Stratex International plc

Financial Results for 2016

Statement of consolidated comprehensive income

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Continuing operations			
Revenue		–	–
Administration expenses	9	(2,807,931)	(2,145,128)
Project impairment		(121,019)	–
Other income	8	1,174,174	2,770,522
Operating (loss)/profit		**(1,754,776)**	**625,394**
Finance income		16,185	22,839
Share of losses of associates	15	(162,261)	(1,368,351)
Loss on change of ownership status	7	(743,323)	(70,818)
Loss before income tax		**(2,644,175)**	**(790,936)**
Income tax (charge)/credit	11	(18,078)	153,380
Loss for the year		**(2,662,253)**	**(637,556)**
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Share of comprehensive income of investments accounted for using the equity method		–	246,457
Exchange differences on translating foreign operations		3,371,047	286,492
Other comprehensive income for the year, net of tax		**3,371,047**	**532,949**
Total comprehensive income for the year		**708,794**	**(104,607)**
Loss for the year attributable to:			
Owners of the Parent Company		(2,105,671)	(402,050)
Non-controlling interests		(556,582)	(235,506)
Loss for the year		**(2,662,253)**	**(637,556)**
Total comprehensive income for the year attributable to:			
Owners of the Parent Company		727,807	90,114
Non-controlling interests		(19,013)	(194,721)
Total comprehensive income for the year		**708,794**	**(104,607)**
Earnings per share for losses from continuing operations attributable to the owners of the Company (expressed in pence per share).			
– basic	23	(0.45)	(0.09)
– diluted	23	(0.45)	(0.09)

The notes on pages 24 to 45 form part of these financial statements

Statement of consolidated financial position

Company number: 05601091

	Notes	As at 31 December 2016 £	As at 31 December 2015 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	13,874	32,240
Intangible assets	13	10,490,725	8,323,340
Investments in equity-accounted associates	15	5,757,578	7,645,184
Available-for-sale financial assets	16	2,912,829	227,082
Trade and other receivables	17	1,358,639	1,322,135
Deferred tax asset	18	257,380	274,907
		20,791,025	**17,824,888**
Current Assets			
Trade and other receivables	17	1,740,208	873,697
Cash and cash equivalents	19	1,688,619	4,132,073
		3,428,827	**5,005,770**
Total Assets		**24,219,852**	**22,830,658**
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	4,673,113	4,673,113
Share premium	22	20,426,431	20,426,431
Other reserves	25	2,588,762	(125,714)
Retained earnings		(6,757,042)	(4,807,122)
Total equity attributable to owners of the Company		**20,931,264**	**20,166,708**
Non-controlling interest	26	2,860,169	2,251,732
Total equity		**23,791,433**	**22,418,440**
LIABILITIES			
Non-Current Liabilities			
Employee termination benefits		35,710	27,013
Deferred tax liabilities	18	2,691	275
		38,401	**27,288**
Current Liabilities			
Trade and other payables	27	390,018	384,930
Total Liabilities		**428,419**	**412,218**
Total equity and liabilities		**24,219,852**	**22,830,658**

The notes on pages 24 to 45 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 15 May 2017 and were signed on its behalf by:

Peter Addison
Non-Executive Chairman

Perry Ashwood
Chief Financial Officer

Statement of consolidated changes in equity

	Attributable to owners of the Company						
	Share capital £	Share premium £	Other reserves (see note 25) £	Retained earnings £	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2015	**4,673,113**	**20,426,431**	**(643,305)**	**(4,415,707)**	**20,040,532**	**2,446,453**	**22,486,985**
Share-based payments	–	–	36,062		36,062	–	36,062
Share options cancelled	–	–	(10,635)	10,635	–	–	–
Total contributions by and distributions to owners of the Company	**–**	**–**	**25,427**	**10,635**	**36,062**	**–**	**36,062**
Loss for the year	–	–	–	(402,050)	(402,050)	(235,506)	(637,556)
Other comprehensive income	–	–	492,164	–	492,164	40,785	532,949
Total comprehensive income for the year	**–**	**–**	**492,164**	**(402,050)**	**90,114**	**(194,721)**	**(104,607)**
Balance at 31 December 2015	**4,673,113**	**20,426,431**	**(125,714)**	**(4,807,122)**	**20,166,708**	**2,251,732**	**22,418,440**
Share-based payments	–	–	36,749	–	36,749	–	36,749
Share options cancelled	–	–	(155,751)	155,751	–	–	–
Total contributions by and distributions to owners of the Company	**–**	**–**	**(119,002)**	**155,751**	**36,749**	**–**	**36,749**
Transactions with Non-controlling interest	**–**	**–**	**–**	**–**	**–**	**627,450**	**627,450**
Profit/(Loss) for the year	–	–	–	(2,105,671)	(2,105,671)	(556,582)	(2,662,253)
Other comprehensive income	–	–	2,833,478	–	2,833,478	537,569	3,371,047
Total comprehensive income for the year	**–**	**–**	**2,833,478**	**(2,105,671)**	**727,807**	**(19,013)**	**708,794**
Balance at 31 December 2016	**4,673,113**	**20,426,431**	**2,588,762**	**(6,757,042)**	**20,931,264**	**2,860,169**	**23,791,433**

The notes on pages 24 to 45 form part of these financial statements

Statement of consolidated cash flows

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Cash flow from operating activities:			
Net cash used in operating activities	28	**(2,089,929)**	**(2,774,182)**
Cash flow from investing activities:			
Purchase of property, plant and equipment	14	(2,436)	(8,149)
Purchase of intangible assets	13	(780,139)	(816,962)
Investment in associate company	15	(189,208)	(35,090)
Investment in available-for-sale financial assets	16	(25,377)	–
Interest received		16,185	22,839
Net cash used in investing activities		**(980,975)**	**(837,362)**
Cash flow from financing activities:			
Funds from the issue of shares by subsidiary company	26	627,450	–
Funds received from the sale of royalty interests		–	3,036,659
Net cash generated from financing activities		**627,450**	**3,036,659**
Net decrease in cash and cash equivalents		**(2,443,454)**	**(574,885)**
Cash and cash equivalents at beginning of the period		4,132,073	4,706,958
Cash and cash equivalents at end of the period	19	**1,688,619**	**4,132,073**

The notes on pages 24 to 45 form part of these financial statements

Statement of company financial position

Company number: 05601091

	Notes	As at 31 December 2016 £	As at 31 December 2015 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	213	5,620
Available-for-sale financial assets	16	227,082	227,082
Investments in equity-accounted associates	15	850,366	680,958
Investment in subsidiaries	12	17,140,454	16,587,029
		18,218,115	**17,500,689**
Current Assets			
Trade and other receivables	17	3,703,683	2,572,323
Cash and cash equivalents	19	1,528,363	3,928,211
		5,232,046	**6,500,534**
Total assets		**23,450,161**	**24,001,223**
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	4,673,113	4,673,113
Share premium	22	20,426,431	20,426,431
Other reserves	25	590,297	709,299
Retained earnings	32	(2,996,822)	(2,636,045)
Total equity		**22,693,019**	**23,172,798**
LIABILITIES			
Current Liabilities			
Trade and other payables	27	757,142	828,425
		757,142	**828,425**
Total equity and liabilities		**23,450,161**	**24,001,223**

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The Parent Company loss for the year was £516,528 (2015: £2,377,786).

The not es on pages 24 to 45 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 15 May 2017 and were signed on its behalf by:

Peter Addison

Peter Addison
Non-Executive Chairman

P.C. Ashwood

Perry Ashwood
Chief Financial Officer

Statement of company changes in equity

	Notes	Attributable to owners of the Company				
		Share capital £	Share premium £	Other Reserves (see note 25) £	Retained earnings £	Total equity £
Balance at 1 January 2015		**4,673,113**	**20,426,431**	**683,872**	**(5,024,466)**	**20,758,950**
Share-based payments		–	–	36,062	–	36,062
Share options cancelled		–	–	(10,635)	10,635	–
Total contributions by and distributions to owners of the Company		**–**	**–**	**25,427**	**10,635**	**36,062**
Comprehensive income for the year:						
– profit for the year	32	–	–	–	2,377,786	2,377,786
Total comprehensive income for the year		**–**	**–**	**–**	**2,377,786**	**2,377,786**
Balance at 31 December 2015		**4,673,113**	**20,426,431**	**709,299**	**(2,636,045)**	**23,172,798**
Share-based payments		–	–	36,749	–	36,749
Share options cancelled		–	–	(155,751)	155,751	–
Total contributions by and distributions to owners of the Company		–	–	**(119,002)**	**155,751**	**36,749**
Comprehensive income for the year:						
– loss for the year	32	–	–	–	(516,528)	(516,528)
Total comprehensive income for the year		**–**	**–**	–	**(516,528)**	**(516,528)**
Balance at 31 December 2016		**4,673,113**	**20,426,431**	**590,297**	**(2,996,822)**	**22,693,019**

The notes on pages 24 to 45 form part of these financial statements

Statement of company cash flows

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Cash flow from operating activities			
Net cash used in operating activities	28	**(1,202,928)**	**(1,313,296)**
Cash flow from investing activities:			
Purchase of property, plant and equipment	14	(829)	(483)
Investment in subsidiary company	12	(315,375)	–
Funding of subsidiary exploration companies		(659,449)	(1,388,755)
Investment in associated company	15	(189,208)	(35,090)
Interest received		14,366	14,488
Net cash used in investing activities		**(1,150,495)**	**(1,409,840)**
Cash flow from financing activities			
Funds received from the sale of royalty interests		–	3,036,659
Decrease in intercompany indebtedness		(46,425)	(15,113)
Net cash generated in financing activities		**(46,425)**	**3,021,546**
Net decrease in cash and cash equivalents		**(2,399,848)**	**298,410**
Cash and cash equivalents at beginning of the period		3,928,211	3,629,801
Cash and cash equivalents at end of the period	19	**1,528,363**	**3,928,211**

The notes on pages 24 to 45 form part of these financial statements

Notes to the financial statements

1. General information

The principal activity of Stratex International Plc ('the Company') and its subsidiaries (together 'the Group') is the exploration and development of precious and high-value base metals. The Company's shares are quoted on the AIM Market of the London Stock Exchange. The Company is incorporated and domiciled in the UK.

The address of its registered office is 180 Piccadilly, London, W1J 9HF.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements were prepared under the historical cost convention as modified by the measurement of certain investments at fair value.

Going Concern

It is the prime responsibility of the Board to ensure the Company and the Group remains a going concern. At 31 December 2016 the Group had cash and cash equivalents of £1,688,619 and no borrowings. In April 2017, the Group received US$8 million from the sale of the Altıntepe mine, which together with the existing cash in the Group, will ensure sufficient funds are available to meet expenditure over the coming 12 months based on the forecast prepared by the Directors. The Company and Group has minimal contractual expenditure commitments. For these reasons the Directors continue to adopt the going concern basis in the preparation of the financial statements.

Changes in Accounting Policies

a) New and amended standards adopted by the Group

The following IFRSs or IFRIC interpretations were effective the first time for the financial year beginning 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Standards	Application
IFRS 11 amendment	Accounting for acquisitions of interest in Joint Operations
IAS 16 & IAS 18	Clarification of acceptable methods of depreciation and amortisation
IAS 27 amendment	Equity method in separate financial statements
Annual Improvement Cycle 2012-2014	Amendments to: IFRS 5 Non-current assets held for sale and Discontinued Operations, IFRS 7 Financial instruments: Disclosures, IAS19 Employee benefits and IAS34 Interim Financial Reporting.
IAS1	Disclosure initiative

b) New and amended standards not yet adopted by the Company

Standards	Application
IAS 7 amendments	Results of the Disclosure Initiative: Effective 1 January 2017*
IAS 12 amendments	Recognition of Deferred tax assets for Unrealised losses: Effective 1 January 2017*
IFRS 2 amendments	Measurement of share based payment transactions: Effective 1 January 2018*
IFRS 9 amendments	Financial Instruments: Effective 1 January 2018*
IFRS 15	Revenue from contracts with customers: Effective 1 January 2018*
IFRS 16	Leases: Effective 1 January 2019*
Annual Improvements	2014 – 2016 Cycle: Effective 1 January 2017/1 January 2018*
	*Subject to EU endorsement

IFRS 15 requires a quantitative impact of the application of IFRS 15 to be included within the financial statements. The Directors are reviewing the impact of IFRS 15 and will report accordingly thereon in the interim statements.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Basis of preparation

Stratex International plc was incorporated on 24 October 2005. On 21 November 2005 Stratex International plc acquired the entire issued share capital of Stratex Exploration Ltd by way of a share for share exchange. The transaction was treated as a Group reconstruction and was accounted for using the merger accounting method.

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. The acquisition method is used to account for the acquisition of subsidiaries.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss.

Acquisition related costs are expensed as incurred.

The Group measures goodwill at the acquisition date as the excess of the fair value of the consideration transferred, plus the recognised amount of any non-controlling interests, less the recognised amount of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balances between group entities are eliminated on consolidation.

Associates are all entities over which the Group has significant influence but not control over the financial and operating policies.

References to joint venture agreements do not refer to arrangements which meet the definition of joint ventures under IFRS 11 "Joint Arrangements" and therefore these Financial Statements do not reflect the accounting treatments required under IFRS 11.

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses exceeds its interest in an equity-accounted investee the carrying amount of the investment, including any other unsecured receivables, is reduced to zero, and the recognition of further losses is discontinued, unless the Group has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and equity–accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity–accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in equity–accounted investees are recognised in profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are recorded in equity.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carry amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal. In addition the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets of liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- income and expenses in profit or loss for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

2.4 Intangible assets – Exploration and evaluation assets

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources.

Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to undertake topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and other activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive Board of Directors.

2.6 Impairment of non-financial assets

Exploration and evaluation assets not ready for use are assessed for impairment annually. The assessment is carried out by allocating exploration and evaluation assets to cash-generating units, which are based on specific projects or geographical areas. Where the exploration for and evaluation of mineral resources in cash-generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities at that unit, the associated expenditures will be written off to profit or loss.

In assessing the carrying values of its major exploration and evaluation assets, the Directors have used cash flow projections for each of the projects where a JORC – compliant resource has been calculated.

Certain of the other exploration projects are at an early stage of development and no JORC-compliant resource estimate has been completed. In these cases the Directors have assessed the impairment of the projects based on future exploration plans and estimates of geological and economic data. The Board does not believe that the key assumptions will change so as to cause the carrying values to exceed the recoverable amounts.

To date impairment losses recognised have followed the decision of the Board not to continue exploration and evaluation activity on a particular project licence area where it is no longer considered an economically viable project or where the underlying exploration licence has been relinquished.

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash-generating units). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and demand deposits with banks and other financial institutions.

2.8 Financial instruments

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Summary of significant accounting policies (continued)

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loan and receivables comprise Trade and Other Receivables and Cash and Cash Equivalents in the Statement of Financial Position.

- Available-for-sale financial asset

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the end of the reporting period.

(b) Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchasing or selling the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as "gains and losses from investment securities".

(c) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Impairment of Financial Assets

- Assets Carried at Amortised Cost

  The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

  For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

- Assets Classified as Available-for-Sale

  The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss are not reversed through profit or loss.

2.9 Deferred taxation

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. No liability to UK corporation tax arose on ordinary activities for the current period or prior periods. The Group has losses to be carried forward on which no deferred tax asset is recognised. Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Current and deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the related tax is also dealt with in equity.

2.10 Share-based payments

The fair value of the services received from employees and third parties in exchange for the grant of share options is recognised as an expense. The fair value of the options granted is calculated using the Black-Scholes pricing model and is expensed over the vesting period. At each reporting period the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.12 Finance income

Finance income comprises bank interest receivable. Interest revenue is recognised using the effective interest method.

2.13 Other income

Other income represents income from activities other than normal business operations. Royalty payments, arising from the involvement of exploration partners, are recognised as other income once payment has been received.

2.14 Post-employment benefits

Retirement benefit costs are calculated by applying the Projected Unit Credit Method and the resulting adjustments are recognised in profit or loss.

2.15 Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

3. Risk management

3.1 Financial risk management

The main financial risks facing the Group are the availability of adequate funding, movements in interest rates and fluctuations in foreign exchange rates. Constant monitoring of these risks ensures that the Group is protected against any potential adverse effects of such risks so far as it is possible and foreseeable. The Group only deals with high-quality banks. It does not hold derivatives, does not trade in financial instruments and does not engage in hedging arrangements.

In keeping with similar sized mineral exploration groups, its continued future operations depend on the ability to raise sufficient working capital. The Group finances itself through the monetisation of exploration assets and the issue of equity share capital and has no borrowings. Management monitors its cash and future funding requirements through the use of on-going cash flow forecasts. All cash, with the exception of that required for immediate working capital requirements, is held on short term deposit.

The Group's only exposure to interest rate fluctuations is restricted to the rates earned on its short term deposits. These deposits returned an interest rate of between 0.1% and 1.15% during the past year.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira, Euro and US Dollar, (see note 21). Foreign exchange risk arises from future commercial transactions and net investments in foreign operations. The Group does not hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise.

The Group will continue to make substantial expenditures related to its exploration and development activities. The financial exposure of the Group has been substantially reduced as a result of entering into agreements with third parties.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

4. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, most importantly the carrying values assigned to intangible assets, associates, and available-for-sale assets. Actual results may vary from the estimates used to produce these financial statements. The most significant judgement for the Group is the assumption that exploration at the various sites will ultimately lead to a commercial mining operation. Failure to do so could lead to the write-off of the intangible assets relating to the particular site (see Note 2.6).

4. Critical accounting estimates and judgements (continued)

The Stratex Board considers that it controls Goldstone Resources Limited even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Goldstone Resources Limited with a 33.45% equity interest, and through the Group's representation on the Board providing it with control over that company's exploration and evaluation activities. Since the date of acquisition, there have been no instances of the other shareholders of Goldstone Resources Limited collaborating to exercise their votes collectively or to outvote the Group.

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for such taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made. A deferred tax asset of £235,381 has been recognised in respect of temporary timing differences relating to the Group's intangible assets. Should these timing differences not reverse, the Group may need to revise the carrying value of this asset.

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.

5. Segment reporting

The Group's main exploration operations are located in Turkey, East Africa and West Africa. The Group's head office is located in the UK and provides corporate and support services to the Group and researches new areas of exploration opportunities. The management structure and the management reports received by the Directors and used to make strategic decisions reflect the split of operations.

The allocation of assets and liabilities by segment is as follows:

	Exploration			UK support & other	Group Total
	Turkey £	East Africa £	West Africa £	£	£
At 31 December 2016					
Intangible assets	–	–	10,490,725	–	10,490,725
Property, plant and equipment	7,020	–	6,641	213	13,874
Investment in associate companies	–	5,757,578	–	–	5,757,578
Cash and other assets	4,378,490	406,868	1,562,867	1,609,450	7,957,675
Liabilities	(128,634)	–	(49,373)	(250,412)	(428,419)
Inter-segment	(2,530,803)	–	(10,345,516)	12,876,319	–
Net assets	**1,726,073**	**6,164,446**	**1,665,344**	**14,235,570**	**23,791,433**
Additions to property, plant and equipment	787	–	820	829	2,436

	Exploration			UK support & other	Group Total
	Turkey £	East Africa £	West Africa £	£	£
At 31 December 2015					
Intangible assets	–	–	8,323,340	–	8,323,340
Property, plant and equipment	10,706	–	15,914	5,620	32,240
Investment in associate companies	549,524	7,095,660	–	–	7,645,184
Cash and other assets	696,389	–	1,378,997	4,754,508	6,829,894
Liabilities	(115,920)	–	(42,355)	(253,943)	(412,218)
Inter-segment	(3,353,103)	–	(9,285,166)	12,638,269	–
Net assets/(liabilities)	**(2,212,404)**	**7,095,660**	**390,730**	**17,144,454**	**22,418,440**
Additions to property, plant and equipment	7,666	–	–	483	8,149

Notes to the financial statements (continued)

5. Segment reporting (continued)

The capitalised cost of the principal projects and the additions during the year are as follows:

	Capitalised cost		Additions in year	
	2016 £	2015 £	2016 £	2015 £
West Africa				
Dalafin	6,283,126	5,138,892	323,787	469,120
Homase-Akrokerri	4,207,599	3,075,349	456,352	262,758
Other	–	109,099	–	85,084
Total Intangible assets	**10,490,725**	**8,323,340**	**780,139**	**816,962**

The allocation of profits and losses for the year by segment is as follows:

	Exploration			UK support & other	Group Total
	Turkey £	East Africa £	West Africa £	£	£
2016					
Revenue	–	–	–	–	–
Administration expenses	(171,376)	(1,793)	(966,603)	(1,649,990)	(2,789,762)
Depreciation charge	(4,655)	–	(8,084)	(5,430)	(18,169)
Other income/(losses)	2,784,431	(1,901,739)	(106,827)	13,480	789,345
Share of associate company profits/(losses)	7	(162,268)	–	–	(162,261)
Exchange gains/(losses)	(249,426)	–	(37,944)	(175,958)	(463,328)
Inter-segment charges	(232,759)	–	(631,625)	864,384	–
Income tax.	(18,078)	–	–	–	(18,078)
Profit/(loss) for year	**2,108,144**	**(2,065,800)**	**(1,751,083)**	**(953,514)**	**(2,662,253)**
2015					
Administration expenses	(258,274)	(124,049)	(551,220)	(1,175,888)	(2,109,431)
Depreciation charge	(5,156)	–	(11,699)	(18,842)	(35,697)
Other income/(losses)	42,777	–	11,552	3,060,070	3,114,399
Share of associate company losses	(119,371)	(1,248,980)	–	–	(1,368,351)
Exchange gains/(losses)	(375,527)	–	11,624	(27,953)	(391,856)
Inter-segment charges	(193,244)	–	(457,631)	650,875	–
Income tax	153,380	–	–	–	153,380
Profit/(loss) for year	**(755,415)**	**(1,373,029)**	**(997,374)**	**2,488,262**	**(637,556)**

6. Services provided by the Company's auditor

During the year the Group obtained the following services from the Company's auditor:

	2016 £	2015 £
Auditor's remuneration		
Fees payable for the audit of parent and consolidated financial statements	36,250	35,750
Fees payable for other services	3,750	4,545
Fees payable for tax compliance	5,250	4,500
Total for year	**45,250**	**44,795**

7. Loss on change of ownership status

	2016 £	2015 £
Carrying value at date of change of ownership	(3,349,527)	(70,818)
Fair value of interest retained in former associates	2,606,204	–
Net loss for year	**(743,323)**	**(70,818)**

(a) The Company's shareholding interest in Muratdere Madencilk Sanayi ve Ticaret AS was reduced from 30% to 14.87% as a result of not participating in the share placing of 22 February 2016. The Company's investment no longer meets the requirements for equity accounting. A fair value of £429,826 equal to the original cost of the investment has been attributed to the remaining investment. The resulting net loss is £319,414.

(b) Dr Bob Foster, the former CEO of Stratex, resigned from the board of the Tembo Gold Corporation on 5 May 2016 and Stratex is no longer involved in the management of the company and the investment no longer meets the requirements for equity accounting. A fair value of £381,492 has been attributed to its 11.6% investment based on the market price of the Tembo shares at the time of the change in accounting treatment. The resulting net loss is £1,069,267.

(c) Thani Stratex Resources Limited has undertaken share placings during the year in which the Company has not participated, and has issued shares to employees. As a result, the Company's shareholding interest has reduced from 40% to 30.4%. This has given rise to a net loss of £832,472.

(d) During the year the Company ceased to have a significant influence in the operating of the Altıntepe mine and as such the investment no longer meets the requirements for equity accounting. A fair value of £1,794,886 has been attributed to the Company's 45% interest in Altıntepe Madencilik Sanayi ve Ticaret AŞ, the owners of the mine. This is based on an evaluation of operations since it commenced production in November 2015. This has given rise to a net gain for the Company of £1,477,830.

8. Other income/(losses)

	2016 £	2015 £
Exchange losses	(463,328)	(391,856)
Profit from sale of royalty	–	3,036,659
Geological services provided to exploration partners	1,626,016	106,942
Other gains	11,486	18,777
Total for year	**1,174,174**	**2,770,522**

Notes to the financial statements (continued)

9. Expenses by nature

Administration expenses comprise:

	2016 £	2015 £
Personnel expenses (see note 10)	1,409,944	1,075,827
Contract staff wages	31,682	23,148
Other exploration related expenses	166,845	116,309
Legal and professional expenses	508,915	578,573
Depreciation expense	18,169	35,697
Other expenses	672,376	315,574
Total for year	**2,807,931**	**2,145,128**

10. Personnel expenses

	2016 £	2015 £
Wages and salaries	958,375	885,621
Social security costs	122,077	129,891
Share options granted to Directors and employees	36,749	36,063
Employee benefits-in-kind	95,749	23,545
Employee termination benefits	9,101	707
Compensation for loss of office	187,893	–
Total for year	1,409,944	1,075,827
Average number of employees, including Directors	19	19

The amount of wages and salaries capitalised during the year as part of intangible assets and not included above is £126,918 (2015: £184,551).

Employee termination benefits relate to Stratex Madencilik Sanayi Ve Ticaret Ltd. Şti and has been calculated using the projected unit credit method.

The Company did not operate a pension scheme in 2016 and no contributions have been made to pension schemes during the year (2015: nil).

Detail of the Directors' remuneration is shown in the Directors' Report.

11. Income tax

Analysis of income tax (expense)/credit:

	2016 £	2015 £
UK Corporation tax charge for the year	–	–
Foreign tax: Deferred tax (charge)/credit for the year	(18,078)	153,380
Tax (charge)/credit on loss for the year	**(18,078)**	**153,380**

The Group does not anticipate a UK corporation tax charge for the year due to the availability of tax losses. The Group did not recognise deferred income tax assets of approximately £3,058,741 (2015: £2,534,493). Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. These were in respect of UK losses amounting to approximately £11,929,303 (2015: £11,412,775), and losses in Turkey of approximately £2,691,529 (2015: £1,007,752). These losses can be carried forward and used against future taxable income at rates of 20% and 25% respectively.

11. Income tax (continued)

Reconciliation of tax charge:

	2016 £	2015 £
Loss before tax	**(2,644,175)**	**(790,936)**
Current tax credit at 20% (2015: 20.2%)	(532,451)	(160,164)
Effects of:		
Expenses not deductible for tax purposes	12,025	7,424
Non-taxable income	(205,528)	(47,253)
Capital allowances in excess of depreciation	–	5,320
Tax utilised and (losses) carried forward – UK	199,494	(413,247)
Tax losses carried forward – outside UK	544,538	607,920
Origination and reversal of temporary differences	–	(153,380)
Tax charge/(credit)	**18,078**	**(153,380)**

12. Investment in subsidiaries

The cost of shares in subsidiary companies is as follows:

Company	2016 £	2015 £
Cost of investment at 1 January	3,948,761	3,948,761
Additions	315,375	–
	4,264,136	3,948,761
Loans to subsidiary companies	12,876,318	12,638,268
At 31 December	**17,140,454**	**16,587,029**

During the year the Company injected further funds into Goldstone Resources Ltd in order to maintain its investment at 33.45%.

There are no significant restrictions in relation to the subsidiaries.

Investments in subsidiaries are stated at cost and are as follows:

	Country of incorporation	% owned by Company	% owned by subsidiary	Nature of business
Stratex Exploration Ltd	London, UK	100	–	Holding company
Stratex Gold AG	St Gallen, Switzerland	100	–	Holding company
Stratex West Africa Limited	London, UK	100	–	Exploration
Goldstone Resources Limited	Jersey, UK	33.45	–	Exploration
Stratex Madencililk Sanayi Ve Ticaret Ltd. Şti	Ankara, Turkey	–	100	Exploration
Stratex EMC SA	Dakar, Senegal	–	85	Exploration

Notes to the financial statements (continued)

13. Intangible assets

The Group's Intangible assets comprise entirely of exploration assets (see Note 5).

Cost	2016 £	2015 £
Cost at 1 January	8,323,340	7,603,549
Exchange movements	1,508,265	(97,171)
Additions	780,139	816,962
Impairment	(121,019)	–
At 31 December	**10,490,725**	**8,323,340**

The exploration asset impairment write-offs represent the writing down to nil carrying value for those projects where the Directors have decided that no further exploration or evaluation work will be undertaken as these projects are not thought to be economically viable. The write-offs have been recognised in profit or loss for the year.

14. Property, plant, and equipment

	Group					Company
Group and Company	Gold Samples £	Motor Vehicles £	Field Equipment £	Office furniture and equipment £	Total £	Office furniture and equipment £
Cost						
At 1 January 2015	**2,928**	**55,421**	**53,504**	**347,486**	**459,339**	**85,976**
Exchange movements	156	(6,176)	846	(17,407)	(22,581)	–
Additions	–	–	–	8,149	8,149	483
Disposals	–	–	–	(1,275)	(1,275)	(786)
At 31 December 2015	**3,084**	**49,245**	**54,350**	**336,953**	**443,632**	**85,673**
Exchange movements	632	2,655	10,400	23,459	37,146	–
Additions	–	–	–	2,436	2,436	829
Disposals	–	–	–	(6,006)	(6,006)	(6,006)
At 31 December 2016	**3,716**	**51,900**	**64,750**	**356,842**	**477,208**	**80,496**
Depreciation						
At 1 January 2015	**–**	**(51,684)**	**(42,034)**	**(294,394)**	**(388,112)**	**(61,465)**
Exchange movements	–	6,272	(1,641)	15,517	20,148	–
Additions	–	(3,271)	(5,164)	(35,580)	(44,015)	(19,013)
Disposals	–	–	–	587	587	425
At 31 December 2015	**–**	**(48,683)**	**(48,839)**	**(313,870)**	**(411,392)**	**(80,053)**
Exchange movements	–	(2,602)	(9,693)	(22,599)	(34,894)	–
Additions	–	(615)	(5,762)	(15,870)	(22,247)	(5,429)
Disposals	–	–	–	5,199	5,199	5,199
At 31 December 2016	**–**	**(51,900)**	**(64,294)**	**(347,140)**	**(463,334)**	**(80,283)**
Net Book Value						
at 1 January 2015	2,928	3,737	11,470	53,092	71,227	24,511
at 31 December 2015	3,084	562	5,511	23,083	32,240	5,620
at 31 December 2016	**3,716**	**–**	**456**	**9,702**	**13,874**	**213**

During the year £4,078 (2015: £8,318) of the charge for depreciation was transferred to Intangible Assets. Depreciation expense of £18,169 (2015: £35,697) was included in profit or loss for the year.

15. Investment in equity-accounted associates

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
At 1 January	7,645,184	8,806,548	680,958	645,868
Exchange movements	1,135,737	242,715	–	–
Share of losses	(162,261)	(1,368,351)	–	–
Additions	189,208	35,090	189,208	35,090
Disposals	(3,050,290)	(70,818)	–	–
Write-offs	–	–	(19,800)	–
At 31 December	**5,757,578**	**7,645,184**	**850,366**	**680,958**

a) During the year Stratex International plc invested a further £189,208 (2015: £35,090) in Thani Stratex Resources Limited through conversion of a loan, however it did not participate in all of the share placings undertaken by the company and as a result Stratex's shareholding interest has reduced from 40% to 30.4%. See note 7(c).

b) Altıntepe Madencilik Sanayi ve Ticaret AŞ, Muratdere Madencilk Sanayi ve Ticaret AS and Tembo Gold Corporation no longer meet the requirements for equity accounting and are now accounted for as Available-for-sale Financial Assets. See notes 7(a), 7(b) and 7(d).

The following entities have been included in the consolidated financial statements using the equity accounting method:

	Ownership %	Country of incorporation	Reporting date	Carrying value £	Group share of profits/(losses) £
At 31 December 2016					
Thani Stratex Resources Limited	30.4	Bermuda	31 December	5,757,578	(160,615)
Other				–	(1,646)
Total				**5,757,578**	**162,261**
At 31 December 2015					
Altıntepe Madencilik Sanayive Ticaret AŞ	45.0	Turkey	31 December	17,821	(158,474)
Muratdere Madencilik Sanayi ve Ticaret AŞ	30.0	Turkey	31 December	531,703	39,103
Rift Resources Ltd	49.5	UK	30 November	–	–
Thani Stratex Resources Limited	40.0	Bermuda	31 December	5,563,173	(1,210,451)
Tembo Gold Corporation	11.6	Canada	31 December	1,532,487	(38,529)
Total				**7,645,184**	**(1,368,351)**

Summarised financial information for investments accounted for using the equity accounting method is shown below. This information reflects the amounts presented in the financial statements of the associates (and not Stratex International plc's share of those amounts) adjusted for differences in accounting policies between the Group and associates:

Notes to the financial statements (continued)

15. Investment in equity-accounted associates (continued)

Statement of financial position

Group	2016 Thani Stratex Resources Limited £	2015 Muratdere Madencilik Sanayi ve Ticaret AŞ £	Tembo Gold Corporation £	Altıntepe Madencilik Sanayi ve Ticaret AŞ £	Thani Stratex Resources Limited £	Total £
As at 31 December						
Current Assets						
Cash and equivalents	1,548,847	3,010	386	1,608	125,058	130,062
Net current assets/(liabilities)	(481,931)	52,051	(275,887)	(4,243,911)	(480,673)	(4,948,420)
Total current assets	**1,006,916**	**55,061**	**(275,501)**	**(4,242,303)**	**(355,615)**	**(4,818,358)**
Non-current assets						
Furniture, fittings and equipment	50,065	10,380	98,857	33,141	113,836	256,214
Intangible assets	21,306,959	2,278,697	12,152,599	3,838,155	18,211,287	36,480,738
Associated companies	1,015,951	2,766	–	11,578	–	14,344
Total non-current assets	**22,372,975**	**2,291,843**	**12,251,456**	**3,882,874**	**18,325,123**	**36,751,296**
Total current liabilities	**(4,270,566)**	**(1,277,670)**	**–**	**–**	**(4,061,572)**	**(5,339,242)**
Net assets	**19,109,325**	**1,069,234**	**11,975,955**	**(359,429)**	**13,907,936**	**26,593,696**

Statement of comprehensive income

Group	2016 Thani Stratex Resources Limited £	2015 Muratdere Madencilik Sanayi ve Ticaret AŞ £	Tembo Gold Corporation £	Altıntepe Madencilik Sanayi ve Ticaret AŞ £	Thani Stratex Resources Limited £	Total £
As at 31 December						
Revenue		–	–	455,837	–	455,837
Administration expenses	(799,899)	3,777	(549,111)	(1,320,103)	(691,160)	(2,556,597)
Depreciation	(67,118)	(3,348)	(38,544)	-	(144,978)	(186,870)
Impairment	–	–	–	-	(2,125,026)	(2,125,026)
Other income	445,206	–	–	-	(75,116)	(75,116)
Exchange gains/(losses)	(5,940)	3,396	–	(8,893)	10,153	4,656
Interest income/(finance charges)	–	–	(687)	–	–	(687)
(Loss)/profit from continuing operations	**(427,751)**	**3,825**	**(588,342)**	**(873,159)**	**(3,026,127)**	**(4,483,803)**
Income tax expenses	(839)	–	–	–	–	–
(Loss)/profit after tax for continuing operations	**(428,590)**	**3,825**	**(588,342)**	**(873,159)**	**(3,026,127)**	**(4,483,803)**
Other comprehensive income						
Exchange differences on translating foreign operations	–	–	1,552,989	–	137,563	1,690,552
Total comprehensive income	**(428,590)**	**3,825**	**964,647**	**(873,159)**	**(2,888,564)**	**(2,793,251)**

16. Available-for-sale financial assets

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
At 1 January	227,082	227,082	227,082	227,082
Exchange movements	54,166	–	–	–
Additions	25,377	–	–	–
Transfer from Investments in equity-accounting associates	2,606,204	–	–	–
At 31 December	**2,912,829**	**227,082**	**227,082**	**227,082**

The investment in Muratdere Madencilk Sanayi ve Ticaret AS, Tembo Gold Corporation and Altıntepe Madencilik Sanayi ve Ticaret AŞ, which previously were accounted for as associates, no longer meet the requirements for equity accounting and have been recategorised as Available-for-sale Financial Assets, (see note 15). Tembo Gold Corporation is quoted on the Toronto stock exchange and Stratex's Investment has been valued at £406,868, under level 1 of the fair value hierarchy. The investment in Altıntepe Madencilik Sanayi ve Ticaret AŞ has been valued under level 2 of the fair value hierarchy based on an evaluation of the operations of the Altıntepe mine since start of production in November 2015. All other available-for-sale financial assets are valued under level 3 of the fair value hierarchy, taking into account the early stage of development of the exploration projects and lack of a JORC-compliant resource to enable a value-in-use calculation to be performed.

17. Trade and other receivables

The fair value of trade and other receivables equate to their carrying values, which also represents the Group's maximum exposure to credit risk. No collateral is held as security.

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Receivables from exploration partners	1,186,017	1,169,820	–	–
Deposits and guarantees given	172,621	152,315	–	–
Amounts due from Group companies	–	–	3,633,513	2,354,986
VAT recoverable	47,121	64,763	30,033	8,642
Pre-payments and other current assets	1,693,088	808,934	40,137	208,695
Total	**3,098,847**	**2,195,832**	**3,703,683**	**2,572,323**
Non-current	1,358,639	1,322,135	–	–
Current	1,740,208	873,697	3,703,683	2,572,323
Total	**3,098,847**	**2,195,832**	**3,703,683**	**2,572,323**

Notes to the financial statements (continued)

18. Deferred tax asset and liabilities

Group	2016 £	2015 £
Deferred tax assets		
Temporary timing differences arising on:		
Intangible assets	235,381	257,684
Employee termination benefits	7,142	5,403
Non-accrued financial expenses	12,581	11,809
Other	2,276	11
Total	**257,380**	**274,907**
Deferred tax liabilities		
Temporary timing differences arising on:		
Tangible and intangible assets	(2,589)	(45)
Other	(102)	(230)
Total	**(2,691)**	**(275)**
Net deferred tax asset	**254,689**	**274,632**

The movement in the year on the net deferred tax assets is:

	2016 £	2015 £
At 1 January	274,632	154,472
Exchange movements	(1,865)	(33,220)
Movement in year	(18,078)	153,380
At 31 December	**254,689**	**274,632**

19. Cash and cash equivalents

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Cash at bank and on hand	591,764	437,997	431,508	234,135
Short-term deposits	1,096,855	3,694,076	1,096,855	3,694,076
Total	**1,688,619**	**4,132,073**	**1,528,363**	**3,928,211**

20. Financial instruments by category and credit quality

a) **By category:**

Group	2016 Available-for-sale financial assets £	2016 Loans and receivables £	2015 Available-for-sale financial assets £	2015 Loans and receivables £
Assets per Statement of Financial Position at 31 December				
Available-for-sale financial assets	2,912,829	–	227,082	–
Trade and other receivables excluding pre-payments	–	2,863,687	–	2,114,665
Deposits and guarantees	–	172,621	–	152,315
Cash and cash equivalents	–	1,688,619	–	4,132,073
Total	**2,912,829**	**4,724,927**	**227,082**	**6,399,053**

Company	2016 Available-for-sale financial assets £	2016 Loans and receivables £	2015 Available-for-sale financial assets £	2015 Loans and receivables £
Assets per Statement of Financial Position at 31 December				
Available-for-sale financial assets	227,082	–	227,082	–
Trade and other receivables excluding re-payments	–	3,667,544	–	1,962,351
Cash and cash equivalents	–	1,528,363	–	3,928,211
Total	**227,082**	**5,195,907**	**227,082**	**5,890,562**

b) **By quality**

Trade receivables:

Trade receivables include VAT due from Turkish and UK governments of £47,121 (2015: £56,121) and receivables from exploration partners of £1,186,017 (2015: £538,796). None of the exploration partners have external credit ratings.

Cash and cash equivalents:

External ratings of cash at bank and short-term deposits:

	2016 £	2015 £
A	1,123,193	3,955,281
Ba, Bb & Bbb	555,352	54,514
Other	–	112,009
Cash-in-hand	10,074	10,269
Total	**1,688,619**	**4,132,073**

Notes to the financial statements (continued)

21. Currency risk

The Group's exposure to foreign currency is as follows:

	2016			2015		
	US$	Euro	Turkish Lira	US$	Euro	Turkish Lira
Trade and other receivables	1,626,210	–	207,356	–	1,591,540	3,083,931
Cash and cash equivalents	496,660	30,259	8,860	3,038,959	6,344	14,788
Trade and other payables	(89,908)	–	(27,327)	–	–	(52,759)
Net exposure	**2,032,962**	**30,259**	**188,889**	**3,038,959**	**1,597,884**	**3,045,960**
The following year end spot rates to sterling have been applied	1.23	1.165	4.342	1.482	1.361	4.329

A 20% fluctuation in the sterling exchange rate would have affected profit and loss as follows:

	£	£	£	£	£	£
– due to the strengthening of sterling	508,241	7,565	47,222	759,740	294,041	178,755
– due to the weakening of sterling	(338,827)	(5,043)	(31,481)	(506,493)	(196,027)	(119,170)

The Company had no foreign currency denominated receivables or payables in 2016 (2015: nil). Foreign currency cash and deposits amounted to US$496,475 (2015: 2,999,597). A 20% strengthening/weakening of the Sterling/US$ exchange rate would result in a movement of £124,119 and £(82,746) respectively (2015:£749,899, £(499,933)) in profit and loss.

22. Share capital and share premium

Group and Company	Number of shares	Ordinary shares £	Share premium £	Total £
At 31 December 2016 and 2015	**467,311,276**	**4,673,113**	**20,426,431**	**25,099,544**

23. Earnings per share

The calculation of the basic earnings per share is based on the loss attributable to the equity holders of the Company and a weighted average number of ordinary shares in issue during the year, as follows:

	2016 £	2015 £
Loss attributable to owners of the Company	(2,105,671)	(402,050)
Weighted average number of ordinary shares in issue	467,311,276	467,311,276
Basic and diluted loss per share (pence per share)	**(0.45)**	**(0.09)**

There is no difference between basic and diluted loss per share in 2016 or 2015 as the effect on the exercise of the options would be to decrease the earnings per share.

At 31 December 2016 there were 30,005,144 (2015: 24,466,144) share options that could potentially dilute the earnings per share in the future.

24. Share options

The Directors have discretion to grant options to Group employees to subscribe for Ordinary Shares up to a maximum of 10% of the Company's issued share capital. The Company runs two schemes, one is the Enterprise Management Incentive scheme and the other is the Unapproved Share Option scheme.

As at 31 December 2016, the Company had in issue 18,801,567 (2015: 18,321,144) options to Group employees granted under the Enterprise Management Incentive scheme and 1,950,000 (2015: 6,145,000) to Group employees granted under the unapproved scheme. In addition there are 9,253,577 unexercised options held by past employees. All options vest over one to three years from the grant date and lapse on the tenth anniversary of the grant date.

The granting of the share options has been accounted for as equity-settled share-based payment transactions. The total expenses recognised in the loss for the year arising from share-based payments was £36,749 (2015: £36,062). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
Group and Company	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	24,466,144	3.2	24,316,144	3.2
Cancelled	(4,195,000)	3.7	–	–
Granted	9,734,000	1.8	150,000	1.5
Outstanding at 31 December	**30,005,144**	**2.8**	**24,466,144**	**3.2**
Exercisable at 31 December	**18,176,477**	**3.1**	**20,226,810**	**3.4**

The weighted average contractual life of the outstanding options at 31 December 2016 was 6.0 years (2015: 5.0 years).

Details of share options outstanding at 31 December 2016 are as follows:

Life of option		Outstanding 31 December 2016	Option price pence
Start date	Expiry date		
30 April 2009	30 April 2019	11,946,000	3.0
28 September 2009	28 September 2019	24,000	4.3
1 June 2011	1 June 2021	1,867,144	7.0
12 March 2013	12 March 2023	300,000	4.4
5 December 2014	5 December 2024	5,984,000	2.7
4 June 2015	4 June 2025	150,000	1.5
1 September 2016	1 September 2026	6,000,000	1.8
2 September 2016	2 September 2026	3,734,000	2.0
Total options outstanding		**30,005,144**	**2.8**

During the year 6,000,000 share options were issued at a price of 1.78p per option share with a fair value of 0.93p per option share, and £3,734,000 share options were issued at a price of 1.95p per option share with a fair value of 1.02p per option share. The fair value for all options issued in the year has been measured by use of the Black-Scholes pricing model, using a price volatility of 53% and a risk-free interest rate of 3%. The expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years.

Notes to the financial statements (continued)

25. Other reserves

Group	Merger reserve £	Share option reserve £	Translation reserve £	Total £
At 1 January 2015	(485,400)	683,872	(841,777)	(643,305)
Share based payments	–	36,062	–	36,062
Share options exercised	–	(10,635)	–	(10,635)
Exchange differences from investments in equity-accounted associates	–	–	246,457	246,457
Other comprehensive interest	–	–	245,707	245,707
At 31 December 2015	**(485,400)**	**709,299**	**(349,613)**	**(125,714)**
Share based payments	–	36,749	–	36,749
Share options cancelled	–	(155,751)	–	(155,751)
Other comprehensive interest	–	–	2,833,478	2,833,478
At 31 December 2016	**(485,400)**	**590,297**	**2,483,865**	**2,588,762**

The Merger reserve arose on consolidation as a result of the merger accounting for the acquisition of the entire issued share capital of Stratex Exploration Limited during 2005 and represents the difference between the nominal value of shares issued for the acquisition and that of the share capital and share premium account of Stratex Exploration Limited.

The Translation reserve comprises the exchange differences from translating the net investment in foreign entities and of monetary items receivable from subsidiaries for which settlement is neither planned nor likely in the foreseeable future (see Note 2.3).

26. Non-controlling interest

Effect on equity of transactions with Non-controlling interests:

Balance attributable to NCI	Goldstone Resources Limited £	Stratex EMC SA £	Total £
At 1 January 2015	2,446,453	–	2,446,453
Prior year restatement	–	133,538	133,538
Exchange movements	77,900	(37,115)	40,785
Losses for the year	(302,051)	(66,993)	(369,044)
At 31 December 2015	**2,222,302**	**29,430**	**2,251,732**
Exchange movements	534,248	3,321	537,569
Losses for the year	(524,649)	(31,933)	(556,582)
Share capital increase	627,450	–	627,450
At 31 December 2016	**2,859,351**	**818**	**2,860,169**

Goldstone Resources Limited, which is owned 33.45% by Stratex International plc, has been treated as a controlled subsidiary as Stratex is deemed to have control under the provisions of International Finance Reporting Standard 10.

26. Non-controlling interest (continued)

Summarised financial information in relation to Goldstone Resources Limited is presented below:

At 31 December	2016 £	2015 £
Revenue	–	–
Administration expenses	(670,040)	(456,643)
Project impairment	(121,019)	–
Finance income	2,706	2,772
Loss before tax	**(788,353)**	**(453,871)**
Income tax	–	–
Loss after tax	**(788,353)**	**(453,871)**
Attributable to non-controlling interests	**(524,649)**	**(302,052)**

	£	£
Intangible Assets	4,207,599	3,184,448
Furniture, fixtures and fittings	5,536	6,148
Current assets	110,415	169,539
Current liabilities	(27,002)	(20,837)
Non-current liabilities	–	–
Net assets	**4,296,548**	**3,339,298**
Attributable to non-controlling interests	**2,859,351**	**2,222,302**

	£	£
Summarised cash flow information for period since acquisition:		
Cash flows from operating activities	(539,791)	(798,772)
Cash flows from investing activities	(457,172)	(527,442)
Cash flows from financing activities	942,825	–
Net increase/(decrease) in cash and cash equivalents	**54,138**	**(1,326,214)**

27. Trade and other payables

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Trade payables	92,150	70,963	29,103	56,054
Amounts due to subsidiary company	–	–	514,456	591,681
Amounts due to related parties and employees	28,729	18,268	28,729	18,268
Social security and other taxes	19,057	27,449	10,080	18,299
Accrued expenses	250,082	268,250	174,774	144,123
At 31 December	**390,018**	**384,930**	**757,142**	**828,425**

All financial liabilities, except those for accrued expenses, are stated where material at amortised cost.

Notes to the financial statements (continued)

28. Cash flow from operating activities

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
(Loss)/profit before income tax	**(2,644,175)**	**(790,936)**	**(516,528)**	**2,377,786**
Adjustments for:				
Issue of share options	36,749	36,062	36,749	36,062
Depreciation	22,247	44,015	5,429	19,013
Impairment of intangible assets	121,019	–	–	–
Fixed asset write-offs	807	688	807	361
Share of losses of associates	162,261	1,368,351	–	–
Net losses on sale of related companies	444,087	70,818	19,800	–
Increase in Employee termination benefit fund	9,101	707	–	–
Other Income	(16,185)	(3,059,498)	(14,366)	(3,051,147)
Interest income on intercompany indebtedness	–	–	(788,519)	(684,201)
Intercompany management fees	–	–	(66,918)	(89,206)
Write-off intercompany balances	–	–	–	127,427
Foreign exchange movements on operating activities	672,088	420,393	(33,101)	29,481
Changes in working capital, excluding the effects of exchange differences on consolidation:				
Trade and other receivables	(903,014)	(186,854)	147,776	(7,417)
Trade and other payables	5,086	(677,928)	5,943	(71,455)
Cash used in operations	**(2,089,929)**	**(2,774,182)**	**(1,202,928)**	**(1,313,296)**

29. Related party transactions

a) Transactions with operational partners:

	Transaction value for the year ended 31 December		Receivable as at 31 December	
Group	2016 £	2015 £	2016 £	2015 £
Energy and Mining Corporation SA	202,355	272,727	1,186,017	1,169,820
Anadolu Export Maden Sanayi ve Ticaret A.Ş.	188,586	–	–	14,489
Lodos Maden Yatirim Sanayi ve Ticaret A.Ş.	–	–	–	16,847
Antofagasta Minerals S.A.	–	14,669	–	–
Centerra Exploration B.V.	–	2,099	–	–

Energy and Mining Corporation SA is the operational partner for the Dalafin project in Senegal. Anadolu Export Maden Sanayi ve Ticaret A.Ş. and Lodos Maden Yatırım Sanayii ve Ticaret A.Ş are operational partners for certain Turkish projects. The Turkish strategic alliance programmes with Centerra Exploration B.V. and Antofagasta Minerals S.A. were terminated during the year.

The Company has no transactions with related parties (2015: nil).

29. Related party transactions (continued)

b) Transactions with Director:

Bob Foster Associates Limited provides administration services to the Company and Dr. Bob Foster was a Director of Stratex International plc until 1 September 2016. The value of transactions while a director of both companies is £1,329 (2015: £2,859) and the amount payable by the Company at 31 December 2016 was £nil (2015: £239).

c) Transactions with non-controlling interests:

There have been no transactions with non-controlling interests during the year. (2015: £nil)

d) Parent company and ultimate controlling party

In the opinion of the Directors there is no ultimate controlling party.

During the year the Company provided funds amounting to £659,449 (2015: £1,388,756) to its subsidiary companies for the exploration activities and charged its subsidiary companies £66,918 (2015: £89,206) for the provision of management services. The total net receivable from subsidiaries at 31 December 2016 was £14,377,876 (2015: £14,400,963).

30. Contingencies and capital commitments

In common with many UK-based companies in the resource sector HMRC have conducted a review into the right of Stratex International plc and its UK registered wholly-owned subsidiaries to reclaim input VAT. They have ruled that the provision of management services and interest bearing loans by the Company is not an economic activity for VAT purposes and the right of recovery has been disallowed. They have issued a tax assessment for the repayment of VAT reclaimed during the past 4 years amounting to £390,202 plus interest. We strongly disagree with the decision of HMRC and have requested a second review of their decision.

31. Lease Commitments

There are no future commitments under Finance or Operating leases.

32. Parent company Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements.

Company	2016 £	2015 £
At 1 January	**(2,636,045)**	**(5,024,466)**
Profit/(Loss) for the year	(516,528)	2,377,786
Share options cancelled	155,751	10,635
At 31 December	**(2,996,822)**	**(2,636,045)**

33. Events after the Reporting Period

On 24 April 2017 the Company announced that it had completed the disposal of its 45% interest in Altıntepe Madencilik Sanayi ve Ticaret AS for an aggregate cash amount of US$8 million. Included in the proceeds is US$2 million in respect of past geological services provided with relation to the Altıntepe gold mine. This has been accrued for in the results for the year ended 31 December 2016. Altıntepe Madencilik Sanayi ve Ticaret AS has been reclassified in the accounts for 2016 as an Available-for-sale-Financial Asset and has been attributed with a fair value of £1,794,886. The disposal will result in profit before tax in the financial results for the year ending 31 December 2017 of approximately £3 million.