TRISTAR
RESOURCES

Tri-Star Resources Plc

Management's Discussion and Analysis of Financial Condition and Results of Operations

for the year ended 31 December 2013

12 March 2014

Contents

Tri-Star Resources plc – Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") is current to 12 March 2014 and is management's assessment of the operations and financial results together with future prospects of Tri-Star Resources plc ("Tri-Star" or the "Company"). This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2011, 2012 and 2013, prepared in accordance with International Financial Reporting Standards. The financial statements are presented in UK Pounds Sterling unless otherwise stated. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to the Company's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements.

Management's Responsibility for Financial Reporting and Controls

The audited Consolidated Financial Statements of the Company for the year ended 31 December 2013, and the comparative information for 2012, have been prepared by management of the Company ("Management") in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Company's Board of Directors (the "Board"). The integrity and objectivity of the unaudited Consolidated Financial Statements are the responsibility of Management. In addition, Management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the audited Consolidated Interim Financial Statements.

In support of this responsibility, Management maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the Company's assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, Management has chosen those methods it deems most appropriate in the circumstances. The audited Consolidated Interim Financial Statements may contain certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the audited Consolidated Interim Financial Statements are presented fairly in all material respects. The Board is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal controls. The Board carries out this responsibility principally through its audit committee. The audit committee is appointed by the Board and its members are not involved in the Company's daily operations. The audit committee meets periodically with Management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities.

Cautionary Note Regarding Forward Looking Information

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the Company's objectives and strategy, future financial or operating performance of the Company and its projects, exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining exploration and development, environmental risks, title disputes or claims and limitations of insurance coverage. All statements, other than statements of historical fact, constitute forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information is necessarily based on a number of estimates and assumptions that, while considered reasonable by the Company, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such assumptions and factors relate to, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; availability and cost of credit; fluctuations in interest rates; fluctuations in exchange rates; changes in planned parameters as plans continue to be refined; fluctuations in the market and forward prices of antimony or certain other commodities; possible variations of ore grade or recovery rates; failure of equipment; accidents and other risks of the mining exploration industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in the Report of Directors contained in the Company's 2013 Annual Report and the risk factors identified in the management information circular of Portage Minerals Inc. dated 9 August 2013.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Unless stated otherwise, forward-looking information contained herein is stated as of the date of this MD&A. Other than as required by applicable securities law, the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking information contained in this MD&A is qualified by these cautionary statements. Accordingly, readers should not place undue reliance on forward-looking information.

Any financial outlook or future-oriented financial information in this MD&A, as defined by applicable Canadian securities laws, has been approved by the Board as of the date of this MD&A. 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 MD&A.

Introduction

The following discussion is Management's assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the Company's 2013 and 2012 Annual Reports, which can be accessed on the Company's website at www.tri-starresources.com.

Company Overview and Strategy

Tri-Star Resources plc is an independent mining and mineral processing company, which is quoted on the AIM market of the London Stock Exchange plc (Ticker: TSTR:LN), engaged in the exploration, mining and downstream value added processing for a minor metal – antimony (Sb).

The Company has antimony exploration licenses in Turkey and in Canada (New Brunswick) and a mining permit in Turkey. Tri-Star has designed and intends to fund and build a roaster in the Gulf Cooperation Council ("GCC") region which includes countries such as the United Arab Emirates, Oman, Qatar, Kuwait, Saudi Arabia and Bahrain to process antimony ores and is actively considering suitable sites, partners and investors.

The Company's strategy is to be the leading integrated antimony metal and value added product manufacturer, utilising its modern and environmentally compliant roasting technology, located in the GCC, with raw material supplied from its upstream resource projects as well as from third party sources of antimonal concentrates.

Antimony is an important minor metal with a wide range of industrial uses most notably as an additive in its trioxide form in flame retardant compounds particularly for printed circuit boards, computers and other electronic products. China has dominated antimony production for the last century and accounts for approximately 90% of the world supplies for the past decade according to reports by the US Geological Survey.

Tri-Star has a highly experienced management team with capabilities in exploration geology, mining, mineral processing, minor metal marketing and sales and finance.

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 antimony trioxide (ATO) manufacturing facility in the GCC, processing its own and third party concentrates.

In Western Turkey, the Company is advancing its mining and exploration antimony project. In addition, the Company is actively exploring for antimony at its Canadian permits.

The Company seeks to work to the highest environmental and social development standards in all of its activities, and have an internationally acceptable provenance on its products.

Company History

Tri-Star (then Canisp plc) was re-admitted to trading on AIM in August 2010 by way of an acquisition of the Turkish company Üç Yildiz Antimon Madencilik İthalat Ve İhracat Sanayi ve Ticaret Anonim Şirketi ("Üç Yildiz") and the Company was re-named Tri-Star Resources plc. The principal activity of Üç Yildiz at that time was the holding of licences and permits in respect of the mining and exploration of mineral rights at the Göynük mine, located in the Gediz district of Turkey.

The Turkish company, Üç Yildiz was originally incorporated in Turkey in August 2007 and was majority owned by Mehmet Vehbi Eyi, a veteran commodity trader with over 40 years experience in trading minor metals, including antimony. Tri-Star owns 99% of Üç Yildiz, a company that owns all the licenses and permits at the Göynük site. The remaining 1% shareholding is owned by the members of the board of directors of Üç Yildiz resident in Turkey.

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 ppm, 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. The atomic number is 51 and atomic weight of 122. The metal is brittle and has a low melting point of 630°C and boils at 1380°C.

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 sulphoantimonides 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.

In Europe, the principal use of antimony is in flame retardants as antimony trioxide (ATO), which accounts for 72% of its primary antimony consumption. In China, this figure is estimated to be 50% and in the United States, nearer to 60%.

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 ends up in electronics and plastics, 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 to 1.6%, having been 7% in the past, hence the use of antimony in batteries will reduce further 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.

The EU and The British Geological Survey have included antimony as one of the key "critical" minerals important to the industrial economy of western economies.

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.

Highlights for the year ended 31 December 2013

Set out below are the highlights for the year to 31 December 2013:

- Memorandum of Understanding signed in October 2013 with Oman Investment Fund and Castell Investments to establish a joint venture and estimated timeline for the Gulf based antimony processing plant (the "Roaster Project")
- Equity placing in May 2013 to raise gross proceeds of £0.5 million
- Placing of £4.0 million secured convertible bonds with Odey European Inc. ("Odey") in June 2013
- £3.5 million all share acquisition of Portage Minerals Inc. in October 2013
- Significant progress made on engineering, environmental and other due diligence with respect to the Roaster Project
- Receipt of third party report on feasibility of Tri-Star technology to apply to refractory gold processing

Subsequent events:

- Bald Hill antimony deposit extension and identification of significant additional surface antimony along the New Brunswick license

Oman based Roaster Project

Background

In 2011, the Company began seeking partners in the Gulf Cooperation Council region to investigate the siting and construction of a 20,000 tonne per annum capacity antimony concentrate roasting facility designed to meet EU environmental and regional based standards, producing antimony ingot, ATO and related products.

As part of Tri-Star's work in respect of this proposed project, an independent consultancy firm based in London was commissioned to deliver a preliminary Engineering Report and Cost Benefit Analysis ("the Report") for the proposed facility. The Report, received in February 2012, confirmed the technical feasibility of the proposed plant and estimated the total capital expenditure requirement for the proposed plant to be approximately US$60 million.

It is envisaged that the facility will have capability to produce both antimony ingots and powdered ATO 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 from various international sources.

When constructed, the proposed facility would 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.

Proposed joint venture

A significant milestone was reached in the fourth quarter of 2013 when the Company executed and announced, on 9 October 2013, the signing of a non-binding Memorandum of Understanding with proposed joint venture partners, Oman Investment Fund and Castell Investments Limited, to establish a joint venture company to develop and build the roaster within the Port of Sohar Free Zone in the Sultanate of Oman.

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 formation of the joint venture entity and the completion of the associated documentation for the project investment and management. Important tasks remain such as securing banking finance and obtaining the necessary permits and licenses for the project commencement. One of these work streams, the Environmental Impact Assessment has been completed and filed with the relevant authorities.

In December 2013, Tri-Star executed and lodged, on behalf of the joint venture, a formal application in respect of the prospective site for the Roaster Project with the appropriate authorities in Sohar, Oman. This application forms an important part of the process relating to the joint venture company establishing its base in Sohar Free Trade Zone.

Acquisition of Portage

In May 2013, the Company announced that it had entered into a Letter of Intent for the Acquisition of Portage Minerals Inc. ("Portage"), a mineral exploration company which explored for antimony and gold in Eastern Canada. Tri-Star further announced on 7 October 2013 that the acquisition had been duly completed by way of an amalgamation with Tri-Star Antimony Canada Inc. to form a new company "Tri-Star Antimony Canada Inc." that is wholly owned by Tri-Star. The consideration of £3.5 million was satisfied by the issue of 1,085,999,844 new ordinary shares of 0.005p each ("Tri-Star Shares") in exchange for the issued and outstanding common shares of Portage.

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 technical report entitled "National Instrument 43-101 Technical Report, Bald Hill Antimony Project, Southern New Brunswick, Canada" dated May, 2010 prepared by Conestoga-Rovers & Associates 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 potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource. 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") gold 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.

On completion of the acquisition, Ken Hight, Chairman and CEO of Portage, joined the Board of the Company as an Executive Director.

Turkey

Tri-Star's Göynük Project is the evaluation and redevelopment of 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 6,850 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.

In 2010 and 2011, the Company conducted a geological review, mapping and geophysical study of the deposit. In June 2012, the Company was granted an environmental permit for a small scale processing facility at the Göynük mine site with a processing capacity limit of 14,400 tonnes per annum. The Company has acquired freehold land within the license area in order to plan a layout of the small scale processing facility.

The Company had intended to start small scale processing of the mine dumps at Göynük however following evaluation of funding options for the facility has since has decided to use this material as test feedstock for the Roaster Project.

Additional information on the Göynük Project is contained in the technical report entitled "Technical Report on the Göynük Mine and Vicinity, Gediz Municipality, Kutahya Province, Turkey" dated 31 July 2013, with an effective date of June 19, 2012, prepared by Allan P. Juhas, Ph.D., CPG available at www.tri-starresources.com/investors.

Refractory Gold

Refractory gold, or gold trapped in sulphide minerals, is a market that represents over 30% of the world's remaining gold resources in the ground. In 2013, the Company commissioned a third party preliminary technical and economic report (the "Report") to provide an independent evaluation on the potential feasibility of applying the antimony roasting technology developed by the Company to treat refractory gold concentrate.

The Report, which was received in December 2013, outlined that a gold roasting facility would be technically viable and could generate high economic returns and reaffirms the potential value that exists in the roasting technology and knowhow that the Company has developed for its antimony Roaster Project. The Company has engaged with parties who have expressed interest in the gold roasting technology and intends to explore further how it may best be able to monetise the value in this intellectual property.

Financing

In May 2013, the Company successfully completed an equity placing raising gross proceeds of £500,000 at a price of 0.3 pence per ordinary share. This was followed in June by the Company successfully completing a private placing of £4.0 million secured Convertible Notes due in June, 2018 with Odey, which carry a non-cash coupon of 15% per annum and which 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) of which £1.33 million was drawn down immediately, with the balance being drawn down in September 2013.

The Convertible Notes 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 Notes in June 2018. The Convertible Notes are convertible at 100% of their principal amount plus accrued interest at the holder's option into Ordinary Shares at a conversion price which will be fixed at the time of conversion at a 10% discount to the lower of:

(i) the latest equity funding round completed prior to the issue of the conversion notice; and

(ii) any equity funding round completed within 10 business days following the issue of the conversion notice.

Future prospects

Going forward, the Company expects the remainder of the year to be a period of significant advancement in its ambitions of becoming an integrated producer of antimony and in taking forward the very important technical development for refractory gold processing to the next stage.

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* ("NI 43-101") and has reviewed and approved the scientific and technical information in this MD&A.

Financial Review and Summary of Results

Revenue

Given the early stage and exploratory nature of the Company's operations and projects the Company is not yet revenue generating.

Loss for the year

In the year to 31 December 2013, the Company recorded a loss before and after tax of £2,747,000 (2012: loss before and after tax of £2,351,000).

	12 months to 31 December 2013 £'000	12 months to 31 December 2012 £'000	12 months to 31 December 2011 £'000
Share based payments	(413)	(846)	(572)
Amortisation of intangible assets	(16)	(19)	(44)
Exploration expenditure and other administrative expenses	(2,272)	(1,487)	(1,925)
Total administrative expenses and loss from operations	(2,701)	(2,352)	(2,541)
Finance income	174	1	4
Finance cost	(220)	–	(1)
Loss before and after taxation, and loss attributable to the equity holders of the Company	(2,747)	(2,351)	(2,538)
Loss before and after taxation attributable to:			
Non-controlling interest	(173)	–	–
Equity holders of the parent	(2,574)	(2,351)	(2,538)
Exchange differences on translating foreign operations	(249)	(6)	113
Total comprehensive loss for the year, attributable to owners of the Company	(2,996)	(2,357)	(2,425)
Total comprehensive loss attributable to:			
Non-controlling interest	(173)	–	–
Equity holders of the parent	(2,823)	(2,357)	(2,425)
Loss per share			
Basic and diluted loss per share (pence)	(0.05)	(0.05)	(0.05)

Net assets and non-current financial liabilities

	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000
Non-current assets	4,984	65	100
Current assets	2,188	721	958
Total assets	7,172	786	1,058
Current liabilities	(1,647)	(171)	(149)
Financial liabilities greater than one year	(3,383)	–	–
Net assets	2,142	615	909

Exploration assets included in non-current assets

	31 December 2013 £	31 December 2012 £	Variance £	Variance %
Exploration assets – Bald Hill	4,076,372	–	4,076,372	100%
Goodwill – Bald Hill	815,000	–	815,000	100%
Licences – Göynük	5,653	23,297	(17,644)	–76%
Total	4,897,025	23,297	4,873,728	20920%

Share based payments

The Company 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 period ended 31 December 2013 of £413,000 (2012: £846,000) is determined by using a Black-Scholes valuation model. The key assumptions in the model involving a critical estimate are the share price volatility of 58% for options issued in 2013 (67% for options issued in 2011) and the life of the options. The former has been determined by calculating the historical volatility of the Tri-Star share price. The Board has assumed the options will be exercised 6 months after they have vested (between 12 and 36 months for options issued in 2011).

Amortisation of Intangible Assets

There are two exploration licences and one mining permit held by Üç Yildiz, the first attracted amortisation of £7,000 in the year to 31 December 2013 and £7,000 in 2012. The second was acquired in June 2011 at a cost of £29,000 and was amortised by £9,000 in the year to 31 December 2013 and £12,000 in 2012. Management made the decision to fully impair the Canadian licences on acquisition in 2011 as the value of the licences had not been determined at this stage. No charge is recognised against these licences in the periods reported.

Administrative Expenses

The table below shows the detailed breakdown of administrative expenses for the years ended 31 December 2013 and 2012.

	12 months to 31 December 2013 £	12 months to 31 December 2012 £	Variance £	Variance %
UAE Rent	99,521	89,453	10,068	11%
Roaster costs	565,491	134,513	430,978	320%
Other exploration and evaluation costs				
Göynük	55,497	180,747	(125,250)	–69%
Bald Hill	69,055	–	69,055	100%
Stanley	4,787	41,176	(36,389)	–88%
Directors' remuneration, salaries and employment costs	715,961	543,231	172,730	32%
Office, listing and other admin costs	388,171	390,334	(2,164)	–1%
Acquisition costs	362,839	–	362,839	100%
Provision for VAT in Turkey	10,181	107,659	(97,478)	–91%
Total	2,271,503	1,487,113	784,390	53%

Material variations between 2013 and 2012 expenditure are detailed below.

UAE Rent

Land has been rented in the UAE since October 2011. The results for 2013 reflect an increase in rent since 19 October 2013 on the expiry of a reduced rental charged in the first two years..

Roaster costs

Roaster costs were £431,000 higher in 2013 compared with the 2012. Of this variance, £103,000 relates to one-off costs associated with Emin Eyi's relocation to the GCC region. The remainder of the variance relates primarily to activity on the Roaster project, which increased during 2013.

Other exploration and evaluation costs

Göynük

The majority of the evaluation had been completed prior to 2013 and exploration expenditure has decreased.

Bald Hill

Bald Hill was acquired with the Portage acquisition in October 2013 and the expenditure relates to maintenance of claims.

Stanley

The majority of the exploration required was completed in 2012.

Directors' remuneration, salaries and employment costs

The costs for 2013 include a £90,000 relocation allowance for E Eyi. There are additional costs of £53,000 for Canadian directors and staff, and the 2013 figures reflect a review of Directors' remuneration in September 2013.

Office, listing and other admin costs

There was no material variation in office, listing and other admin costs.

Acquisition costs

Acquisition costs were £363,000 during 2013, relating to the acquisition of Portage. There were no acquisition costs in 2012.

Provision for VAT in Turkey

There is a £97,000 reduction in 2013 in the provision against VAT reclaimable in Turkey for the year, as the 2012 provision included all VAT incurred since incorporation in Turkey.

Staffing

During the year to 31 December 2013 a total of 12 full time employees were employed by the Company (excluding non-executive directors). For the year to 31 December 2012 the total number was 10.

Cash flow and cash resources

Cash resources as at 31 December 2013 were £2,101,000 (31 December 2012: £601,000).

Summary of Quarterly Results

	3 months ended 31 December 2013 £'000	3 months ended 30 September 2013 £'000	3 months ended 30 June 2013 £'000	3 months ended 31 March 2013 £'000	3 months ended 31 December 2012 £'000	3 months ended 30 September 2012 £'000	3 months ended 30 June 2012 £'000	3 months ended 31 March 2012 £'000
Loss from continuing operations attributable to the equity holders of the Company	(283)	(1,232)	(710)	(522)	(539)	(789)	(605)	(418)
Basic and diluted loss from continuing operations per share (pence)	(0.00)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Other comprehensive income	(455)	180	94	(68)	(5)	22	2	(25)
Total comprehensive loss for the year, attributable to owners of the Company	(738)	(1,052)	(616)	(590)	(544)	(767)	(603)	(443)
Basic and diluted loss per share (pence)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

The quarter to September 2013 reflects £363,000 of Portage acquisition costs. Furthermore the quarter to June 2013 contains £84,000 of Odey loan costs and the quarter to 30 September 2013 contains £168,000 of Odey loan costs. The total Odey loan costs of £252,000 were capitalised in the last quarter of 2013 and reversed out of the income statement.

Liquidity, Capital Resources and Financial Position

The Company is not yet revenue producing and is reliant on funds raised from the placing of Ordinary Shares and other securities to finance its development requirements. Positive cash flows are expected to commence following funding, construction and successful commissioning of its various projects; however there is no guarantee that expenses will not exceed income particularly during the start-up phase. If this is the case, liquidity risk could be material, even with current cash resources.

The Company's cash balances are kept under constant review. The Company takes a very risk averse approach to management of cash resources and Management and the Board monitor events and associated risks on a continuous basis. Cash and cash equivalents were as follows:

	31 December 2013 £000	31 December 2012 £000
Cash and cash equivalents	2,101	601

The cash reduction for the year ended 31 December 2013 from operating activities was £2,784,000 with investing activities contributing a net outflow of £65,000, and financing activities contributing net cash proceeds of £4,411,000. The cash reduction for the year ended 31 December 2012 from operating activities was £1,416,000 with investing activities contributing a net outflow of £2,000 and financing activities contributing net proceeds of £1,217,000.

At 31 December 2013, the Company had £2,101,000 in cash and cash equivalents and its net current assets were £1,775,000 with total net assets of £1,894,000. At 31 December 2012, the Company had £601,000 in cash and cash equivalents, with net current assets of £550,000 and total net assets of £615,000.

Convertible Notes

The Company completed the private placing of £4.0 million secured Convertible Notes with Odey on 20 June 2013. As at 31 December 2013, the Convertible Notes had been drawn down in full. The Convertible Notes carry a non-cash coupon of 15% per annum which compounds half yearly and are secured by way of a guarantee and debenture granted by Tri-Star Antimony Canada Inc., the Company's wholly owned subsidiary which holds all of the Company's Canadian assets including the assets of Portage.

The Convertible Notes 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 Notes in June 2018.

The Convertible Notes are convertible at 100% of their principal amount plus accrued interest at the holder's option into Ordinary Shares of 0.005 pence each in the capital of the Company 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 business days following the issue of the conversion notice.

The Convertible Notes are not listed and are transferable.

Going concern

The Company has not earned revenue during 2013 as it is still in the exploration and development phases of its business. Therefore, the operations of the Company are currently being financed from funds which the Company raises from private and public placings of its shares, convertible bonds and other finance sources.

During the year, the Company completed a private placing of £4.0 million Convertible Bonds with Odey. 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.

The Company also completed an equity placing in May 2013 when it raised £0.5 million through a placing of 166,666,670 ordinary shares at a price of 0.30 pence.

The Directors have prepared cash flow forecasts for the period ending 31 March 2015. The forecasts identify unavoidable third party running costs of the Company and demonstrate that the Company has 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. Further development of the Company's exploration and investment activities, including any direct investment in the Roaster Project, will continue as and when finance is available. Accordingly, the accounts have been prepared on a going concern basis.

Financial Instruments

The Company'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 Company's operations. The Company 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 Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk, price risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk

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

Price risk

The Company is exposed to fluctuating commodity prices of antimony and the existence and quality of the antimony product within the licensed area. The Board 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 Company operates in a number of jurisdictions and carries out transactions in UK Pounds Sterling, Turkish Lira, Canadian dollars, US dollars, UAE Dirhams and Omani Rials. The Company does not have a policy of hedge arrangements but will continue to keep this under review. The Company operates foreign currency bank accounts to help mitigate the foreign currency risk.

Off-balance sheet arrangements

Tri-Star has no off-balance sheet arrangements.

Outlook

Management continues to pursue the Company's strategy of being an environmentally-compliant, vertically integrated antimony production company. See 'Cautionary Note Regarding Forward Looking Information' for a description of the factors that may cause actual results to differ from forecast.

Commitments and Loans

The Company completed the draw-down of the balance of the private placing of £4.0 million of Convertible Notes with Odey European Inc. during the period under review. See 'Liquidity, Capital Resources and Financial Position' for more information.

There is no proposed asset or business acquisition or disposition with which Tri-Star's Board, or senior management who believe confirmation by the Board is probable, has decided to proceed.

Related Party Transactions

During the year ended 31 December 2013, the Company paid £24,085 (2012: £24,702) for Company secretarial services and expenses to Kitwell Consultants Limited, a company controlled by M Hirschfield.

During the year, the Company charged £201,960 (2012: £478,714) to Üç Yildiz (a subsidiary undertaking) for services provided and invoices paid on its behalf. At 31 December 2013 Tri-Star was owed £1,669,446 (2012: £1,467,486) from Üç Yildiz.

During the year, the Company charged £1,118,289 (2012: £389,638) to Tri-Star Union FZ-LLC for services provided and invoices paid on its behalf. At 31 December 2013, Tri-Star was owed £1,645,252 (2012: £526,963) from Tri-Star Union FZ-LLC. Tri-Star Union FZ-LLC is a 90% owned subsidiary undertaking.

During the year, the Company made no charges (2012: £Nil) for services provided and invoices paid in respect of the Golden Ridge Joint Venture. At 31 December 2013, Tri-Star was owed £15,170 (2012: £Nil) in respect of the Golden Ridge Joint Venture. Golden Ridge Joint Venture is a joint venture in which the Company has a 60% interest.

During the year the Company paid £30,000 (2012: £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 2013 the balance due to B Spratley was £Nil (2012: £4,924), balance due to M V Eyi: £207 (2012: £Nil), balance due to E Eyi £4,096 (2012: £217).

At 31 December 2013 the following amounts were owed to Directors in respect of fees: A Collins £6,000, B Spratley £10,376, J Quirk £2,667, M Hirschfield £1,000, J Trusted £1,000 (31 December 2012: £Nil owed in directors fees).

All the above transactions having taken at an exchange amount equivalent to parity for the cash consideration.

Critical Accounting Policies and Estimates

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 Company 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 next accounting year are discussed below:

Share based payment transaction

The Company 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 2013 of £56,000 (2012: £203,000) is determined by using a Black-Scholes valuation model. The key assumptions in the model involving a critical estimate are the share price volatility of between 58% and 67% 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 £357,000 (2012: £643,000) recognised in the financial statements for the year ended 31 December 2013.

Other intangible exploration asset valuation

Owing to the proximity of the acquisition of Portage to the year end, the directors have not yet finalised their review of the fair value of the separable net assets acquired, although expect to finalise this review within the first year of the acquisition date. The acquisition of Portage allowed the Company access to the accumulated benefit of exploration costs incurred by Portage over a 7 year period. The findings of this exploratory work, together with the additional spend needed to fully understand the potential strategic value of the asset, will be important in enabling the Company to realise the full potential of the Roaster project.

The provisional fair value of the intangible 'exploratory asset' acquired has been assessed at £4,296,000. The fair value of this asset, together with the other assets and liabilities acquired, will be assessed over the coming months. This assessment may derive a different value to the provisional value currently reported on the Group Statement of Financial Position.

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 2013. 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 Company 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 2014.
- The share price volatility is 58% which was based on historic volatility.
- An exercise price of 0.27p being the exercise price which would have applied on 31 December 2013 and a share price of 0.30p 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 2014 has been assumed.

Volatility of the Company's ordinary shares has been calculated by reference to the actual observed volatility of the Company's ordinary shares for the twelve months to 31 December 2013. 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 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.

Treatment of warrants issued

The warrants issued to shareholders in conjunction with the share placing on 29 March 2011 were outside the scope of IFRS 2 as they were issued to shareholders in their capacity as shareholders. The warrants have therefore been accounted for under IAS 32. The warrants meet the definition of equity under IAS 32 as they are for a fixed number of ordinary shares for a fixed price. There is no alternative settlement for the warrants and as such they are equity only instruments. The warrants were issued, along with the share placing for consideration of £nil. The Directors consider the fair value of the warrants to not be materially different to the proceeds received and not material to the financial statements. On the acquisition of Portage Minerals Inc, outstanding warrants in Portage Minerals Inc. became exercisable for Tri-Star shares at a rate of 7.159849 Tri-Star shares per Portage Minerals Inc. share. Due to the short remaining lives of these warrants and the exercise prices, the directors consider the fair value of the warrants to not be materially different to the proceeds received and not material to the financial statements.

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 2013.

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 proximity of the transaction to the year end the directors consider that the goodwill is not impaired. As a consequence, detailed value in use calculations have not been performed since accounting standards require the carrying value of goodwill to be reviewed for impairment against the higher of fair value less costs to sell or value in use.

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 Company will be relevant to the group but will not result in significant changes to the Company's accounting policies. These are:

- IFRS 9 Financial Instruments (effective date 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective date 1 January 2014)
- IFRS 11 Joint Arrangements (effective date 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective date 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- IFRIC 21 Levies (effective 1 January 2014)
- Amendments to IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 36 and IAS 39 (effective 1 January 2014)
- 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.

Other Matters

Outstanding share and option data

As at the date of this MD&A the following securities are outstanding:

Classification	Shares issued or issuable	Weighted average exercise price (£)
Ordinary Shares	6,845,114,725	–
Options	471,800,000	0.01633
Warrants[1]	333,768,837	0.02341
Deferred Shares (A)	1,363,925,475	–
Deferred Shares (B)	856,547,275	–

Notes:

(1) Warrant figures include former warrants of Portage which are exercisable for Ordinary Shares following completion of the Acquisition and which are exercisable in Canadian dollars, with a weighted average exercise price of CAD$0.033 per Ordinary Share. The exercise price of the former warrants of Portage has been converted into U.K. Pounds Sterling based on the exchange rate published by the Bank of Canada on 10 March 2014.

The options and warrants are all in respect of Ordinary Shares carrying full voting rights, with each option and warrant exercisable for one Ordinary Share. The deferred shares have no voting rights and are not eligible for dividends.

Additionally the Company has issued £4 million of Convertible Notes.

The Convertible Notes 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:

(i) the latest equity funding round completed prior to the issue of the conversion notice; and

(ii) any equity funding round completed within 10 business days following the issue of the conversion notice.

Further information

Additional information relating to the Company is on the Company's website at www.tri-starresources.com and on SEDAR at www.sedar.com under the Company's profile.

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