

## **CORPORATE GOVERNANCE STATEMENT**

As at 24 July 2019

From 28th September 2018 as an AIM company, the Company is required to maintain on its website details of a recognised corporate governance code, how the Company complies with this code and an explanation of any departure from the code. The information will need to be reviewed annually and the website should include the date on which the information was last reviewed. This is likely to be reviewed at the same time as the Annual Report and Accounts are prepared. The Board of Directors ("the Board") have sought to address these new requirements in a timely manner and have set out below Tri-Star's Corporate Governance Report.

The maintenance of a strong system of internal control to safeguard shareholders, investments and company assets remains important to the Board. As a company whose shares are traded on AIM, the Board has concluded that it will seek to comply with the Quoted Companies Alliance's Corporate Governance Code ("the QCA Code"). The Board have also adopted a code of conduct for dealings in the shares of the Company by directors and employees. In addition, the Board and employees are required to operate in accordance with a "financial position and prospects procedures" manual which sets out the rules for financial controls, accounting procedures and management reporting requirements.

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

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

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

### **Corporate Governance Report**

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

For certain disclosures which the QCA Code suggest be included in the annual report, the Company will include these in its annual report for the year ended 31 December 2018.

### **Principle One**

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

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

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

### **Principle Two**

*Seek to understand and meet shareholder needs and expectations*

The Board is committed to keeping investors and other stakeholders informed of key developments and information relating to the SPMP Project. The Company works closely with its nominated advisor to ensure that information is shared in an appropriate and timely manner. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company and all shareholders are encouraged to attend the Company's Annual General Meeting. Although OAM is a controlling shareholder, the Board is mindful that its duties are to all shareholders. It therefore takes steps to ensure that it communicates with all shareholders and to understand and meet minority shareholders' needs. Investors also have access to current information on the Company through its website, [www.tri-starresources.com](http://www.tri-starresources.com), its Twitter page, <https://twitter.com/TriStarSPMP> and via David Facey, CEO & CFO who is available to answer investor relations enquiries on call and via email, [ceo@tri-starresources.com](mailto:ceo@tri-starresources.com).

### **Principle Three**

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

The Board recognises that the long term success of the Company is reliant on having good relationships with its wider stakeholder group, e.g. employees, advisors, regulators, and others. The Board has put in place processes and systems (which it has documented in its internal "Financial Position and Prospects Procedures" manual) to ensure that there is close oversight and contact with its key resources and relationships. The Company is primarily an investment vehicle whose principal asset is the SPMP Project, and as such does not have conventional customers, contractors or suppliers

as wider stakeholders. The company's stakeholders comprise mostly of its advisors in its capacity as an AIM listed company, i.e. its legal advisors, nominated advisor, brokers, registrar, auditor, IT service providers and consultants. Where the Company contracts externally, it seeks reputable service providers with the relevant experience. The Company maintains open discussions with its stakeholders and obtains verbal and written feedback as needed.

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

#### **Principle Four**

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

##### *Principal risks and uncertainties*

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

##### *Funding risk*

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

##### *Tri-Star controlling shareholder risk*

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

##### *Technology risk*

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

##### *Sovereign risk*

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

Said since 1970 who is now 77 years of age. It is expected that his succession will be a smooth transition.

#### *SPMP: Minority investment risk*

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

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

#### *Liquidity risk*

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

#### *Price risk*

The Company may be exposed directly or indirectly to fluctuating commodity prices of antimony and gold and the existence and quality of the antimony product. However, it is noted that market factors, particularly the closure of antimony facilities in China in the last year, positively impacts supply and therefore pricing for the outputs of the SPMP Project. The Board will continue to review the prices of antimony as the SPMP Project goes into production and will consider how this risk can be mitigated at that stage.

#### *Foreign exchange risk*

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

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

Company financial controller and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

### **Principle Five**

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

As at the date hereof the Board comprises, the CEO and CFO, David Facey, a Non-Executive Director, David Fletcher and a Non-Executive Chairman, Adrian Collins,. Biographical details of the Board are set out within Principle Six below. A third of the Executive and Non-Executive Directors are subject to retirement from office by rotation every year at the annual general meeting. The letters of appointment of all members of the Board are available for inspection at the Company's registered office during normal business hours. The Board including the Non-Executive Directors are expected to provide as much time to the Company as is required. The Board elects the Chairman to chair every meeting.

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

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

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

The Company shall report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. In order to be efficient, the Directors meet formally and informally both in person and by telephone. In addition, the CEO has informal communication with the Directors frequently to keep them up to date. The volume and frequency of such meetings is expected to continue at the same rate.

The CEO issues regular reports and monthly cashflow forecasts to the Board and disseminates important information as necessary.

## **Principle Six**

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

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

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

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

### **David Facey**

*Chief Executive Officer and Chief Financial Officer*

David is a Fellow of the Institute of Chartered Accountants of England and Wales and has over 20 years' experience in corporate finance and equity capital markets.

He is currently the Finance Director of BlueRock Diamonds plc, an AIM listed diamond producer.

### **David Fletcher**

*Non-Executive Director*

David is a Board representative of the majority shareholder of Tri-Star, the funds managed by Odey Asset Management ("Odey AM"). He brings his experience in public equities and senior management roles across banking and investment management.

David is a Partner and Non-Executive Chairman of Odey AM. He has been part of the management team at Odey AM for over 20 years since joining as Chief Executive in 1995. David is also a Senior Adviser at Social Finance, a not for profit social sector innovator.

Previously, David was CEO at Leopold Joseph. David is currently Chairman of the Tri-Star Audit Committee. David is also Non-Executive Director for SPMP LLC.

### **Adrian Collins**

*Non-Executive Chairman*

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

Adrian is currently Chairman of Liontrust Asset Management, CIP Merchant Capital Ltd and Bahamas Petroleum plc. Adrian was previously Chairman of Tri-Star, and is currently Chairman of the Remuneration Committee.

### **Principle Seven**

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

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

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

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

### **Principle Eight**

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

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

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

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

### **Principle Nine**

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

The Company supports the concept of an effective board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. It meets on a regular basis and has a

schedule of matters specifically reserved for decision. Procedures are in place for operational management to supply the Board with appropriate and timely information and the Board are free to seek any further information they consider necessary. The Board has access to advice from the Company Secretary and independent professional advice at the Company's expense.

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

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

#### *Audit Committee*

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

#### *Remuneration Committee*

The Remuneration Committee 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. The Remuneration Committee is currently chaired by Adrian Collins who is an Independent Non-Executive Director and has one other member, David Fletcher.

#### *Nominations Committee*

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

### **Principle Ten**

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

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Board is committed to keeping investors and other stakeholders informed of key developments and information relating to the SPMP Project. The Company works closely with its nominated advisor to ensure that information is shared in an appropriate and timely manner.

Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company and all shareholders are encouraged to attend the Company's Annual General Meeting.

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

Investors also have access to current information on the Company through its website, [www.tristarresources.com](http://www.tristarresources.com), its Twitter page, <https://twitter.com/TriStarSPMP> and via David Facey, CEO & CFO who is available to answer investor relations enquiries on call and via email, [ceo@tristarresources.com](mailto:ceo@tristarresources.com).