Alien Metals Ltd
Annual Report
For the year ended 31 December 2018

Contents

Forward looking statements

Certain information in this annual report may constitute a forward-looking statement. Forward-looking statements are frequently characterised by words such as "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "expect", "budget", "scheduled", "outlook" and other similar words or statements that certain events or conditions "may" or "will" occur.

Forward-looking statements are not guarantees of future performance. Rather, they are based on current opinions and estimates of management and involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ from any future results or developments expressed or implied from each forward-looking statement. Each forward-looking statement is expressed only as at the date on which it is made and the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, other than as required by securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Chair & Chief Executive's statement

2018 was a year of significant change for shareholders with the Company changing the composition of its board and bringing in new leadership and direction; these changes continued into 2019, which saw our respective appointments to the Board in February.

The Company's former Executive Chairman, Dennis Edmonds, set a strategy of reducing corporate overheads, value accretion of the Mexican asset portfolio and acquiring or entering into joint ventures for additional projects in Mexico or other jurisdictions with an established mining community, stable political background, and where we can be assured of strong operational control.

During Dennis' tenure, good progress was made to reduce costs and, following a strategic review of the company's assets, field exploration continued to satisfy minimum expenditure requirements and progress the greenfield Donovan 2 concession to a drill ready target. The complementary disciplines of geophysical, detailed mapping and sampling and geochemical and geochemical analysis are being similarly applied to the company's other primary targets; Los Campos and San Celso.

We are committed to delivering on the strategy of acquiring one or more additional projects and are seeking to identify a suitable project that can be acquired, earned into or joint ventured at a price which will not overly dilute existing Shareholders. We intend, in making any investment, to ensure the costs and capital commitments are minimised to an acceptable level for a company of Alien's market capitalisation and capital resources.

We believe that in order to successfully grow this Group we need to focus on channelling the funds invested in it towards exploration activity, business development and acquisitions, and this is at the heart of everything we do.

The Group's work to identify suitable acquisition targets to date has included lithium projects, gold and base metals projects in a range of jurisdictions including Mexico, Sub-Saharan Africa and Australia. Alien works to a strict selection criteria centred on assessing risk, appropriate scale and likely upside.

We look forward to sharing further results from our exploration work at the Donovan 2 project, and also hopefully to reporting on the successful acquisition of a suitable project to add to the Company's portfolio.

Dan Smith
Chair

Peter Taylor
Chief Executive Officer

Business overview

Strategy and business model

Alien Metals' objective is to create a multi-commodity portfolio of mining projects in jurisdictions with established mining communities, stable political backgrounds, and where strong operational controls can be assured.

The Group has operated in Mexico for over ten years during which time it has established long-term relationships with local government, communities, and key stakeholders.

Alien Metals' geological experts assess and identify projects for potential mineralisation. Wherever possible, the projects are acquired on a low-cost option basis whilst preliminary exploration is undertaken to assess the merits of further work.

The Company routinely evaluates mining projects in jurisdictions other than Mexico; during 2018, this included Namibia and the Ukraine. These evaluations have not yet led to the Company making an acquisition.

Where preliminary studies evidence sufficient mineralisation, increasingly comprehensive studies will be undertaken with a view to delineating a compliant mineral resource estimate in readiness of potential sale of the asset to a producing mining company, at which time a significant premium over its acquisition and development cost may be justified.

Financial highlights

All dollar amounts in this annual report and financial statements are US dollars, unless stated otherwise.

As at 31 December 2018, the Group had total assets of $0.7 million (2017: $1.3 million) of which $0.3 million (2017: $0.9 million) was cash. The Group had total liabilities of $0.1 million (2017: $0.1 million) of which $0.1 million were current liabilities (2017: $0.1 million).

In the year ended 2018 the Group made an operating loss of $1.5 million (2017: $1.4 million) and a loss per share of 0.3 cents (2017: 0.5 cents).

Overview of operations

During 2018, the Group completed its initial high level exploration programme over its portfolio of mining concessions covering an area of over approximately 1,500 hectares, to develop and direct future exploration work.

As at 31 December 2018, the Company held 12 fully owned mining concessions

Copper project

Donovan 2 project

The Company's 750 hectare Donovan 2 flagship project is located to the southeast of Zacatecas city and in close proximity to Alien's portfolio other wholly owned projects along the Mexican precious and base metals belt. The Teck Resources San Nicolás copper zinc deposit and Minera Frisco El Coronel gold mine are both located within 25km.

Alien Metals' preliminary exploration programme on this project, has identified several areas that exhibit pathfinder indicators of volcanogenic massive sulphide (VMS)-style mineralisation, and ground magnetic geophysics and induced polarisation have confirmed indications of sub-surface VMS-style mineralisation.

Silver projects

Los Campos project

The Los Campos project comprises four concessions covering an area of approximately 500 hectares and is located on the south side of the city of Zacatecas and bounds the Endeavour Silver El Compas gold mine. The property encompasses at least two known veins: the Los Campos vein and the San Rafael vein, and is easily accessible 15-minutes' drive from the centre of the City of Zacatecas.

The Los Campos vein system has been developed along a strike distance of 3.3km and to depths exceeding 100m. Our geological mapping and sampling discovered additional veins running either parallel or nearly parallel to the Los Campos vein.

San Celso project

The 88 hectare San Celso project is located in the historic mining district of Pánfilo Natera-Ojocaliente and is surrounded by other concessions to the south and west. It encompasses two veins: the San Celso and Las Cristinitas veins. Work carried out during 2018 resulted in the surface extension of these veins of 800 metres. Samples taken to date have evidenced grades of up to 395g/t Ag, 13,700ppm Pb, and 13,900ppm Zn.

La Africana project

The La Africana project is a strategically located project covering approximately 15 hectares, 3 kilometres south west of Pánfilo Natera. The project encompasses a past-producing mine and work carried out on the project evidences significant zones of high-grade silver mineralisation over respectable widths.

Other silver mining concessions

Alien Metals holds two additional concessions not otherwise grouped into project groupings, covering almost 142 hectares. These concessions were acquired in 2006 because of their strategic position to the San Celso project. These concessions too require further exploratory work to fully assess their economic potential.

Future outlook

The Company has benefited from fresh leadership, a new perspective, and the financial support of experienced mining professionals through the injection of additional cash resources in May 2018.

The directors have taken action to reduce the Company's expenditures and to identify and acquire small but scalable projects in jurisdictions with stable governments, and in commodities considered to have strong futures, both in the short-to-medium, and long term.

Governance

Chair's corporate governance statement

Maintaining the highest standards of corporate governance in the context of the stage, size and complexity of any company, together with robust systems of internal control are fundamental building blocks for any business.

Following the change to the AIM Rules in March 2018, the Board resolved to adopt the QCA Corporate Governance Code. In July 2018, the Financial Reporting Council published an update to the UK Corporate Governance Code for accounting periods beginning on or after 1 January 2019 (the "Code"), and the Board resolved to adopt this code with immediate effect.

The UK Corporate Governance Code is widely recognised as setting the highest standard for corporate governance and is written to accommodate very large companies as well as much smaller ones. The directors have therefore satisfied themselves that appropriate governance structures, policies and procedures are in place, and have made training available to all directors.

All directors have access to the services of the Company Secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the Company Secretary are matters for the whole board.

The provisions of the Code that the Company does not apply are summarised below, and described in further detail within this annual report:

Employee engagement
The Board has not appointed a director from the workforce, created a formal workforce advisory panel, or designated a non-executive director to engage with the workforce. This is contrary to Code provision 5 and is explained in the section headed "Culture and employees" on page 9.

Senior independent director
The Board has not appointed a senior independent director. This is contrary to Code provision 12 and is explained in the section headed "Senior Independent Director" on page 8.

Meetings with non-executive directors
Significant changes to the Board were made during 2018 and as a consequence, neither Chair met with the non-executive directors in the absence of the executive directors during the course of 2018. This is contrary to Code provision 13. The Chair intends to meet with the non-executive directors in accordance with this Code provision during 2019.

Annual evaluation of the performance of the board
The Board does not carry out a formal annual evaluation of the performance of the board, its committees, the Chair and individual directors. This is contrary to Code provision 21 and is explained in the section headed "Board assessments" on page 15.

Performance related pay
Non-executive directors participate in the Company's share option plan. This is contrary to Code provision 34 and is explained in the section headed "Share Option Plan and Option-Based Awards" on page 13.

Board leadership

The Board of Directors is responsible for overseeing the long term success and strategic direction of the Company in accordance with the schedule of matters reserved for board decision and it responsible for monitoring the activities of the executive management.

Non-executive Chair Daniel Smith (appointed 26 February 2019)	Skills and experience Dan Smith has over 10 years' capital markets experience working in various roles including as an Executive and Non-Executive Director and Company Secretary of companies with shares quoted on AIM, ASX and NSX. He is the founder of Minerva Corporate Pty Ltd, a boutique corporate services firm focused on providing corporate advisory, company secretarial, and accounting services to listed and unlisted entities, as well as compliance manager services for IPOs and RTOs across sectors including natural resources. Dan is currently a Non-Executive Director and Company Secretary of AIM traded Europa Metals Ltd, a European focused zinc-lead exploration company. Roles on Board committees None
Chief Executive Officer Peter Taylor (appointed 26 February 2019)	Skills and experience Peter Taylor commenced his career as a mining engineer at De Beers Consolidated Mines in 1986. He has over 25 years' experience leading strategic operations within the mining and exploration sector in Africa, Southeast Asia and Europe, including as Chief Operating Officer at formerly AIM and TSX:V traded African gold and iron company, African Aura Mining Inc. Roles on Board committees None
Non-executive director Christopher Gordon (appointed 15 May 2018)	Skills and experience Chris Gordon has a Bachelor of Economics degree awarded by the University of London and over 10 years' experience in the financial services sector in London, working in dealing and trading roles with a focus on raising capital for listed companies. Chris Gordon previously acted as a non-executive director for Gunsynd plc which is listed on AIM. Roles on Board committees Member: Audit Committee Member: Nomination & Remuneration Committee
Non-executive director James Cable	Skills and experience James Cable has been a chartered accountant for over 40 years and has extensive experience at board level in various companies. He has significant international and commercial experience gained in the Middle East, Africa, Far East and Europe in several business sectors including natural resources and construction. He is a former Finance Director of Kopane Diamond Developments Plc and Mantle Diamonds Ltd and he advises natural resources companies on corporate strategy and project finance and is a director of GemRock Company Ltd. Roles on Board committees Chair: Audit Committee Chair: Nomination & Remuneration Committee

Company Secretary	Skills and experience
David Taylor	David Taylor is a Fellow of The Institute of Chartered Secretaries and Administrators ("ICSA"), has held senior roles in a number of international blue chip companies, and most recently prior to his appointment to the Company, served as Assistant Company Secretary of ICSA, a leading authority on governance and compliance.
	Roles on Board committees
	Secretary: Audit Committee
	Secretary: Nomination & Remuneration Committee

Directors who served during the year ended 31 December 2018 are listed on page 51.

In the period to May 2018 (when Jim Williams retired as Chief Executive), there had been a clear division of responsibilities between the Chair and the Chief Executive. The Chair was responsible for the leadership of the Board and ensuring its effectiveness. The Chief Executive was responsible for the performance of the Company, together with the Chair. Following Jim Williams' retirement, Dennis Edmonds served as the sole executive director until the appointment of Peter Taylor as Chief Executive Officer in February 2019. Following the resignation of Dennis Edmonds in April 2019, Dan Smith was appointed as Non-Executive Chair.

The following documents are available on the Company's website, www.alienmetals.uk:

- Schedule setting out the division of responsibilities between the Chair and CEO;
- Terms of reference of the Nomination & Remuneration Committee
- Terms of reference of the Audit Committee

Independent directors

At least half the Board, excluding the Chair, comprises independent non-executive directors who provide a balance of skills and experience, and who are responsible for providing constructive challenge to and assistance in, developing proposals on strategy.

James Cable is deemed an independent director; he has acted as a director of the Company for more than nine years, which can in some circumstances be seen to impair a director's independence, however, the Board recognises significant value of having a director familiar with the history of the Company and the Board consider Mr Cable to be independent in character and judgement. All the non-executive directors participate in the Company's share option plan; the extent of their participation is not considered to impact their independence.

Each of James Cable and Chris Gordon is deemed independent.

Senior Independent Director

The role of a Senior Independent Director is to provide a sounding board for the Chair and serve as an intermediary for the other directors and shareholders. In addition, a senior independent director would be expected to meet the other non-executive directors without the Chair present, to appraise his performance.

The Company Secretary, as well as each of the non-executive directors, is available as a sounding board to the Chair and to serve as an intermediary for shareholders. The Company Secretary is also available to serve as an intermediary for any of the directors when required. The nomination of any one particular director to act as a Senior Independent Director is not considered by the Board, at the present time, to improve its effective operation, although the matter is kept under review.

The process through which board assessments are undertaken is more fully described in the section headed "Board assessments", on page 15.

Operation of the board

All directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively. In any decision-making, the directors are required to exercise their judgement in determining the likely impact of each decision as to the likelihood of promoting the success of the company for the benefit of its members as a whole. In doing so, the directors consider whether the decision is likely to promote the success of the company for the benefit of its members as a whole, having regard for (amongst other matters):

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

The Chair is ultimately responsible for ensuring that each board decision is taken having sufficient information on and with all due discussion of, each of the aforementioned items as is relevant to such decision.

The Company has a schedule of matters reserved for its own decision, an executive committee comprising exclusively executive directors or officers, and two committees comprised entirely of non-executive directors: the Audit Committee and the Nomination & Remuneration Committee. From May 2018, the Executive Committee had only one member and is therefore not expected to meet until such time as additional members are appointed.

Each committee has formally delegated responsibilities by way of terms of reference.

The performance of the Board, committees and individual directors are evaluated on a regular basis.

<u>Board meeting attendance</u>
The small size of the Board and frequent contact between the directors enables decisions to be taken quickly and effectively using written resolution procedures rather than physical board meetings. The number of occasions on which the written resolution procedure was exercised is also set out in the table below.

	Board	**Audit Committee**	**Nomination & Remuneration Committee**
No. meetings	**5**	**1**	**2**
No. written resolutions	**9**	**3**	**1**
Dennis Edmonds	2 of 2	n/a	n/a
James Cable	5 of 5	1 of 1	2 of 2
Chris Gordon	0 of 2	1 of 1	1 of 1
Tom Bailey	3 of 4	1 of 1	1 of 1
Jim Crombie	3 of 4	1 of 1	1 of 1
Tony Williams	3 of 3	n/a	n/a
Jim Williams	3 of 3	n/a	n/a

Value generation and preservation
The Company's business model and opportunities immediately available are more fully described in the "Business overview" section of this annual report. Over the long-term, the Company seeks to create value by acquiring mining rights, demonstrating the presence of mineralisation and thereby significantly increasing the value of those mining rights.

As the Company does not expect to generate operating revenues in the immediate future, it is dependent upon the financial support of new or existing investors and it is believed that companies that are well-governed enjoy a lower cost of capital which, all things being equal, should translate to greater business success.

The risks to the business are set out in the Risk Management section commencing on page 16.

Culture and employees
At the Company's present stage of development, it has few employees and its culture therefore exists principally in the boardroom and amongst any contractors. In the UK, all contractors report directly to the Company Secretary. Overseas, all contractors report directly to the country manager. Both the Company Secretary and the country manager report to the Chief Executive Officer. It is considered that the board is well positioned to ensure that policy, practices and behaviour throughout the business is aligned with the Company's purpose, values and strategy. In the event that the Board had any concerns, it would require the Company Secretary or country manager to take remedial action.

We are confident we understand our employees' needs and that all employees feel able to speak openly to the Chair, or any of the other directors. If for any reason, an employee feels unable to raise concerns in this way, the Company's whistleblowing policy sets out the process for raising concerns, and how to do so anonymously. In addition, employees are provided details of the charity, Public Concern at Work, who will provide free and confidential advice.

In view of the small number of company employees, the Board has considered there to be no need or benefit gained by appointing a director from the workforce, creating a formal workforce advisory panel, or designating a non-executive director to engage with the workforce.

The Board recognise the importance of the remuneration structure supporting its strategy and reinforcing the culture of the organisation. This is further described in the Nomination & Remuneration Committee report on page 11.

Relations with shareholders

The Executive Chair welcomes major shareholders to discuss the Company's strategy and governance, including, as explained in the Nomination & Remuneration Committee report, on the appointment of key board appointments. The Chair reports to the Board as a whole, on the views of major shareholders.

All investors are encouraged and welcomed at the Company's annual general meeting, at which there is opportunity to pose questions to the directors.

Annual general meeting

At the Company's annual general meeting held during 2018, all resolutions were passed and proxy voting figures were published immediately following the AGM held on 20 September 2018. The Company received more than 20% of votes against the resolutions relating to the proposal to change the name of the Company to Alien Metals Limited at the Company's Annual General Meeting. The number of investors who voted against the resolutions represented less than 10% of the number who voted. It being clear that the majority of investors were in favour, the Company proceeded with the change of name but the Chair extended an invitation to investors who wished to discuss the matter, to do so. The invitation was not taken up by investors and no further action has therefore been taken.

Major shareholders

As at 24 June 2019 being the latest practicable date, the Company had been notified of the following companies or individuals interested 3% or more of the Company's shares:

Shareholder	No. shares	%
Gravner Ltd	202,247,000	22.02
King Dragon (Far East) Limited*	120,000,000	17.09
Peel Hunt LLP	142,764,851	12.77

* As at 18 June 2019, 120,000,000 Common shares represented 10.73% in the Company. The most recent notification by King Dragon (Far East) Limited is reflected here, at which time, 120,000,000 represented 17.09% of the total issued share capital in the Company.

Conflicts of interest

All Directors have duties under the BVI Business Companies Act to act with care, diligence and skill, in the best interests of the Company.

Certain directors and officers of the Company may also serve as directors and/or officers of, or have investments in other companies involved in mineral exploration and development and consequently there is the potential for conflicts of interest.

Conflicts of interest can arise amongst shareholders, especially where one shareholder, or a small group of shareholders, has a significant stake in the Company. The directors must not to allow this to compromise or override their independent judgement, especially in the context of acting fairly as between members of the Company.

In the event a conflict of interest should arise, each individual so conflicted is required to disclose the conflict in accordance with the Company's Articles of Association in order that it can be considered and approved if appropriate. No director may vote on any matter in which he or she may be deemed to be interested.

On an ongoing basis, each director is responsible for informing the Company Secretary of any new actual or potential conflicts that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a director is not absolved from his or her statutory duties.

Board Committees

The Board of Directors has two standing committees:

- Audit Committee
- Nomination & Remuneration Committee

The Company Secretary is Secretary to each Committee and attends all meetings.

The Board considers that each of the Committees has an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

The Corporate Governance Committee and a Health & Safety Committee were dissolved in July 2018 as the size of the Board and the extent of operations did not warrant their continuance.

Audit Committee
The Audit Committee meets at appropriate times in the reporting and audit cycle, and otherwise as required. It is responsible for nominating the external auditor recommending to the Board the auditor's compensation, overseeing the work of the auditor, and approving any proposals for non-audit services. The Audit Committee is also responsible for reviewing public announcements relating to the Company's profit or loss or cash flow, satisfying itself of the adequacy of procedures for the release of financial information, and ensuring the maintenance of appropriate and proportionate procedures for addressing matters relating to accounting, internal financial controls and auditing matters.

It is the Board of Directors' conclusion that each of the members of the Audit Committee has an understanding of the accounting principles used by the Company to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves, and experience in evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

The Audit Committee is currently composed of two members, being James Cable and Chris Gordon, each of whom is an independent non-executive director and each of whom is deemed financially literate. Mr Cable serves as Chair of the Audit Committee.

Nomination & Remuneration Committee
The Nomination & Remuneration Committee meets at least once each year, and otherwise as required. It is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, having due regard for the structure, size and composition of the Board together with the skills, knowledge, experience and diversity of both the Board and the individual. Additionally, the Nomination & Remuneration Committee is responsible for reviewing the results of any board effectiveness review that relates to the composition of the board.

The scale and structure of the remuneration and compensation packages for the directors is set taking into account time commitment, comparatives, and risks and responsibilities, to ensure that the amount of compensation adequately reflects the individual's previous performance, achievements, experience, responsibilities and the risks of the office or position held, and in the context of the Company's risk profile, to ensure they do not encourage excessive risk taking.

The Nomination & Remuneration Committee is currently composed of two members, being James Cable and Chris Gordon, each of whom is an independent non-executive director.

James Cable serves as Chair of the Nomination & Remuneration Committee.

Nomination & Remuneration Committee report

Overview
The Nomination & Remuneration Committee ("N&R Committee") makes recommendations to the Board as to the appropriate structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and is responsible for identifying and nominating suitable candidates to fill Board vacancies.

The N&R Committee is also responsible for recommending the remuneration policy to the Board, determining the remuneration of the directors and senior executives, ensuring that remuneration is reported correctly, and reviewing the results of any assessment of the effectiveness of the Board.

The N&R Committee meets as required each year to review the performance of the executive directors and to determine their respective compensation.

The N&R Committee is governed by terms of reference, which are available on the Company's website at www.alienmetals.uk. The N&R Committee's terms of reference require it to review its own terms of reference once a year; they were last amended on 28 September 2018.

During the year, Dennis Edmonds was appointed as Executive Chair of the Company and Chris Gordon joined the Board as an independent non-executive director. Anthony Williams and James Williams resigned as

Overview

Governance

Financials

Other

Executive Chair and CEO, respectively, in May 2018. Thomas Bailey and James Crombie resigned as non-executive directors in June 2018.

Messrs Edmonds and Gordon received a significant award of share options to ensure there was a strong link between their contribution to the Company and their reward. As their appointments came about at the same time as the private placing of shares in May 2018, the potential significant investor was consulted as to the appropriateness of the remuneration structure.

The Board is not aware that the workforce has any particular desire to engage in the discussion of remuneration policy and how executive remuneration aligns with wider company pay policy. The Board will make appropriate provision should it appear that this is not the case or the situation changes.

The members of the Nomination & Remuneration Committee have the necessary experience of executive compensation matters relevant to their responsibilities as members of such a committee by virtue of their respective professions, contacts within the minerals industry as well as experience in the broader business community. In addition, each member of the Nomination & Remuneration Committee keeps abreast on a regular basis of trends and developments affecting executive compensation. Accordingly, it is considered that the Nomination & Remuneration Committee has sufficient experience and knowledge to set appropriate levels of compensation. Neither the Company nor the Nomination & Remuneration Committee engaged independent consultants to evaluate the levels of compensation during the year ended 31 December 2018.

The recommendations of the Nomination & Remuneration Committee are submitted to the independent members of the Board of Directors for consideration and approval.

Remuneration policy
The Company's remuneration policy is intended to support the Company's long-term strategy and sustainable success in a manner consistent with the Company's purpose and values, attracting and retaining the highest quality of directors and senior executives. The pay policy is to:

- align the interests of the Board and senior executives with shareholders'
- align the interests of the workforce (including the Board and senior executives) with the Company's purpose and values,
- avoid incentivising excessive risk taking by the Board and senior executives,
- be proportionate to the contribution of the individuals concerned, and to
- be sensitive to pay and employment conditions elsewhere in the group.

The remuneration policy does not require post-employment shareholding requirements. Share options ordinarily lapse upon the resignation of the option holder.

The scale and structure of the remuneration and compensation packages of directors is set taking into account time commitment, comparatives, risks and responsibilities, to ensure that the amount of compensation adequately reflects the individual's previous performance, achievements, experience, responsibilities and risks of the office or position held, and in the context of the Company's risk profile, to ensure they do not encourage excessive risk taking on the part of the recipient of such compensation.

As the Company is at an early stage of development, the use of traditional performance standards, such as corporate profitability, is not considered by the Nomination & Remuneration Committee to be appropriate in the evaluation of corporate or directors' performance. Discretionary bonuses may be paid to aid staff retention and reward performance.

The Board considers that the remuneration policy has operated as intended in terms of company performance and quantum.

The Company provides executive directors with base salaries which represent their minimum compensation for services rendered during the financial year. The base salaries of directors and senior executives depend on the scope of their experience, responsibilities, and performance.

The N&R Committee has considered the risk implications of the Company's compensation policies and practices and has concluded that there is no appreciable risk associated with such policies and practices since such policies and practices do not have the potential of encouraging an executive officer or other applicable individual to take on any undue risk or to otherwise expose the Company to inappropriate or excessive risks. Furthermore, although the Company does not have in place any specific prohibitions preventing executives from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of options or other equity securities of the Company granted in compensation or held directly or indirectly, by the director, the Company is unaware of the purchase of any such financial instruments by any director.

The Company does not anticipate making any significant changes to its compensation policies and practices during 2019.

Share Option Plan and Option-Based Awards
All share options granted under the Company's Unapproved option plan as amended and restated effective as of 1 December 2006 have now lapsed and no further share options will be awarded under this plan.

The Company currently has in place an EMI share option plan (the "Approved Plan") which was adopted by the Board on 3 February 2017, and which provides for the award of share options under HMRC's approved Enterprise Management Incentive scheme, the HMRC approved Company Share Option Plan, as well as (for awards which are not eligible under either of the Enterprise Management Incentive scheme or the Company Share Option Plan rules), Unapproved share options.

In February 2017, the Board resolved that no further options would be granted under the Unapproved Plan and succeeded it with the Approved Plan.

Share options are approved by the Board of Directors on the recommendation of the Nomination & Remuneration Committee. Option awards are reviewed periodically, take into account previous option grants, changes in executive positions and overall contribution to the Company.

The Approved Plan provides that the maximum number of shares which may be reserved and set aside for issue under it, is 10% of the Company's issued share capital at the date of grant. The aggregate number of shares which may be reserved for issuance to any one person under the Share Option Plan and which are subject to outstanding options granted under a prior plan, must not exceed 5% of the issued shares (determined at the date the option was granted), in a 12 month period.

The Company's non-executive directors participate in the Unapproved Plan because the Board considers that the holding of options helps align the interests of the non-executive directors with shareholders by incentivising their decision making with a view to providing growth in the Company's share price. The Company's long term success will be dependent upon raising additional finance in future; aligning the interests of all directors and senior executives with shareholders incentivises all concerned to achieve the best possible price for such placings and to minimise undue dilution of interests.

Summary Compensation Table

The following table sets forth the compensation awarded, paid to or earned by each director during 2018, rounded to the nearest US$1,000.

All figures in US$		2018			2017		
Director and position	**Appointed / Resigned**	**Base Salary / Fees**	**Option based awards**	**Total**	**Base Salary / Fees**	**Option based awards**	**Total**
A. J. Williams *Executive Chair*	Resigned 15 May 2018	166,000	-	166,000	116,000	17,000	133,000
J. T. Williams *Chief Executive*	Resigned 15 May 2018	406,000	-	405,000	283,000	17,000	300,000
T. A. Bailey *Non-Executive Director*	Resigned 30 June 2018	25,000	-	25,000	32,000	3,000	35,000
J. S. Cable *Non-Executive Director*		34,000	-	34,000	32,000	3,000	35,000
J. A. Crombie *Non-Executive Director*	Resigned 30 June 2018	25,000	-	25,000	32,000	3,000	35,000
D. V. Edmonds *Executive Chair*	Appointed 15 May 2018	21,000	58,000	79,000	-	-	-
C. C. Gordon *Non-Executive Director*	Appointed 15 May 2018	21,000	-	21,000	-	-	-

Notes:

(1) Salaries are paid in pounds sterling and translated to US dollars based on the average £:$ foreign exchange rate for each respective year (2018: 1.3436; 2017: 1.2882).

(2) The fair value of options granted is calculated using the Black-Scholes model as this model is widely accepted as an industry standard and is considered to provide the best estimation of value.

(3) During the year ended 31 December 2018, $114,000 (£93,000) of wages and salaries was satisfied by the issue of 37,200,000 (2017: 4,787,493) common shares in the Company.

Outstanding Option-based Awards

The following table sets out all share options outstanding at 31 December 2018 for each of the Company's directors:

Name	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ($)
D. V. Edmonds	17,142,373	£0.0025	14 May 2023	-
C. C. Gordon	17,142,373	£0.0025	14 May 2023	-
J. S. Cable	500,000	£0.01	9 February 2022	-

Appointment of new directors and succession planning
The N&R Committee recognises that an effective board comprises a range and balance of skills, experience, knowledge, gender and independence, with individuals that are prepared to challenge each other whilst working as a team, which requires a range of personal attributes, including character, intellect, sound judgement, honesty and courage.

The Board and its advisers have significant experience in the mining sector and from that, a strong network of individuals working in the sector.

Given this experience and network, the Board does not consider it necessary to openly advertise positions or, generally, to use executive search consultants, however, in the event the N&R Committee is unsatisfied with the suitability of candidates which have been presented from the identification process, an executive search agency would be appointed. The Company usually has very limited need for the service of executive search agencies and therefore does not maintain a relationship with any one particular firm.

In the first instance, the N&R Committee, in consultation with the Chair, identify the Board's needs, and potential candidates believed to have the right blend of attributes to complement the Board, are identified and shortlisted from this broad network.

For key appointments, such as the appointment of the Chair, a representative from the Board may discuss the proposed appointment with significant investors.

Once a suitable candidate has been identified, the Company's Nominated Advisor carries out searches to provide assurance of their suitability.

Diversity and inclusion
There are many forms of diversity in the workplace: age, gender, race, national or ethnic origin, religion, language, political beliefs, sexual orientation and physical ability, as well as diversity of perspective arising from individuals' skills, experience and working styles providing different perspectives and approaches to finding solutions.

The present gender balance of senior management is exclusively male; the Board recognises this would benefit from improved balance, and the N&R Committee is cognisant of this when seeking candidates.

Appointment and removal of directors
The powers of the directors of the Company are determined by its Articles of Association and British Virgin Islands ("BVI") legislation, each of which contain rules about the appointment and replacement of directors. They provide that subject to certain conditions, directors may be appointed by an ordinary resolution of the members or by a resolution of the directors, provided that, in the latter instance, a director appointed in this way retires at the first AGM following his or her appointment.

The Company's Articles of Association also provide that directors should normally be subject to re-election at the AGM at intervals of three years although directors may volunteer to stand for re-election annually.

A director may cease to be a director:
- By special resolution of the members approved by 75% of the shareholders entitled to vote
- By resolution of the directors
- If he resigns
- If he ceases to meet the eligibility requirements under the BVI Companies Act.

Where any director resigns and has concerns about the operation of the board or the management of the company, they are asked to provide a written statement to the Chair to circulate to the Board.

Board assessments
The Chair continuously considers the performance of the Board, its committees and of individual directors, and provides feedback when appropriate. Similarly, the Chair invites feedback in the same manner from the Non-Executive Directors and the Company Secretary. The Nomination & Remuneration Committee consider the time and cost involved in carrying out a formal process, especially one that is externally facilitated, cannot be justified for the Company at this stage in its development.

The Nomination & Remuneration Committee acknowledges the merits in carrying out formal board evaluations and will monitor the continuing suitability of this stance as the Company grows in size.

Audit committee report

Overview

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited consolidated financial statements and the notes to them, as set out on pages 28 to 50 of this annual report, with Company management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee is governed by terms of reference, which are available on the Company's website at www.alienmetals.uk. The Audit Committee's terms of reference require it to review its own terms of reference once a year; they were last amended on 28 September 2018.

Independence of the external auditor

PKF (UK) LLP ("PKF") had acted as the Company's auditor since 2006; in 2013, BDO LLP and PKF undertook a merger, from which BDO LLP continued as the Company's auditor. PKF had therefore held the role of auditor for seven years and BDO has inherited the account and continued for a further five years, giving an aggregate of 12 years. In 2018, the Board appointed RSM UK Audit LLP as the Company's Auditor.

The independence of the auditor is considered by the Audit Committee each year. In assessing the auditor's independence, the Audit Committee consider:

- Ratio of audit fees to non-audit fees
- Length of tenure
- Whether there are any known material relationships between the Company, its directors and senior executives, and the audit firm, its partners, and the audit team
- Application of constructive challenge and professional scepticism

Audit and non-audit fees are disclosed in note 4 to the financial statements, on page 40.

The Audit Committee considers the nature and value (in the context of the audit fee) of any non-audit services on the auditor's independence, and is required to give its prior approval of any such non-audit services.

Effectiveness of the external audit process

In considering the effectiveness of the external audit process, the Audit Committee consider:

- Effectiveness of the audit plan, its delivery and execution
- Knowledge and experience of the audit team
- Robustness of the audit

Internal audit function

The Audit Committee considers annually whether there is a need for an internal audit function and makes a recommendation to the Board if a change is considered to be appropriate. The Company's operations are small in scale, the organisational structure is flat, and the cost of an internal audit function is not justified at present.

Risk management

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors including the price of copper, silver, gold, lead and zinc, laws and regulations, political conditions, currency fluctuations, environmental regulations, hiring and retaining qualified people and obtaining necessary services in jurisdictions where the Company operates.

The Board periodically carries out robust assessments of the emerging and principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The assessment includes a review of all material controls including those which are related to finance, operations and compliance.

The Audit Committee is responsible for monitoring the effectiveness of the Company's risk management and internal control systems, and reports to the Board as required.

Alien Metals operates with a small team of key personnel and with open lines of internal communication. Where new risks are identified, these are reported to the Company Secretary or the CEO. Where practicable, a method of mitigation is determined, and the risk together with any form of mitigation is presented to the Board for discussion.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry which may have a material impact, or constitute risk factors in respect of the Company's future financial performance.

Principal risks and uncertainties

Key risks	**Description of risk**	**Mitigating factors**
Strategic risks		
Exploration and development and future acquisitions	The Company's operations are subject to all of the hazards and risks incidental to exploration, development, and the production of minerals, including damage to life or property, environmental damage and legal liability for damage, which could have a material adverse impact on the business and its financial performance. The Company intends to acquire additional mining concessions in Mexico or elsewhere in the world. The Company may be unable to obtain suitable mining concessions at competitive prices. Any exploration programme entails risks relating to the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. In the event that Company's portfolio of mining concessions are deemed by management not to warrant further exploration and the Company is unsuccessful in acquiring suitable new projects, the Company will have no exploration or development projects to pursue.	Our mineral concessions are evaluated carefully by qualified geologists, and independent advisors are engaged as and when appropriate. The management team has significant experience operating in Mexico.
No reserves or resources	The Company does not hold any concessions in respect of which reserves or resource estimates have been established that comply with Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards and Guidelines or other similar recognised industry standards. No assurance can be given that any exploration programme will result in any new commercial mining operation or in the discovery of new resources.	The Company has had significant success in the past at delineating mineral resources in accordance with NI 43-101.

Key risks	Description of risk	Mitigating factors
Strategic risks		
Mineral concessions and titles risks	In relation to mining concessions over which the Company holds legal rights, if the Company fails to fulfil the specific terms of any of its concessions or operates in the concession areas in a manner that violates Mexican law, regulators may impose fines, suspend or revoke the concessions, any of which could have a material adverse effect on the Company's operations and proposed operations. Ownership of the mineral concessions has been transferred from the Company's former operating subsidiary Arian Silver de Mexico SA de CV ("ASM") to its new operating subsidiary, Compañía Minera Estrella de Plata SA de CV ("CMEP"). Whilst the Company has previously received legal opinions in respect of title of ASM to its properties there is no guarantee that title to such properties will not be challenged or impugned by third parties. The Company's concessions could be subject to prior unregistered agreements, transfers or other claims and title could be affected by unidentified or unknown defects or government actions. A formal legal opinion has not been obtained as to the legal title of CMEP to the mineral concessions.	The mineral concessions have been held by the Company's former operating subsidiary ASM for several years without legal challenge. The Company's mineral concessions have been registered in the name of CMEP and no contest or objection was received. Prior to entering into agreements relating to mineral concessions, formal searches and reviews of legal documentation are conducted to provide evidence of the legal owner. The sale of the Calicanto project was successful following a comprehensive due diligence programme.

Key risks	Description of risk	Mitigating factors
Financial risks		
Requirement of additional financing	Failure to obtain sufficient financing for any projects would result in a delay or indefinite postponement of exploration, development or production on properties covered by the Company's concessions or even the loss of a concession. Additional financing might not be available when needed, or if available, the terms of such financing might not be favourable to the Company and could involve substantial dilution to shareholders. In the absence of adequate funding or cost reductions, the Company may not be able to continue as a going concern.	The Company has an experienced board and management team with significant experience in financing mining activities. The Company has been successful in raising funds in the past and it is our intention to raise additional funds in future to support the ongoing development of the business.
Liquidity risk	The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 31 December 2018, the Company had cash of $298k to settle accounts payable of $74k. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. In the short-term, liabilities will be funded by cash. Although the Company has been successful in the past in raising equity finance, there can be no assurance that the funding required by the Group will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Group and might involve substantial dilution to existing shareholders.	It is expected that the Company will raise sufficient funds from investors to fund its future growth, exploration, development, and operating costs.

Key risks	Description of risk	Mitigating factors
Financial risks		
Capital management risk	The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and have access to adequate funding for its exploration and development projects, so that it can provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets.	In order to maintain or adjust the capital structure the Group may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.
Price risk	The price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market.	The Company does not currently have any financial instruments in issue other than share options and warrants. The Company does not hedge its exposure to price risk.
Foreign currency risk	The Company's exploration expenditure is made in Mexican pesos or US dollars and head office expenses are predominantly made in the UK in pounds sterling. The Company is therefore exposed to the movement in exchange rates for these currencies. At the year end the majority of the Company's cash resources were held in GBP. The Company therefore also has downside exposure to any weakening of pound sterling against the US dollar as this would increase expenses in US dollar terms and accelerate the depletion of the Company's cash resources. Any strengthening of pound sterling or the Mexican peso against the US dollar would, however, result in a reduction in expenses in US dollar terms and preserve the Company's cash resources. In addition, any movements in pounds sterling or Mexican peso would affect the presentation of the consolidated statement of financial position when the net assets of the Mexican subsidiary and parent company in the UK are translated from their functional currencies into US dollars.	The Company does not currently hedge foreign exchange risk. There is not considered to be any material exposure in respect of other monetary assets and liabilities of the Group.
Credit risk	The Company's credit risk is primarily attributable to cash and the financial stability of the institutions holding it. The Group's maximum exposure to credit risk is attributable to cash. The credit risk on cash is limited because the Group invests its cash in deposits with well capitalised financial institutions with strong credit ratings.	The Company invests its cash in deposits with well-capitalised financial institutions with strong credit ratings.
Investment risk	The Company may from time to time hold shares in other mining companies, such as SGL UK. There is not always a liquid market for the shares in companies such as SGL UK companies and so it may not always be possible to sell such shares at the optimum time or price.	The Company has previously been successful in realising value from investments.

Key risks	Description of risk	Mitigating factors
External risks		
Metals prices	The Company's ability to obtain further financing will depend in part on the price of commodity prices, including copper, silver, lead and zinc, and the industry's perception of its future price. The Company's resources and financial results of operations will also be affected by fluctuations in metal prices over which the Company has no control. A reduction in the metal prices could prevent the Company's properties from being economically mined or result in curtailment of existing production activities or result in the impairment and write-off of assets. The price of commodities, which is affected by numerous factors including inflation levels, fluctuations in the US dollar and other currencies, supply and demand and political and economic conditions, could have a significant influence on the market price of the Company's common shares.	It is an accepted risk that the Company's performance will be impacted by the price of metals. The Board and management believe the price of precious metals in particular, will increase in the long term. The Company does not hedge its exposure to metals prices.

Key risks	Description of risk	Mitigating factors
Operational risks		
Reliance on contractors	The Company relies on contractors to implement exploration and development programmes. The failure of a contractor or key service provider to perform properly its services to the Company could delay or inconvenience the Company's operations, and have a materially adverse effect on the Company.	The Company has operated in Zacatecas in Mexico, for several years and has well-established and trusted relationships with various contractors. Certain of the Company's directors have significant and recent experience operating in other global jurisdictions, which may help identify reliable contractors.
Key personnel	The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The Company has entered into employment agreements with certain key managers. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management. The loss of one or more of these individuals could have a materially adverse effect on the Company. The Company does not currently have any insurance in place with respect to key personnel.	The Board has established a Nomination & Remuneration Committee which is responsible for considering succession planning and ensuring remuneration is sufficient to attract and retain staff of a the necessary calibre.

Key risks	Description of risk	Mitigating factors
Operational risks		
Environmental factors	The Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Such regulation covers a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and health and safety. The Company might also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances, which might exist on or under any of the properties covered by its concessions, or which might be produced as a result of its operations. If the Company does not comply with environmental regulations or does not file environmental impact statements in relation to each of its concessions, it might be subject to penalties, its operations might be suspended, closed and/or its concessions may be revoked. Environmental legislation and permit requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. The Company's activities could be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests.	The Company has an experienced board and management team with an awareness and knowledge of these types of risk. Concessions are evaluated carefully prior to their acquisition for environmental risks and consultants are engaged to advise on specific risks when appropriate. The Company has an excellent track record on environmental matters.
Political risk	The Company is conducting its exploration activities in the Mexico. The Company may be adversely affected by changes in economic, political, judicial, administrative or other regulatory factors such as taxation in Mexico, where the Company operates and holds its major assets. Mexico may have a more volatile political environment and/or more challenging trading conditions than in some other parts of the world. There is no assurance that future political and economic conditions in Mexico will not result in the government of Mexico adopting different policies in respect of foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, and repatriation of income and return of capital. These changes may affect both the Company's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties, in respect of which it has obtained exploration and development rights to date.	The directors believe the government of Mexico supports the development of natural resources by foreign operators.

Key risks	Description of risk	Mitigating factors
Operational risks		
Payment obligations	Under the mineral property concessions and certain other contractual agreements to which a member of the Group is, or may in the future become, a party, any such company is, or may become, subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by such companies.	The directors have in place a system of internal controls to ensure any payment obligations are complied with.
Regulatory approvals	The operations of the Company require approvals, licenses and permits from various regulatory authorities, governmental and otherwise. There can be no guarantee that the Company will be able to obtain or maintain all necessary approvals, licenses and permits that may be required to explore and develop its various projects and/or commence construction or operation of mining facilities that economically justify the cost.	The Company has significant experience in operating in Mexico and believes that the Company holds or will obtain all necessary approvals, licenses and permits under applicable laws and regulations in respect of its current projects.
Competition	The Company competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees. There is significant competition for the silver and other precious metals opportunities available and, as a result, the Company may be unable to acquire further mineral concessions on terms it considers acceptable.	The Company and its management team have significant experience in mining operations in Mexico. Through its experience and relationships in Mexico, counterparties may consider the Company to have lower transaction risk than its competitors.
Conflicts of interest	Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and consequently there is the potential for conflicts of interest. The Company expects that any such director or officer shall disclose such interest in accordance with its articles of association or his contractual obligations to the Company and any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.	The Company's Articles of Association have been adopted by shareholders and any conflicts of interest are dealt with in accordance with the rules set out therein. In the event of a conflict of interests, the conflicted director shall not vote on the relevant matter.

Viability statement and going concern

The Board has assessed the prospects of the Group over a period of 12 months from the date of approval of these financial statements, involving a review of the Group's forecast prepared for the year ending 31 December 2019 and taking account of the Board's intentions for future activities after that date. As explained further in note 2(C), taking account of the Group's current position and principal risks, over a 12 month period, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over that period albeit additional funding will be required to enable the Group to meet all of its objectives. The raising of additional funding is fundamental to the future success of the business and therefore gives rise to a material uncertainty, although the Board notes the Group's successful track record in having raised finance in the past as necessary to meet the Group's ongoing cash requirements.

The Board considers this period of assessment to be appropriate because it contextualises the Group's financial position, business model and strategy.

Financial statements

Directors responsibilities statement

The directors are responsible for preparing the annual report and financial statements and have prepared the Group financial statements in accordance with International Financial Reporting Standards in order to give a true and fair view of the state of affairs of the Group and of its profit or loss for that period, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 they have been prepared in accordance with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping records that are sufficient to show and explain the Group and Company's transactions and will, at any time, enable the financial position of the Group and Company to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the British Virgin Islands governing the preparation and dissemination of the Company's financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

The directors consider this Annual report and accounts, taken as a whole, is fair, balanced, understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Non-statutory Independent Auditor's Report To The Directors of Alien Metals LTD (Formerly Arian Silver Corporation)

Opinion
In accordance with our letter of engagement dated 12 September 2018, we have audited the non-statutory group financial statements of Alien Metals Ltd (formerly Arian Silver Corporation) (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flow, the consolidated statement of changes in equity and notes to the non-statutory group 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.

In our opinion the non-statutory group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the British Virgin Islands Business Companies Act 2004.

Basis for opinion
We conducted our non-statutory 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 non-statutory financial statements section of our non-statutory report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the non-statutory group financial statements in the UK, including the FRC's Ethical Standard as applied to SME 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.

Conclusions relating to principal risks, going concern and viability statement
We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 17 to 22 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 16 in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- whether the directors' statement relating to going concern, required under provisions 30 and 31 of the UK Corporate Governance Code 2018, is materially inconsistent with our knowledge obtained in the audit.

Material uncertainty related to going concern and longer term viability
We draw attention to note 2(C) in the financial statements, which indicates that the group will need to raise additional finance in order to continue with its exploration programmes and to meet its recurring expenditure, and that, although the group has been successful in the past in raising additional finance, there can be no assurance that the funding required by the group will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms.

As stated in note 2(C), these conditions, along with the other matters as set forth in note 2(C), indicate that a material uncertainty exists that may cast significant doubt over the group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue and significant doubt over the group's longer term ability to continue in operation and meet its liabilities as they fall due over the period of their viability assessment on page 22. Our opinion is not modified in respect of this matter.

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

Existence, ownership and impairment of intangible assets

Intangible assets comprise exploration assets, being accumulated licence acquisition costs and subsequent capitalised expenditure on those concessions. These are carried at $263,000 (see note 9) and form a significant part of the group's gross and net assets. As these are the group's primary assets, the continued existence and ownership of these assets is a key audit matter. Additionally, management is required, by IFRS 6, to consider whether there are any impairment indicators which may suggest that the exploration costs will not be recoverable. Such indicators include the expiry or potential non-renewal of licences, absence of planned or budgeted expenditure on further exploration, the discontinuance of exploration activities in a specific area consequent on the non-discovery of commercially viable minerals, or data which indicates that the carrying amount of the asset is unlikely to be recovered in full from development or sale of the asset.

Our response to this key audit matter included:

- confirming the existence and ownership of key licences by reference to publicly available information;
- confirming that the group had complied with the minimum expenditure requirements during the year;
- reviewing the directors' consideration of impairment indicators and comparing this to other information available to us, including RNS announcements, past expenditure and management's plans and budgets;
- reviewing any third party expert reports in relation to the concessions and their future viability; and
- reviewing the disclosures made in the financial statements.

Carrying value of financial asset investments

The group holds an investment in the shares of an unlisted company, Siberian Goldfields Limited, which is carried at fair value through other comprehensive income in accordance with the requirements of IFRS 9. The carrying value at 31 December 2018 was $78,000 (see note 17). As the measurement of fair value of a small equity holding in an unlisted company requires, in the absence of a readily observable market price, the application of judgement and use of estimates, the valuation is considered to be a key audit matter.

Our response to this key audit matter included:

- confirming the number of shares held, and the total issued shares of the investee entity;
- reviewing the valuation adopted by management, and challenging the assumptions made;
- reviewing the publicly available information on valuations adopted by other investors in the shares and comparing this to the group's valuation;
- reviewing correspondence between the group and the management of Siberian Goldfields Limited for evidence of factors which may affect the valuation of the shares;
- discussions with management and review of press comment that there have been no events following the year end which might impact the carrying value.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements.

During planning, materiality for the group statements as a whole was calculated as $30,000, which was not significantly changed during the course of our audit.

We agreed with the audit committee that we would report to them all unadjusted differences in excess of $1,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Overview

Governance

Financials

Other

An overview of the scope of our audit
The Group comprises the parent undertaking, incorporated in the British Virgin Islands, its principal operating subsidiary, Compania Minera Estrella de Plata S.A de C.V. and five non-trading or intermediate holding companies, all registered in England. A full scope audit to group materiality levels was performed on the parent undertaking and Compania Minera Estrella de Plata S.A de C.V. This resulted in 100% coverage of consolidated expenditures and 100% of the group's gross and net assets.

Other information
The other information comprises the information included in the annual report, other than the non-statutory group financial statements and our non-statutory auditor's report thereon. The directors are responsible for the other information. Our non-statutory opinion on the non-statutory group financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the non-statutory group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory group 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 non-statutory group 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.

In this context, we have a responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 23** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 16** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 6** – whether the directors' statement relating to going concern, required under provisions 30 and 31 of the UK Corporate Governance Code 2018, is materially inconsistent with our knowledge obtained in the audit

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the non-statutory group 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 non-statutory group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory group financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory group financial statements
Our objectives are to obtain reasonable assurance about whether the non-statutory group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a non-statutory 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 non-statutory group financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard as applied to SME listed entities, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

This non-statutory report is made solely to the company's directors for their confidential use, in accordance with our letter of engagement dated 12 September 2018. Our non-statutory audit work has been undertaken so that we might state to the company's directors those matters we are engaged to state to them in a non-statutory 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 directors, for our non-statutory audit work, for this non-statutory report, or for the opinions we have formed.

RSM UK AUDIT LLP
Chartered Accountants
Portland
25 High Street
Crawley
RH10 1BG

Date: 25 June 2019

Consolidated statement of comprehensive income
For the year ended 31 December 2018

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

	Note	2018	2017
Continuing operations			
Administrative expenses		(1,531)	(1,423)
Operating loss	4	(1,531)	(1,423)
Net investment income	6	(2)	4
Loss for the year before taxation		(1,533)	(1,419)
Tax	7	-	-
Loss for the year attributable to equity shareholders of the parent		(1,533)	(1,419)
Other comprehensive income that may be reclassified to profit or loss:			
Foreign exchange translation differences recognised directly in equity		(38)	113
Movement in equity instrument	17	(56)	(129)
Other comprehensive income for the year		(94)	(16)
Total comprehensive income for the year attributable to equity shareholders of the parent		(1,627)	(1,435)
Basic and diluted loss per share (US cents/share)	8	(0.3)	(0.5)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2018

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

	Note	2018	2017
Assets			
Financial asset investments	17	78	143
Intangible assets	9	263	236
Property, plant and equipment	10	3	6
Total non-current assets		**344**	**385**
Trade and other receivables	11	94	57
Cash and cash equivalents	12	298	876
Total current assets		**392**	**933**
Total assets		**736**	**1,318**
Equity attributable to equity shareholders of the parent			
Share capital	13	53,870	52,965
Warrant reserve	13	2,183	2,166
Share-based payment reserve	13	1,057	1,389
Equity investment reserve	17	(185)	-
Foreign exchange translation reserve	13	1,903	1,941
Accumulated losses		(58,166)	(57,228)
Total equity		**662**	**1,233**
Liabilities			
Trade and other payables	15	74	85
Total current liabilities		**74**	**85**
Total liabilities		74	85
Total equity and liabilities		**736**	**1,318**

The financial statements were approved and authorised for issue by the Board of Directors on 25 June 2019 and were signed on its behalf by:

Peter Taylor
Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements.

Overview Governance Financials Other

Consolidated statement of cash flows
For the year ended 31 December 2018

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Loss before tax from continuing operations		(1,533)	(1,548)
Adjustments for non-cash items:			
Depreciation	10	3	4
Exchange difference		30	47
Net interest receivable	6	-	(6)
Impairment of financial asset investments	17	-	129
Equity-settled share-based payment transactions		260	56
(Increase)/decrease in trade and other receivables	11	(40)	22
(Decrease) in trade and other payables	15	(18)	(20)
Cash used in operating activities		(1,298)	(1,316)
Cash flows from investing activities			
Interest received		-	1
Proceeds from sale of asset held for sale		-	400
Purchase of intangible assets	9	(27)	(22)
Acquisition of property, plant and equipment	10	(-)	(2)
Cash used in investing activities		(27)	377
Cash flows from financing activities			
Proceeds from issue of share capital and warrants	13	813	1,558
Issue costs	13	(16)	(156)
Cash from financing activities		797	1,402
Net (decrease) / increase in cash and cash equivalents		(528)	463
Cash and cash equivalents at 1 January		876	416
Effect of exchange rate fluctuations on cash held		(50)	(3)
Cash and cash equivalents at 31 December	12	298	876

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2018

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

	Share capital	Warrant reserve	Share based payment reserve	Equity investment reserve	Foreign exchange translation reserve	Accumulated losses	Total
Balance: 31 December 2016	**52,396**	**1,333**	**1,417**	**-**	**1,828**	**(55,764)**	**1,210**
Loss for the year	-	-	-	-	-	(1,419)	(1,419)
Foreign exchange translation differences recognised directly in equity	-	-	-	-	113	-	113
Movement on equity investment fair value	-	-	-	(129)	-	-	(129)
Total comprehensive income	**-**	**-**	**-**	**(129)**	**113**	**(1,419)**	**(1,435)**
Shares and warrants issued for cash	725	833	-	-	-	-	1,558
Share issue costs	(156)	-	-	-	-	-	(156)
Lapse of share options	-	-	(84)	-	-	84	-
Share based payment	-	-	56	-	-	-	56
Balance: 1 January 2018	**52,965**	**2,166**	**1,389**	**(129)**	**1,941**	**(57,099)**	**1,233**
Loss for the year	-	-	-	-	-	(1,533)	(1,533)
Foreign exchange translation differences recognised directly in equity	-	-	-	-	(38)	-	(38)
Movement in equity instrument	**-**	**-**	**-**	(56)	**-**	**-**	(56)
Total comprehensive income	**-**	**-**	**-**	**(56)**	**(38)**	**(1,533)**	**(1,627)**
Shares issued for cash	984	-	-	-	-	-	984
Share issue costs	(62)	-	-	-	-	-	(62)
Lapse of share options	-	-	(466)	-	-	466	-
Share based payment	-	-	134	-	-	-	134
Fair value of warrants issued	(17)	17	-	-	-	-	-
Balance: 31 December 2018	**53,870**	**2,183**	**1,057**	**(185)**	**1,903**	**(58,166)**	**662**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2018

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

1. Reporting entity

Alien Metals Ltd (the "Company") is a company incorporated in the British Virgin Islands. The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in the acquisition and development of mineral resource assets.

2. Basis of preparation

(A) Statement of compliance

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

The Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning 1 January 2018. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group. The Group has not adopted any standards or interpretations in advance of the required implementation dates.

IFRS 9 Financial Instruments is being adopted for the first time in these financial statements. The Company applied IFRS 9 retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Company has only one investment, an equity investment into the shares of Siberian Goldfields Limited ("SGL"), an unlisted company with interests in gold and iron ore deposits in Siberia, Russia. At 1 January 2018, the investment into SGL shares was carried at fair value under IAS 39 in the amount of US$142,825. There were no changes to the carrying amount as a result of IFRS 9 adoption. The application of IFRS 9 has not resulted in restatement of net assets at 1 January 2017 or 31 December 2017. The equity investments into SGL shares will be held at fair value through other comprehensive income, meaning the reclassification of gains and losses on disposal and impairment losses is no longer permitted for this category of asset. Previously, under IAS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were reclassified to profit or loss on disposal. A change in value of US$128,865 recognised in 2017 in profit and loss has now been recognised in other comprehensive income following the adoption of IFRS 9.

IFRS 15 Revenue from contracts with customers was also applied in these financial statements for the first time. Due to the Group being at pre-revenue stage, the adoption of this standard did not result in any restatement or re-classifications.

The accounts were approved by the board and authorised for issue on 25 June 2019.

(B) Future standards and possible effects

	Issued Date	IASB mandatory effective date[1]
New Standards and interpretations		
IFRS 16 Leases	13-Jan-16	01-Jan-19
IFRIC 23 Uncertainty over Income Tax Treatments	07-Jun-17	01-Jan-19
Amendments to Existing Standards		
Annual improvements to IFRSs (2015-2017 Cycle)	12-Dec-17	01-Jan-19
Amendments to References to the conceptual framework in IFRSs*	29-Mar-18	01-Jan-20
Amendment to IFRS 3 Business Combinations*	22-Oct-18	01-Jan-20
Amendments to IAS 1 and IAS 8: Definition of Material*	31-Oct-18	01-Jan-20

[1] Periods beginning unless noted otherwise.
* Not yet endorsed for use in the EU at the time these accounts were authorised for issue.

The application of the above standards in the future financial statements is not expected to have a material impact on the financial statements.

2. Basis of preparation (*continued*)

(B) Future standards and possible effects *(continued)*

Adoption of IFRS 16 will result in the Group recognising right-of-use of assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment, where material. Since the Group currently only has short term (less than 12 months) operating leases, IFRS 16 will not have a material impact on the results or balance sheet of the Group.

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

(C) Going concern

The directors regularly review cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities including exploration activities.

The Group's assets are at an early stage and in order to meet financing requirements for their development the Company has raised funds by way of several discrete share placements, which is a common practice for junior mineral exploration companies.

In addition to the private placings during 2018, in February 2019, the Company issued a £500,000 convertible loan note, convertible into Common shares in the Company at a price of 0.1 pence per share. As at 18 June 2019, the Company had no outstanding debts under the terms of the convertible loan note, and £300,000 (US$377,190 remained available to draw down at the Company's discretion.

The Company issued a convertible loan note in February 2019 which raised gross proceeds of £202,247 (US$264,202 based on an exchange rate of £:$ 1.306). On 10 April 2019 the conversion option was exercised resulting in the issue of 202,247,000 shares.

The Company successfully raised a further £300,000 (US$389,766 based on an exchange rate of £:$ 1.299 as at 13 May 2019) before expenses by way of a brokered private placing of shares at a price 0.15 pence per share.

Please refer to note 20 for further details.

The directors believe that the Group will be able to raise additional funds to continue with any future acquisitions or exploration programmes and to meet recurring expenditure and, taking account of the Company's current position and principal risks, therefore consider it appropriate to prepare the Group's financial statements on a going concern basis.

Although the Company has been successful in the past in raising finance, there can be no assurance that the funding required by the Group will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Group and might involve substantial dilution to existing shareholders. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

(D) Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgements and estimates are contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement that have the most significant effect on the amounts recognised in the consolidated financial statements:

2. Basis of preparation (*continued*)

(D) Use of estimates and judgement *(continued)*

- ***Going concern***
  Management regularly review cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities including exploration activities. This judgement is based on Management's assumptions for the development of its assets and corresponding estimated expenditure, and the expectation of raising additional funds to progress such further exploration and development during the year. For further information please refer to note 2(C).

- ***Impairment of exploration and evaluation costs – Notes 3(E), 9***
  Determination as to whether, and by how much, an asset or cash generating unit is impaired involves management estimates. Management uses the following triggers to assess whether impairment has occurred (the list is not exhaustive):
  - the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
  - substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
  - exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
  - sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full on successful development or by sale.

- ***Impairment of exploration and evaluation costs – Notes 3(E), 9***
  As at 31 December 2018, it was considered that none of the impairment triggers had arisen and the assets were being evaluated for future potential exploration.

  In any such case, or similar cases, the Group will measure, present and disclose any resulting impairment loss in accordance with IAS 36. For further information please refer to notes 3(E) and 9.

- ***Estimation of share-based payment costs***
  Where appropriate, the Group estimates the fair value of share-based payments using the Black-Scholes model taking into account the terms and conditions upon which the share-based payment was granted. For further information please refer to notes 3 (k) and 14.

- ***Valuation of financial asset investments***
  The Group measures financial assets investments with fair value through other comprehensive income (FVTOCI) at fair value. Management determine the appropriate valuation techniques and inputs for fair value measurement. In estimating the fair value, the Group uses market-observable data to the extent it is available. For further information please refer to notes 3(H) and 17.

(E) Functional and presentation currency

These consolidated financial statements are presented in United States dollars as the Company believes it to be the most appropriate and meaningful currency for investors. Save for the Company's subsidiary in Mexico, Compañía Minera Estrella de Plata SA de CV ("CMEP"), the functional currency of the Company and its subsidiaries is pounds sterling; the functional currency of CMEP is United States dollars.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(A) Basis of consolidation

(i) Subsidiaries

An investor controls an investee when the investor 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is obtained up to the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains, losses, income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(B) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated statement of financial position are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of operations

The assets and liabilities of operations, including goodwill and fair value adjustments arising on consolidation, are translated to United States dollars at exchange rates ruling at the date of the consolidated statement of financial position. The revenues and expenses of operations are translated to United States dollars at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income. They are reclassified to profit or loss upon disposal.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to the profit or loss as part of the profit or loss on disposal.

(C) Income tax expense

Income tax expense comprises current and deferred tax.

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries that will not reverse in the foreseeable future.

3. Significant accounting policies (*continued*)

(C) Income tax expense *(continued)*

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(D) Loss per share

The Group presents basic and diluted loss per share (“LPS”) data for its common shares. Basic LPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted LPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which comprise warrants, share options and conversion of the loan note into shares.

(E) Intangible assets

(i) Deferred exploration and evaluation costs

These comprise costs directly incurred in exploration and evaluation as well as the cost of mineral licences. Costs which are capitalised include costs of licence acquisition, technical services and studies, exploration drilling and testing and appropriate technical and administrative expenses but do not include general administrative expenses or costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the income statement account as they occur. They are capitalised as intangible assets pending the determination of the feasibility of the project. When the decision is taken to develop a mine the related intangible assets are transferred to property, plant and equipment and the exploration and evaluation costs are amortised over the estimated life of the project. Where a project is abandoned or is determined not economically viable, the related costs are written off.

The recoverability of deferred exploration and evaluation costs is dependent upon a number of factors common to the natural resource sector. These include the extent to which the Company can establish mineral reserves on its properties, the ability of the Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof.

(F) Property, plant and equipment

(i) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- office equipment: 3 to 10 years
- fixtures and fittings: 3 to 10 years
- plant and equipment: 5 to 10 years
- motor vehicles: 4 years

The residual value, if not insignificant, is reassessed annually. Assets under construction are not depreciated.

3. Significant accounting policies (*continued*)

(G) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at the date of each consolidated statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment is measured by comparing the carrying values of the asset with its recoverable amount. The recoverable amount of the asset is the higher of the assets' fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in the income statement immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(H) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(i) Financial assets carried at amortised cost

These assets incorporate such types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment of provisions for receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise other receivables and cash and cash equivalents in the consolidated statement of financial position.

3. **Significant accounting policies (*continued*)**

(H) Financial instruments *(continued)*

(ii) Financial assets with fair value through other comprehensive income (FVTOCI)
The Group has a strategic investment in an unlisted entity (SGL, note 2A), which is not accounted for as subsidiary, associate or jointly controlled entity. For that investment, the Group has made an irrevocable election to classify the investment at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for this asset. It is carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the equity instrument reserve through other comprehensive income reserve. Upon disposal any balance within the equity instrument reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the equity instrument reserve.

(iii) Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost include current borrowings and trade and other payables that are short term in nature. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(iv) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 (unadjusted) 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; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. **Significant accounting policies (*continued*)**

(H) Financial instruments *(continued)*

(v) Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(I) Warrants

The Company estimates the fair value of the future liability relating to issued warrants using

- residual method, where a warrant was issued and included as a part of a package placement of “1 share+ 1 warrant”;
- the Black-Scholes pricing model taking into account the terms and conditions upon which the warrants were issued, if the warrant was granted on its own

Warrants relating to equity finance are recorded as a reduction of capital stock based on the fair value of the warrants.

(J) Share capital – common shares

Incremental costs directly attributable to the issue of common shares and share options are recognised as a deduction from equity.

(K) Share-based payment transactions

The share option programme allows Group directors, officers, employees and consultants to acquire shares of the Company. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date and are recognised as an expense with a corresponding increase in equity. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Directors’ estimate of equity instruments that will eventually vest, with a corresponding increase in equity. Where the conditions are non-vesting, the expense and equity reserve arising from share-based payment transactions is recognised in full immediately on grant.

The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except if the change is due to market-based conditions not being satisfied.

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

4. Operating loss

Operating loss is stated after charging:

	2018	2017
Depreciation and amortisation	3	4
Exchange loss	6	47
Exploration costs	2	101

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ('CODM') and for which discrete information is available. The Group's CODM is the Board of Directors. The Group only has one reporting segment being its corporate activities whilst it seeks out opportunities to expand its portfolio. The Group's income, costs, assets, liabilities and cash flows are therefore totally attributable to its one segment so no IFRS 8 disclosures have been given.

Auditors remuneration

	2018	2017
Fees payable to the Group's auditor for the audit of the annual financial statements	**31**	**47**
Fees payable to the Group's auditor for other services:		
Tax compliance services	**2**	**-**
Total	**33**	47

5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2018	2017
Finance and administration	**5**	**6**
Total staff numbers	**5**	**6**

The aggregate staff costs of these persons as follows:

	2018	2017
Wages and salaries	**839**	**650**
Social security costs	**85**	**74**
Pension	**2**	**1**
Share based payments	**134**	**43**
Total staff costs	**1,060**	**768**

During the year ended 31 December 2018 $114,000 (2017: nil) wages and salaries were satisfied by the issue of 37,200,000 (2017: nil) common shares in the Company.

Remuneration of key management personnel

Key management personnel remuneration is detailed below:

	2018	2017
	Salary/Fees	Salary/Fees
Executive directors		
A J Williams (resigned 15 May 2018)	**166**	**116**
J T Williams (resigned 15 May 2018)	**406**	**283**
D V Edmonds (appointed 15 May 2018)	**21**	**-**
Non-executive directors		
T A Bailey (resigned 30 June 2018)	**25**	**32**
J S Cable	**34**	**32**
J A Crombie (resigned 30 June 2018)	**25**	**32**
C C Gordon (appointed 15 May 2018)	**21**	**-**
Other key management		
Company Secretary	**141**	**155**
Total remuneration	**839**	**650**

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

5. Staff numbers and costs *(continued)*

Remuneration of key management personnel *(continued)*

The above remuneration excludes social security costs incurred by the Group. Including these social security costs, the total short-term employee benefits for the year in respect of key management personnel amounted to $847,000 (2017: $724,000).

Wages and salaries

	2018	2017
Paid directly	838	585
Paid via related party consultancy companies	-	65
Share based payment charge	134	56
Total	972	706

Share based payment charges relate to the fair value charge attributed to share options granted, further details are disclosed in note 14.

6. Net investment income

	2018	2017
Finance charges	(2)	(2)
Interest income	-	6
Total net investment income	(2)	4

7. Income tax recognised in the income statement

	2018	2017
Current tax	-	-

Reconciliation of effective tax rate

	2018	2017
Loss before tax	(1,533)	(1,548)
Income tax using the domestic corporation tax rate of 19.25% (2017: 20.00%)	(291)	(298)
Non-deductible expenses	40	27
Effect of timing differences	-	11
Depreciation in excess of capital allowances	-	-
Adjustments relating to different tax rates of subsidiary	-	(21)
Tax losses carried forward not recognised	251	281
Total tax expense	-	-

At the year end the Group had tax losses to carry forward of approximately $24,627,000 (2017: $23,367,000).

Under IFRS a net deferred tax asset of approximately $4,691,000 (2017: $4,440,000) has not been recognised due to the uncertainty as to the amount that can be utilised.

No adjustments are required in respect of the subsidiaries.

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

8. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2018 was based on the loss attributable to common shareholders of $1,533,000 (2017: $1,548,000) and a weighted average number of common shares outstanding during the year ended 31 December 2018 of 601,248,037 (2017: 303,037,407).

	2018	**2017**
Loss from continuing operations	1,533	1,548
Loss attributable to common shareholders	1,533	1,548
Basic and diluted loss per share in US cents	0.3	0.5

Diluted Loss per share

The potential increase in common shares from the exercise of any outstanding share purchase warrants and share options would be anti-dilutive as the Group has a net loss. These potential common shares are therefore excluded from the calculation and the diluted loss per share figure reported is the same as the basic loss per share.

9. Intangible assets

	Deferred exploration costs
Cost	
At 1 January 2017	173
Additions	22
Foreign exchange	41
At 31 December 2017	**236**
Additions	26
Foreign exchange	1
At 31 December 2018	**263**

The additions during the year were for deferred exploration costs of $26,000 relating to a number of projects in Mexico.

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

10. Property, plant and equipment

	Plant and equipment	Vehicles	Total
Cost			
At 31 December 2016	**29**	**6**	**35**
Additions	2	-	2
Foreign exchange movement	3	1	4
At 31 December 2017	**34**	**7**	**41**
Disposals	(32)	-	(32)
Foreign exchange movement	-	-	-
At 31 December 2018	**2**	**7**	**9**
Depreciation and impairment losses			
At 31 December 2016	**(27)**	**(1)**	**(28)**
Depreciation	(2)	(2)	(4)
Foreign exchange movement	(3)	-	(3)
At 31 December 2017	**(32)**	**(3)**	**(35)**
Depreciation	(1)	(2)	(3)
Disposals	32	-	32
Foreign exchange movement	-	-	-
At 31 December 2018	**(1)**	**(5)**	**(6)**
Carrying amounts			
At 31 December 2016	**2**	**5**	**7**
At 31 December 2017	**2**	**4**	**6**
At 31 December 2018	**1**	**2**	**3**

11. Trade and other receivables

	2018	2017
Other receivables	**21**	**25**
Prepayments	**73**	**32**
Total trade and receivables	**94**	**57**

12. Cash and cash equivalents

	2018	2017
Bank balances	298	876
Cash and cash equivalents in the statement of cash flows	**298**	**876**

13. Share capital and reserves

Share Capital

Authorised
The Company is authorised to issue an unlimited number of common shares of no par value.

Issued and outstanding common shares

Changes for the years ended 31 December 2018 and 2017 are detailed in the following table:

	2018		2017	
	Number of shares (000s)	Amount	Number of shares (000s)	Amount
Opening balance 1 January	423,695	52,965	183,695	52,396
Shares and warrants issued for cash	292,448	984	240,000	1,558
Issue costs of share issuance	-	(62)	-	(156)
Fair value of share warrants issued	-	(17)	-	(833)
Closing balance 31 December	**716,143**	**53,870**	**423,695**	**52,965**

During the years ended 31 December 2018 and 2017, the Company made share issuances as set out below.

2018
- On 1 November 2018, 14,448,000 common shares were issued at £0.0025 each, £36,120 (US$46,027).
- On 15 May 2018, 278,000,000 common shares were issued at £0.0025 each, £695,000 (US$938,000).

2017
- On 27 July 2017, 120,000,000 common shares were issued at £0.005 each, £600,000 (US$783,084).
- On 9 June 2017, 120,000,000 common shares were issued at £0.005 each, £600,000 (US$775,110).

Warrants

Warrant reserve
The warrants reserve arises on the issue of warrants.

	2018	2017
Opening balance 1 January	2,166	1,333
Fair value of warrants issued	17	833
Closing balance 31 December	**2,183**	2,166

On 7 November 2018 14,448,000 common shares purchase warrants were issued, exercisable at £0.0025 per common share, until 6 November 2020. These warrants were issued as a part of a placement unit of “1 share + 1 warrant” and privately placed at a price of £0.0025. The Company’s market value of the shares on the date of placement was £0.0016; the warrants were therefore valued based on the residual method at £0.0009.

The number and weighted average exercise price of warrants in issue for the year ended 31 December 2018 and 2017:

	2018		2017	
	Outstanding (000s)	Weighted average exercise price	Outstanding (000s)	Weighted average exercise price
Opening balance 1 January	378,787	0.01	114,787	0.02
Issued	14,448	0.01	264,000	0.01
Closing balance 31 December	393,235	0.01	378,787	0.01

13. Share capital and reserves *(continued)*

Share-based payment reserve

The share-based payment reserve arises on the grant of share options to directors, employees and other eligible persons under the share option plan.

	2018	2017
Opening balance 1 January	1,389	1,417
Fair value of share options issued	134	56
Share options lapsed	(466)	(84)
Closing balance 31 December	**1,057**	1,389

Foreign exchange translation reserve
The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations that do not have a US dollar functional currency. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the operation is disposed of.

Accumulated losses
Accumulated losses contain losses incurred in the current and prior years.

14. Share-based payment transactions

The number and weighted average exercise prices of share options for the years ended 31 December 2018 and 2017 are set out below. The issue of common shares prior to the date of the share consolidation have been restated to the nearest whole number as if they had occurred post-consolidation.

	2018		2017	
	Outstanding (000s)	Weighted average exercise price ($)	Outstanding (000s)	Weighted average exercise price ($)
Opening balance 1 January	9,225	0.03	775	0.32
Issued	34,285	0.95	8,500	0.01
Lapsed	(6,725)	0.07	(50)	1.07
Closing balance 31 December	36,785	0.03	9,225	0.03

Share options in issue at 31 December 2018:

Outstanding shares	Exercisable shares	Exercise price	Expiry
1,250,000	1,250,000	£0.0100	2 February 2022
1,250,000	1,250,000	£0.0100	9 February 2022
34,284,746	34,284,746	£0.0025	14 May 2023

The share options outstanding at 31 December 2018 if exercised, will be settled by issue of equity.

The weighted average remaining contractual life of share options as at 31 December 2018 was 1,572 days.

Fair value of share options and assumptions
The estimate of the fair value of the share options is measured based on the Black-Scholes model. The following inputs were used in the calculation of the fair value of the warrants granted.

	15 May 2018
Fair value ($ 000s)	134
Share price ($)	0.0045
Weighted average exercise price (£)	0.7
Expected volatility	101.66%
Expected share options life	5 years
Expected dividend yield	0%
Risk-free interest rate	1.02%

The expected volatility is based on the historical share prices of a group of companies deemed to be comparable.

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

14. Share-based payment transactions *(continued)*

Share options held by directors and senior management at 31 December 2018:

Holder	Shares	Exercise price	Grant Date	Vesting Date	Expiry[1]
D V Edmonds[2]	17,142,373	£0.0025	15 May 2018	15 May 2018	14 May 2023
C C Gordon	17,142,373	£0.0025	15 May 2018	15 May 2018	14 May 2023
J S Cable	500,000	£0.01	10 Feb 2018	10 Feb 2018	09 Feb 2022
Senior Management	2,000,000	£0.01	03 Feb 2018	03 Feb 2018	02 Feb 2022

[1] The expiry date is subject to the terms and conditions contained in the share option plan.
[2] All options lapsed unexercised on 11 April 2019.

Changes to the number of share options held by directors and senior management in the year ended 31 December 2018:

Holder	At 1 January 2018	Granted	Lapsed	At 31 December 2018
D V Edmonds	-	17,142,373	-	17,142,373
C C Gordon	-	17,142,373	-	17,142,373
A J Williams	2,700,000	-	(2,700,000)	-
J T Williams	2,700,000	-	(2,700,000)	-
J S Cable	525,000	-	(25,000)	500,000
T A Bailey	525,000	-	(525,000)	-
J A Crombie	525,000	-	(525,000)	-
Senior Management	2,250,000	-	(250,000)	2,000,000
Total	**9,225,000**	**34,284,746**	**(6,725,000)**	**36,784,746**

15. Trade and other payables

	2018	2017
Trade payables	22	8
Other payables	52	77
Total trade and other payables	**74**	**85**

16. Group entities

Significant Subsidiaries	Country of incorporation and operation	Principal activity	Alien Metals Ltd effective interest 2018	Alien Metals Ltd effective interest 2017
Compañía Minera Estrella de Plata S.A. de C.V.	Mexico	Mining exploration	100%	100%
Arian Silver Corporation (UK) Ltd	England and Wales	Holding	100%	100%
Arian Silver (Holdings) Limited	England and Wales	Holding	100%	100%
Alien Minerals Ltd	England and Wales	Non-trading	100%	n/a
Alien Resources Ltd	England and Wales	Non-trading	100%	n/a
Alien Exploration Ltd	England and Wales	Non-trading	100%	n/a

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

17. Financial instruments and financial risk management

Categories of financial instruments

	2018	2017
Cash and cash equivalents (note 12)	298	876
Trade and other receivables (note 11)	21	25
Total financial assets measured at amortised cost	319	901
Financial assets at fair value through other comprehensive income	78	143
Total financial assets	397	1,044
Trade and other payables measured at amortised cost (note 15)	40	36
Total financial liabilities	40	36

Exposure to interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

The Group's policy is to retain its surplus funds on short term deposits, usually between one week and four weeks duration, at prevailing market rates. Credit risk is managed by ensuring that surplus funds are only deposited with well-established financial institutions of high quality credit standing.

Market risk
Market risk is the risk that the Group's future earnings will be adversely impacted by changes in market prices. Market risk for Alien Metals comprises two types of risk: price risk and foreign currency risk.

Price risk
The price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities.

Foreign currency risk
The Group's operational expenditure is made in Mexico in Mexican pesos and head office expenses are predominantly made in the UK in pounds sterling, and United States dollars. The Group is therefore exposed to the movement in exchange rates for these currencies. The Group does not currently hedge foreign exchange risk.

At the year end the majority of the Group's cash resources were held in pounds sterling. The Group therefore also has downside exposure to any strengthening of United States dollar or the Mexican peso against pounds sterling as this would increase expenses in pounds sterling terms and accelerate the depletion of the Group's cash resources. Any weakening of United States dollar or the Mexican peso against pounds sterling would, however, result in a reduction in expenses in pounds sterling terms and preserve the Group's cash resources.

There is not considered to be any material exposure in respect of other monetary assets and liabilities of the Group as these are of a short-term nature. The table below shows an analysis of cash and cash equivalents denominated by currency.

	2018	2017
Pounds sterling	268	710
United States dollars	27	165
Mexican pesos	3	1
Total cash held	**298**	**876**

Sensitivity Analysis
The Group holds cash in pounds sterling to settle accounts payable balances derived in that currency. The main risk is through foreign exchange fluctuations in companies where the cash balances are held in a currency that is different to the functional currency.

	Functional Currency					
	Sterling	Sterling	Mexican Peso	Mexican Peso	**Total**	**Total**
Currency of net monetary asset/liability	2018	2017	2018	2017	**2018**	**2017**
Sterling	725	311	-	-	**725**	**311**
United States dollars	155	292	10	10	**165**	**297**
Mexican pesos	-	-	20	20	**20**	**10**
Total	**880**	**603**	**30**	**30**	**910**	**618**

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

17. Financial instruments and financial risk management *(continued)*

Exposure to foreign currency risk sensitivity analysis:

	Against Sterling US$
15% strengthening in the United States dollar	(5)
15% weakening in the United States dollar	5

A 15% variation is considered an appropriate level of sensitivity given recent levels of foreign exchange volatility.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the Group. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. No sensitivity analysis has been disclosed as management does not consider any reasonable fluctuation in interest rates to be sufficiently material to disclose.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The directors regularly review cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities including exploration activities.

As at 31 December 2018, the Company had cash and other receivables of $335k to settle accounts payable of $62k. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. In the short-term, liabilities will be funded by cash.

The Group's assets are at an early stage and in order to meet financing requirements for their development the Company has raised funds by way of several discrete share placements, which is a common practice for junior mineral exploration companies.

In May 2018 the Company was successful in an equity placing and subscription generating net proceeds of $796,295.

Although the Company has been successful in the past in raising equity finance, there can be no assurance that the funding required by the Group will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Group and might involve substantial dilution to existing shareholders.

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Group's maximum exposure to credit risk is attributable to cash. The credit risk on cash is limited because the Group invests its cash in deposits with well capitalised financial institutions with strong credit ratings.

Fair values
Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables. It is the Board's opinion that the carrying values of the cash and cash equivalents, the other receivables, all trade and other payables in the consolidated statement of financial position approximate their fair values due to their short-term nature.

Fair value disclosures for financial asset investment in SGL are shown below in this note.

Capital management
The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and have access to adequate funding for its exploration and development projects, so that it can provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

(Tabulated amounts expressed in thousands of US dollars unless otherwise stated)

17. Financial instruments and financial risk management *(continued)*

Financial asset investment

The Company has only one investment, which was previously classified as available-for-sale investment under IAS 39. It is an equity investment into the shares of Siberian Goldfields Limited "SGL", an unlisted company with interests in gold and iron ore deposits in Siberia, Russia. Due to the fact that investment into SGL shares was carried at fair value under IAS 39, the application of IFRS 9 has not resulted in changes in net assets at 1 January 2017 or 31 December 2017. The classification of the equity investments into SGL share has changed from 'available-for-sale investments' under IAS 39 to become fair value through other comprehensive income under IFRS 9.

The Directors have considered a number of methodologies to determine the fair value of the financial asset investment in SGL including market approach, determining a fair value by reference to similar listed companies, determining a fair value by reference to in-situ resources and determining a value through discounted cash flow model.

The Company has determined the fair value by reference to similar listed companies. Another listed company which has a significant holding in SGL has in its March 2019 financial statements written its investment down from 12p per share to 7p per share due in part to the lack of fund raising activities of SGL. Accordingly, the Company considers that the fair value of these shares is 7p per share. The following table shows the changes to the fair value of the Company's Level 2 financial assets:

	2018	2017
Opening balance	**143**	-
Re-classified from Loans and receivables on conversion into SGL BVI shares	**-**	272
Change in fair value recognised in OCI	**(56)**	(129)
Foreign exchange	**(9)**	-
Closing balance	**78**	143

18. Contingent liability

The Company has a contingent liability of an estimated $14,000 (2017: nil) which it could be required to meet if not recovered from third parties, as it expects to in due course.

19. Related parties

Control of the Company
In the opinion of the Board, at 31 December 2018 there was no ultimate controlling party of the Company.

Identity of related parties
The Company and its subsidiaries have related party relationships with their respective directors.

Directors' interests in shares of the Company
At 31 December 2018, none of the Directors of the Company or their immediate relatives had an interest in the Common shares of the Company (2017: 1.20%).

Transactions with key management personnel
Key management personnel participate in the Group's share option programme as disclosed in note 14.

Key management personnel compensation is disclosed in note 5.

20. Post balance sheet events

On 27 February 2019, warrants to acquire 79,787,793 Common shares in the Company at a price of 1.5 pence each lapsed unexercised.

On 29 March 2019, the Company granted options over a total of 34,542,509 Common shares, with exercise prices as follows: 5,000,000 at 0.18 pence each; 5,000,000 at 0.189 pence each; 10,000,000 at 0.227 pence each, 14,542,509 at 0.25 pence each.

On 10 April 2019, the Company issued 202,247,000 Common shares, and 202,247,000 warrants exercisable at a price of 0.15 pence each in the Company, to Gravner Ltd, following receipt of notice to convert all of the outstanding convertible loan note which had been drawn down as at that date.

20. Post balance sheet events *(continued)*

On 11 April 2019, options to acquire 17,142,373 Common shares in the Company at a price of 0.25 pence each lapsed unexercised following the resignation of Dennis Edmonds.

On 28 April 2019, warrants to acquire 35,000,000 Common shares in the Company at a price of 0.15 pence each lapsed unexercised.

On 14 May 2019, the Company granted options over 17,142,373 Common shares in the Company exercisable at a price of 0.25 pence each in accordance with the terms of Dennis Edmonds' resignation.

On 14 May 2019, the Company announced the private placing of £300,000 before expenses through the private placing of 200,000,000 Common shares at a price of 0.15 pence each. The shares were admitted to trading on AIM on 21 May 2019.

Other information

Directors

The following individuals served as directors to the Company during the year ended 31 December 2018:

Anthony Joseph Williams	(resigned 15 May 2018)
James Thomas Williams	(resigned 15 May 2018)
Thomas Anstey Bailey	(resigned 30 June 2018
James Arnott Crombie	(resigned 30 June 2018)
Dennis Vernon Edmonds	(appointed 15 May 2018; resigned 11 April 2019)
Christopher Charles Gordon	(appointed 15 May 2018)
James Seymour Cable	

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