



Stratex

International PLC



Annual Report
2017

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Company information

Who we are:

Stratex International PLC is an exploration and development company focusing primarily on gold and high-value base metals.

The company is incorporated and domiciled in the UK. The Company's shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange (company number: 05601091).

Vision:

To be a leading gold exploration and development company in Europe and Africa.

Our strategy:

The Board's strategic intent is first and foremost to maximise shareholder value. Primarily through our current portfolio of exploration and development projects in Turkey and in Africa, either by means of further investment, focussed exploration programmes or through seeking joint venture partnerships. Secondly, we are actively seeking merger and acquisition opportunities of advanced exploration assets in Africa and Europe where mineralisation has already been identified and where Stratex can add value.

When applying risk mitigation metrics to our strategic investment decisions our focus is on our ability to deliver value, the sovereign environment and investment regime and to ensure the safety and well-being of our employees and partners.

Directors:

Peter Addison (*Non-Executive Chairman*)

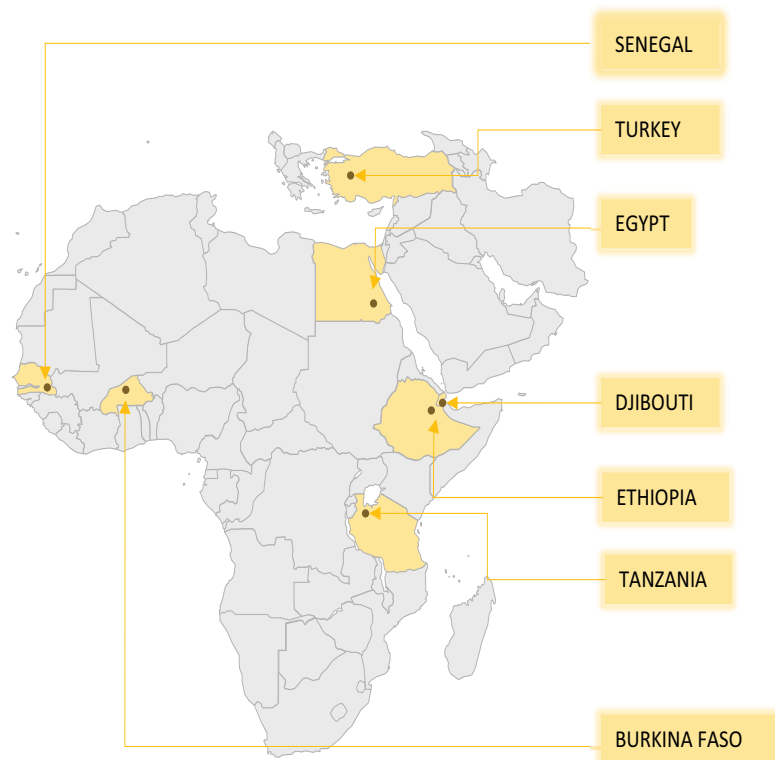
Tim Livesey (*Chief Executive Officer*)

Perry Ashwood (*Chief Financial Officer*)

Chris Worcester (*Non-Executive Officer*)

See Company's web site for the directors' biographies: www.stratexinternational.com

Major projects



Dalafin (Senegal):

- The Dalafin gold project lies in the Birimian-age Kedougou-Kenieba gold belt in South-Eastern Senegal.
- Stratex owns 85% in a joint-venture with local partner Energy & Mining Corporation S.A.
- Initial Rotary Air Blast and Aircore drilling of four priority geochemical targets at Dalafin confirmed their prospectivity. Follow-up trenching and drilling (RC and diamond) programmes have identified promising intersections across the licence area, particularly at the Faré and Madina Bafé prospects.
- On 1 March 2018 the Company, through its 85%-owned Senegalese subsidiary Stratex EMC SA entered into an option earn-in agreement with AGEM Senegal Exploration Suarl ('AGEM'), a wholly-owned subsidiary of IAMGOLD Corporation ("IAMGOLD"). Under the terms of the agreement AGEM will have the right to acquire an initial 51% interest in Dalafin by expending US\$4m over 4 years at the project. They will then have the option of increasing this to 70% by spending a further US\$4m over a subsequent 2 years. Thereafter, AGEM and Stratex EMC will be required to contribute on a pro rata basis towards the Project, or will be diluted. Should either party be diluted below 10%, their interest will convert to a 2% Net Smelter Returns royalty on production from Dalafin.
- IAMGOLD will focus the exploration work initially on the Madina Bafé prospect which is contiguous with IAMGOLD's Boto gold project, where they have defined Indicated and Inferred Resources of 2.52 million ounces grading 1.61 g/t Au (inclusive of Proven and Probable Reserves of 1.4 million ounces grading 1.64 g/t Au).

Thani Stratex Resources Ltd (Djibouti, Ethiopia and Egypt):

- In 2014 Thani Emirates Resources Holdings and Stratex combined their interests in North and East Africa. Each contributed US\$1 million of working capital to form a private company Thani Stratex Resources Limited ("TSR"). Stratex's initial share in TSR was 40%.
- Stratex invested a further US\$590,000 (£451,355) during 2017 to maintain the Company's shareholding interest at 30%.
- In Q4 2017, Dr. Bob Foster visited the gold assets of TSR as part of the Company's wider assessment of the Group's portfolio and the findings, which have been presented to TSR, are summarised below.

- The **Djibouti licences** (50% owned by TSR) are located within the Afar Rift Valley and cover a number of outcropping epithermal gold systems. At the Company's former Pandora epithermal gold project in Djibouti, TSR is undertaking Phase 2 drilling for a planned 3,000 m. The aim of this drilling is to test the depth-extension of previously drilled mineralisation and identify potential higher-grade ore shoots within the system that is believed could lead to the definition of a resource. TSR has recently announced results from the first 5 holes of this programme (OK-DD-16 to OK-DD-20) with results (recalculated by Stratex using a 0.2 g/t Au cut-off) of up to: 20.17 m @ 1.16 g/t Au (from 4.23 m in hole OK-DD-17); 11.83 m @ 0.82 g/t Au (from 67.17 m in hole OK-DD-19); and 16.80 m @ 1.47 g/t Au (from 94.30 m in hole OK-DD-20).

The Board has agreed to invest an additional US\$200,000 to support completion of the current programme and will await full results of this programme before making a decision on whether to support further exploration.

At Assaleyta, also in Djibouti, TSR completed an initial 5-hole drilling programme in 2016 across 3 key zones. Following up on good outcrop sample results, further drilling is required to define the extent and mineral potential of the system.

- The Blackrock gold project in **Ethiopia**, is located in the northern AFAR region of the Rift Valley. TSR's main focus has been on reviewing current concessions and seeking an extension of the licenses from the Ethiopian Ministry of Mines while an extensive evaluation of the economic opportunity is undertaken.
- TSR's interest in **Egypt** is the Hodine concession within the Arabian Nubian Shield, which includes the Hutite project and the Anbat-Shakoosh project. Hutite has a non-JORC compliant gold resource of 520,000oz. TSR is focused on advancing the Anbat project, where it has recently announced a maiden Mineral Resource Estimate of 209,000oz at 1.11 g/t Au¹ within porphyry sills (Announcements dated 6 and 13 December 2017). Porphyry-hosted mineralisation is generally well-constrained by flat-lying porphyry units but the geometry of these sills is yet to be fully resolved and will need to be addressed before any future resource estimation is undertaken.

Potential upside has also been highlighted within the granodiorite, where an Exploration Target of 100-800Kt @ 0.7-1.5 g/t Au² has been disclosed. More drilling is required to ascertain whether there is any potential for a larger open-pit resource incorporating that hosted by the porphyry units. TSR is currently reviewing its exploration programme at Anbat and other projects within TSR's Egypt portfolio.

Tembo Gold (Tanzania):

- The Tembo gold project is located adjacent to Acacia Mining's 20 million oz Bulyanhulu mine, within the Lake Victoria Goldfields of Tanzania. Stratex holds a 11.6% interest in TSX(V) quoted company Tembo Gold Corp.
- The company has delivered strong drilling results in the past but since the withdrawal of a major investor in 2014 the project has been placed on a care and maintenance basis. The company's management has recently reviewed the situation and announced the future strategy, which is summarised below.
- The company's goal is to discover and delineate a large deposit. To achieve this and to ensure that the licence tenure is secured, a strategy of small-medium production development is proposed. As a first step towards achieving this end, the company will shortly undertake a resource modelling exercise on the drilling done to date. Once this is completed, and assuming there is a positive outcome, this model will be used to develop the necessary further studies to justify a production decision. In parallel with this Tembo is engaging with potential investors with an interest in small-medium scale, low capital cost and low operating cost mine development. If production is successfully achieved it is planned that excess free cash flow generated will be used to further the exploration.

¹ Reported for blocks >0.5 g/t Au within a conceptual pit optimisation scenario using a gold price of \$1,500/oz.

² Potential quantity and grade is conceptual in nature and is not a mineral resource.

Muratdere (Turkey):

- Located west of Ankara, Muratdere is a substantial copper-gold porphyry system with significant silver, molybdenum and rhenium credits. The project has a JORC-compliant resource of 186,000 tonnes Cu, 204,296oz Au, 3.9 million oz Ag, 6,390 tonnes Mo and 17,594kg Re.
- Turkish partner Lodos has earned into a majority interest in the project following completion of a feasibility study in May 2015 that demonstrated an NPV (7.6%) of US\$35.9 million. As at 31 December 2017, Stratex held a 14.87% interest. If this interest falls below 10%, Lodos has the option to convert Stratex's shareholding into a 1.2% (post Turkish tax) net smelter returns royalty on future production.
- Stratex continued to re-consider its options during 2017. The Stratex Board has confirmed that it is not changing its previous position and there are no plans to inject further funds into Muratdere. Consequently, and as expected, the Company anticipates being diluted to below 10% within the near future.

Aforo Resources (Burkina Faso):

- In 2014, Stratex entered into an agreement with Aforo Resources Limited for the exploration of the Sinoe Gold Project in Liberia. The Company exited the project in 2015 and the license has been allowed to lapse. Stratex retains a 7.8% interest in Aforo.
- Aforo has recently advised the Company that it has signed JV/Option agreements for two prospective gold projects in Burkina Faso, one of which, the Niare project ('Niare'), has a historical non-JORC resource of 98,000 oz at 1.36 g/t Au (calculated using a 0.5 g/t Au cut-off). Aforo deems there to be the potential for a significant deposit at Niare and is currently seeking to obtain historical data to confirm the existing resource estimate and to identify next steps needed to possibly expand on this resource. The second project, Sao, is largely unexplored but is located within the highly prospective Houndé Greenstone Belt in the western part of the country, which hosts a number of multi-million ounce gold deposits and producing mines, including Semafo's 5.75 Moz Mana Mine producing 240,000 oz per annum.
- Aforo is reviewing further acquisition opportunities in Burkina Faso to consolidate its position in the country.

Other Turkish projects:

• **Karaağaç Gold project:**

This project is located 300 km west-south-west of Ankara. Mineralisation is hosted by an outcropping thrust zone and altered limestone and has an inferred non-JORC resource of 156,798 oz Au. The licence was transferred to Anadolu Export Maden Sanayi ve Ticaret Limited Şirketi ("Anadolu") in 2015 under an agreement in which Anadolu is required to pay Stratex US\$500,000 on delivery of a JORC compliant Indicated Mineral Resource Estimate of 50,000 ounces gold. Stratex also retains a 1.5% net smelter royalty on future production. The first stage of permitting was granted to Anadolu on 27 November 2017 and Anadolu expects infill drilling to commence in Q1 or Q2-2018, depending on weather conditions. The Stratex team in Turkey is assisting Anadolu.

• **Hasançelebi and Doğala projects:**

Hasançelebi is a high-sulphidation epithermal gold-silver project located 500 km SE of Ankara. Doğala is located approximately 225 km to the west of Hasançelebi, and is a grass roots exploration project, prospective for high-sulphidation gold mineralisation.

Stratex has recently announced the signing of an agreement with TET Madencilik Ltd. Şti. ("TET") for the further exploration of the two licence areas. Stratex has agreed to transfer the licences to TET and under the terms of the Agreement, TET shall immediately pay Stratex US\$50,000 and if a minimum JORC-compliant Indicated or Measured gold resource of 100,000 oz, (with a 0.3 g/t cut off) is defined within the oxide and transition zones, TET is required to pay Stratex US\$500,000. Stratex will also receive a 1.5% NSR royalty on any future precious metals production at the licences, and a 5% NSR on any future production of other metals or industrial raw minerals.

More detail of the above projects can be found on the Company's website: www.Stratexinternational.com

Review of the year

Altintepe

The sale of the Company's 45% interest in Altintepe Madencilik Sanayi ve Ticaret AS, owner of the operating gold mine at Altintepe, northern Turkey, to our 55% partner was completed in April 2017 and the proceeds of US\$8 million net of costs and taxes was duly received.

Goldstone

Following dilution of Stratex's shareholding in Goldstone Resources Limited the Company's ownership dropped below what the Directors considered meaningful with regard to the ability to influence Goldstone's strategy and direction. The Company's 13.7% interest was sold in October 2017 for £547k.

Thani Stratex Resources

The Company has maintained its interest in Thani Stratex Resources Ltd, currently at 30.1%, by investing a further US\$590k during the year under review, with a further US\$200k to be invested before end Q1 2018, whereupon the Company's holding will increase to 30.4%.

Karaağaç

At the Company's former Karaağaç gold project in Turkey, the current owner, Anadolu Export Maden Sanayi ve Ticaret Limited Şirketi ("Anadolu"), is working towards resource definition having received first-stage permitting in November 2017.

Aforo

Aforo Resources Ltd ("Aforo"), in which the Company has an 7.84% interest, has announced the signing of JV/Option agreements for two gold projects in Burkina Faso. One of the projects, Niare, has a non-JORC gold resource of 98,000 oz at 1.36 g/t Au;

Corporate

The Company announced its intention during 2017 to acquire the ASX listed explorer Crusader Resources Limited ("Crusader"). The proposed acquisition was close to finalisation when it was terminated following a requisitioned shareholder meeting and the Company incurred £1.6m of legal and advisory costs as a result.

As a result of the above shareholder action the Company also replaced its CEO, Marcus Engelbrecht. Dr Bob Foster was re-engaged as CEO on an interim basis and was replaced by Tim Livesey on 1 March 2018. Bob has stepped down from the board on Tim's appointment but will continue to support the Company on a consultancy basis as required.

Chairman's statement

The year under review has been a challenging year for Stratex. It commenced with considerable optimism under a new Chief Executive with plans to transform the Company and move further up the exploration, development and production curve. Several flagship projects, which would have advanced this policy, were considered during the year but for a number of reasons, none of these projects came to fruition.

The Company's strategy continues to be to develop its existing exploration projects and to identify acquisition opportunities that complement our existing portfolio of projects.

Strategic Vision

In 2014, the Company stated its intention to acquire one or more advanced assets to complement its early-stage portfolio. One potential opportunity was the proposed acquisition of Crusader in mid-2017. This particular proposal was rejected by the shareholders during the latter half of 2017. Unfortunately, the acquisition was close to finalisation when abandoned and resulted in the Company incurring £1.6m of legal and advisory costs.

The Board still considers the acquisition of more advanced assets as a valuable way of growing its portfolio quickly, as opposed to acquiring only very early-stage opportunities, where the risk of exploration success is often higher and the time period from discovery to resource is longer. However, the Company acknowledges that its shareholders deemed the proposed Crusader acquisition terms too dilutive and that any future project or corporate level transaction would need to reflect this. Furthermore, following consultation with a number of our shareholders, the Board notes their preference for the Company to maintain its current geographical focus in Africa and Europe.

Also as a result of the shareholder action and the termination of the transaction with Crusader, the Company's then Chief Executive, Marcus Engelbrecht, left the Company. Subsequently the Company approached Dr Bob Foster, the Company's former Chief Executive, to re-join the Board as interim Chief Executive and to carry out a strategic review of the Company's assets, while the Company undertook a search for a permanent Chief Executive. This review has now been completed and the results were announced on 1 February 2018 and are summarised in this Chairman's Statement. Furthermore, the Company also announced on 1 February 2018 that it had identified and would be appointing Tim Livesey as our new Chief Executive with effect from 1 March 2018.

Our intent is to re-build shareholder and market confidence in the Company and to maximise shareholder value through continuing development of a focused portfolio of exploration and development projects while managing the significant risks faced by exploration companies. We continue to seek acquisition opportunities of advanced exploration assets, that could provide a flagship for the Company, whilst actively assessing value-accretive opportunities within our existing portfolio.

Operations

Altintepe

Our joint venture at Altintepe in Turkey proved difficult to advance satisfactorily from our minority position, particularly in the light of the changing political climate in Turkey. During the year, we entered into discussions with our local joint venture partner, Bahar Madencilik, which in April 2017 culminated in the sale of our 45% interest in the project for an aggregate cash receipt of US\$8 million net of all taxes and expenses.

Muratdere

At the Muratdere gold project in Turkey, Stratex's joint-venture partner, Lodos Maden Yatırım Sanayii ve Ticaret A.Ş. ("Lodos"), is committed to ongoing expenditure, with a focus on developing the Environmental Impact Assessment programme. As noted in Stratex's announcement on 21 December 2017, Stratex continued to reconsider its options during 2017 – in light of an improving copper price – but ultimately the Stratex Board has confirmed that it will not be committing further funds to this project, instead focusing its efforts and finances on finding a flagship project where it has management and/or shareholder control (Announcement dated 1 February 2018). Consequently, the Company anticipates being diluted to below 10% during H1 2018, which will trigger dilution to a 1.2% (post Turkish tax) royalty.

Hasançelebi and Doğala

At two of the Company's gold projects in Turkey, Hasançelebi and Doğala, the Company has signed an exploration agreement with a local private company in Turkey, TET Madencilik Ltd Sti. ("TET"). Whilst these projects are viewed by the Board as non-core to Stratex's portfolio due to their limited potential, the drilling to date at Hasançelebi, through a former joint venture with Teck, has demonstrated the possibility for low-grade, high-tonnage gold mineralisation. The agreement with TET allows us to share in any upside potential that might be realised from the projects, through a success-based payment (at Hasançelebi-only) and net smelter return ("NSR") royalties on future production. Stratex will manage the exploration programme but its operational overheads in Turkey will be significantly reduced, through the transfer of licencing and project-related staffing costs to TET.

Goldstone Resources Limited

During the year under review, the Company's shareholding interest in Goldstone was reduced to 23%. This percentage was further reduced following an institutional placing, which Stratex was unable to support. As a result, the Company's ownership dropped below 14% and below a level that was considered meaningful with regard to the ability to influence Goldstone's technical programme and strategic direction. Consequently, the Company's interest in Goldstone was sold to institutional investors for a total cash consideration of £0.55 million.

In conjunction with this sale, Ms Emma Priestley resigned as a Non-Executive Director of the Company, due to her full-time commitments as Chief Executive Officer of Goldstone.

Goldstone's results are classified as discontinued operations in the financial statements.

Thani Stratex Resources Limited

At the end of 2017, the Company reviewed the gold assets of TSR in which Stratex owns a 30.1% interest (which will rise to 30.4% later in Q1 2018). This review was undertaken as part of a wider assessment of the Group's portfolio and the findings are summarised below (as reported in the announcement dated 1 February 2018).

Djibouti

At the Company's former Pandora epithermal gold project in Djibouti, TSR (50%-owner) are undertaking Phase 2 drilling for a planned 3,000 metres. The aim of this drilling is to test the depth-extension of previously drilled mineralisation and identify potential higher-grade ore shoots within the system that is believed could lead to the definition of a resource.

Stratex has agreed to support completion of the current programme for an additional US\$200,000, alongside further funding of US\$300,000 by Thani Emirates Resources Holdings to be invested as equity in TSR. Stratex will await full results of this programme before making a decision on whether to support further exploration.

At Assaleyta, also in Djibouti, TSR (50%-owner) completed an initial 5-hole drilling programme in 2016 across 3 key zones. Following up on good outcrop sample results, further drilling is required to define the extent and mineral potential of the system.

TSR has highlighted its intention to spin-off its Djibouti portfolio as a separate entity, seeking exposure to public markets. We await further details on their plans in this regard.

Egypt

In Egypt, TSR (100%-owner) is focused on advancing the Anbat project, where, in December 2017 it announced a maiden Mineral Resource Estimate of 209,000 oz at 1.11 g/t Au¹ within porphyry sills (Announcements dated 6 and 13 December 2017). The geometry of these sills is yet to be fully resolved and will need to be addressed before any future resource estimation is undertaken.

Potential upside has also been highlighted within the granodiorite, where an Exploration Target has been disclosed. More drilling is required to ascertain whether there is any potential for a larger open-pit resource. TSR is currently reviewing its exploration programme at Anbat and other projects within TSR's Egypt portfolio.

Dalafin

The review of the Dalafin project in Senegal ("Dalafin"), where Stratex holds 85% equity in the JV company that owns Dalafin, is now complete. The Company believes that there is still upside at the project but we have announced that we are not prepared to commit further funding.

On 1 March 2018 we announced the signing of a option earn-in agreement with a subsidiary of IAMGOLD Corporation.

Aforo Resources Limited

During the year Aforo, in which Stratex has a 7.84% interest, completed a placement with Indo Gold Limited for US\$20,000, and sold its projects in Cote d'Ivoire for a further US\$225,000. It has also signed JV/Option agreements for two prospective gold projects in Burkina Faso, one of which, the Niare project, has a non-JORC Mineral Resource Estimate of 98,000 oz at 1.36 g/t Au² (calculated using a 0.5 g/t Au cut-off).

Incoming Chief Executive

I am very pleased to report the upcoming appointment of Tim Livesey as our new Chief Executive with effect from 1 March 2018. Tim has 28 years' experience in gold and base metals, with a distinct focus on Africa, Europe and Asia. He has worked at all stages of exploration, development and mining, and has a strong track record of delivery, both at the technical and commercial level within previous positions. Tim is well known to the technical team at the Company.

Dr Bob Foster will stand down from the Board as interim Chief Executive on 1 March 2018. Bob will continue to support the Company as required as a consultant and provide continuity on the strategic review he has conducted with the Stratex team in the last few months.

Outlook

Looking forward, there is much to do. Under its new Chief Executive, the Board will have the objective of re-establishing Stratex's profile as a successful exploration and development company focusing on gold and high-value base metals and of re-enforcing the Group's stated strategy of maximising shareholder value. We will do this by realising value-accretive opportunities in our current portfolio of exploration and development projects in Turkey and Africa, either by means of further investment, focused exploration programmes or through seeking joint venture partnerships and by securing a more advanced exploration asset(s), via an earn-in, direct purchase or corporate acquisition, that could provide a flagship for the Company. As previously reported, the Company has identified and shortlisted several priority targets that could offer the potential for significant value uplift, and has initiated discussions with a number of asset owners.

On behalf of Stratex's executive and management team, I would like to express our appreciation and thanks to all of our employees for their efforts and hard work during the past year.



Peter Addison
Non-Executive Chairman
16 March 2018

Strategic report

Stratex International PLC

Company number: 05601091

Registered office: 180 Piccadilly, London, W1J 9HF, UK

The Directors present their strategic report on the Group for the year ended 31 December 2017.

Strategic management

Principal Activities:

The principal activity of the Group is the exploration for, and development of gold and other high-value base metals.

Strategic approach:

The Board's strategic intent is to maximise shareholder value through the continuing development of a focused portfolio of exploration and development projects, while at the same time managing the significant risks faced by exploration companies. Information on specific projects is provided on pages 3 to 5.

Our risk management approach places a clear focus on discovering and developing mineral deposits across multiple jurisdictions, thus mitigating sovereign, technical and operational risks. We are actively seeking acquisition opportunities on advanced exploration projects where we can rapidly add value.

The Group finances its activities through the monetisation of more advanced projects and through periodic capital raisings.

Organisation overview:

In September 2017 the Company received notification from a group of shareholders requesting the Company to convene a General Meeting to replace the Chairman and CEO and to terminate the proposed acquisition of Crusader Resources Limited. The Board considered the resolutions to be without foundation or merit and not in the best interests of the Company. It recommended that the shareholders vote against the resolutions. The meeting was held on 1 November 2017. The resolutions to remove Marcus Engelbrecht as CEO and to terminate the Crusader acquisition were carried; the other three resolutions failed to be carried. Marcus Engelbrecht left the Board immediately and notice was given to terminate the acquisition.

The former CEO of the Company Dr Bob Foster was invited to re-join the Company as interim CEO, pending the appointment of a more permanent person. This was accepted and he formerly joined the Board on 27 November 2017.

Following a search for a new CEO, Tim Livesey was invited to join the Company and commenced the engagement on 1 March 2018. Tim has worked at all stages of exploration, development and mining, and has a strong track record of delivery, both at the technical

and commercial levels within previous positions. Some of his more notable roles to date include exploration manager (Eurasia), Barrick Gold Corp., project director and later CEO of Tethyan Copper Company Pty Ltd (a Joint Venture between Antofagasta Minerals and Barrick Gold Corp, owner of the Reko Diq project in Pakistan), and more recently as COO of TSX.V-listed Reservoir Minerals Inc., which was sold in June 2016 to TSX-listed Nevsun Resources Ltd for US\$365 million.

Dr Bob Foster will continue to support the Company over the coming months on a consultancy basis.

The Board of Directors

The Board is responsible for providing strategic direction for the Group, setting objectives and management policies and agreement on performance criteria. The Board monitors compliance with objectives and policies of the Group through monthly performance reporting, budget updates and monthly operation reviews.

Emma Priestley resigned as a Non-Executive Director on 17 October due to her full-time commitment as CEO of Goldstone Resources Limited. Emma has not been replaced.

The current composition of the Board is two Executive Directors and two Non-Executive Directors. The Board believes the composition of the Board provides an appropriate mix to conduct the Group's affairs at the present time and the new CEO will be reviewing the situation going forward.

The Audit Committee

The Audit Committee provides a formal review of the effectiveness of the internal control systems, the Group's financial reports and results announcements, and the external audit process. It comprises Peter Addison (Non-Executive Chairman) and Christopher Worcester (Independent Non-Executive Director). The external auditors and Perry Ashwood (Chief Financial Officer) attend by invitation when appropriate.

No internal control issues were identified during 2017 requiring disclosure.

The Remuneration Committee

The Remuneration Committee provides a formal and transparent review of the remuneration of the Executive Directors and senior employees and makes recommendations to the Board on individual remuneration packages. This includes the award of non-contractual performance related bonuses and share options. Remuneration packages are designed to reward, motivate, retain and recruit individuals. Bonuses are only paid in recognition of performance.

It comprises Peter Addison (Non-Executive Chairman) and Christopher Worcester (Independent Non-Executive Director). No Director took part in discussions concerning the determination of their own remuneration.

Business environment

Economic environment:

The price of gold jumped 13% higher in 2017 and finished the year at US\$1,303 per ounce. This improvement was reflected in a 24% improvement in the FTSE All-share mining index in 2017. This far in 2018, prices are higher and many are forecasting this as the beginning of a gold bull market. Inflation pressures in the USA and elsewhere, and a weakening US\$ should help to drive the gold price higher. Equally importantly, income growth is the single most important driver of gold demand and the World Gold Council's view is that strengthening major economies (outside the USA) will lead to increasing demand for the precious metal, highlighting China, India, and Germany in particular.

Reflecting this view, 2017 saw the first increase in non-ferrous exploration budgets since 2012 with gold exploration budgets increasing by about 20% YOY. However, significant new discoveries are few and far between and there is likely to be a widening gap between demand and supply over the next few years. Interestingly, more than 50% of gold discoveries over the past decade have been made by junior exploration companies – including Stratex. S&P Global Intelligence predict that market conditions will continue improving in the near term, providing increased support to a junior sector primed to continue aggressive exploration efforts into 2019 – and the Company's strategy is precisely aligned with this view.

Principal risks and uncertainties:

The Group's operations are exposed to a variety of risks many of which are outside of the Company's control.

Exploration industry risks:

Mineral exploration is speculative in nature, involves many risks and is frequently unsuccessful. Following any discovery, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish mineral reserves and to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation. Government activity, which could include non-renewal of licences, may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in the countries in which the Group operates could adversely affect the value of its interests.

These risks are mitigated as much as possible by building and maintaining a pipeline of projects at various

stages of development, by employing highly experienced and highly trained geologists, both at Board level and at the operational level, and by maintaining good relationships with the Governments of the countries in which we operate.

Political risks:

All of the Group's operations are located in a foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, terrorism, nationalisation, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

The Board only conducts operations in countries with a stable political environment and which have established acceptable mining codes. The Company adheres to all local laws and it pays heed to local customs.

Financial and liquidity risks:

The main financial risks facing the Group are the availability of adequate funding, movements in interest rates and fluctuations in foreign exchange rates.

The Group's main source of finance is the monetisation of projects supported where necessary by the issue of share capital. Tight budgetary and financial controls are maintained across the Group. The Group only deals with high-quality banks. It does not hold derivatives, does not trade in financial instruments, does not engage in hedging arrangements and does not enter into commitments for exploration expenditure.

Tight budgetary and financial controls are maintained across the Group. The use of interest-bearing deposit accounts is maximised and cash flow forecasts are constantly updated and reviewed by the Board. Cash forecasts are updated continuously.

The financial exposure of the Group, for a number of its exploration projects, is substantially reduced by partnering with third parties in exploration joint ventures.

Foreign exchange risks:

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.

The Group's exposure to foreign exchange movements is set out in Note 23 of the Accounts. Risks to exchange movements are mitigated by minimising the amount of funds held overseas. All treasury matters are handled centrally in the UK. All requests for funds from overseas

operations are reviewed and authorised by Board members. 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.

Corporate Governance

The Board has committed to the highest level of governance applicable to a Company of our size and to setting a culture that values the very highest of ethical standards in all territories in which we operate and that encourages personal and corporate integrity throughout the Group. To this end we fully support the principles set out in the UK Corporate Governance Code.

All Directors, management and staff are expected to consistently apply the highest ethical standards to their conduct to ensure that the Company's affairs and reputation are at all times maintained at the uppermost level. It does not tolerate any corrupt practices.

The Board has established a Code of Conduct incorporating the guidelines of the Bribery Act 2010 and compliance officers have been appointed with clearly defined roles of responsibility. Personnel are encouraged to be vigilant at all times and report any suspicions they may have. Implementation of the Code is monitored and contraventions are reported to the Board.

The Company has well established policies on health and safety and these are set out in the Company's Health and Safety Booklet, which is made available to all employees on joining the Group. Our philosophy is that safety must be considered in every task performed and every decision made.

We are committed to the development of our employees and we aim to provide an environment which will attract, retain and motivate people, to ensure they can maximise their potential and share in the Group's successes.

The Directors recognise the importance of building good relations with local communities situated close to the Group's operations and the Company readily contributes, where appropriate, to the development of the local infrastructure and to supporting community needs. The Employees' Handbook sets out the boundaries of acceptable business practice and the manner in which the activities of the Group are to be conducted.

We are totally committed to minimising any adverse impact of our activities on the natural environment and, as a minimum standard, to comply with any relevant legislation within the territories in which we operate. The Group adheres totally to all local environmental regulations.

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements, regular updates on the Company website and via its news subscription service, which is open to anyone. The Company readily responds to enquires from shareholders and the public, and Board members regularly present at the Proactive Investors Forum and Mines and Money events. The Board views the Annual General Meeting as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

Business performance

2017 Operations:

As previously announced, due to operational differences with our partners, coupled with the changing political climate in Turkey, the Board decided to dispose of its 45% interest in the **Altintepe** gold mine in Turkey and on 24 April 2017 it signed an agreement with our Turkish partners to sell it the interest for US\$8 million, net of taxes and costs. The sale process was completed and the funds duly received.

Following a series of fundraisings during the year by **Goldstone Resources Limited**, in which Stratex did not participate, the Company's shareholding interest was diluted from 33.45% to 13.7%. Stratex's Directors believed that at this level Goldstone had dropped below what is considered meaningful with regard to the ability to influence Goldstone's strategy and direction. The Company sold its stake on the 17 October, for a cash sum of £547k.

Stratex invested a further US\$590k (£451,355) in **Thani Stratex Resources Ltd** ("TSR") during the year to maintain its 30% shareholder interest. Drilling continued in the Anbat-Shakoosh licence area in Egypt and independent consultants confirmed an inferred resource of 5.9 million tonnes at a grade of 1.11 g/t for a total of 208,000oz gold¹. At the Pandora project in Djibouti, in which TSR has a 50% shareholding interest, two drill programmes were undertaken in 2017 with a total 3,448 meters drilled. The aim of this drilling was to test the depth-extension of previously drilled mineralisation and identify potential higher-grade ore shoots within the system that is believed could lead to the definition of a resource. Early results are encouraging. In Ethiopia, license renewal applications have been submitted for two licenses at Blackrock and Cussra. As at the date of these Financial Statement, the licenses have not been renewed.

¹ Reported for blocks >0.5 g/t Au within a conceptual pit optimisation scenario using a gold price of \$1,500/03.

The review of the **Dalafin** project in Senegal, where Stratex holds 85% equity in the joint-venture company that owns Dalafin, is now complete. The Company believes that there is still upside at the project but it is not prepared to commit further funding at this time. On 1 March 2018 the Company announced that it had signed an option earn-in agreement with a subsidiary of IAMGOLD under which IAMGOLD could earn into 51% of the Dalafin project by spending US\$4m over four years and could then increase this to 70% by spending a further US\$4m over a subsequent two years.

At the Company's former **Karaağaç** gold project in Turkey, Anadolu Export Maden Sanayi ve Ticaret Limited Şirketi ("Anadolu") is working towards resource definition. Anadolu is required to pay Stratex a one-off cash payment of US\$500,000 on delivery of a minimum JORC 2012-compliant Mineral Resource Estimate of 50,000 ounces gold. Stratex also retains a 1.5% Net Smelter Returns royalty on any future mineral production. The time period for completion of this investment and resource definition was originally 2 February 2017 but delays in permitting have extended this timeframe. The first stage of permitting – to allow hydrogeological boreholes and road access – was granted to Anadolu on 27 November 2017 and Anadolu expects infill drilling to commence in Q1 or Q2-2018, depending on weather conditions. The Stratex team in Turkey is assisting with the exploration.

In February 2016 the Board took the decision not to contribute its pro rata share of financing in the **Muratdere** copper-gold project in western Turkey based on our valuation of the project at that time. Stratex continued to re-consider its options during 2017 in light of the currently stronger outlook for copper but in December 2017 the Board notified the joint-venture partner, Lodos Maden Yatırım Sanayii ve Ticaret A.Ş. ("Lodos") that the Company would not be investing further in the project. Consequently, the Company anticipates being diluted to below 10% within the next 3 months, which under the terms of the joint-venture agreement will most likely trigger dilution to a royalty position of 1.2% (post Turkish tax).

Aforo has advised the Company that it has allowed the Sinoe licence in Liberia to lapse and that it has recently sold its project in Cote d'Ivoire for gross proceeds of US\$225,000. It has also signed JV/Option agreements for two prospective gold projects in Burkina Faso, one of which, the Niare project ('Niare'), has a historical non-JORC resource of 98,000 oz at 1.36 g/t Au (calculated using a 0.5 g/t Au cut-off). Following a field visit in August 2017, Aforo deems there to be the potential for a significant deposit at Niare and is currently seeking to obtain historical data to confirm the existing resource estimate and to identify next steps needed to possibly expand on this resource.

The second project, Sao, is largely unexplored but is located within the highly prospective Houndé Greenstone Belt in the western part of the country, which hosts a number of multi-million ounce gold deposits and producing mines, including Semafo's 5.75 Moz Mana Mine producing 240,000 oz per annum.

Aforo is reviewing further acquisition opportunities in Burkina Faso to consolidate its position in the country.

Financial Review:

The Group's loss after tax for the year was £5,402,433, which compares with a loss in 2016 of £2,662,253.

The current year's loss includes a profit of £2.9m from the sale of the Altintepe mine. This was additional to a profit of £1.5m, which was recognised in the Financial Results for 2016.

This year's results were affected by a number of significant one-off costs, notably:

- The accounting treatment for Goldstone was changed during the year as a result of reduced board representation and a dilution in the Company's shareholding interest. The investment in Goldstone was subsequently sold on 17 October 2017. This resulted in a net loss of £655k, and has been treated in the Statement of consolidated comprehensive income as a loss from discontinued operation.
- Legal and advisory costs of £1.6m related to the aborted acquisition of Crusader, which was close to finalisation;
- Write-off of £1.3m receivable from Energy and Mining Corporation ("EMC"), our partner on the Dalafin project in Senegal. The Company will continue to seek repayment from EMC, but the Directors believe that it is prudent to write-off the amount due;
- The Company has been required by the Turkish tax authorities to pay back-taxes plus interest amounting to £796k in respect of a former joint venture in Turkey, which the Company exited from in 2013. Unfortunately, our partner in the venture defaulted on payment of the tax and we are actively seeking repayment from the person concerned;
- HMRC have ruled that the Group's funding of its overseas exploration activities is not an economic activity for VAT purposes and have demanded a refund of the VAT reclaimed in the UK during the past 4 years. This presently amounts to £557k and has been provided for in this year's accounts. The Directors strongly disagree with this decision of HMRC and have lodged an appeal. The hearing by the Lower Tribunal is expected to take place this summer;

- The Company's investment in the Muratdere copper/gold project amounting to £439k has been fully written-off following the decision not to provide further funding for the project, resulting in the Company's interest possibly reverting to a royalty basis.

The Group ended the year with a cash balance of £2.0m, an increase in the year of £0.4m. The sale of Altintepe and Goldstone generated £6.6m in total. The aborted acquisition of Crusader Resources Limited and the JV tax payment mentioned above used a total of £2.4m. Loans totalling £0.9m were granted to Crusader in accordance with the Heads of Agreement. These loans are subject to a 12% interest coupon and are due for repayment in May 2018. A further £0.5m was invested in Thani Stratex Resources to maintain our c.30% interest.

Future developments

The Company continues to progress its strategic vision of seeking to acquire advanced exploration or near-production mining projects and is currently advancing a number of discussions with companies and asset owners over prospective projects which would be complementary to Stratex's strategic goals.

Key performance indicators

The Board monitors the following KPI's on a regular basis:

Finance related:

- Share price versus its peer group
- Funding and cash flow forecasts
- Overheads as a percentage of total expenditure

Project related:

- Metres drilled
- Acquisition of new licence areas
- Exploration expenditure by project.

Events after the Reporting Period

On 15 February Stratex signed an agreement with TET Madencilik Ltd. Şti. ("TET") for the further development of the licence areas at Hasaңcelebi and Dođala. Under the terms of the Agreement, TET shall immediately pay Stratex US\$50,000 and if a minimum JORC-compliant Indicated or Measured gold resource of 100,000 oz, (with a 0.3 g/t cut off) is defined within the oxide and transition zones, TET is required to pay a further US\$500,000. Stratex will also receive a 1.5% NSR royalty on any future precious metals production at the licences, and a 5% NSR on any future production of other metals or industrial raw minerals.

On 21 February Stratex invested a further US\$120,000 in Thani Stratex Resources Limited and has committed to providing an additional US\$80,000 on 20 March 2018. Stratex's shareholder interest remains at c.30% following both subscriptions.

On 1 March 2018 Stratex announced an agreement with AGEM Senegal Exploration SUARL a wholly-owned subsidiary of IAMGOLD Corporation for the grant of an option to acquire a 51% interest in the Dalafin property by incurring US\$4m on exploration of the project over a 4-year period, and thereafter to increase their interest to 70% by incurring an additional US\$4m over a further 24 months. If AGEM default on the terms or decide not to proceed with the earn-in, the Dalafin project remains with Stratex.

This Strategic Report was approved by the Board of Directors on 16 March 2018.



P C Ashwood
Company Secretary

16 March 2018

Directors' report

Stratex International PLC

Company number: 05601091

The Directors present their report, together with the Financial Statements and auditor's report, for the year ended 31 December 2017.

General Information

Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Group Strategic Report and includes: principal activities, future developments, principal risks and uncertainties and events after the end of the reporting period.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS's) 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 of the Company and Group as at the end of the financial year and of the profit and loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Financial Statements comply with IFRS's as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements;

- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

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 the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the Financial Statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

Directors and their interests

The current Directors are listed on page 2.

Emma Priestley resigned as Director on 17 October 2017. Marcus Engelbrecht resigned as Director on 6 November 2017 and Dr Bob Foster was appointed to the Board on 7 November 2017. With these exceptions all Directors have been Directors of the Company for the full year.

In compliance with the Company's Articles of Association, Chris Worcester will retire by rotation and Tim Livesey, having been appointed since the last AGM, will retire and, being eligible, both offer themselves for re-election.

The beneficial interests of the Directors in the issued share capital and share options of the Company are as follows:

	As at 31 December 2017		As at 31 December 2016	
	Ordinary 1p shares	Share options	Ordinary 1p shares	Share options
Peter Addison	217,857	3,500,000	217,857	3,500,000
Dr Bob Foster (appointed 7 November 2017)	7,719,404	5,003,577	–	–
Perry Ashwood	1,744,485	5,223,567	1,744,485	5,223,567
Chris Worcester	–	1,500,000	–	1,500,000
Marcus Engelbrecht (resigned 6 November 2017)	–	–	–	6,000,000
Emma Priestley (resigned 17 October 2017)	–	–	–	2,000,000
Total	9,681,746	15,227,144	1,962,342	18,223,567

Tim Livesey was appointed Chief Executive Officer on 1 March 2018 and was granted 6,000,000 options.

The remuneration paid to Directors was:

2017	Short term benefits					Share based payments £	Total £
	Salary £	Bonus £	Severance pay £	Pension £	Taxable benefits £		
Peter Addison	39,000	9,750	–	–	–	3,370	52,120
Dr Bob Foster (appointed 7 November 2017)	22,885	–	–	–	–	1,237	24,122
Perry Ashwood	128,312	32,078	–	–	3,529	3,880	167,799
Chris Worcester	31,000	7,250	–	382	–	7,637	46,269
Marcus Engelbrecht (resigned 6 November 2017)	169,744	50,000	100,000	3,197	–	48,084	371,025
Emma Priestley (resigned 17 October 2017)	21,496	6,750	–	282	–	3,321	31,849
Total	412,437	105,828	100,000	3,861	3,529	67,529	693,184

2016	Short term benefits					Share based payments £	Total £
	Salary £	Fees £	Severance pay £	Taxable benefits £			
Peter Addison	29,062	2,081	–	–	–	1,017	32,160
Marcus Engelbrecht (appointed 1 September 2016)	66,667	–	–	–	–	11,234	77,901
Perry Ashwood	128,312	–	–	3,841	–	1,017	133,170
Emma Priestley	67,000	–	–	–	–	1,017	68,017
Chris Worcester	22,583	–	–	–	–	3,052	25,635
Christopher Hall (resigned 31 December 2016)	10,000	65,000	18,750	–	–	1,017	94,767
Dr Bob Foster (resigned 31 August 2016)	174,739	–	75,790	1,887	–	–	252,416
Total	498,363	67,081	94,540	5,728	18,354	684,066	

Substantial shareholdings

As at 16 March 2018, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

Shareholder	Number of shares	% of issued share capital
Preston Road Limited	53,710,219	11.5
P Gyllenhammar	41,269,198	8.8
Blackrock Investment Management	37,150,904	8.0
Teck Resources Limited	35,727,487	7.7
Orion Trust	26,469,925	5.7

Provision of information to Auditor

The Directors who held office at the date of this report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

Approved by the Board and signed on its behalf.



P C Ashwood
Company Secretary



Stratex
International PLC

Independent auditor's report to the members of Stratex International Plc

Opinion

We have audited the financial statements of Stratex International plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Statement of Consolidated Comprehensive Income, the Statement of Consolidated and Parent Company Financial Position, the Statement of Consolidated and Parent Company Changes in Equity, the Statement of Consolidated and Parent Company Cash Flows and the notes to the financial statements, including a summary of significant 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 and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group and Parent 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.

Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements which identifies conditions that may cast significant doubt on the Group's ability to continue as a going concern. The Group incurred a net loss of £5,402,433 and incurred operating cash outflow of £2,592,649 and is not expected to generate any revenue or positive cashflows from operations in the 12 months from the date at which these financial statements were signed.

The financial statements have been prepared on the going concern basis. The receipt of outstanding loan amounts of A\$1.5million are dependent on a debtor raising funds on the open market. The ability of the Group to meet its expenditure requirement is dependent on the receipt of these funds.

As stated in note 1 and note 4, these events or conditions along with other matters set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and Company to continue as a going concern.

Our opinion is not modified in this respect.

Our application of materiality

Group materiality 2017	Group materiality 2016	Basis for materiality
£250k	£300k	Average of 10% of normalised loss before tax and 2% of gross assets

Our calculation of materiality decreased from 2016 along with the decrease in the Group's gross assets. We consider loss before tax and gross assets to be the most significant determinant of the Group's financial position and performance used by shareholders. The pre-tax profits have been normalised in determining materiality to exclude items which, due to their nature and/or expected infrequency of the underlying events, are not considered indicative of continuing operations of the group and so do not form part of the group's internally or externally monitored primary KPIs, and which if included, would distort materiality year-on-year.

Whilst materiality for the financial statements as a whole was £250k, each significant component of the Group was audited to a level of materiality ranging between £35k – £250k. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £12.5k (2016: £15k). There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material.

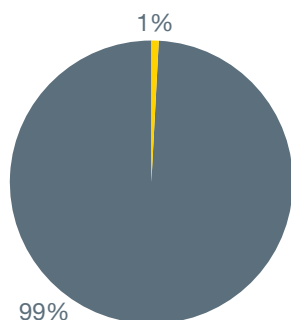
An overview of the scope of our audit

Our Group audit scope focused on the principal areas of operation being:

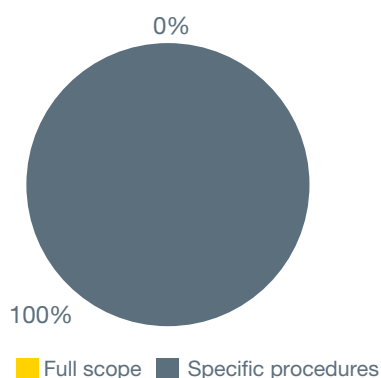
- West Africa – the Dalafin gold project (Senegal) and the Homase-Akrokerrri gold project (Ghana) the latter of which was disposed during the year;
- East Africa through its investment in the associate, Thani Stratex Resources Limited, the Hodine concession (Egypt), the Blackrock and Cussra projects (Ethiopia) and the Pandora and Assaleyta projects (Djibouti); and
- Turkey the Karaagac gold project and the Altintepe gold project, the latter of which was disposed during the year.

Together with the Parent Company and its group consolidation, which was also subject to a full scope audit, these represent the significant components of the group. Set out below is the extent to which the gross assets and loss before tax were subject to full scope audit versus review procedures.

Coverage of PBT



Coverage of Gross assets



The audits of each of these components were principally performed in London, conducted by PKF Littlejohn LLP using a team with specific experience of auditing mining exploration entities and publicly listed entities. The Turkish component was audited by a component auditor and the group audit team reviewed and challenged their findings.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including those which 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.

Accounting for the changes to group structure

Several changes to the Group structure occurred during the year. These were:

- Sale of the Group's 45% interest in the Altintepe Gold mine in Turkey for an aggregate cash receipt of US\$8million;
- An initial reduction in the Group's interest in Goldstone Resources Limited to an associate and then investment followed by a complete disposal for a cash consideration of £0.55million; and
- Various movements in the Group's interest in its associate, Thani Stratex Resources Limited which has resulted in a net reduction in shareholding from 30.4% to 30.1%.

The above changes represent complex accounting treatments with specific disclosure and there is a risk that the changes in the Group structure have been incorrectly calculated and disclosed.

How the scope of our audit responded to the key audit matter

We have performed the following work in order to address the identified risk:

- Agreed each change in Group structure to the relevant agreements;
- Obtained and reviewed for accuracy the Group's internal calculations for each change in Group structure and any resulting profit or loss on disposal;
- Reviewed the assumptions made by management where fair valuation of the investments was required;
- Challenged management in respect of the basis for accounting for each entity as either a subsidiary, associate or investment during the structure change process; and
- Considered the appropriateness of the disclosures made.

Based on the audit work performed we do not consider that the changes in Group structure to be materially misstated.

Carrying value of intangible assets

The Group holds exploration and evaluation assets of £6.5m which relate solely to the Dalafin project in Senegal. The Group has not undertaken any exploration work on the project during the year.

There is a risk that these exploration and evaluation assets capitalised to intangible assets are impaired.

How the scope of our audit responded to the key audit matter

We have performed an impairment review of intangible assets which considered the areas listed as indicators of impairment under IFRS 6. Our work included the following:

- Obtaining the current exploration license to ensure that they remain valid;
- Considering the Group's future plans for the Dalafin project and that activity and expenditure thereto was planned; and
- Considering whether there was an indicator that the carrying amount of the expenditure incurred was not recoverable.

Based on the audit work performed we do not consider Intangible assets to be materially misstated.

Investments in associates and investments in subsidiaries (including in intercompany receivables)

The investment in associates of £5.5m relates solely to the Group's investment in Thani Stratex Resources Limited ("TSR"). The recoverability of the investment is reliant upon TSR's underlying exploration projects in Egypt, Djibouti and Ethiopia.

The financial statements of TSR for the year ended 31 December 2016 included a material uncertainty in relation to the ability of TSR to retain good title to their Ethiopian licenses.

Investments in subsidiaries (including intercompany receivables) total £6.2 million and represent 57.7% of the Company's total assets.

There is a risk that the carrying value of the investment in associates and subsidiaries should be impaired.

How the scope of our audit responded to the key audit matter

We have performed an impairment review of the carrying value of the Group's interest in its associate and the Company's interest in its subsidiaries. Our work included:

- Reviewing the impairment indicators listed in IFRS 6 including specific consideration regarding the renewal of TSR's Ethiopian licenses;
- Obtaining and reviewing available key external reports;
- Reviewing the audit working papers of TSR to assess impairment considerations of exploration assets made by their auditors;

- Obtaining support for ownership; and
- Discussing with management the basis for impairment or non-impairment of investment in subsidiaries and loans receivable from subsidiaries and challenged assumption made within.

Based on the audit work performed we do not consider the carrying value of the Group's investment in its associate to be materially misstated. It is however important to draw attention to the fact that at the date of this report TSR has not yet received confirmation of renewal of its Ethiopian licenses. Non-renewal of these licenses may lead to an impairment in the carrying value of the Group's interest in its associate and would increase the Group's share of the losses of its associate.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Group and Parent Company 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company financial statements, the directors are responsible for assessing the Group's and the Parent 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 Group or the Parent 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: <http://www.frc.org.uk/auditors-responsibilities>. This description forms part of our auditor's report.

Joseph Archer

Joseph Archer (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD

16 March 2018



RC drilling chip piles

Statement of consolidated comprehensive income

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 Restated £
Continuing operations			
Revenue		–	–
Administration expenses	10	(2,441,712)	(2,173,575)
Other (losses)/profits	8	(5,059,940)	1,209,838
Operating loss		(7,501,652)	(963,737)
Finance income		45,550	13,479
Share of losses of associates	16	(141,070)	(162,261)
Loss on change of ownership interest	7	(13,869)	(743,323)
Profit on sale of investment assets	9	2,883,352	–
Loss before income tax		(4,727,689)	(1,855,842)
Income tax charge	12	(20,189)	(18,078)
Loss for the year from continuing operations		(4,747,878)	(1,873,920)
Loss from discontinued operation, net of tax	18	(654,555)	(788,333)
Loss for the year		(5,402,433)	(2,662,253)
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(924,133)	3,371,047
Other comprehensive income for the year, net of tax		(924,133)	3,371,047
Total comprehensive income for the year		(6,326,566)	708,794
Total comprehensive income attributable to owners of the Parent from:			
Continuing operations		(5,183,917)	722,982
Discontinued operations		(889,908)	4,825
Total comprehensive income attributable to owners of the Parent		(6,073,825)	727,807
Loss for the year attributable to:			
Owners of the Parent Company		(5,282,122)	(2,105,671)
Non-controlling interests	28	(120,311)	(556,582)
Loss for the year		(5,402,433)	(2,662,253)
Total comprehensive income for the year attributable to:			
Owners of the Parent Company		(6,073,825)	727,807
Non-controlling interests		(252,741)	(19,013)
Total comprehensive income for the year		(6,326,566)	708,794
Earnings per share for losses from continuing and discontinued operations attributable to the owners of the Company (expressed in pence per share).			
– basic and diluted, continued operations	25	(1.01)	(0.39)
– basic and diluted, discontinued operations	25	(0.12)	(0.06)

The notes on pages 28 to 50 form part of these financial statements

Statement of consolidated financial position

Company number: 05601091

	Notes	As at 31 December 2017 £	As at 31 December 2016 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	7,474	13,874
Intangible assets	14	6,483,891	10,490,725
Investments in equity-accounted associates	16	5,524,240	5,757,578
Available-for-sale financial assets	17	580,935	2,912,829
Trade and other receivables	19	28,991	1,358,639
Deferred tax asset	20	198,003	257,380
		12,823,534	20,791,025
Current Assets			
Trade and other receivables	19	976,167	1,740,208
Cash and cash equivalents	21	2,038,970	1,688,619
		3,015,137	3,428,827
Total Assets		15,838,671	24,219,852
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	24	4,673,113	4,673,113
Share premium	24	20,426,431	20,426,431
Other reserves	27	1,683,112	2,588,762
Retained earnings		(11,852,484)	(6,757,042)
Total equity attributable to owners of the Company		14,930,172	20,931,264
Non-controlling interest	28	(16,539)	2,860,169
Total equity		14,913,633	23,791,433
LIABILITIES			
Non-Current Liabilities			
Employee termination benefits		34,650	35,710
Deferred tax liabilities	20	130	2,691
		34,780	38,401
Current Liabilities			
Trade and other payables	29	890,258	390,018
Total Liabilities		925,038	428,419
Total equity and liabilities		15,838,671	24,219,852

The notes on pages 28 to 50 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2018 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					Non-controlling interests £	Total equity £
	Share capital £	Share premium £	Other reserves (see note 27) £	Retained earnings £	Total £		
Balance at 1 January 2016	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
Transaction with Non-controlling interest	-	-	-	-	-	627,450	627,450
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
Share-based payments	-	-	72,733	-	72,733	-	72,733
Share options cancelled	-	-	(186,680)	186,680	-	-	-
Total contributions by and distributions to owners of the Company	-	-	(113,947)	186,680	72,733	-	72,733
Transactions with Non-controlling interest	-	-	-	-	-	(2,623,967)	(2,623,967)
Profit/(Loss) for the year	-	-	-	(5,282,122)	(5,282,122)	(120,311)	(5,402,433)
Other comprehensive income	-	-	(791,703)	-	(791,703)	(132,430)	(924,133)
Total comprehensive income for the year	-	-	(791,703)	(5,282,122)	(6,073,825)	(252,741)	(6,326,566)
Balance at 31 December 2017	4,673,113	20,426,431	1,683,112	(11,852,484)	14,930,172	(16,539)	14,913,633

The notes on pages 28 to 50 form part of these financial statements

Statement of consolidated cash flows

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Cash flow from operating activities:			
Net cash used in operating activities	30	(2,592,649)	(2,089,929)
Cash flow from investing activities:			
Purchase of property, plant and equipment	15	(6,603)	(2,436)
Purchase of intangible assets	14	(32,175)	(780,139)
Investment in associate company	16	(451,355)	(189,208)
Investment in available-for-sale financial assets	17	–	(25,377)
Costs related to aborted acquisition	8	(1,620,520)	–
Loan to third party	19	(906,127)	–
Tax paid on former joint venture		(796,402)	–
Proceeds from sale of available-for-sale financial assets		6,047,169	–
Proceeds from disposal of discontinued operation	18	547,287	–
Interest received		45,844	16,185
Net cash generated from/(used) in investing activities		2,827,118	(980,975)
Cash flow from financing activities:			
Funds from the issue of shares		–	627,450
Funds received from partners		115,882	–
Net cash generated from financing activities		115,882	627,450
Net increase/(decrease) in cash and cash equivalents		350,351	(2,443,454)
Cash and cash equivalents at beginning of the period		1,688,619	4,132,073
Cash and cash equivalents at end of the period	21	2,038,970	1,688,619

The notes on pages 28 to 50 form part of these financial statements

Statement of company financial position

Company number: 05601091

	Notes	As at 31 December 2017 £	As at 31 December 2016 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	2,431	213
Available-for-sale financial assets	17	227,082	227,082
Investments in equity-accounted associates	16	1,301,721	850,366
Investment in subsidiaries	13	6,177,314	17,140,454
		7,708,548	18,218,115
Current Assets			
Trade and other receivables	19	985,715	3,703,683
Cash and cash equivalents	21	2,004,149	1,528,363
		2,989,864	5,232,046
Total assets		10,698,412	23,450,161
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	24	4,673,113	4,673,113
Share premium	24	20,426,431	20,426,431
Other reserves	27	476,350	590,297
Retained earnings	34	(15,570,190)	(2,996,822)
Total equity		10,005,704	22,693,019
LIABILITIES			
Current Liabilities			
Trade and other payables	29	692,708	757,142
		692,708	757,142
Total equity and liabilities		10,698,412	23,450,161

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 £12,760,048 (2016: £516,528).

The notes on pages 28 to 50 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2018 and were signed on its behalf by:



Peter Addison
Non-Executive Chairman



Perry Ashwood
Chief Financial Officer

Statement of company changes in equity

	Attributable to owners of the Company				Total equity £
	Share capital £	Share premium £	Other Reserves (see note 27) £	Retained earnings £	
Balance at 1 January 2016	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:					
– profit for the year	–	–	–	(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
Share-based payments	–	–	72,733	–	72,733
Share options cancelled	–	–	(186,680)	186,680	–
Total contributions by and distributions to owners of the Company	–	–	(113,947)	186,680	72,733
Comprehensive income for the year:					
– loss for the year	–	–	–	(12,760,048)	(12,760,048)
Total comprehensive income for the year	–	–	–	(12,760,048)	(12,760,048)
Balance at 31 December 2017	4,673,113	20,426,431	476,350	(15,570,190)	10,005,704

The notes on pages 28 to 50 form part of these financial statements

Statement of company cash flows

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Cash flow from operating activities			
Net cash used in operating activities	30	(1,591,162)	(1,202,928)
Cash flow from investing activities:			
Purchase of property, plant and equipment	15	(5,128)	(829)
Investment in subsidiary company	13	–	(315,375)
Funding of subsidiary exploration companies		(619,097)	(659,449)
Investment in associated company	16	(451,355)	(189,208)
Proceeds from sale of available-for-sale financial asset		547,288	–
Costs related to aborted acquisition		(1,620,520)	–
Loan to third party	19	(906,127)	–
Interest received		45,551	14,366
Net cash used in investing activities		(3,009,388)	(1,150,495)
Cash flow from financing activities			
Dividend received from subsidiary		5,076,336	–
Decrease in intercompany indebtedness		–	(46,425)
Net cash generated from/(used) in financing activities		5,076,336	(46,425)
Net increase/(decrease) in cash and cash equivalents		475,786	(2,399,848)
Cash and cash equivalents at beginning of the period		1,528,363	3,928,211
Cash and cash equivalents at end of the period	21	2,004,149	1,528,363

The notes on pages 28 to 50 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 2017 the Group had cash and cash equivalents of £2,038,970 and no borrowings. The Company and the Group have minimal contractual expenditure commitments and the Board, based on the information available which includes consideration of Crusader's proposed listing, expects the loan to Crusader to be paid on or before its due date of 9 May 2018. The Board, based on the forecasts prepared and received by them, considers the present funds sufficient to maintain the working capital of the Company and Group for a period of at least 12 months from the date of signing the annual report and financial statements based on the forecasts of the Directors. 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 for the first time for the financial year beginning 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Standards	Application
IAS 12 amendment	Recognition of deferred tax assets for un-realised losses
IAS 7 amendment	Disclosure initiative for statement of cash flows
IFRS 12	Annual improvements to IFRS 2014-2016 cycle – disclosure of interests in other entities.

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

Standards/interpretations	Application
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*
IFRS 17	Insurance Contracts: Effective 1 January 2021*
IFRIC 22 – revisions	Foreign Currency Transactions and Advance Consideration: Effective 1 January 2018*
IFRIC 23- revisions	Uncertainty over tax treatments: Effective 1 January 2019*
Annual Improvements	2014 – 2016 Cycle: Effective 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 and note that the Group is not currently revenue generating and therefore minimal impact is expected upon the financial statements arising from the adoption of IFRS 15.

The Directors are also reviewing the impact of IFRS 9 upon the financial statements and do not consider that there will be a material impact on the financial 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.

When the Group ceases to consolidate a subsidiary as a result of losing control and the Group retains an interest in the subsidiary and the retained interest is an associate, the Group measures the retained interest at fair value at that date and the fair value is regarded as its cost on initial recognition. The difference between the net assets de-consolidated and the fair value of any retained interest and any proceeds from disposing of a part interest in the subsidiary 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 subsidiary had directly disposed of the related assets or liabilities.

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 or 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. Summary of significant accounting policies (continued)

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.

(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 capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained. 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 explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment

is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas. Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

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

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss.

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

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.

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. Summary of significant accounting policies (continued)

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.

- 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 on the sale of 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. Summary of significant accounting policies (continued)

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.

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 within 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 23). 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. A judgement for the Group is the assumption that exploration at the various sites will ultimately lead to a commercial mining operation and that sufficient funds are available to do so. Consideration of this also affects the carrying value of investments at a Company level. Failure to do so could lead to the write-off of the intangible asset balance of £6,483,891 (see Note 14) and investment of £6,177,314 in the Company (see Note 13).

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 £180,802 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.

Based on the information available management have prepared the financial statements on the going concern basis. This is dependent on the receipt of funds from Crusader Resources Limited, who in turn need to raise sufficient funds to settle the amount owed to the Group. Non-receipt of these funds may impact the going concern of the Group.

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.

a) 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 2017					
Intangible assets	–	–	6,483,891	–	6,483,891
Property, plant and equipment	3,935	–	1,108	2,431	7,474
Investment in associate companies	–	5,524,240	–	–	5,524,240
Cash and other assets	262,830	353,853	240,085	2,966,298	3,823,066
Liabilities	(209,159)	–	(15,829)	(700,050)	(925,038)
Inter-segment	(2,010,412)	–	(1,468,142)	3,478,554	–
Net assets	(1,952,806)	5,878,093	5,241,113	5,747,233	14,913,633
Additions to property, plant and equipment	266	–	1,209	5,128	6,603

	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

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	
	2017 £	2016 £	2017 £	2016 £
West Africa				
Dalafin	6,483,891	6,283,126	–	323,787
Homase/Akrokerrri	–	4,207,599	32,175	456,352
Total Intangible assets	6,483,891	10,490,725	32,175	780,139

b) 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 £		
2017					
Administration expenses	(422,897)	–	(297,433)	(1,716,980)	(2,437,310)
Depreciation charge	(2,472)	–	(1,230)	(700)	(4,402)
Other income/(losses)	1,959,072	(13,869)	(1,753,331)	(2,132,464)	(1,940,592)
Share of associate company profits/(losses)	–	(141,070)	–	–	(141,070)
Exchange gains/(losses)	44,502	–	(77,872)	(170,945)	(204,315)
Discontinued operation	–	–	(654,555)	–	(654,555)
Inter-segment charges	(100,594)	–	(402,436)	503,030	–
Income tax.	(20,189)	–	–	–	(20,189)
Profit/(loss) for year	1,457,422	(154,939)	(3,186,857)	(3,518,059)	(5,402,433)
2016 Restated					
Administration expenses	(171,376)	(1,793)	(332,247)	(1,649,990)	(2,155,406)
Depreciation charge	(4,655)	–	(8,084)	(5,430)	(18,169)
Other income/(losses)	2,784,431	(1,901,739)	11,486	13,480	907,658
Share of associate company losses	7	(162,268)	–	–	(162,261)
Exchange gains/(losses)	(249,426)	–	(2,280)	(175,958)	(427,664)
Discontinued operation	–	–	(788,333)	–	(788,333)
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)

6. Services provided by the Company's auditor

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

	2017 £	2016 £
Auditor's remuneration		
Fees payable for the audit of parent and consolidated financial statements	37,348	36,250
Fees payable for corporate finance services	109,343	3,750
Fees payable for tax compliance	4,210	5,250
Total for year	150,901	45,250

7. Loss on change of ownership interest

	2017 £	2016 £
Loss for the year on change of ownership interest	(13,869)	(743,323)

Small changes to the Company's interest in Thani Stratex Resources Limited during the year have resulted in a loss of £13,869, which has been recognised in the consolidated statement of comprehensive income.

The Company's interest in Muratdere Madencilik Sanayi ve Ticaret AS, Tembo Gold Corporation and Altintepe Madencilik Sanayi ve Ticaret AS all ceased to meet the requirements for equity-accounting in 2016 and the accounting categorisation was change to Available-for-sale financial assets. Additionally, the Company's interest in Thani Stratex Resources reduced from 40% to 30.4%. These actions resulted in a net loss of £743,323 being recognized in the consolidated statement of comprehensive income.

8. Other (losses/income)

	2017 £	2016 £
Exchange losses	(204,315)	(427,664)
Costs related to aborted acquisition	(1,620,520)	–
Write-off loan to related party	(1,260,827)	–
Miscellaneous tax on former joint venture	(796,402)	–
Impairment of investments (see note 17)	(492,504)	–
Accrual for UK VAT	(557,494)	–
Geological services provided to exploration partners	–	1,626,016
Other (losses)/profits	(127,878)	11,486
Net (loss)/profit for the year	(5,059,940)	1,209,838

Costs related to the aborted acquisition consist of associated fees and services with the planned Crusader acquisition, which was terminated on 1 November 2017.

The related party loan write-off relates to the Stratex EMC SA loan balance, which the Directors have considered prudent to write off in the current year.

The miscellaneous tax balance relates to an amount paid to the Turkish Tax Authorities to resolve a historic dispute with a previous operating partner over tax payments related to a former Stratex joint venture. Stratex is undertaking legal proceedings to reclaim this amount.

The accrual for UK VAT relates to a tax dispute with HMRC over Stratex historically reclaiming VAT for operating expenses which the HMRC believes no longer meets the VAT definition of economic activities.

9. Profit on sale of investment assets

	2017 £	2016 £
Profit for the year from disposal of available-for-sale assets	2,883,352	–

On 23 April 2017 the Company completed the sale of its 45% shareholder interest in Altıntepe Madencilik Sanayi ve Ticaret AS for aggregate cash consideration of US\$8 million. Included in the proceeds is US\$2million in respect of past geological services provided by Stratex. This was accrued for in the prior year results. A fair value of £1,794,886 had been attributed to Company's investment in Altıntepe at 31 December 2016 and a profit of £2,883,352 has been recognised in the current year consolidated statement of comprehensive income.

10. Expenses by nature

Administration expenses comprise:

	2017 £	2016 £
Personnel expenses (see note 11)	1,197,458	1,153,587
Legal and professional expenses	533,261	299,362
Other exploration related expenses	156,348	166,845
Consultant geologists	126,379	113,258
Office costs	92,780	98,640
Travel costs	91,415	95,683
Contract staff fees	64,859	31,682
Depreciation expense	4,402	15,620
Other expenses	174,810	198,898
Total for year	2,441,712	2,173,575

11. Personnel expenses

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Wages and salaries	904,938	795,371	706,568	659,404
Social security costs	99,499	122,077	87,847	85,830
Share options granted to Directors and employees	72,733	36,749	72,733	34,565
Employee benefits-in-kind	9,077	95,749	4,638	84,353
Employee termination benefits	4,672	9,101	–	–
Employee pensions	6,539	–	6,539	–
Compensation for loss of office	100,000	94,540	100,000	94,540
Total for year	1,197,458	1,153,587	978,325	958,692
Average number of employees, including Directors	13	19	9	9

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

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

12. Income tax

Analysis of income tax (expense)/credit:

	2017 £	2016 £
Current taxation:		
UK Corporation tax charge for the year	–	–
Deferred taxation:		
Deferred tax charge for the year	(20,189)	(18,078)
Total tax on loss for the year	(20,189)	(18,078)

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 £1,649,512 (2016: £3,058,741). 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 £5,784,029 (2016: £11,929,303), and losses in Turkey of approximately £2,463,529 (2016: £2,691,529). These losses can be carried forward and used against future taxable income at rates of 20%.

Reconciliation of tax charge:

	2017 £	2016 £
Loss before tax	(5,382,244)	(2,662,253)
Current tax credit at 20%	(1,076,449)	(532,451)
Effects of:		
Expenses not deductible for tax purposes	–	12,025
Non-taxable income	–	(205,528)
Tax losses carried forward – UK	1,076,449	199,494
Tax losses carried forward – outside UK	–	544,538
Origination and reversal of temporary differences	20,189	–
Tax credit	20,189	(18,078)

13. Investment in subsidiaries

The cost of shares in subsidiary companies is as follows:

Company	2017 £	2016 £
Cost of investment at 1 January	4,264,136	3,948,761
Additions	–	315,375
Disposal	(1,565,375)	–
	2,698,761	4,264,136
Loans to subsidiary companies	3,478,553	12,876,318
At 31 December	6,177,314	17,140,454

During the year the Company sold its interest in Goldstone Resources Limited (see note:18)

There are no significant restrictions in relation to the subsidiaries.

13. Investment in subsidiaries (continued)

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	UK	100	–	Holding company
Stratex Gold AG	Switzerland	100	–	Holding company
Stratex West Africa Limited	UK	100	–	Exploration
Stratex Madencilik Sanayi Ve Ticaret Ltd. Şti	Turkey	–	100	Exploration
Stratex EMC SA	Senegal	–	85	Exploration

Registered office

Stratex Exploration Ltd	180 Piccadilly, London, W1J 9HF, UK
Stratex Gold AG	Goethestrasse 61 St Gallen, 9008, Switzerland
Stratex West Africa Limited	Wessex House, Upper Market Street, Eastleigh, Hampshire, SO50 9FD, UK
Stratex Madencilik Sanayi Ve Ticaret Ltd. Şti	Çukurambar Mahallesi 1458. Sokak, Elit Apt. No: 17/6, Ankara, Turkey
Stratex EMC SA	Wessex House, Upper Market Street, Eastleigh, Hampshire, SO50 9FD, UK

14. Intangible assets

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

Cost	2017 £	2016 £
Cost at 1 January	10,490,725	8,323,340
Exchange movements	1,058	1,508,264
Additions	32,175	780,139
De-consolidation of Goldstone Resource Limited (see note 18)	(4,040,067)	–
Impairment	–	(121,019)
At 31 December	6,483,891	10,490,725

Goldstone Resources Limited ("GRL") ceased to be accounted for as a fully consolidated subsidiary on 2 June 2017 and was subsequently sold. GRL owns the Homase/Akrokerrri gold project (see note 18). All additions in the year relate to Goldstone, and therefore no additions in the year have been recognised at year-end.

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 the consolidated statement of comprehensive income.

15. Property, plant, and equipment

Group and Company	Group				Company	
	Gold Samples £	Motor Vehicles £	Field Equipment £	Office furniture and equipment £	Total £	Office furniture and equipment £
Cost						
At 1 January 2016	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
Exchange movements	(176)	(6,118)	(2,267)	(24,978)	(33,539)	–
Additions	–	–	–	6,603	6,603	5,128
Disposals	(3,540)	(15,492)	(43,554)	(132,941)	(195,527)	(4,419)
At 31 December 2017	–	30,290	18,929	205,526	254,745	81,205
Depreciation						
At 1 January 2016	–	(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)
Exchange movements	–	6,118	2,274	23,943	32,335	–
Additions	–	–	(463)	(3,852)	(4,315)	(700)
Disposals	–	15,492	43,554	128,997	188,043	2,209
At 31 December 2017	–	(30,290)	(18,929)	(198,052)	(247,271)	(78,774)
Net Book Value						
at 1 January 2016	3,084	562	5,511	23,083	32,240	5,620
at 31 December 2016	3,716	–	456	9702	13,874	213
at 31 December 2017	–	–	–	7,474	7,474	2,431

16. Investment in equity-accounted associates

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
At 1 January	5,757,578	7,645,184	850,366	680,958
Exchange movements	(535,577)	1,135,737	–	–
Share of losses	(150,731)	(162,261)	–	–
Fair value of subsidiary deconsolidated	1,318,884	–	–	–
Additions	451,355	189,208	451,355	189,208
Loss on change of ownership interest	(365,411)	(832,472)	–	–
Transfer to assets held for sale	(951,858)	(2,217,820)	–	–
Write-offs	–	–	–	(19,800)
At 31 December	5,524,240	5,757,578	1,301,721	850,366

The Company's shareholding interest in Thani Stratex Resources Limited ("TSR") reduced from 30.4% to 29.5% in April 2017. Following a further investment of £451,355 (2016: £189,208) during November and December the Company's interest increased to 30.1% at 31 December 2017 (see note 7).

Altintepe Madencilik Sanayi ve Ticaret AŞ, Muratdere Madencilik Sanayi ve Ticaret AS and Tembo Gold Corporation ceased to meet the requirements for equity accounting in 2016 and were transferred to assets held for sale.

The following entity has been included in the consolidated financial statements using the equity accounting method:

	2017			2016		
	%	£	£	%	£	£
Thani Stratex Resources Limited	30.1	5,524,240	(141,070)	30.4	5,757,578	(160,615)
Other	–	–	(9,661)	–	–	(1,646)
Total		5,524,240	(150,731)		5,757,578	(162,261)

Thani Stratex Resources Limited has a reporting date of 31 December and its registered office is PO Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands.

Summarised financial information for investments accounted for using an 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:

Statement of financial position for Thani Stratex Resources Limited

	2017 £	2016 £
As at 31 December		
Current Assets		
Cash and equivalents	275,455	1,548,847
Net current liabilities	(100,329)	(481,931)
Total current assets	175,126	1,006,916
Non-current assets		
Furniture, fittings and equipment	1,591	50,065
Intangible assets	20,291,167	21,306,959
Associated companies	1,859,843	1,015,951
Total non-current assets	22,152,601	22,372,975
Non-current liabilities	(3,974,769)	(4,270,566)
Net assets	18,352,958	19,109,325

16. Investment in equity-accounted associates (continued)

Statement of comprehensive income for Thani Stratex Resources Limited

	2017 £	2016 £
As at 31 December		
Administration expenses	(472,248)	(799,899)
Depreciation	(45,426)	(67,118)
Other (losses)/income	(137,186)	445,206
Exchange gains/(losses)	(7,508)	(5,940)
Loss from continuing operations	(662,368)	(427,751)
Income tax expenses	–	(839)
Loss after tax for continuing operations	(662,368)	(428,590)
Other comprehensive income	–	–
Total comprehensive income	(662,368)	(428,590)

17. Available-for-sale financial assets

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
At 1 January	2,912,829	227,082	227,082	227,082
Exchange movements	52,440	54,166	–	–
Additions	–	25,377	–	–
Transfer from Associates	444,761	2,217,820	–	–
Fair value adjustment	–	388,384	–	–
Impairment	(492,504)	–	–	–
Disposal	(2,336,591)	–	–	–
At 31 December	580,935	2,912,829	227,082	227,082

Available-for-sale financial assets at 31 December 2017 represents: a) a 11% investment in Tembo Gold Corporation. The fair value of the Group's investment has been valued under level 1 of the fair value hierarchy and has been reduced to £353,853 following a prolonged reduction in the quoted value of its shares on the Toronto Stock Exchange. This has resulted in a loss of £53,016 being recognised in the consolidated statement of comprehensive income, and b) a 7.84% investment in Aforo Resources Limited valued at £227,082 under level 3 of the fair value hierarchy.

On the 23 April 2017 the Company completed the sale of its 45% shareholding in Altıntepe Madencilik Sanayi ve Ticaret AS. A profit of £2,883,352 was realised on sale (see note 9). An overall disposal of £1,891,830 was recognised, consisting of £1,794,887 brought forward from prior year and £96,943 from translation in the year.

Following a decision by the Directors not to provide further funding for Muratdere Madencilik Sanayi ve Ticaret AS, the Company's interest will revert to a 1.2% net smelter royalty and the investment has been fully written-off resulting in a loss of £439,488 being recognized in the consolidated statement of comprehensive income.

The combined loss of the £439,488 write off of the Muratdere Madencilik Sanayi ve Ticaret AS and the £53,016 reduction in fair value of Tembo make up the overall fair value adjustment of £492,504.

18. Discontinued operation

On 2 June 2017, the Group's representation on the Board of Directors of Goldstone Resources Limited ("GRL") was reduced at which point the Directors consider the Group had relinquished full control of the subsidiary and GRL was de-consolidated from the Group and measured at fair value as an equity-accounted associate. To this effect, a fair value of £1,318,884 was attributed to the investment in the associate, which was equal to the Group's share of the net assets of GRL at that date. On the same day, the Group's shareholding in GRL was diluted from 30.4% to 23.4%, which resulted in a loss of £79,493 and is recognised in the consolidated statement of comprehensive income.

On 1 July 2017, the Directors made the decision that the investment in GRL should be reclassification as an available-for-sale asset as a result of the Group losing significant influence. The carrying value of the investment in associate of GRL was £951,858 and the Directors assessed the fair value, under level 1 of the fair value hierarchy at £444,761 based on the value of GRL shares on the AIM stock market on that date. This resulted in a loss of £507,097 being recognised in the Consolidated statement of comprehensive income.

Subsequently, a GRL fund raise resulted in a further dilution of the Group's shareholding to 13.7% and the investment was eventually disposed on 17 October 2017 for proceeds of £547,287. A profit on disposal of £96,703 has been recognised in the consolidated statement of comprehensive income.

An analysis of the discontinued operation and the result of the above changes in ownership in the Group financial statements is as follows:

a) Net loss on disposal of discontinued operation

	Group	
	2017 £	2016 £
Operating Loss from discontinued operations – see 18.b)	(164,668)	(788,323)
Loss on dilution	(79,493)	–
Loss on reclassification as an asset held for sale – see 18.c)	(507,097)	–
Profit on disposal of interest – see 18.c)	96,703	–
Loss on discontinued operation at 31 December	(654,555)	(788,323)

b) Operating loss

	2017 £	2016 £
Revenue	–	–
Administration expenses	(158,585)	(634,356)
Project impairment	–	(121,019)
Other (losses)/income	3,284	(35,664)
Operating loss	(155,301)	(791,039)
Finance income	294	2,706
Share of loss of associate	(9,661)	–
Loss before income tax	(164,668)	(788,333)
Income tax charge	–	–
Operating Loss for the year	(164,668)	(788,333)
Non-controlling interest	103,157	524,649
Loss attributable to owners of the Parent Company	(61,511)	(263,684)

18. Discontinued operation (continued)

c) Profit on disposal of interest

	Impact on Statement of Financial Position £
Fair value on deconsolidation of subsidiary	1,318,884
Dilution of interest in Goldstone	(351,542)
Share of losses in period	(9,661)
Translation reserve	(5,823)
Carrying value of associate at 30 June 2017	951,858
Loss on reclassification as held-for-sale asset at 1 July 2017	(507,097)
Value of held-for-sale asset after reclassification	444,761
Proceeds from sale of interest in Goldstone at 17 October 2017	(547,287)
Eliminate translation reserve	5,823
Profit on disposal of interest	96,703

19. 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	
	2017 £	2016 £	2017 £	2016 £
Receivables from exploration partners	–	1,186,017	–	–
Deposits and guarantees given	28,991	172,621	–	–
Loans	906,127	–	906,127	–
Amounts due from Group companies	–	–	75,958	3,633,513
VAT recoverable	–	47,121	–	30,033
Pre-payments and other current assets	70,040	1,693,088	3,630	40,137
Total	1,005,158	3,098,847	985,715	3,703,683
Non-current	28,991	1,358,639	–	–
Current	976,167	1,740,208	985,715	3,703,683
Total	1,005,158	3,098,847	985,715	3,703,683

There were no receivables past due in 2017 (2016: nil).

During the year the Company advanced loans to Crusader Resources Limited totalling Aus\$1,500,000. The loans carry an interest rate of 12% and are repayable in May 2018.

20. Deferred tax asset and liabilities

Group	2017 £	2016 £
Deferred tax assets		
Temporary timing differences arising on:		
Intangible assets	180,802	235,381
Employee termination benefits	6,930	7,142
Non-accrued financial expenses	–	12,581
Other	10,271	2,276
Total	198,003	257,380
Deferred tax liabilities		
Temporary timing differences arising on:		
Tangible and intangible assets	(130)	(2,589)
Other	–	(102)
Total	(130)	(2,691)
Net deferred tax asset	197,873	254,689

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

	2017 £	2016 £
At 1 January	254,689	274,632
Exchange movements	(36,627)	(1,865)
Movement in year	(20,189)	(18,078)
At 31 December	197,873	254,689

21. Cash and cash equivalents

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Cash at bank and on hand	248,335	591,764	213,514	431,508
Short-term deposits	1,790,635	1,096,855	1,790,635	1,096,855
Total	2,038,970	1,688,619	2,004,149	1,528,363

22. Financial instruments by category and credit quality

a) By category:

Group	2017		2016	
	Available-for-sale financial assets £	Loans and receivables £	Available-for-sale financial assets £	Loans and receivables £
Assets per Statement of Financial Position at 31 December				
Available-for-sale financial assets	580,935	–	2,912,829	–
Trade and other receivables excluding pre-payments	–	921,509	–	2,863,687
Deposits and guarantees	–	28,991	–	172,621
Cash and cash equivalents	–	2,038,970	–	1,688,619
Total	580,935	2,989,470	2,912,829	4,724,927

22. Financial instruments by category and credit quality (continued)

Company	2017	2016	
	Loans and receivables £	Available-for-sale financial assets £	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 pre-payments	954,862	–	3,667,544
Cash and cash equivalents	2,004,149	–	1,528,363
Total	3,186,093	227,082	5,195,907

b) By quality

Trade receivables:

Trade receivables includes VAT due from the Turkish government of £5,635 (2016: £47,121) and receivables from exploration partners of £nil (2016: £1,186,017). None of the exploration partners have external credit ratings.

Cash and cash equivalents:

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

	2017 £	2016 £
A	1,807,128	1,123,193
Ba, Bb & Bbb	231,753	555,352
Cash-in-hand	89	10,074
Total	2,038,970	1,688,619

23. Currency risk

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

	2017			2016		
	US\$	AUD\$	Turkish Lira	US\$	Euro	Turkish Lira
Trade and other receivables	–	906,127	52,107	1,626,210	–	207,356
Cash and cash equivalents	469,633	–	12,720	496,660	30,259	8,860
Trade and other payables	–	–	(209,029)	(89,908)	–	(27,327)
Net exposure	469,683	906,127	(144,202)	2,032,962	30,259	188,889
The following year end spot rates to sterling have been applied	1.35	1.73	5.11	1.23	1.165	4.342

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

	£	£	£	£	£	£
Profit/(loss) due to the strengthening of sterling	508,241	226,532	(36,051)	508,241	7,565	47,222
Profit/(loss) due to the weakening of sterling	(18,281)	(151,021)	24,034	(338,827)	(5,043)	(31,481)

The Company's exposure to foreign currency at 31 December 2017 was US\$ cash deposits and Aus\$ receivable shown above. Its exposure at 31 December 2016 was cash deposit of US\$411,808 and a 20% strengthening/weakening of the Sterling/US\$ exchange rate would result in a movement of £124,119 and £(82,746) respectively in profit and loss.

24. Share capital and share premium

Group and Company	Number of shares of 1 pence	Ordinary shares £	Share premium £	Total £
At 31 December 2017 and 2016	467,311,276	4,673,113	20,426,431	25,099,544

25. 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:

	2017 £	2016 £
Loss attributable to owners of the Company from continuing operations	(4,730,724)	(1,841,987)
Loss attributable to owners of the Company from discontinued operation	(551,398)	(263,684)
Weighted average number of ordinary shares in issue	467,311,276	467,311,276
Basic and diluted loss per share from continued operations (pence per share)	(1.01)	(0.39)
Basic and diluted loss per share from discontinued operation (pence per share)	(0.12)	(0.06)

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

At 31 December 2017 there were 17,755,144 (2016: 30,005,144) share options that could potentially dilute the earnings per share in the future.

26. 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 2017, the Company had in issue 10,801,567 (2016: 18,801,567) options to Group employees granted under the Enterprise Management Incentive scheme and 1,950,000 (2016: 1,950,000) to Group employees granted under the unapproved scheme. In addition, there are 5,003,577 (2016: 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 £72,733 (2016: £36,749). 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:

Group and Company	2017		2016	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	30,005,144	2.8	24,466,144	3.2
Cancelled	(35,615,562)	3.7	(4,195,000)	3.7
Granted	23,365,562	0.8	9,734,000	1.8
Outstanding at 31 December	17,755,144	3.0	30,005,144	2.8
Exercisable at 31 December	15,882,478	3.2	18,176,477	3.1

The weighted average contractual life of the outstanding options at 31 December 2017 was 3.6 years (2016: 6.0 years).

29,365,562 options granted to Marcus Engelbrecht were cancelled during the year on his resignation from the Company.

26. Share options (continued)

etails of share options outstanding at 31 December 2017 are as follows:

Life of option		Outstanding 31 December 2017	Option price pence
Start date	Expiry date		
30 April 2009	30 April 2019	10,446,000	3.0
28 September 2009	28 September 2019	24,000	4.3
1 June 2011	1 June 2021	1,117,144	7.0
12 March 2013	12 March 2023	300,000	4.4
5 December 2014	5 December 2024	2,984,000	2.7
4 June 2015	4 June 2025	150,000	1.5
2 September 2016	2 September 2026	2,734,000	2.0
Total options outstanding		17,755,144	2.8

During the year 23,365,562 share options were issued at a price of 1.75p per option share with a fair value of 0.49p per option share. The fair value for these options has been measured by use of the Black-Scholes pricing model, using a price volatility of 40% 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.

27. Other reserves

Group	Merger reserve £	Share option reserve £	Translation reserve £	Total £
At 1 January 2016	(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
Share based payments	–	72,733	–	72,733
Share options cancelled	–	(186,680)	–	(186,680)
Other comprehensive interest	–	–	(791,703)	(791,703)
At 31 December 2017	(485,400)	476,350	1,692,162	1,683,112

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).

The Share option reserve balance relates to the fair value of outstanding share options measured using the Black Scholes method.

28. Non-controlling interest

Effect on equity of transactions with Non-controlling interests:

Balance attributable to NCI	Goldstone	Stratex EMC SA	Total £
	Resources Limited £	£	
At 1 January 2016	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
Exchange movements	(132,227)	(203)	(132,430)
Losses for the year	(103,157)	(17,154)	(120,311)
Disposal	(2,623,967)	–	(2,623,967)
At 31 December 2017	–	(16,539)	(16,539)

Goldstone Resources Limited was treated as a subsidiary by Stratex International PLC as at 31 December 2016, as Stratex was deemed to have control under the provisions of International Finance Reporting Standard 10. On 2 June 2017, Stratex's interest was diluted from 33.56% to 23.7% and their presence on the Goldstone board reduced, which meant that Stratex ceased to have control at this date. At this point, Goldstone became an investment in associate in Stratex's consolidated statement of financial position.

29. Trade and other payables

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade payables	41,568	92,150	31,473	29,103
Amounts due to subsidiary company	–	–	–	514,456
Amounts due to related parties and employees	117,570	28,729	1,688	28,729
Social security and other taxes	18,999	19,057	11,175	10,080
Accrued expenses	712,121	250,082	648,372	174,774
At 31 December	890,258	390,018	692,708	757,142

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

30. Cash flow from operating activities

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Loss before income tax	(5,382,244)	(2,644,175)	(12,760,048)	(516,528)
Adjustments for:				
Issue of share options	72,733	36,749	72,733	36,749
Depreciation	4,315	22,247	700	5,429
Impairment write-offs on intangible assets	–	121,019	–	–
Fixed asset write-offs	2,210	807	2,210	807
Share of losses of associates	150,731	162,261	–	–
Net (gain)/loss on sale of related companies	(1,673,883)	444,087	1,018,087	19,800
Increase in Employee termination benefit fund	4,672	9,101	–	–
Other (Income) and deductions	4,549,172	(16,185)	(2,471,154)	(14,366)
Interest income on intercompany indebtedness	–	–	(432,948)	(788,519)
Intercompany management fees	–	–	(64,492)	(66,918)
Write-off intercompany balances	–	–	13,231,071	–
Foreign exchange movements on operating activities	(403,636)	672,088	(78,468)	(33,101)
Changes in working capital, excluding the effects of exchange differences on consolidation:				
Trade and other receivables	187,782	(903,014)	32,477	147,776
Trade and other payables	(104,501)	5,086	(141,330)	5,943
Cash used in operations	(2,592,649)	(2,089,929)	(1,591,162)	(1,202,928)

31. Related party transactions

a) Transactions with operational partners:

Group	Transaction value for the year ended 31 December		Receivable/(Payable) as at 31 December	
	2017 £	2016 £	2017 £	2016 £
Energy and Mining Corporation SA	177,762	202,355	–	1,186,017
Anadolu Export Maden Sanayi ve Ticaret A.Ş.	–	188,586	(115,882)	–

Energy and Mining Corporation SA is the operational partner for the Dalafin project in Senegal. Anadolu Export Maden Sanayi ve Ticaret A.Ş. is the operational partner for the Karaagac project in Turkey.

b) Transactions with non-controlling interest:

There have been no transactions with non-controlling interest during the year. (2016: £nil)

c) Parent company and ultimate controlling party

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

d) Amounts provided to subsidiaries

During the year the Company provided funds amounting to £180,235 (2016: £705,874) to its subsidiaries and charged its subsidiary companies £64,492 (2016: £66,918) for the provision of management services. The total net receivable from subsidiaries at 31 December 2017 was £3,520,428 (2016: £14,377,876).

32. Contingencies and capital commitments

There are no contingencies or capital commitments at 31 December 2017.

33. Lease commitments

There are no future commitments under Finance or Operating leases.

34. 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	2017 £	2016 £
At 1 January	(2,996,822)	(2,636,045)
Loss for the year	(12,760,048)	(516,528)
Share options cancelled	186,680	155,751
At 31 December	(15,570,190)	(2,996,822)

35. Events after the Reporting Period

On 15 February 2018 Stratex signed an agreement with TET Madencilik Ltd. Şti. ('TET') for the further development of the licence areas at Hasaңelebi and Dođala. Under the terms of the Agreement, TET shall immediately pay Stratex US\$50,000 and if a minimum JORC-compliant indicated or measured gold resource of 100,000oz, (with a 0.3 g/t cut off) is defined within the oxide and transition zones, TET is required to pay a further US\$500,000. Stratex will also receive a 1.5% NSR royalty on any future precious metals production at the Licences, and a 5% NSR on any future production of other metals or industrial raw minerals.

On 21 February Stratex invested a further US\$120,000 in Thani Stratex Resources Limited and has committed to providing an additional US\$80,000 on 20 March 2018. Stratex's shareholder interest remains at c.30% following both subscriptions.

On 1 March 2018 Stratex signed an agreement with AGEM Senegal Exploration Suarl for the grant of an option to acquire 51% interest in the Dalafin property by incurring US\$4m on exploration at the project over a 4-year period, and thereafter to increase their interest to 70% by incurring an additional US\$4m over a further 24 months. If AGEM default on the terms or decide not to proceed with the earn-in the Dalafin project remains with Stratex. Thereafter, both parties will be required to contribute on a pro rata basis or be diluted. Should either party be diluted below 10% their interest will convert to a 2% Net Smelter Return royalty on production at Dalafin.

Notice of annual general meeting

The Annual General Meeting of Stratex International PLC (the “Company”) will be held at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London, EC2P 2YU on Thursday 19 April 2018, at 3:00pm. The business of the meeting will be to consider and, if thought fit, pass the following Resolutions:

Ordinary resolutions

1. To receive the Directors’ Report and Financial Statements for the year ended 31 December 2017.
2. To re-elect Director Christopher Worcester, who retires by rotation
3. To re-elect Director Tim Livesey, who was appointed since the last AGM and retires in accordance with the Company’s Articles of Association, and being eligible, offers himself for re-appointment.
4. To re-appoint PKF Littlejohn LLP as auditors and to authorise the Directors to fix their remuneration.
5. THAT subject to the passing of Resolution 7, each of the issued ordinary shares of 1 penny each in the capital of the Company is subdivided into:
 - one ordinary share of 0.1 penny each; and
 - one deferred share of 0.9 penny each having the rights set out in the new articles of association of the Company to be adopted pursuant to resolution 7 below.
6. THAT, in addition to the existing authorities, and in accordance with section 551 of the Companies Act 2006 (the “Act”) the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any securities into rights (“Rights”) up to an aggregate nominal amount of £1,000,000 and such power shall expire (unless previously revoked, varied or extended by the Company at a general meeting) at the conclusion of the next Annual General Meeting, save that the Company may before such expiry make an offer or agreement which would or might require shares or Rights to be granted in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Special resolutions

7. THAT subject to the passing of Resolution 5, the new articles of association of the Company contained in the document signed by the Chairman for the purpose of identification be and are approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company.
8. THAT, in addition to the existing authorities, the Directors be and they are hereby empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by the previous resolution as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,000,000 and such power shall expire (unless previously revoked, varied or extended by the Company at a general meeting) at the conclusion of the next Annual General Meeting, save that the Company may before such expiry make an offer or agreement which would or might require such equity securities to be granted in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

P C Ashwood

Company Secretary

180 Piccadilly, London,
W1J 9HF

16 March 2018

Notes:**Eligibility to attend and vote**

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 3:00pm on 17 April 2018.

Appointment of proxies

2. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
5. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be completed and signed and sent or delivered to the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, to be received by Share Registrars Limited no later than 3.00pm on 17 April 2018. Proxy forms may also be faxed to 01252 719232 or emailed to proxies@shareregistrars.uk.com
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above.

Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

10. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:
 - By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR.
 - In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
 - Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Share Registrars Limited no later than 3.00pm on 17 April 2018.
 - If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

11. Except as provided above, members who have general queries about the Meeting should contact Share Registrars Limited on 01252 821390 or by email enquiries@shareregistrars.uk.com (no other methods of communication will be accepted).
12. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Documents available for inspection

13. The following documents will be available for inspection during normal business hours at the Company's registered office up until the date of the Annual General Meeting and at the place of the meeting from 1.00pm on 19 April 2018 until the end of the meeting:
 - the auditor's consolidated accounts of the Company for the financial period ended 31 December 2017;
 - the Register of Directors' interests in the capital of the Company and copies of the service contracts of the Directors of the Company.
 - revised Articles of Association.

Advisors and offices

Nominated advisor

Grant Thornton UK LLP
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London
EC2P 2YU

Group Auditors

PKF Littlejohn LLP Statutory Auditor
1 Westferry Circus
Canary Wharf
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Brokers

Hannam & Partners (Advisory) LLP
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Group Solicitors

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