development of the mine. This was expected to be within 6 months of grant date. These options were exercised on 4 September 2014.

The share options issued on 10 May 2011 all expire 10 years after the grant date. It has been assumed that 1p options will be exercised 12 months after the grant date, or on the date exercisable if this is later, 2p options will be exercised 24 months after the grant date and 3p options will be exercised 36 months after the grant date.

The share options issued on 4 October 2013 are exercisable immediately and expire on 31 December 2017. It has been assumed that these will be exercised 6 months after the grant date.

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

| | 2014 | 2013 |
|---|---:|---:|
| Risk free rate | 0.5% | 0.5% |
| Share price volatility | 85.5% | 58.0% |
| Expected life | 12 months | 6 months |
| Share price at date of grant | £0.0016 | £0.0029 |

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.

The Group recognised total expenses of £21,000 (2013: £56,000) 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.

**In respect of services from external consultants**

On 3 August 2009, a warrant was issued for 15,000,000 ordinary shares. The warrant may be exercised, in whole or in part or parts, at any time and from the date of completion of the reverse acquisition until the fifth anniversary of the date of completion of the reverse acquisition, which was 27 August 2010.

In December 2010, 10,000,000 ordinary shares were issued following the exercise of 10,000,000 warrants, leaving 5,000,000 warrants exercisable at 31 December 2014, and 31 December 2013. The weighted average share price at date of exercise of the warrants was 0.78 pence. The weighted average exercise price is 0.2 pence (2013: 0.2 pence) and the warrants have a weighted average remaining contractual life of 0.66 years (2013: 1.66 years).

# Notes to the Financial Statements
continued

## 13 Share based payments continued

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

| 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 Hirschfield | 90,000,000 | – | (90,000,000) | – | 0.005 |
| | 12,750,000 | – | – | 12,750,000 | 1 |
| | 12,750,000 | – | – | 12,750,000 | 2 |
| | 18,750,000 | – | – | 18,750,000 | 3 |
| | 134,250,000 | – | (90,000,000) | 44,250,000 | |
| B Spratley | 18,750,000 | – | – | 18,750,000 | 1 |
| | 18,750,000 | – | – | 18,750,000 | 2 |
| | 27,000,000 | – | – | 27,000,000 | 3 |
| | 64,500,000 | – | – | 64,500,000 | |
| J Quirk | 12,750,000 | – | – | 12,750,000 | 1 |
| | 12,750,000 | – | – | 12,750,000 | 2 |
| | 18,750,000 | – | – | 18,750,000 | 3 |
| | 44,250,000 | – | – | 44,250,000 | |
| A Collins | 12,750,000 | – | – | 12,750,000 | 1 |
| | 12,750,000 | – | – | 12,750,000 | 2 |
| | 18,750,000 | – | – | 18,750,000 | 3 |
| | 44,250,000 | – | – | 44,250,000 | |
| J Trusted | 12,750,000 | – | – | 12,750,000 | 1 |
| | 12,750,000 | – | – | 12,750,000 | 2 |
| | 18,750,000 | – | – | 18,750,000 | 3 |
| | 44,250,000 | – | – | 44,250,000 | |
| K Hight | 13,900,000 | – | – | 13,900,000 | 0.5 |
| G Eastaugh | – | 16,670,000 | – | 16,670,000 | 0.19 |
| **Total** | 331,500,000 | 16,670,000 | (90,000,000) | 258,170,000 | |

The 90,000,000 options were exercised at 0.005p each on 29 August 2014 when the average share price was 0.15p.

# Notes to the Financial Statements

continued

## 14 Share capital

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| **Allotted, issued and fully paid** | | |
| 1,363,925,475 deferred shares of 0.1p (2013: 1,363,925,475) | 1,364 | 1,364 |
| 856,547,275 deferred shares of 0.095p (2013: 856,547,275) | 814 | 814 |
| 6,942,287,328 Ordinary shares of 0.005p (2013: 6,843,546,532) | 347 | 342 |
| | 2,525 | 2,520 |

Following the issue of the 1,568,193 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 16 January 2014, the issue of 2,143,164 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 14 April 2014, the issue of 90,000,000 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 29 August 2014 and the issue of 5,029,439 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 14 October 2014. there were 6,942,287,328 Ordinary Shares in issue (each of which are voting shares) as at 31 December 2014.

Each Ordinary Share issued on 29 March 2011 had a three-year half warrant attached to it which is exercisable at 2 pence, and a three year half warrant attached to it which is exercisable at 3 pence. These warrants all expired during the year.

On 4 October 2013 on the acquisition of Portage Minerals Inc. outstanding warrants in Portage were converted into 57,968,838 warrants for Tri-Star ordinary shares, all of which expired during the year.

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting rights, pre-emptive rights or other rights attaching to Ordinary Shares. All warrants issued vest in full.

These warrants fall outside the scope of IFRS2 as they have been issued to shareholders in their capacity as shareholders and have therefore not been treated as share based payments.

The deferred shares have no voting rights and are not eligible for dividends.

## 15 Financial risk management policies and objectives

The Group uses financial instruments comprising cash and cash equivalents and various other short-term instruments such as trade receivables and trade payables which arise from its operations. The main purpose of these financial instruments is to fund the Group's business strategy and the short-term working capital requirements of the business.

**Financial assets by category**

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | 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 | 57 | 60 | 117 | 69 | 18 | 87 |
| Cash and cash equivalents | 1,496 | – | 1,496 | 2,101 | – | 2,101 |
| **Total** | 1,553 | 60 | 1,613 | 2,170 | 18 | 2,188 |

# Notes to the Financial Statements

continued

## 15 Financial risk management policies and objectives continued

**Financial liabilities by category**

The IAS 39 categories of financial liability included in the statement of financial position and the headings in which they are included are as follows:

| | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Other financial liabilities at amortised cost £'000 | Liabilities carried at fair value £'000 | Liabilities not within the scope of IAS 39 £'000 | Total £'000 | Other financial liabilities at amortised cost £'000 | Liabilities carried at fair value £'000 | Liabilities not within the scope of IAS 39 £'000 | Total £'000 |
| Trade payables | 102 | – | – | 102 | 100 | – | – | 100 |
| Social Security and other taxes | – | – | 21 | 21 | – | – | 11 | 11 |
| Other payables | 138 | – | – | 138 | 127 | – | – | 127 |
| Accruals and deferred income | 63 | – | – | 63 | 175 | – | – | 175 |
| Host debt instrument | 5,073 | – | – | 5,073 | 2,568 | – | – | 2,568 |
| Financial derivative liability | – | 626 | – | 626 | – | 1,234 | – | 1,234 |
| Deferred tax liability | – | – | 796 | 796 | – | – | 815 | 815 |
| **Total** | 6,002 | 626 | 817 | 6,819 | 4,204 | 1,234 | 815 | 5,030 |

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In the years ended 31 December 2014 and 31 December 2013 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.

The Company initially measures 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 other comprehensive income. On conversion or settlement of the debt instrument amounts previously recorded in other comprehensive income will be reclassified to profit and loss.

The debt component is initially recorded as the difference between the proceeds received for the Convertible Bond 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.

## 15 Financial risk management policies and objectives continued

Additionally, at 31 December 2014, the fair value of the derivative liability embedded in the Convertible Bonds, calculated using the Black-Scholes model, was £626,000 (31 December 2013: £1,234,000 and on issue for new bonds: £333,000). The decrease in fair value during the year or since issue, amounting to £941,000, has been recorded in finance income in the Consolidated Income Statement for the year ended 31 December 2014 (2013: £171,000).

See note 11 for further details on the valuation model used.

The valuation of the derivative is sensitive to movements in the key assumptions.

The following tables illustrate the sensitivity of the fair value of the convertible loans to a reasonably possible change of 10% in the volatility rate This shows that the net effect on the income statement would have been £44,000 (2013: £31,000).

**Loans drawn down in 2013:**

| | Using increase of 10% in Volatility | | | | |
|---|---|---|---|---|---|
| | On issue | At 31 December 2013 | Profit and loss movement | At 31 December 2014 | Profit and loss movement |
| **Volatilty rate** | 68% | 68% | | 112% | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carrying value of host debt instrument | 2,122 | 2,342 | (220) | 3,153 | (811) |
| Fair value of derivative | 1,626 | 1,429 | 197 | 529 | 900 |
| | 3,748 | 3,771 | (23) | 3,682 | 89 |

| | Actual Volatility | | | | |
|---|---|---|---|---|---|
| | On issue | At 31 December 2013 | Profit and loss movement | At 31 December 2014 | Profit and loss movement |
| **Volatilty rate** | 58% | 58% | | 102% | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carrying value of host debt instrument | 2,343 | 2,568 | (225) | 3,289 | (721) |
| Fair value of derivative | 1,405 | 1,234 | 171 | 437 | 797 |
| | 3,748 | 3,802 | (54) | 3,726 | 76 |

**Loans drawn down in 2014:**

| | Using increase of 10% in Volatility | | | Actual Volatility | | |
|---|---|---|---|---|---|---|
| | On issue | At 31 December 2014 | Profit and loss movement | On issue | At 31 December 2014 | Profit and loss movement |
| **Volatilty rate** | 96% | 112% | | 86% | 102% | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carrying value of host debt instrument | 1,600 | 1,720 | (120) | 1,667 | 1,784 | (117) |
| Fair value of derivative | 400 | 229 | 171 | 333 | 189 | 144 |
| | 2,000 | 1,949 | 51 | 2,000 | 1,973 | 27 |

# Notes to the Financial Statements

continued

## 15 Financial risk management policies and objectives continued

The following tables illustrate the sensitivity of the fair value of the convertible loans to a reasonably possible change of assuming maturity to 31 December 2016. This shows that the effect on the income statement would have been a credit of £1,234,000 (31 December 2013: £13,000 charge) compared to the actual credit (based on assumed maturity of 31 December 2015) of £103,000 (31 December 2013: £54,000 charge).

**Loans drawn down in 2013:**

| | | Assuming maturity on 31/12/2016 | | | |
|---|---|---|---|---|---|
| | On issue £'000 | At 31 December 2013 £'000 | Profit and loss movement £'000 | At 31 December 2014 £'000 | Profit and loss movement £'000 |
| Carrying value of host debt instrument | 933 | 1,074 | (141) | 1,530 | (456) |
| Fair value of derivative | 2,815 | 2,687 | 128 | 980 | 1,707 |
| | 3,748 | 3,761 | (13) | 2,510 | 1,251 |

| | | Actual assumed maturity on 31/12/2015 | | | |
|---|---|---|---|---|---|
| | On issue* £'000 | At 31 December 2013* £'000 | Profit and loss movement £'000 | At 31 December 2014 £'000 | Profit and loss movement £'000 |
| Carrying value of host debt instrument | 2,343 | 2,568 | (225) | 3,289 | (721) |
| Fair value of derivative | 1,405 | 1,234 | 171 | 437 | 797 |
| | 3,748 | 3,802 | (54) | 3,726 | 76 |

*The actual assumed maturity date on issue and at 31 December 2013 was 31 December 2014. This has subsequently been revised to 31 December 2015.

**Loans drawn down in 2014:**

| | Assuming maturity on 31/12/2016 | | | Actual assumed maturity on 31/12/2015 | | |
|---|---|---|---|---|---|---|
| | On issue £'000 | At 31 December 2014 £'000 | Profit and loss movement £'000 | On issue £'000 | At 31 December 2014 £'000 | Profit and loss movement £'000 |
| Carrying value of host debt instrument | 1,468 | 1,593 | (125) | 1,667 | 1,784 | (117) |
| Fair value of derivative | 532 | 424 | 108 | 333 | 189 | 144 |
| | 2,000 | 2,017 | (17) | 2,000 | 1,973 | 27 |

# Notes to the Financial Statements

continued

## 15 Financial risk management policies and objectives continued

### Credit risk

The Group'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's exposure to credit risk is limited to the carrying amount of financial assets recognised at the statement of financial position date, as summarised below:

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| Trade and other receivables | 57 | 69 |
| Cash and cash equivalents | 1,496 | 2,101 |
| **Total** | 1,553 | 2,170 |

None of the amounts included in trade and other receivables are past due or impaired (2013: £nil).

### Liquidity risk

The Group seeks 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 | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|---|
| Trade and other payables | Less than one year | 240 | 227 |
| Accruals and deferred income | Less than one year | 63 | 175 |
| Convertible loan - host debt element | Less than five years | 5,073 | 2,568 |
| **Total** | | 5,376 | 2,970 |

### 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.

# Notes to the Financial Statements
continued

## 15 Financial risk management policies and objectives continued

**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.

## 16 Related party transactions

During the year ended 31 December 2014, the Company paid £24,000 (2013: £24,085) for Company Secretarial services and expenses to Kitwell Consultants Limited, a Company controlled by M Hirschfield.

During the year, the Company charged £225,219 (2013: £201,960) to Üç Yildiz (a subsidiary undertaking) for services provided and invoices paid on their behalf. The company increased its investment in Üç Yildiz by £848,911 during the year which was offset against amounts owed by Üç Yildiz. At 31 December 2014 Tri-Star was owed £1,045,754 (2013: £1,669,446) from Üç Yildiz. This balance is fully provided in Tri-Star.

During the year, the Company charged £704,015 (2013: £1,118,289) to Tri-Star Union FZ-LLC for services provided and invoices paid on their behalf. At 31 December 2014, Tri-Star was owed £2,349,267 (2013: £1,645,252) from Tri-Star Union FZ-LLC. Tri-Star Union FZ-LLC is a 90% owned subsidiary undertaking.

At 31 December 2014, Tri-Star was owed £14,813 (2013: £15,170) in respect of the Golden Ridge Joint Venture. Golden Ridge Joint Venture is a joint venture in which the Group has a 60% interest.

During the year, the company charged £62,944 (2013: £Nil) to Strategic and Precious Metal Processing LLC for invoices paid on their behalf. This amount was offset against Tri-Star's investment in the company. Strategic and Precious Metal Processing LLC is an associate company in which the Group has a 40% interest.

During the year the Group paid £36,750 (2013: £30,000) for accountancy services to Sirius Petroleum Plc, a company of which M Hirschfield was a director until 30 September 2013.

During the year the Company met certain of the Directors expenses. At the 31 December 2014 the balance due to B Spratley was £4,608 (2013: £Nil), balance due to E Eyi £Nil (2013: £4,096).

At 31 December 2014 £Nil was owed to Directors in respect of fees, (31 December 2013: A Collins £6,000, B Spratley £10,376, J Quirk £2,667, M Hirschfield £1,000, J Trusted £1,000).

For details of the remuneration of key management personnel, please refer to note 6.

# Notes to the Financial Statements

continued

## 17 Subsidiary and associate undertakings

| | Holdings |
|---|---|
| Üç Yildiz Antimon Madencilik İthalat Ve İhracat Sanayi ve Ticaret Anonim Şirketi | 99% |
| Tri-Star Trading Limited | 100% |
| Tri-Star Antimony Canada, Inc. | 100% |
| Tri-Star Union FZ-LLC | 90% |
| Rockport Mining Corporation* | 100% |
| Golden Ridge Joint Venture* | 60% |
| Strategic and Precious Metals Processing LLC | 40% |

Tri-Star Antimony Canada Inc. was incorporated under the laws of the province of New Brunswick on 12 April 2011, and subsequently continued under the laws of Canada. On 4 October 2013 Tri-Star Antimony Canada Inc. amalgamated with Portage Minerals Inc.

*Rockport Minerals Inc. and the interest in Golden Ridge are owned by Tri-Star Antimony Canada Inc. All other subsidiaries and associates are directly owned.

Tri-Star Union FZ-LLC was incorporated in the United Arab Emirates on 19 October 2011. The non-controlling interest has been disclosed in the Statement of Comprehensive Income.

Üç Yildiz Antimon Madencilik İthalat Ve İhracat Sanayi ve Ticaret Anonim Şirketi was incorporated in Turkey.

On incorporation of Tri-Star Union FZ-LLC ("Tri-Star LLC"), Tri-Star issued an option to RAK Holding over 39.99% of the share capital in Tri-Star LLC for nil consideration. This option could be exercised by RAK Holding once certain criteria had been met. On the basis that there was significant uncertainty surrounding both the future viability of Tri-Star LLC and the exercise of the option, the Directors, believe that they have control over Tri-Star LLC at the date the option was issued and at 31 December 2014. Furthermore, given the immaterial size and value of Tri-Star LLC at both the date the option was granted and 31 December 2014, the Directors hold the view that the option has negligible value. Critically, any value attaching to the option is dependent upon, inter alia, the securing of funding to build the roaster plant (as discussed in the Strategic Report) and at the date the option was issued and 31 December 2014 this was uncertain.

Strategic and Precious Metals Processing LLC was incorporated in Oman in 2014. Tri-Star has a 40% interest in the company and has accounted for it as an associate. The company made a loss of £554,000 in the year of which Tri-Star's share was £221,000. Tri-Star invested £266,000 in the company during the year, and had a net investment of £45,000 at 31 December 2014.

## 18 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

| | **Land and Buildings** | |
|---|---|---|
| | **2014** | **2013** |
| | **£000** | **£000** |
| Operating leases which expire: | | |
| Within one year | 3 | 47 |
| Greater than one year, less than five years | – | – |

The Group leases an office building. The office building is under a lease term of three years, with a break clause after one year.

# Notes to the Financial Statements

continued

## 19 Acquisitions

In May 2013, the Company announced that it had entered into a Letter of Intent for the Acquisition of Portage Minerals Inc. ("Portage"). Tri-Star further announced on 7 October 2013 that the acquisition had been duly completed. The consideration of £3.5million was satisfied by the issuance of 1,086 million new Tri-Star ordinary shares. Portage is a mineral exploration company which explores for antimony and gold in Eastern Canada.

The assets and liabilities of Portage Minerals Inc. acquired were as follows:

| | **Fair value £'000** |
|---|---|
| Other investments | 7 |
| Debtors | 29 |
| Cash at bank | 7 |
| Trade creditors | (19) |
| Other creditors & loans | (791) |
| Exploration asset | 4,296 |
| Deferred tax liability | (815) |
| Net assets acquired | 2,714 |
| Satisfied by: | |
| Fair value of consideration settled in shares | 3,529 |
| Goodwill | 815 |
| Acquisition costs charged to Income Statement | 363 |

Should the acquisition have taken place at the beginning of 2013, the loss before tax for the group would have been £3,310,000 for the year ended 31 December 2013.

Since acquisition Portage contributed the following to the Group's cashflow for the year ended 31 December 2013:

| | **£'000** |
|---|---|
| Cash outflow from operating activities | (721) |
| Cash inflow from financing activities | 737 |
| Movement in cash | 16 |

# Tri-Star Resources Plc

## Company Statutory Financial Statements

(PREPARED UNDER UK GAAP)

for the year ended 31 December 2014

# Statement of Directors' Responsibilities

for the year ended 31 December 2014

## Company Directors' responsibilities statement

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

Company law requires the directors to prepare Company financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 Company for that period. In preparing these financial statements, the Directors are required to:

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

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

The directors confirm that in so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor are unaware; and
- the Directors have taken all steps that they ought to have taken 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.

# Report of the Independent Auditor

**to the members of Tri-Star Resources Plc**

We have audited the parent Company financial statements of Tri-Star Resources Plc for the year ended 31 December 2014 which comprise the principal accounting policies, the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 49, the Directors are responsible for the preparation of the Company 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 parent Company 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 (APB'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.

## Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the principal accounting policies concerning the company's ability to continue as a going concern. The company incurred a net loss of £3.2m during the year ended 31 December 2014. These conditions, along with the other matters explained in the principal accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

In our opinion, the information given in the Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

# Report of the Independent Auditor

**to the members of Tri-Star Resources Plc** continued

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

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

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

## Other matter

We have reported separately on the group financial statements of Tri-Star Resources Plc for the year ended 31 December 2014.

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

24 April 2015

# Principal Accounting Policies
for the year ended 31 December 2014

## Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The principal accounting policies of the Company are set out below and remain unchanged from the previous period.

## Going concern and funding

The Group has not earned revenue during 2014 as it is still in the exploration and development phases of its business. Therefore, the operations of the Group are currently being financed from funds which the Company raises from private and public placings of its shares, convertible bonds and other finance sources.

The Directors have prepared cash flow forecasts for the period ending 30 April 2016. The forecasts identify unavoidable third party running costs of the Group and demonstrate that subject to being able to raise additional funds from the issuance of new equity and/or asset sales, the Group will have sufficient cash resources available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. The Directors are confident that despite this material uncertainty, such new funds will become available to the Group on economic terms given the advanced state of discussions concerning the Oman Antimony Roaster Project and so, accordingly, the accounts have been prepared on a going concern basis.

## Investments

Investments in subsidiary undertakings are recorded at cost less provision for impairment.

## Tangible fixed assets

**Measurement bases**

Tangible fixed assets 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 tangible fixed assets 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 profit and loss account during the year 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 profit and loss account.

**Depreciation**

Depreciation is calculated so as to write off the cost of tangible fixed assets, less its estimated residual value, which is revised annually, over its useful economic life as follows:

| | |
|---|---|
| Motor vehicles | 5 years |
| Computer equipment | 3 years |
| Office equipment | 3 years |

# Principal Accounting Policies

continued

## Impairment

Impairment reviews are undertaken when there are potential indicators of impairment and provisions against the carrying value made as appropriate.

## Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the statement of financial position date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the statement of financial position date.

## Related parties

The Company has taken advantage of the exemption in FRS8 "Related Party Transactions" that transactions with wholly-owned subsidiaries are not disclosed.

## Loans

Convertible loans are recognised as debt with the interest payable classified as a finance cost.

## Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

# Principal Accounting Policies

continued

## Share based payments

All share based payment arrangements are recognised in the financial statements. The Company operates equity settled share based remuneration plans for remuneration of its employees.

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).

Options or warrants granted for services received from external consultants are measured at their fair values at the date the option or warrant is granted. These are indirectly determined by reference to the fair value of the instruments awarded.

All share based remuneration is ultimately recognised as an expense in the profit and loss account 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 premium.

# Balance Sheet

as at 31 December 2014

| | Note | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 1 | 4,189 | 5,017 |
| Tangible fixed assets | 2 | 53 | 70 |
| **Current assets** | | | |
| Cash at bank and in hand | | 1,434 | 2,037 |
| Debtors due within one year | 3 | 3,800 | 2,677 |
| **Total current assets** | | 5,234 | 4,714 |
| **Creditors:** Amounts falling due within one year | 4 | (170) | (188) |
| **Net current assets** | | 5,064 | 4,526 |
| **Total assets less current liabilities** | | 9,306 | 9,613 |
| **Creditors:** Amounts falling due after one year | 5 | (6,790) | (3,961) |
| **Net assets** | | 2,516 | 5,652 |
| **Equity** | | | |
| Issued share capital | 7 | 2,525 | 2,520 |
| Share premium | 9 | 13,179 | 13,162 |
| Share based payment reserve | 9 | 767 | 1,072 |
| Profit and loss account | 9 | (13,955) | (11,102) |
| **Equity shareholders' funds** | | 2,516 | 5,652 |

The financial statements were approved by the Board on 24 April 2015.

**Guy Eastaugh**
Director

Company number: 04863813

The accompanying accounting policies and notes form an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2014

## 1 Fixed asset investments

| | Investment in group undertakings £'000 | Investment in associates £'000 |
|---|---|---|
| **Cost** | | |
| At 31 December 2012 | 1,128 | – |
| Additions | 3,892 | – |
| Adjustments | (3) | – |
| At 31 December 2013 | 5,017 | – |
| Additions | 849 | 266 |
| Provision | (1,943) | – |
| At 31 December 2014 | 3,923 | 266 |
| **Net book value** | | |
| **At 31 December 2014** | 3,923 | 266 |
| At 31 December 2013 | 5,017 | – |
| At 31 December 2012 | 1,128 | – |

On 4 October 2013 the Company acquired 100% of the share capital of Portage Minerals Inc. which was amalgamated with Tri-Star Antimony Canada Inc. by issuing 1,085,999,884 ordinary shares.

The cost of acquisition was calculated as:

| | £'000 |
|---|---|
| Fair value of consideration settled in shares | 3,529 |
| Acquisition costs | 363 |
| Total cost of acquisition | 3,892 |

During the year the group increased its investment in Üç Yildiz by £849k which has later been provided for in full (£1,943k).

Tri-Star has made an investment in Strategic & Precious Metals Processing LLC, an Oman based company, in which it has a 40% interest.

At 31 December 2014, the Company held the following interests in subsidiary undertakings and associates:

| Subsidiary | Proportion of ordinary share capital held | Nature of business | Country of incorporation |
|---|---|---|---|
| Tri-Star Trading Limited | 100% | Dormant | England and Wales |
| Üç Yildiz 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

# Notes to the Financial Statements

continued

## 2 Tangible fixed assets

| | Motor vehicles £'000 | Computer equipment £'000 | Office equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 December 2012 | – | 24 | 4 | 28 |
| Additions | 67 | – | – | 67 |
| At 31 December 2013 | 67 | 24 | 4 | 95 |
| Additions | – | 1 | – | 1 |
| Cost at 31 December 2014 | 67 | 25 | 4 | 96 |
| **Depreciation** | | | | |
| At 31 December 2012 | – | 13 | 1 | 14 |
| Charge for the year | 2 | 8 | 1 | 11 |
| At 31 December 2013 | 2 | 21 | 2 | 25 |
| Charge for the year | 13 | 3 | 2 | 18 |
| At 31 December 2014 | 15 | 24 | 4 | 43 |
| **Net book value** | | | | |
| **At 31 December 2014** | 52 | 1 | – | 53 |
| At 31 December 2013 | 62 | 3 | 2 | 70 |
| At 31 December 2012 | – | 11 | 3 | 14 |

## 3 Debtors

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| Amounts owed by Group undertakings | 3,769 | 2,640 |
| Other debtors | 11 | 26 |
| Prepayments and accrued income | 20 | 11 |
| | 3,800 | 2,677 |

Amounts owed by Group undertakings of £3,769,000 (31 December 2013: £2,640,000) are due within one year. The amount of £2,349,000 (31 December 2013: £1,645,000) owed by Tri-Star Union LLC bears interest at 6%. The remaining balance is non interest bearing.

# Notes to the Financial Statements

continued

## 4 Creditors: amounts falling due within one year

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| Trade creditors | 88 | 95 |
| Social security and other taxes | 19 | 9 |
| Other creditors | 9 | 6 |
| Accruals and deferred income | 54 | 78 |
| | 170 | 188 |

## 5 Convertible secured loans

On 19 June 2013, Tri-Star issued Convertible Secured Loan Notes, convertible into ordinary shares, to a qualified investor, Odey for the amount of £4.0 million (the "Convertible Bonds"). The Convertible Bonds were drawn down in two tranches of £1.33 million on 20 June 2013 and of £2.67 million on 27 September 2013. The Convertible Bonds 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. They are redeemable at 100% of their principal amount plus accrued interest on 19 June 2018 (unless otherwise previously redeemed or converted). On 17 July 2014, Tri-Star issued further Convertible Secured Loan Notes to Odey, for £2.0 million (the "Convertible Bonds"), under the same terms. The Convertible Bonds were drawn down on 27 August 2014.

The Convertible Bonds are 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

As at 31 December 2014, the conversion price stood at £0.0027 per Tri-Star ordinary share.

At 31 December 2014 the value of the loan outstanding was £6,000,000, (31 December 2013: £4,000,000), less the loan costs of £252,000 (31 December 2013: £252,000), plus the accrued interest of £1,042,000 (31 December 2013: £213,000).

## 6 Share based payments

Details of share based payments are disclosed on pages 37 to 39.

# Notes to the Financial Statements
continued

## 7 Share capital

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| **Allotted, issued and fully paid** | | |
| 1,363,925,475 deferred shares of 0.1p (2013: 1,363,925,475) | 1,364 | 1,364 |
| 856,547,275 deferred shares of 0.095p (2013: 856,547,275) | 814 | 814 |
| 6,942,287,328 Ordinary shares of 0.005p (2013: 6,843,546,532) | 347 | 342 |
| | 2,525 | 2,520 |

Following the issue of the 1,568,193 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 16 January 2014, the issue of 2,143,164 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 14 April 2014, the issue of 90,000,000 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 29 August 2014 and the issue of 5,029,439 ordinary shares of 0.005 pence each ("Ordinary Shares") announced on 14 October 2014. there were 6,942,287,328 Ordinary Shares in issue (each of which are voting shares) as at 31 December 2014.

Each Ordinary Share issued on 29 March 2011 had a three-year half warrant attached to it which is exercisable at 2 pence, and a three year half warrant attached to it which is exercisable at 3 pence. These warrants all expired during the year.

On 4 October 2013 on the acquisition of Portage Minerals Inc. outstanding warrants in Portage were converted into 57,968,838 warrants for Tri-Star ordinary shares, all of which expired during the year.

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting rights, pre-emptive rights or other rights attaching to Ordinary Shares. All warrants issued vest in full.

These warrants fall outside the scope of IFRS2 as they have been issued to shareholders in their capacity as shareholders and have therefore not been treated as share based payments.

The deferred shares have no voting rights and are not eligible for dividends.

## 8 Reconciliation of movement in equity shareholders' funds

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| Loss for financial period | (3,179) | (2,746) |
| Share based payments | 21 | 413 |
| Issue of shares | 22 | 4,142 |
| Share issue costs | – | (32) |
| Net increase in shareholders' funds | (3,136) | 1,777 |
| Equity shareholders' funds brought forward | 5,652 | 3,875 |
| Equity shareholders' funds carried forward | 2,516 | 5,652 |

# Notes to the Financial Statements

continued

## 9 Reserves

| | Share premium £'000 | Profit and loss account £'000 | Share based payment reserve £'000 |
|---|---|---|---|
| At 1 January 2013 | 13,162 | (11,102) | 1,072 |
| Share issue | 17 | – | – |
| Share based payment | – | – | 21 |
| Transferred on issue of shares | – | 326 | (326) |
| Loss for the period | – | (3,179) | – |
| **At 31 December 2014** | 13,179 | (13,955) | 767 |

## 10 Loss for the financial year

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 £3,179,000 (year ended 31 December 2013: £2,746,000).

The loss is stated after charging:

| | 31 December 2014 £'000 | 31 December 2013 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the financial statements | 36 | 36 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| Other services relating to taxation compliance and advice | 7 | 2 |
| All other services | – | 10 |

## 11 Directors remuneration

Details of the Directors' remuneration is disclosed within the Report on Remuneration on pages 15 and 16.

## 12 Related party transactions

Details of related party transactions are disclosed on page 45. The company has taken advantage of the exemption available under FRS8 Related Party Disclosures with respect to transactions with wholly owned subsidiaries.

## 13 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

| | Land and Buildings | |
|---|---|---|
| | 2014 £'000 | 2013 £'000 |
| Operating leases which expire: | | |
| Less than one year | 3 | 5 |
| Greater than one year, less than five years | – | – |

# Notice of Annual General Meeting

Notice is given that the annual general meeting of the members of the Company will be held at the offices of Fladgate LLP, 16 Great Queen Street, London, WC2B 5DG, England at noon (BST) on 25 June 2015 for the purpose of considering, in accordance with section 656 of the Companies Act 2006, whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are less than half its called up share capital. In addition, the meeting will consider and, if thought fit, pass the following resolutions.

Resolutions 1 to 6 will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution.

## Ordinary resolutions

1. To receive the accounts and reports for the financial year ended 31 December 2014.
2. To re-elect Jonathan Quirk, who is retiring by rotation, as a director.
3. To elect Guy Eastaugh, who is retiring having been appointed by the directors of the Company since the last annual general meeting of the Company and who being eligible offers himself for election as a director of the Company.
4. To elect Mark Wellesley-Wood, who is retiring having been appointed by the directors of the Company since the last annual general meeting of the Company and who being eligible offers himself for election as a director of the Company.
5. To reappoint Grant Thornton UK LLP as auditors of the Company and to authorise the directors to fix their remuneration.
6. That, in accordance with section 551 Companies Act 2006 (**CA 2006**), the directors of the Company are generally and unconditionally authorised, in addition to any previous authorities, which shall continue to apply, to allot Relevant Securities (as defined in this resolution) comprising equity securities (as defined in section 560 CA 2006) up to an aggregate nominal amount of £1,000,000 (one million pounds), such authority, unless previously revoked or varied by the Company in general meeting, to expire on 24 June 2016 or, if earlier, the date of the Company's next annual general meeting, except that the directors of the Company may allot relevant securities pursuant to an offer or agreement made before the expiry of the authority. In this notice, **Relevant Securities** means any shares in the capital of the Company and the grant of any right to subscribe for, or convert any security into, shares in the capital of the Company.

# Notice of Annual General Meeting

continued

## Special resolution

7. That, under section 570 CA 2006, the directors of the Company are authorised, in addition to any previous authorities, which shall continue to apply, to allot equity securities, as defined in section 560 CA 2006, wholly for cash for the period commencing on the date of this resolution and expiring on the date of the Company's next annual general meeting, as if section 561 CA 2006 did not apply to such allotment, except that the directors of the Company may allot relevant securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:

   7.1 the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where their holdings are proportionate, as nearly as possible, to the respective number of ordinary shares held, or deemed to be held, by them, but subject to any exclusions or arrangements the directors think necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and

   7.2 the allotment of equity securities, otherwise than in accordance with paragraph 7.1, up to a maximum nominal value of £34,711 (thirty four thousand, seven hundred and eleven pounds), representing 10% of the existing issued share capital.

By order of the board

**Kitwell Consultants Limited**
Company Secretary

Registered Office:
16 Great Queen Street
London WC2B 5DG

Date: 30 April 2015

# Notice of Annual General Meeting

continued

## Notes to the notice of Annual General Meeting

**Appointment of proxies**

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact Capita Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, England. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, your proxy appointments will be invalid.

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting.

**Appointment of proxy using the hard copy proxy form**

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, it must be:

   5.1 completed and signed;

   5.2 sent or delivered to the Company's registrars at Capita Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, England; and

   5.3 received by Capita Asset Services no later than noon on 23 June 2015.

6. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

7. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

8. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001 (SI 2001/3755), specifies that only those ordinary shareholders registered in the register of members at 6.00 p.m. on 23 June 2015 or, in the event the meeting is adjourned, in the register of members at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares in the capital of the Company registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

# Notice of Annual General Meeting

continued

**Appointment of proxies through CREST**

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RAI0) by noon on 23 June 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as are necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755).

**Appointment of proxy by joint members**

13. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

**Changing proxy instructions**

14. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.

15. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Asset Services. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

# Notice of Annual General Meeting

continued

**Termination of proxy appointments**

16. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

17. The revocation notice must be received by the Company no later than noon on 23 June 2015.

18. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 19 below, your proxy appointment will remain valid.

19. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

**Corporate representatives**

20. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

**Documents available for inspection**

21. The following documents will be available for inspection at the registered office of the Company on any weekday) (except Saturdays, Sundays and Bank Holidays) during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting: statement of transactions of Directors (and of their family interests) in the share capital of the Company and any of its subsidiaries; copies of the Directors service agreements and letters of appointment with the Company; the register of Directors interests in the share capital of the Company (maintained under section 809 of the CA 2006); and the articles of association of the Company.

**Total voting rights**

22. As at 6.00 p.m. on 28 April 2015 (being the last business day prior to the publication of this notice), the Company's issued share capital comprised 6,942,287,328 ordinary shares of 0.005p each, 1,363,925,475 deferred shares of 0.1p each and 856,547,275 B deferred shares of 0.095p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 28 April 2015 is 6,942,287,328.

**Communication**

23. Except as provided above, members who have general queries about the meeting should contact the Company's registrar, Capita Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, England.

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