TRI-STAR RESOURCES PLC

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2019

Company number: 04863813

TRI-STAR RESOURCES PLC

COMPANY INFORMATION

For the year ended 31 December 2019

Company registration number:	04863813
Registered office:	16 Great Queen Street London WC2B 5DG
Directors:	David Facey (CEO and CFO) Adrian Collins (Non-executive Chairman) David Fletcher (Non-executive Director)
Secretary:	Lavinia Jessup 16 Great Queen Street London WC2B 5DG
Nominated adviser:	S.P. Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
Broker:	finnCap Limited 60 New Broad Street London EC2M 1JJ
Registrars:	Link Asset Services 6th Floor 65 Gresham Street London EC2V 7NQ
Bankers:	Lloyds Bank Plc PO Box 72, Bailey Drive Gillingham Business Park Kent ME8 0LS
Solicitors:	Fladgate LLP 16 Great Queen Street London WC2B 5DG
Auditor:	Grant Thornton UK LLP The Colmore Building 20 Colmore Circus Birmingham B4 6AT
Financial PR	St Brides Partners Ltd 51 Eastcheap London EC3M 1JP

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Introduction

The last 18 months have been a very frustrating period for Tri-Star Resources plc ("TSTR," "Tri-Star" or the "Company"). Strategic & Precious Metals Processing LLC ("SPMP"), TSTR's sole investment has achieved a number of important milestones but there have been significant delays, costs continue to increase and the funding of SPMP has looked uncertain.

On the positive side, SPMP produced and sold its first batches of antimony metal and of gold dore and has been operating individual parts of the plant for short periods at 50% of capacity. This proved that the plant was capable of producing in small quantities but efforts to ramp up production have been hampered in part by the continued lack of funding for SPMP.

Delays over several years have meant that the total funding required to complete the plant has increased enormously. TSTR has not invested further in SPMP since 2018 and SPMP has been seeking debt finance from both domestic and international institutions from the middle of the year 2019. By the end of 2019, it was clear that SPMP would need to rely upon funding from local banks rather than international ones.

At the end of 2019, a local institution ("Local Bank") had shown interest and SPMP was actively engaged with the bank to agree terms. However, it transpired that the Local Bank was only prepared to lend on terms unacceptable to SPMP's shareholders.

At the end of the year and in January 2020, Investment Authority Company LLC (previously Oman Investment Fund Holding Company LLC) ("IAC") injected a further USD32m in SPMP and DNR Industries Limited ("DNR") a further USD8m ("December 2019 Funding"). It had not been agreed with TSTR the terms on which this funding would be made.

In April 2020, IAC instituted arbitration proceedings in order to try and force the December 2019 Funding to be treated as equity on a valuation to be agreed only after the event. TSTR had a veto right over this and, based on legal advice, the Board were confident that it would prevail.

We continued to negotiate with our fellow shareholders in SPMP in order to find an equitable solution in the knowledge that TSTR was unlikely to be able to provide any future funding for SPMP. Circumstances were exacerbated as the magnitude of the final funding required to complete the SPMP project was uncertain and likely to increase. It was announced in January 2020 that SPMP required further debt funding of cUSD120m comprising USD60m for rectification costs and a further USD60m for working capital, (the "Funding Gap") in addition to the substantial sums already invested by the shareholders of SPMP.

The Board is pleased to report that we have reached a settlement agreement with IAC, DNR and SPMP (the "Settlement Agreement"), which provides greater certainty of funding for SPMP, redresses the imbalance of the amounts invested by the three shareholders and provides certainty over TSTR's shareholding going forward with no further need for TSTR to finance SPMP.

It is the Board's view that this solution, whilst reducing the Company's equity stake, greatly increases the chances of the shareholders of TSTR achieving a liquidity event in the future. There was ultimately no alternative for TSTR with the possibility of SPMP going into liquidation, at which point the TSTR shareholders would receive nothing. The agreement that we have achieved is, in the Board's view, a better result than would have been achieved through arbitration which would have cost at least £250,000 in costs and fees; funds that TSTR, absent this Settlement Agreement, does not have.

Investment to date

In January 2020 TSTR announced the Funding Gap referred to above, in addition to the substantial sums already invested by the shareholders of TSTR and an additional equity requirement of cUSD40m. Tri-Star's inability during 2019 and 2020 to make further investments pari passu with its shareholding in SPMP had led to an imbalance of funding between the shareholders of SPMP. As a result, TSTR's investment in all forms comprises approximately 16.3% of the total amount invested to date of cUSD206m, the balance being provided by IAC and DNR.

The Settlement Agreement

Over the last few months, Tri-Star and its joint venture partners have been in discussions to find a resolution to the dispute. These concluded on 1 November 2020 with a settlement agreement between the parties embracing a number of constitutional and financial changes. In broad terms, IAC and DNR have agreed to provide sufficient further funding in order for the plant to reach completion, without further equity dilution to TSTR and that all sums invested to date are converted into equity and equity loans ("Equity Loans") proportionately. The Equity Loans are zero coupon, undated and repayable at the option of SPMP, subordinated but ranking above equity.

As a result of the Settlement Agreement, TSTR's investment in SPMP will comprise equity of USD 2.6m (16.3% of total equity) and Equity Loans of USD30.8 million (16.3% of the total Equity Loans). The balance is held by IAS and DNR. Each shareholder of SPMP owns an equal percentage of equity and equity loans such that their proportion of equity to Equity Loans is the same.

Tri-Star's claim to a final USD2m payment due from the assignment of the intellectual property rights to SPMP has been settled by USD500,000 payable in cash and the balance forming part of TSTR's total funding of SPMP. A further sum of USD100,000 representing settlement for other outstanding amounts will also be paid in cash to TSTR by SPMP.

It is envisaged that future SPMP funding until plant completion will be sought first from third party sources; failing that, shareholders may fund SPMP with subordinated non-convertible debt with a coupon of 20% ("New Loans"). IAC has agreed to fund TSTR's share thereby avoiding dilution of TSTR's equity interest. Of the Funding Gap noted above, USD40m has already been provided as equity and equity loans. The balance, and any extra funding needed, is likely to be provided in the form of New Loans at a rate of 20% interest.

TSTR's interest may only be diluted if shareholders with 75% or more of the voting rights agree (which currently requires at least 2 shareholders): a) that capital is required to expand the project in a material way; b) to apply for a listing on a recognised stock exchange which results in the free float being at least 25% of the issued share capital; c) that an independent third party investor injects equity in the business on an arms-length basis; or d) in order to continue compliance with bank facility covenants, the banks require any of the New Loans to be converted to equity.

In the light of the change in shareholdings, it has been agreed that TSTR will no longer have a seat on the board of SPMP, neither will it have any veto rights over previously reserved matters, which will now require the consent of shareholders holding 75% or more of the voting rights, i.e. at least two shareholders.

The bank guarantee provided by TSTR, IAC and DNR in favour of Bank Nizwa and Alizz Islamic Bank remains in place, although all parties have agreed to seek to renegotiate the terms to ensure that it is released once the plant is commissioned. TSTR's exposure to the guarantee has been reduced to reflect its decreased shareholding of 16.3%. As a result of the Settlement Agreement, which provides for the ongoing funding of SPMP, it is the Board's view that the risk of the guarantee being called has been significantly reduced. The current expected date of completion of the plant is in H1 2021 at which point the guarantee should be expunged.

Total exposure to Bank Nizwa and Alizz Bank at 31 December 2020 stood at USD57.3m.

Odey Loan

It has been agreed that interest on the Odey loan to TSTR will reduce to 5% on completion of the Settlement Agreement. At 30 September 2020 the loan stood at USD2.3m.

Cancellation of admission to AIM

As a result of the Settlement Agreement, TSTR will become a passive investor in SPMP. Accordingly, the Board is of the view that the costs involved in keeping TSTR admitted to AIM are not warranted. Accordingly, a shareholder circular will be sent shortly to all shareholders recommending that TSTR's admission to AIM is cancelled. It is intended that arrangements will be made for matched market transactions to take place.

As a result of the Settlement Agreement, TSTR will receive cash of USD600,000. Subject to the cancellation being approved by TSTR shareholders at a general meeting, the current board will resign. A single director will be appointed and running costs will be reduced to a minimum which are expected to be less than £50,000 per annum.

Financial Summary

I am pleased to report that the Board has continued to reduce the overheads of the Company, from £842,000 in 2018 to £485,000. The Company's current year total comprehensive loss of £6.4m (2018: £1.5m) reflects the fair value movement of our loan to SPMP of £5.4m. In October 2019 the Company raised £316,000 (before expenses) for general working capital. A dividend payment is not being recommended at this time.

Outlook and Summary

I am aware that this may not be the outcome that some shareholders had envisaged, but I do believe that we will have a liquidity event in the foreseeable future and I hope this will give shareholders the opportunity to either receive a cash payment or shares in a listed SPMP.

I would like to thank our partners, the management team and our shareholders for their dedication, commitment and efforts during this difficult time.

Adrian Collins
Non-Executive Chairman
4 November 2020

Introduction

The Company's principal activities are in the SPMP Project, an antimony and gold production facility. The SPMP Project is based in Sohar, Sultanate of Oman, and is being developed by SPMP, an Omani company in which TSTR had a 40% equity interest at 31 December 2019, subsequently reduced to 16.3%.

SPMP Project

Background

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

The Project remains an attractive prospect for Tri-Star:

- **Scale**: The Project is the largest antimony roaster outside of China and the world's first clean plant, designed to EU environmental standards. It is designed to have the capacity to produce more than 50,000 oz. of gold per annum and 20,000 tonnes in combined antimony metal and ATO products which represents 12%-15% of average annual world antimony production and will thus establish Oman as a major global producer of antimony.
- **Earnings**: The Project is forecast to generate significant revenues, divided approximately 60:40 between antimony and gold but dependent on blend of ores sourced.
- **Technology**: The Project applies a proprietary antimony and gold roasting technology that is flexible and sophisticated enough to be able to process many types of grade and impurities. There is potential for adaptation for treatment of other metal ores.
- **Logistics**: The Project will supply value added antimony products to customers across the globe. The location of the Project in the Gulf region provides an excellent centralised logistics route, and access to relatively inexpensive energy and modern infrastructure.
- **Demand for product**: Antimony is a rare metal with a range of industrial applications. Amongst other things it is used as an additive to flame retardant compounds, utilised in printed circuit boards, computers and other electronic products. Antimony has consistently ranked highly in European and US risk lists for supply of chemical elements or element groups required to maintain the current economy and lifestyle.
- **Refractory gold** is gold 'ore', where the metal is trapped in sulphide lattice structures that conventional processes are unable to extract. The clean antimony roasting technology developed by Tri-Star and sold to SPMP in 2015 has unlocked the potential of these gold resources, estimated to be 30% – 50% of remaining gold in the ground globally.

- **Board:** SPMP has an experienced and internationally focused Board of Directors who have helped manage the project from inception through to near completion.

Oman joint venture

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

An emerging application is the use of antimony in microelectronics.

Other Tri-Star projects

Canada

The Company owns 100% of Tri-Star Antimony Canada. Through this Canadian subsidiary, the Company owns a license to explore the land of a large undeveloped antimony project in Canada ("Bald Hill deposit"). Tri-Star does not intend to renew this licence, which expired in May 2020.

Turkey

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

Financing

In October 2019 Tri-Star completed a placing of 987,500 ordinary shares at 32 pence per share raising £316,000 before expenses for general working capital.

Result for the year

Administration costs were reduced by 42% in 2019 to £486,000 from £842,000 in 2018. This reduction reflects the cost savings measures implemented by the Board.

Summary Profit and Loss Account	2019 £'000	2018 £'000
Share based payments	(224)	(580)
Reversal of impairment	-	244
Administrative expenses	(486)	(842)
Loss from operations	(710)	(1,178)
Movement in the fair value of financial asset	(5,404)	293
Finance expense net	(312)	(624)
Loss before taxation	(6,426)	(1,509)

In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 23% has been applied. At 31 December 2019, it looked unlikely that SPMP would be in a position to repay the loan in December 2022 and thus would be likely to default and, therefore, it is assumed that the mezzanine would be converted into equity at the earliest possible date, which is December 2023. The potential value of SPMP has been assessed using cashflow forecasts prepared by SPMP to which an effective discount rate of 23% has been applied. Tri-Star's investment in SPMP has been reduced to 16.3% and Tri-Star no longer has significant influence over the operations

Financial position

At 31 December 2019 the Company had £284,000 (2018: £312,000) in cash, total assets of £15,662,000 (2018: £21,284,000), and total liabilities of £1,581,000 (2018: £1,331,000). As at 31 October 2020, the Company had £12,000 in cash, with funds of USD$600,000 due from SPMP by 15 November 2020 under the Settlement Agreement signed on 1 November 2020.

Key Performance Indicators ("KPIs")

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

Safety, health and environmental policies

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

Principal risks and uncertainties

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

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

Financial risk management objectives and policies

The 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, 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 under Corporate Governance below.

Going concern

The Directors have prepared cash flow forecasts for the period ending December 2021. Subsequent to the signing of the Settlement Agreement with the shareholders of SPMP as discussed in the Chairman's statement the Company is due to receive USD $600,000, and the holders of the secured loan notes have agreed to extend the term of the notes to 31 December 2021. With the significant reduction in costs as a result of delisting (and taking the company private), the cash flow forecasts indicate that the Company will require approximately £350,000 to meet its liabilities as they fall due in the period. The Directors' have considered the possible effects of Covid-19 but do not expect any significant impact from this.

Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

However, there is an outstanding guarantee from the Company in favour of local banks in respect of a loan to SPMP, and although the Directors are confident that this will not be called upon, there is no certainty of this. Whilst Tri-Star's potential liability has been reduced as a result of signing the recent Settlement Agreement, if the guarantee is called upon, it could render the Company unable to pay its debts as they fall due and the existence of this guarantee therefore presents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Approval by and signature on behalf of the board

David Facey
Chief Executive Officer & Chief Financial Officer
4 November 2020

REPORT OF THE DIRECTORS

For the year ended 31 December 2019

The Directors present their annual report together with the audited financial statements of Tri-Star Resources Plc ("Tri-Star") for the year ended 31 December 2019. The Company has taken advantage of the exemption under S402-405 of the Companies Act 2006, to not prepare Group accounts as the subsidiary companies are considered to be immaterial.

Principal activity
The principal activity of the Company is, in conjunction with its fellow investors in SPMP, the design, construction and operation of an antimony and gold processing facility in the Sultanate of Oman owned by Strategic & Precious Metals Processing LLC ("SPMP"). The Company also owns antimony and mining resources in Canada. During the year the Company has disposed of its operations in Turkey.

Domicile and principal place of business
Tri-Star is domiciled in the United Kingdom. Its principal place of business is the UK.

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

David Facey (appointed 30 April 2019)
Adrian Collins
David Fletcher
Mark Wellesley-Wood (resigned 12 April 2019)
Karen O'Mahony (resigned 30 April 2019)

Directors' shareholdings	Number of ordinary shares of 5p each held at 1 September 2020	Percentage of issued ordinary share capital
Adrian Collins	94,902	0.10%

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

Matters covered in the Company's Strategic Report

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

Post balance sheet events

On 6 May 2020, Tri-Star announced the issue of 103,246 ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") - 84,406 at an average price of 18.29 pence, and 18,840 at an average price of 13.27 pence per Ordinary Share in consideration for services provided.

As at the date of this report the Company has 95,276,864 Ordinary Shares in issue.

On 1 November 2020, Tri-Star signed an agreement with the shareholders of SPMP whereby Tri-Star's investment in SPMP has been reduced from 40% to 16.3%, and TSTR has no veto rights nor the right to sit on the Board. Additionally, the mezzanine loan, in conjunction with the mezzanine loans provided by our fellow shareholders, has been converted to an Equity Loan. The Equity Loans are zero coupon, undated and repayable at the option of SPMP, subordinated but ranking above equity. It is envisaged that future SPMP funding until plant completion will be sought first from third party sources; failing that shareholders will fund SPMP with subordinated non-convertible debt with a coupon of 20% ("New Mezzanine Loans"). IAC has agreed to fund TSTR's share avoiding dilution of TSTR's equity interest.

Further details are provided in the Chairman's statement.

Covid-19 has had little direct impact on Tri-Star as the Company already had provisions in place for remote working. SPMP has instituted a comprehensive COVID-19 protocol which has been reviewed by the Ministry of Health. There have been a small number of COVID-19 cases amongst the SPMP workforce but they have not substantially impacted plant output.

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company, which had been notified as at 1 September 2020, are as follows:

	Number of ordinary shares of 5p each	Percentage of issued ordinary share capital
Funds managed by Odey Asset Management LLP	68,883,299	72.38%

Odey Asset Management LLP is the investment manager of Odey European Inc., OEI MAC Inc. and Odey Swan Fund, which collectively own 72.38% of Tri-Star. (Odey Asset Management LLP itself does not own any shares in Tri-Star).

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

Biographical details of Directors

David Facey (CEO & CFO)

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

Adrian Collins (Non-executive Chairman)

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

Adrian is currently Chairman of Eddie Stobart Logistics Plc, CIP Merchant Capital Ltd and a non-executive Director of Bahamas Petroleum plc and other private companies. Adrian is currently Chairman of the Remuneration Committee.

David Fletcher (Non-executive Director)

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

David is currently Chairman of the Tri-Star Audit Committee. David resigned as a Non-Executive Director for Strategic & Precious Metals Processing LLC on 1 November 2020.

Directors' Indemnity Provisions

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under this law the Directors have to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that:

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

Annual General Meeting

The Company will announce details of its Annual General Meeting ("AGM") and despatch the Notice of AGM to shareholders in due course. Given the current restrictions on public gatherings, shareholders will not be permitted to attend the AGM in person, other than for the purposes of establishing quorum, and each of the Resolutions to be considered at the meeting will be voted on by way of a poll.

Approval by and signature on behalf of the board

Lavinia Jessup
4 November 2020

The board recognises the importance of good corporate governance and adopted the QCA (Quoted Companies Alliance) Corporate Governance Code on 28 September 2018.

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

The Board has assumed responsibility for ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied within the Company as a whole. The corporate governance arrangements that the Board has adopted are designed to promote the delivery of 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. Tri Star's interest comprised a minority 40% shareholding during the year and associated loan instruments and its rights and obligations are governed by a Shareholder Agreement. SPMP has its own Board Charter and Code of Conduct.

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

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

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

The Board's Strategy is to participate in a successful Antimony and Gold processor via its interest in SPMP.

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 Company continues to hold a significant stake in SPMP and as the SPMP Project moves into full operation, it is hoped that ultimately shareholders should have the opportunity to either receive a cash payment or shares in a listed SPMP.

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 when it is possible to do so. 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. David Facey, CEO & CFO, is available to answer investor relations enquiries on call and via email, ceo@tri-starresources.com.

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

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

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

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

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

Funding risk
The Company is not yet revenue generating and therefore has had to rely on support from its shareholders, in particular Odey Asset Management whose funds under discretionary management in aggregate represent a 72% shareholding. The principal risks and uncertainties facing the Company involve delays to the commissioning and ramp up of the SPMP Project which may lead to higher funding requirements from the SPMP shareholders. Although the SPMP Project is proceeding, the timing and progress is not under the direct control of the Company.

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

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

Sovereign risk
The Company's principal 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 local political risks.

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

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

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

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

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

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

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

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

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

The Board will continue to monitor the need to match resources to its operational performance and costs and the composition of the Board will be kept under review going forward. David Facey and Adrian Collins are the Directors of the Company who are independent of the Odey Funds. David Fletcher and Adrian Collins are the Non-Executive Directors of the Company. The QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. The Board has elected to deviate from this recommendation by the QCA by having one fully independent non-executive Chairman, however, the Board is satisfied that this arrangement provides sufficient oversight of the Executive Directors and maintains a well-functioning board.

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

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

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number attended				
D Facey	4	2	-	-
A Collins	5	2	2	2
D Fletcher	5	2	2	2
K O'Mahony	1	-	-	-
M Wellesley-Wood	1	-	-	-
Total number held	5	2	2	2

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

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

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

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

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

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

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 Company'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 when it is possible to do so.

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.

Directors' section 172 statement

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. This new reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;
(b) the interests of the Company's employees;
(c) the need to foster the Company's business relationships with suppliers, customers and others;
(d) the impact of the Company's operations on the community and the environment;
(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly between members of the Company.

In the above Chairman's Statement and Strategic Report sections of this Annual Report, the Company has set out the short to long term strategic priorities, and described the plans to support their achievement.

We have split our analysis into two distinct sections, the first to addresses Stakeholder engagement, which provides information on stakeholders, issues and methods of engagement, disclosed by stakeholder group. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision-making.

Section 1. Stakeholder mapping and engagement activities within the reporting period.

The Company continuously interacts with a variety of stakeholders important to its success, such as equity investors, SPMP, the shareholders of SPMP and advisors. The Company strives to strike the right balance between engagement and communication. Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

Who: Key Stakeholder groups	Why: why is it important to engage this group of stakeholders	How: how TSTR engaged with the stakeholder group	What: what came of the engagement
Equity Investors Odey own 72% of the Company's shares and are our major investors.	Access to capital has been of vital importance to the long-term success of TSTR. We have sought to promote an investor base that is interested in a long term holding in the Company and will support the Company in achieving its strategic objectives.	<u>Odey</u> Odey have the right to appoint 2 members to the Board and have continued to maintained one member. This has ensured regular updates are supplied to Odey <u>Prospective and existing investors</u> The AGM and annual and interim reports. News releases and updates.	Odey continued to support TSTR in its most recent fundraise. The successful fund raise of £316,000 in October 2019 to fund working capital.
SPMP and the shareholders of SPMP.	TSTR's sole interest is its investment in SPMP.	TSTR has maintained a director on the Board of SPMP, and has regular dialogue with our fellow shareholders and the management of SPMP,	As disclosed in the Chairman's statement, after a difficult period, we have found a resolution to meet the long term requirements of SPMP.
Advisors include our Nomad, brokers, lawyers, auditors and PR consultants.	Key advisors are essential to ensure we maintain good governance in all areas.	Regular communication takes place with advisors.	The Company has had no problems with corporate governance in the year.

Section 2, Principal decisions by the board during the period.

We define principal decisions as both those that have long-term strategic impact and are material to the Group, but also those that are significant to our key stakeholder groups. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Group:

The Board considers that the principal decisions made in 2019 were:

a) Sale of Uc Yildiz
We concluded the sale of our Turkish Company in March 2019. Not only did this bring revenue into the Company, but it eliminated a cost base. The employees of Uc Yildiz were transferred with the business.

b) Board changes
The Board has been reduced from four to three during the year, enabling the Company to further reduce its overheads. David Facey has been highly instrumental in our attempts to raise finance for SPMP, and extremely effective in our negotiations with our fellow shareholders in SPMP.

c) SPMP Negotiations
After failing to find third party funding for SPMP during the year, negotiations commenced with IAC and DNR to enable SPMP to be funded to completion and reduce the commitment of TSTR going forward.

In making the above principal decisions, the Directors believe that they have considered all relevant stakeholders, potential impact and conflicts, the Company's business model and its long-term strategic objectives, and have acted accordingly to promote the success of the Company for the benefit of its members as a whole. We do not believe that any stakeholders have been affected detrimentally by these decisions

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 Company's position and to reward Directors for enhancing shareholder value and return. The Board aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Company's objectives.

The remuneration of the Directors in 2019 was as follows:

Director	Notes	Salary and fees	Loss of office	Share based payments	Total	Employers NI (note 6)
Mark Wellesley-Wood	3	7,115	21,000	-	28,115	862
David Facey	5	44,583	-	73,619	118,202	5,030
Adrian Collins		37,205	-	122,699	159,904	2,259
David Fletcher		25,000	-	-	25,000	2,287
Karen O'Mahony	4	42,519	-	-	42,519	4,676
Total		156,422	21,000	196,318	373,740	

The remuneration of the Directors in 2018 was as follows:

Director	Notes	Salary and fees	Loss of office	Share based payments	Total	Employers NI (note 6)
Mark Wellesley-Wood	3	88,164	-	55,527	143,691	13,935
Guy Eastaugh	2	30,513	100,000	-	130,513	16,286
Adrian Collins		30,000	-	-	30,000	-
David Fletcher		25,000	- -	166,582	191,582	2,287
Scott Morrison	1	6,250	-	-	6,250	-
Karen O'Mahony	4	78,782	-	336,016	414,798	9,709
Total		258,709	100,000	558,125	916,834	

Notes

1 Resigned 18 March 2018

2 Resigned 2 March 2018

3	Resigned 12 April 2019
4	Resigned 30 April 2019
5	Appointed 30 April 2019
6	Employers NIC is disclosed for IFRS purposes and does not comprise remuneration

Pensions

During the year, the Company made a total pension contribution of £338 (2018: £721) to Ms O'Mahony and £877 (2018: £Nil) to Mr Facey. No other pension contributions were made on behalf of the other Directors.

Share options

Details of options granted to Directors are shown in note 14 to the financial statements. No Directors exercised any share options during the years ended 31 December 2019 or 31 December 2018.

Notice periods of the Directors

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

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

Independent auditor's report to the members of Tri-Star Resources Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Tri-Star Resources Plc (the 'company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, the notes to the financial statements and the principal accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Material uncertainty related to going concern

We draw attention to 'Principal accounting policies – going concern' on page 35 in the financial statements. This indicates that there is an outstanding guarantee from the company in favour of local banks in respect of a loan to Strategic & Precious Metals Processing LLC ("SPMP"), the company's investment, which, if called upon, could render the company unable to pay its debts as they fall due. Whilst the Directors are confident that the guarantee will not be called upon there is no certainty of this. Accordingly, and as stated in 'Principal accounting policies – going concern' these events or conditions, along with the other matters as set forth in 'Principal accounting policies – going concern', indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that a material uncertainty exists, our audit work included, but was not restricted to:

- Obtaining management's base case cash flow forecasts covering the period from 30 September 2020 to 31 December 2021, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions applied by management;
- Assessing the accuracy of management's past forecasting by comparing management's forecasts in the prior year to the actual results in the prior year and considering the impact on the base case cash flow forecast;
- Obtaining management's detailed forecast prepared to assess the potential impact of Covid-19 on the business. We evaluated management's assumptions regarding the impact of the Settlement Agreement, as described on pages 1-3, on the forecasts. We evaluated whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;
- Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and

Assessing the adequacy of related disclosures within the annual report.

GrantThornton

Overview of our audit approach

- Overall materiality: £174,000, which represents 1.1% of the company's total assets;
- We identified accuracy and valuation of the loan to SPMP as a key audit matter; and
- We performed full-scope audit procedures on the financial statements of the company. This is consistent with the prior year.

Key audit matters

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

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

Key Audit Matter	How the matter was addressed in the audit
Accuracy and valuation of the loan to SPMP At 31 December 2019, the carrying value of the loan to SPMP was £11.4m (2018: £16.7m). Due to the equity conversion option included within the loan agreement, the loan to SPMP continues to be classified and measured at fair value through profit or loss under International Financial Reporting Standard ('IFRS') 9 'Financial Instruments'. Due to the materiality of the loan balance, and the judgements used to determine its fair value, we identified the accuracy and valuation of the loan to SPMP as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the Company's accounting policies that address classification and measurement of the loan is compliant with the requirements of IFRS 9; • Testing how management had evaluated and classified the loan in line with IFRS 9 by comparing the terms of the loan agreement with the requirements of the standard;

Key Audit Matter	How the matter was addressed in the audit
	• Testing key inputs by comparing to source documentation and ensuring mathematical accuracy of the fair value calculation performed by management; • Challenging the primary assumptions used in management's calculations to determine the fair value of the loan, including the discount rate applied and the timing of future cashflows; and • Engaging a valuation specialist as an auditor's expert to assess the valuation methodology, key assumptions used and the resulting fair value of the loan receivable. The company's accounting policy on the loan to SPMP, including disclosure of the critical accounting estimate and judgements are shown in the principal accounting policies and related disclosures are included in note 9 to the financial statements. **Key observations** We determined that the assumptions and methodology used by management in calculating the fair value were reasonable.

Our application of materiality

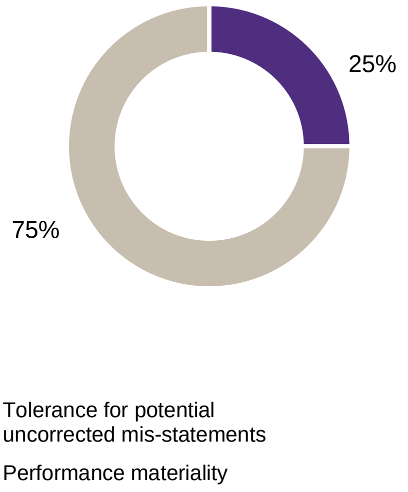
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

Materiality was determined as follows:

Materiality measure	Company
Financial statements as a whole	£174,000 which is 1.1% of total assets. This benchmark is considered the most appropriate because the company has made significant investments in previous years. Therefore, total assets are a key benchmark for users of the financial statements. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect a reduction in total assets.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£8,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality



An overview of the scope of our audit

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

- full-scope audit procedures on the financial statements;
- evaluation of the company's internal control environment including its IT systems and controls.; and

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on pages 11 to 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Matt Buckingham
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
4 November 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019**	2018
		£'000	£'000
Share based payments		**(224)**	(580)
Reversal of impairment of investment in subsidiary		**-**	244
Administrative expenses		**(486)**	(842)
Total administrative expenses		**(710)**	(1,178)
Loss from operations		**(710)**	(1,178)
Movement in fair value of financial asset	*9*	**(5,404)**	293
Finance income	*2*	**1**	43
Finance cost	*2*	**(313)**	(667)
Loss before taxation	*3*	**(6,426)**	(1,509)
Taxation	*4*	**18**	48
Loss after taxation, and loss attributable to the equity holders of the Company		**(6,408)**	(1,461)
Other comprehensive expenditure			
Items that will be reclassified subsequently to profit and loss			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the year, attributable to owners of the company		**(6,408)**	(1,461)
Loss per share			
Basic and diluted loss per share (pence)	*5*	**(6.79)**	(1.90)

The accompanying principal accounting policies and notes on pages 35-55 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		2019	2018
ASSETS	Notes	**£'000**	£'000
Non-current			
Investment in subsidiary	*7*	-	247
Investment in associates	*7*	**3,893**	3,893
Loan to associate held at fair value through profit and loss	*17*	**11,400**	16,727
		15,293	20,867
Current			
Cash and cash equivalents		**284**	312
Trade and other receivables	*10*	**85**	105
Total current assets		**369**	417
Total assets		**15,662**	21,284
LIABILITIES			
Current			
Trade and other payables	*11*	**92**	91
Short term loans	*12,16*	**1,396**	1,129
Total current liabilities		**1,488**	1,220
Non-current loans			
Deferred tax liability	*13*	**93**	111
Total liabilities		**1,581**	1,331
EQUITY			
Issued share capital	*15*	**6,936**	6,884
Share premium		**45,104**	44,816
Share based payment reserve		**1,811**	1,671
Retained earnings		**(39,770)**	(33,418)
Total equity		**14,081**	19,953
Total equity and liabilities		**15,662**	21,284

The financial statements were approved by the Board and authorised for issue on 4 November 2020.

David Facey
Chief Executive Officer & Chief Financial Officer
4 November 2020

Company number: 04863813

The accompanying principal accounting policies and notes on pages 35-55 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Share premium	Share based payment reserves	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2018	3,160	31,347	1,105	(31,957)	3,655
Issue of share capital	3,724	13,711	-	-	17,435
Share issue costs	-	(242)	-	-	(242)
Share based payments	-	-	566	-	566
Transactions with owners	3,724	13,469	566	-	17,759
Loss for the period	-	-	-	(1,461)	(1,461)
Total comprehensive loss for the period	-	-	-	(1,461)	(1,461)
Balance at 31 December 2018	6,884	44,816	1,671	(33,418)	19,953
Issue of share capital	52	292	-	-	344
Share issue costs	-	(4)	-	-	(4)
Transfer on lapse of warrants	-	-	(56)	56	-
Share based payments	-	-	196	-	-
Transactions with owners	52	288	140	56	536
Loss for the period	-	-	-	(6,408)	(6,408)
Total comprehensive loss for the period	-	-	-	(6,408)	(6,408)
Balance at 31 December 2019	6,936	45,104	1,811	(39,770)	14,081

The accompanying principal accounting policies and notes on pages 35-55 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	£'000	£'000
Cash flow from operating activities		
Continuing operations		
Loss after taxation	**(6,408)**	(1,461)
Depreciation	**-**	12
Impairment reversal	**-**	(244)
Finance income	**(1)**	(43)
Finance cost	**313**	667
Movement on fair value of financial asset	**5,404**	(293)
Fees paid by shares	**28**	15
Share based payments	**196**	565
Decrease/(increase) in trade and other receivables	**20**	(14)
(Decrease)/increase in trade and other payables	**(17)**	(1)
Net cash (outflow) from operating activities	**(465)**	(797)
Cash flows from investing activities		
Finance income	**1**	43
Loans made to associate	**(77)**	(12,698)
Net receipts on sale of subsidiary	**247**	-
Net cash inflow/(outflow) from investing activities	**172**	(12,655)
Cash flows from financing activities		
Proceeds from issue of share capital	**316**	17,420
Share issue costs	**(4)**	(242)
Finance costs	**-**	(491)
Loans repaid	**-**	(3,560)
Net cash inflow from financing activities	**312**	13,127
Net change in cash and cash equivalents	**18**	(325)
Cash and cash equivalents at beginning of period	**312**	473
Exchange differences on cash and cash equivalents	**(46)**	164
Cash and cash equivalents at end of period	**284**	312

The accompanying principal accounting policies and notes on pages 35-55 form an integral part of the financial statements.

The financial statements have been prepared under the historical cost convention except for the loan to associate and derivative financial instrument which is at fair value and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), and in accordance with the Companies Act 2006.

The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange. The Company applies the Companies Act 2006 when preparing its annual financial statements. The Company has taken advantage of the exemption under S402-405 of the Companies Act, to not prepare Group accounts as the subsidiary companies are considered to be immaterial. The comparative accounts for 31 December 2018 also relate to the Company only.

The Company financial statements have been prepared under IFRS and in accordance with the Companies Act 2006.

GOING CONCERN

The Directors have prepared cash flow forecasts for the period ending December 2021. Subsequent to the signing of the agreement with the shareholders of SPMP as discussed in the Chairman's statement the Company is due to receive USD $600,000, and the holders of the secured loan notes have agreed to extend the term of the notes to 31 December 2021. With the significant reduction in costs as a result of delisting (and taking the company private), the cash flow forecasts indicate that the Company will require approximately £350,000 to meet its liabilities as they fall due in the period. The Directors' have considered the possible effects of Covid-19 but do not expect any significant impact from this.

Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

However, there is an outstanding guarantee from the Company in favour of local banks in respect of a loan to SPMP, and although the Directors are confident that this will not be called upon, there is no certainty of this. Whilst Tri-Star's potential liability has been reduced as a result of signing the recent agreement, if the guarantee is called upon, it could render the Company unable to pay its debts as they fall due and the existence of this guarantee therefore presents a material uncertainty which may cast significant doubt on the Company's ability as a going concern.

INVESTMENTS

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

TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the 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 financial statements with their respective tax bases. However, in accordance with IAS12 no deferred tax is recognised on the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Company 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

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.

FINANCIAL ASSETS

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

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

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
• loans and receivables at amortised cost
• fair value through profit or loss (FVTPL)
• fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:
• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Financial assets at fair value through profit or loss (FVTPL)

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

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

The loan to the associate is measured at FVTPL due to it having an equity conversion option. This option is described in note 9.

Impairment of financial assets

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

CASH AND CASH EQUIVALENTS

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

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

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

SHARE BASED PAYMENTS

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

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

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

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

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

FEES SETTLED IN SHARES

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

FINANCIAL LIABILITIES

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

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

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

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

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

EMPLOYEE COMPENSATION

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

FOREIGN CURRENCIES

These financial statements are presented in UK Pounds Sterling which is the functional currency of the Company. The company also carries out transactions in United States dollars,

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.

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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The critical accounting judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current and next accounting year are discussed below:

The critical accounting estimates are discussed below:

Loan to SPMP
Under IFRS 9, the loan to SPMP is classified and measured at fair value through profit or loss due to the equity conversion option. At 31 December 2019, it looked unlikely that SPMP would be in a position to repay the loan in December 2022 and thus would be likely to default. It was therefore considered whether the most likely outcome was that the mezzanine would be converted to equity. The key judgements used in this assessment were the reliance on SPMP forecasts and market EBITDA multiples. Having confirmed that conversion at the earliest possible date, which is December 2023, was comfortably the most suitable route for the valuation, the key judgement was the effective discount rate of 23% which has been applied. The fair value is based on the Principal and rolled up interest of £21.7m as set out in the Mezzanine Loan Agreement dated 30 November 2017. Note 9 has further details on the loan.

Investment in associate
The Directors have considered the carrying value of the investment in SPMP and reviewed this against SPMP cash flows in use at 31 December 2019. The Directors concluded that using the assessment of the enterprise value of SPMP after debt and that no impairment is necessary The key estimates and judgement are therefore those outlined for the assessment of the fair value of the loan above. Note 7 has further details on the investment.

Going concern
The going concern policy above details the Directors' assessment on going concern.

Adoption of new or amended IFRS

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

The Group has applied IFRS 16 – Leases from 1 January 2019. There was no effect from the adoption of IFRS16.

- IFRS 17 Insurance contracts (IASB effective date 01 January 2021, EU Not yet endorsed)
- Amendments to Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to IFRS 3: Business Combinations (issued 22 October 2018) (IASB effective date 01 January 2020, EU Not yet endorsed)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued 12 October 2017) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018), (IASB effective date 01 January 2020, EU Not yet endorsed)
- Annual improvements to IFRS 2014-2016 Cycle (Issued 8 December 2016) - Relating to IFRS 12 Disclosure of interest in other entities (IASB effective date 01 January 2017, EU Not yet endorsed)

1 SEGMENTAL REPORTING

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

The Board considers that the Company comprises only one operating segment, that of its investment in SPMP.

In respect of the non-current assets, £15,293,000 (2018: £20,867,000) arise in the UK, and £Nil (2018: £Nil) arise in the rest of the world.

2 FINANCE INCOME AND COSTS

	2019	2018
	£'000	£'000
Finance income		
Bank interest	**1**	43
	1	43

	2019	2018
	£'000	£'000
Finance costs		
Interest and fees payable on short term loans	**313**	667
	313	667

Further details regarding interest payable on the loan are set out in note 12.

3 LOSS BEFORE TAXATION

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

	2019	**2018**
	£'000	**£'000**
Staff costs	**187**	398
Share-based payment charge	**224**	580
Movement in the fair value of financial asset	**5,404**	(293)
Impairment	**-**	(244)
Fees payable to the Company's auditor for the audit of the financial statements	**45**	44
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	**4**	4

4 TAXATION

Unrelieved tax losses of approximately £11.9 million (2018: £6.1 million) are available to offset against future taxable trading profits. The related deferred tax asset arising at 31 December 2019 is £2,260,000 (2018: £1,147,000) and has not been provided on the grounds that it is uncertain when taxable profits will be generated by the Company to utilise those losses.

The tax credit for the Company for the year comprises:

	2019	2018
	£'000	£'000
Research and development taxation relief	**-**	29
Deferred taxation in respect of transition to IFRS	**18**	19
	18	48

4 TAXATION (CONTINUED)

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

	2019 £'000	2018 £'000
Loss before taxation	**(6,426)**	(1,509)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2018: 19.%)	**(1,221)**	(287)
Effect of:		
Expenses not deductible for tax purposes	**44**	179
R&D tax rebate	**-**	(29)
Interest disallowed	**60**	127
Deferred losses	**(13)**	-
Unrelieved tax losses	**1,113**	58
Total tax charge for year	**(18)**	48

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.

	2019 £'000	2018 £'000
(Loss) attributable to owners of the Company after tax	**(6,408)**	(1,461)

	2019 Number	2018 Number
Weighted average number of ordinary shares for calculating basic loss per share	**94,318,114**	76,820,518

	2019 Pence	2018 Pence
Basic and diluted loss per share	**(6.79)**	(1.90)

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.

6 EMPLOYEE BENEFIT EXPENSE

	2019	2018
	£'000	£'000
Wages and salaries	**177**	359
Social security	**10**	39
Pension contributions	**1**	1
Share based payment charge	**196**	558
Total Emoluments	**384**	957

Average monthly number of employees

	2019	2018
	No.	No.
Directors	**3**	4
	3	4

The Directors are the key management personnel of the Company. Details of Directors' remuneration are included in the report on remuneration on pages 23-24.

7 INVESTMENTS

At 31 December 2019, the Company held the following interests in subsidiary undertakings and associates:

Subsidiary or Associate	**Proportion of ordinary share capital held**	**Nature of business**	**Country of incorporation**	**Registered address**
Tri-Star Antimony Canada Inc.	100%	Mining	Canada	1 Germain Street, Suite 1700, Saint John, New Brunswick, E2L 4V1
Tri-Star Union FZ-LLC	90%	Mining services	UAE	PO Box 31291, Al-Jazeera Al-Hamra, Ras Al Khaimah
Strategic & Precious Metals Processing LLC	40%	Mining services	Oman	PO Box 329, PC115, Madinat Al Sultan, Qaboos
Rockport Mining Corporation*	100%	Mining	Canada	1 Germain Street, Suite 1700, Saint John, New Brunswick, E2L 4V1
Golden Ridge Joint Venture*	60%	Mining	Canada	1 Germain Street, Suite 1700, Saint John, New Brunswick, E2L 4V1

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

7 INVESTMENTS (CONTINUED)

	Investment in group undertakings	Investment in associates	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	5,872	3,893	9,765
Additions	3	-	3
At 31 December 2018	5,875	3,893	9,768
Disposals	(1,952)	-	(1,952)
At 31 December 2019	**3,923**	**3,893**	**7,816**
Amortisation and impairment			
At 1 January 2018	(5,872)	-	(5,872)
Reversal of impairment in the year	244	-	244
At 31 December 2018	(5,628)	-	(5,628)
Eliminated on disposals	1,705	-	1,705
At 31 December 2019	**(3,923)**	**-**	**(3,923)**
Net book value			
At 31 December 2019	**-**	**3,893**	**3,893**
At 31 December 2018	247	3,893	4,140
At 1 January 2018	-	3,893	3,893

During the year ended 31 December 2018 the Company increased its investment in Uc Yildiz by £3,000, purchasing shares from minority shareholders, and increasing its shareholding from 99% to 99.5%. As the Company was in an advanced stage of negotiating the sale of Uc Yildiz at 31 December 2018 the previous impairment of £244,000 was reversed leaving a net book value of £247,000, being the minimum non-deferred proceeds expected from the sale of USD $400,000 less costs. Uc Yildiz was disposed of in March 2019, for proceeds of £309,000 ($400,000), disposal costs of £61,000 were incurred, and no gain or loss on disposal was recorded. Having reviewed SPMP forecasts, the Director’s considered that no impairment of the value of the investment in SPMP was required.

8 PROPERTY, PLANT & EQUIPMENT

	Motor vehicles	Computer equipment	Office equipment	Total
	£' 000	£' 000	£'000	£'000
Cost				
At 1 January 2018	67	29	4	100
Additions	-	-	-	-
At 31 December 2018	67	29	4	100
Additions	-	-	-	-
Cost at 31 December 2019	**67**	**29**	**4**	**100**
Depreciation				
At 1 January 2018	56	28	4	88
Charge for the year	11	1	-	12
At 31 December 2018	67	29	4	100
Charge for the year	-	-	-	-
At 31 December 2019	**67**	**29**	**4**	**100**
Net book value				
At 31 December 2019	**-**	**-**	-	**-**
At 31 December 2018	-	-	-	-
At 1 January 2018	11	1	-	12

9 LOANS RECEIVABLE HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Loans receivable represent the USD $6 (£4.4) million mezzanine loan which the Company advanced to SPMP as announced on 29 November 2017 and the further amounts of USD $16,700,000 (£12,700,000) advanced during 2018, and $100,000 (£77,000) advanced during 2019. The principal terms of the loan are as follows:

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

The loan has been measured at fair value. In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the "SPMP Mezzanine Loan") has been derived using a net present value calculation in which an effective discount rate of 23% has been applied. The Mezzanine Loan is assumed to be converted to equity in December 2023. The fair value at 31 December 2018 was £16,727,000, a fair value movement of £5,404,000 was recorded and £77,000 was invested in the year, giving a fair value of £11,400,000 at 31 December 2019. The principal estimates and judgements policy provides further details of the fair value calculation. The terms of the loan have been changed since the year end as described in note 20.

10 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Current		
Trade receivables	**73**	75
Other receivables	**6**	14
Prepayments and accrued income	**6**	16
Trade and other receivables	**85**	105

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

11 TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	**14**	24
Social security and other taxes	**11**	7
Accruals and deferred income	**67**	60
	92	91

12 SECURED LOAN NOTES

Issue of secured loan notes to OEI and OMI

Current Loan Notes comprise short-dated secured loan notes issued to OEI and OMI, two of the three OAM Funds. The Loan Notes are secured on a debenture comprising a fixed and floating charge over all the assets of Tri-Star Resources plc. The Loan Notes carry an annual interest rate of 25% and had an original repayment date of 30 June 2018 or equity placement whichever is earlier. As an equity placement took place in January 2018, the loans technically fell due, but OEI and OMI agreed to extend repayment until 30 June 2020 and subsequent to the year end have agreed to extend repayment to 31 December 2021 or earlier at the Company's discretion. During the year £Nil (31 December 2018 £4,051,000 (USD $5,320,000)) of capital and interest was repaid.

13 DEFERRED TAX LIABILITY

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

	2019 £'000	2018 £'000
At 1 January	**111**	130
Offset against current year losses	**(18)**	(19)
At 31 December	**93**	111

13 DEFERRED TAX LIABILITY (CONTINUED)

In 2015, the Company recognised a deferred tax liability of £176,000 which has arisen on the transition of the Company to IFRS. This liability was payable over the next nine years on a straight-line basis but may be offset against potential future trading losses in each year, therefore £18,000 (2018: £19,000) has been offset against current year losses, leaving a balance of £93,000.

14 SHARE OPTIONS AND WARRANTS

Share options

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

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

Grant date	First exercise date (when vesting conditions are met)	Expiry date	Exercise price	Fair value	**2019**	2018
			£	£	**Number**	Number
10-May-11	10-May-11	09-May-21	10.0	0.002517	**34,000**	34,000
10-May-11	10-May-11	09-May-21	20.0	0.001645	**34,000**	34,000
10-May-11	10-May-11	09-May-21	30.0	0.001625	**50,000**	50,000
10-May-11	10-May-12	09-May-21	10.0	0.002517	**34,000**	34,000
10-May-11	10-May-12	09-May-21	20.0	0.001645	**34,000**	34,000
10-May-11	10-May-12	09-May-21	30.0	0.001625	**50,000**	50,000
10-May-11	10-May-13	09-May-21	10.0	0.003539	**34,000**	34,000
10-May-11	10-May-13	09-May-21	20.0	0.001645	**34,000**	34,000
10-May-11	10-May-13	09-May-21	30.0	0.001625	**50,000**	50,000
02-Oct-14	02-Oct-14	01-Oct-24	1.90	0.001301	**16,670**	16,670
22-Sep-15	22-Sep-15	21-Sep-25	1.10	0.001322	**245,000**	245,000
25-Jun-18	25-Jun-18	25-Jun-21	0.30	0.333163	**666,667**	666,667
25-Jun-18	25-Jun-18	25-Jun-21	0.05	0.403219	**833,333**	833,333
12-Apr-19	12-Apr-19	12-Apr-22	0.395	0.245397	**800,000**	-
Total					**2,915,670**	2,115,670

At 31 December 2019, all of the 2,915,670 options outstanding were exercisable (2018: 2,115,670).
The weighted average exercise price of the options at the year-end is £2.88.

14 SHARE OPTIONS AND WARRANTS (CONTINUED)

Directors' share options

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

Director	At the beginning of the year Number (restated)	Granted during the year Number	Exercised during the year	**At the end of the year Number**
D Fletcher	500,000		-	**500,000**
A Collins	12,750	-	-	**12,750**
A Collins	12,750	-	-	**12,750**
A Collins	18,750	-	-	**18,750**
A Collins	35,000	-	-	**35,000**
A Collins	-	500,000	-	**500,000**
	79,250	500,000	-	**579,250**
D Facey	-	300,000	-	**300,000**
Total	579,250	800,000	-	**1,379,250**

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

Risk free rate – 0.75%
Share price volatility – 101%
Share price at date of grant – 39.5p
Options are exercisable for 3 years from the grant date

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

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

Warrants

On 7 November 2018 the Company announced the issue of 25,000 warrants at 40p. There are now 25,000 warrants outstanding with an average exercise price of £0.40 and a remaining contractual life of 1.88 years. These are all exercisable immediately.

15 SHARE CAPITAL

	2019	2018
	£'000	£'000
Allotted, issued and fully paid		
1,363,925,475 deferred shares of 0.1p (2018: 1,363,925,475)	**1,364**	1,364
856,547,275 deferred shares of 0.095p (2018: 856,547,275)	**814**	814
95,173,618 ordinary shares of 0.005p (2018: 94,120,463)	**4,758**	4,706
	6,936	6,884

Following the issue of the 5,382 ordinary shares of 5 pence each announced on 12 April 2019, the issue of 60,273 ordinary shares of 5 pence each announced on 16 October 2019 and the issue of 987,500 ordinary shares of 5 pence each announced on 25 October 2019, there were 95.173,618 Ordinary Shares in issue (each of which are voting shares) as at 31 December 2019.

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

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

16 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Long-term borrowings	Short-term borrowings	Total
1 January 2019	**-**	**1,129**	**1,129**
Cash-flows:			
- Repayments	-	-	-
Non-cash:			
- Accrued interest	-	313	313
- Foreign exchange movement	-	(46)	(46)
31 December 2019	**-**	**1,396**	**1,396**

16 RECONCILIATION OF LIABILTIES ARISING FROM FINANCING ACTIVITIES (continued)

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

17 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company operates foreign currency bank accounts to help mitigate foreign currency risk.

Financial assets by category

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

	2019				2018			
	Receivables held at amortised cost	**Assets held at fair value through P&L**	**Non financial assets**	**Statement of Financial position total**	Receivables held at amortised cost	Assets held at fair value through P&L	Non financial assets	Statement of financial position total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Trade and other receivables	**79**	**-**	**6**	**85**	89	-	16	105
Loan to associate	**-**	**11,400**	**-**	**11,400**		16,727	-	16,727
Cash and cash equivalents	**284**	**-**	**-**	**284**	312	-	-	312
Total	**363**	**11,400**	**6**	**11,769**	401	16,727	16	17,144

17 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Financial liabilities by category

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

	2019				2018			
	Other financial liabilities at amortised cost	**Liabilities carried at fair value**	**Liabilities not within the scope of IFRS9**	**Total**	Other financial liabilities at amortised cost	Liabilities carried at fair value	Liabilities not within the scope of IFRS9	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Trade payables	**14**	**-**	**-**	**14**	24	-	-	22
Social Security and other taxes	**-**	**-**	**11**	**11**	-	-	7	7
Accruals and deferred income	**67**	**-**	**-**	**67**	60	-	-	60
Loans	**1,396**	**-**	**-**	**1,396**	1,129	-	-	1,129
Deferred tax liability	**-**	**-**	**93**	**93**	-	-	111	111
Total	**1,477**	**-**	**104**	**1,581**	1,213	-	118	1,331

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). In accordance with IFRS 9, the fair value of the mezzanine loan from TSTR to SPMP (the “SPMP Mezzanine Loan”) has been derived using a net present value calculation in which an effective discount rate of 23% has been applied. The Mezzanine Loan is assumed to be converted to equity in December 2023.

17 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Credit risk

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

	2019	2018
	£'000	£'000
Trade and other receivables	**79**	89
Total	**79**	89

None of the amounts included in trade and other receivables are past due or considered to be impaired (2018: £nil).

Liquidity risk

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

Maturity of financial liabilities

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

Foreign exchange risk

The Company carries out transactions in UK Pounds Sterling and US dollars. The Company does not have a policy to hedge arrangements but will continue to keep this under review. The Company operates foreign currency bank accounts to help mitigate the foreign currency risk.

Tri-Star has invested a total of $22.8 million via a Mezzanine Loan to SPMP. This loan was made from Tri-Star to SPMP in a foreign currency, and whilst this investment was partially offset through the issuance of secured loan notes to OEI and OMI, also in USD, this investment leaves the Company exposed to a foreign currency risk. The Board is considering whether arrangements should be made to mitigate this risk.

Capital risk management

The Company's objectives when managing capital are:
- to safeguard the Company'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 Company's stability and growth; and
- to provide capital for the purpose of strengthening the Company's risk management capability.

17 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

The Company 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 Company 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 Company 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.

18 RELATED PARTY TRANSACTIONS

During the year, the Company made loans of £Nil (2018: £60,040) to Üç Yildiz (a subsidiary undertaking). At 31 December 2018, Tri-Star was owed £1,436,871 from Üç Yildiz, which was fully provided for in Tri-Star. This balance was eliminated on completion of the sale of Üç Yildiz.

During the year, the Company charged Nil to SPMP (2018: £39,337) for invoices paid on its behalf, and made loans of $100,000 (2018: $16,700,000) to SPMP and charged £3,073,381 (2018: £1,344.200) in interest on the loan to SPMP. There is a contingent payment of $2 million relating to the Project IP due to the Company, on successful completion of a pilot plant from SPMP. This $2 million has not been recognised in the accounts. At 31 December 2019, Tri-Star was owed $28,477,714 (2018: $24,452,375) from SPMP in respect of outstanding mezzanine loans together with accrued interest and outstanding recharges.

During the year, the Company made loans of £2,681 (2018: £3,499) to Tri-Star Antimony Canada Inc. At 31 December 2018, Tri-Star was owed £1,987,712 (2018: £1,985,031) by Tri-Star Antimony Canada Inc. Tri-Star Antimony Canada Inc. is a 100% owned subsidiary undertaking. This balance is fully provided for in Tri-Star.

During the year fees of £50,019 (2018: £73,448) and expenses of £5,352 (2018: £5,352l) were paid to PEAL Investment Advisory Ltd ("PEAL"). a company in which Ms O'Mahony has a 75% equity interest and Odey Asset Management LLP has a 15% equity interest.

OEI and OMI ("Odey funds") became major shareholders 20 June 2017. On 29 November 2017, the Odey funds loaned the Company $6,000,000 (£4,510,939). In 2019 £Nil (2018 $5,319,750 (£4,051,016)) of capital and interest was repaid and interest of £313,615 (2018: £667,196) was charged during the year. At 31 December 2019, the total owed was £1,396,571 (2018: £1,129,287) including (£46,331) (2018: £164,013) in exchange movements. Fees of £60,000 were paid to Odey Asset Management in 2018 and expenses of £3,454 were reimbursed.

19 CONTINGENT ASSETS

Under the agreement to sell the Project IP to SPMP, there is a balance of $2 million due to be paid to Tri-Star by SPMP. This payment is contingent upon the successful commissioning of the plant in its pilot phase. The Directors have determined not to accrue this deferred income. Therefore, there is a contingent asset of $2 million at 31 December 2019 (31 December 2018: $2 million).

20 POST BALANCE SHEET EVENTS

On 6 May 2020, Tri-Star announced the issue of 103,246 ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") - 84,406 at an average price of 18.29 pence, and 18,840 at an average price of 13.27 pence per Ordinary Share in consideration for services provided.

As at the date of this report the Company has 95,276,864 Ordinary Shares in issue.

On 1 November 2020, Tri-Star signed an agreement with the shareholders of SPMP whereby Tri-Star's investment in SPMP has been reduced from 40% to 16.3%, and TSTR has no veto rights nor the right to sit on the Board. Additionally, the mezzanine loan, in conjunction with the mezzanine loans provided by our fellow shareholders, has been converted to an Equity Loan. The Equity Loans are zero coupon, undated and repayable at the option of SPMP, subordinated but ranking above equity. It is envisaged that future SPMP funding until plant completion will be sought first from third party sources; failing that shareholders will fund SPMP with subordinated non-convertible debt with a coupon of 20% ("New Mezzanine Loans"). IAC has agreed to fund TSTR's share avoiding dilution of TSTR's equity interest.

Further details are provided in the Chairman's statement.

Covid-19 has had little direct impact on Tri-Star as the Company already had provisions in place for remote working. SPMP has instituted a comprehensive COVID-19 protocol which has been reviewed by the Ministry of Health. There have been a small number of COVID-19 cases amongst the SPMP workforce but they have not substantially impacted plant output