ZincOx Resources plc

Annual Report & Accounts 2015

Vision

ZincOx intends to become a major zinc recycling company by the application of breakthrough technology that enables the profitable recovery of zinc and other metals and chemicals from wastes that were considered to be of little or no value.

In South Korea the Company developed the Korean Recycling Plant (KRP), one of the world's largest zinc recycling facilities, in which it currently holds a 10% interest. It plans to roll this technology out around the world so as to create a network of recycling plants.

Contents

Highlights

KRP

- Funds raised to remove heat exchangers, removal improves reliability and performance
- EAFD imported into Korea
- KRP restructuring at 30 December 2015
  - Korea Zinc Company Ltd Offtake and Development Loans converted into equity
  - Cancellation of the guarantee given by the Company in respect of the loans to KRP
  - Company reduced to 10% interest in KRP

Post Year End

- Corporate Loan Notes restructured and extended to January 2018
- Recycling project approved by Vietnamese government
- Zinc price recovers to US$1,942 (29 April 2016) per tonne from a low of US$1,461 in December 2015
- Group overheads substantially cut back
- Legal completion of transfer of 90% of shares in KRP to Korea Zinc Company Ltd

Chairman's Statement

Dr Rod Beddows, Chairman.

With good fundamentals supporting the zinc price, a now proven technical process for EAF dust recycling, considerable in-house technical expertise and your strong and dedicated management team there is a good chance that we can identify a new project around which we can rebuild the Company.

2015 was an extremely difficult and frustrating year for the Company. Notwithstanding successful modifications to the Korea Recycling Plant ("KRP"), the commodity price crash in the second half of the year led to continuous losses for the Group as a whole which, in the absence of additional funding, has led to a major restructuring of our ownership of the KRP asset, the result being that our interest was effectively reduced to 10% at 31 December 2015. Your management team is now working extremely hard to find a new project around which the Company can effectively be re-launched and a number of opportunities are under consideration.

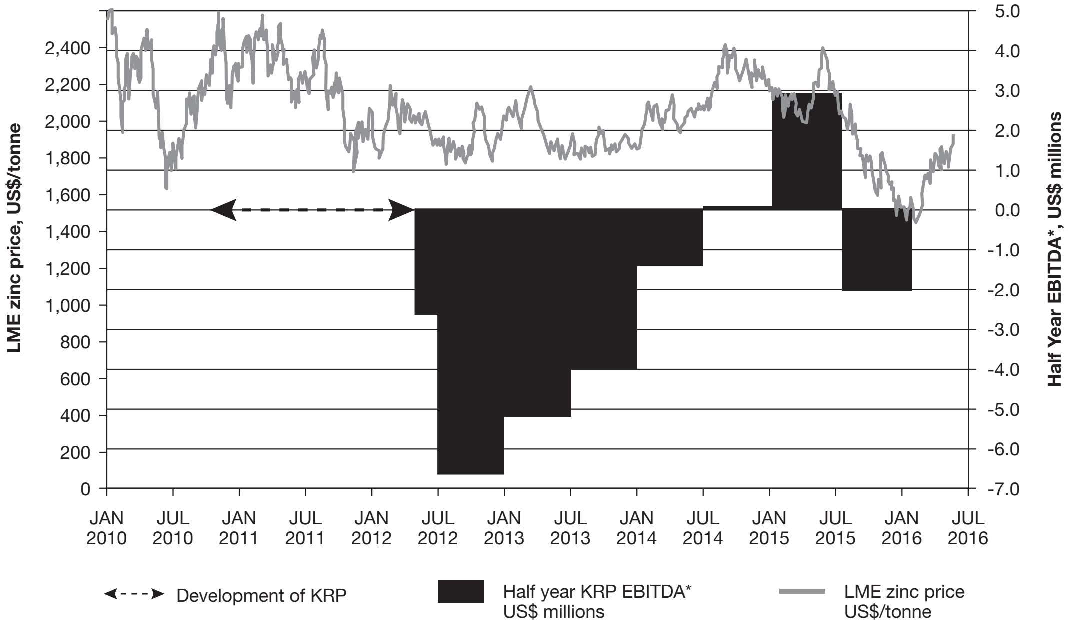
While the stocks of many commodities have been rising, indicating a supply-demand imbalance, this is not the case for zinc, where one sees a steady decline in LME zinc stocks reported on most days. Hence reduced demand has been more than offset by a reduction in output due to the exhaustion of some of the world's largest mines. The outlook for zinc, therefore, remains positive. Notwithstanding these fundamentals, in the latter half of 2015, the general market sentiment for commodities was so poor that the price of zinc was dragged down and from September through December 2015, the price averaged only US$1,639 per tonne as opposed to an average of US$2,077 per tonne for the previous five years. The fall in the price of zinc had a catastrophic impact on the Company's cash flow in Korea leading to the Company suffering heavy monthly losses.

The zinc price began to pick up in early 2016 and during April 2016 it averaged over US$1,850 per tonne, although day to day prices remain volatile. It is extremely unfortunate that having finally resolved the technical issues at KRP we were faced with the lowest price of zinc as can be seen from Fig 1 and the poorest sentiment towards commodities for over five years so that insufficient shareholders were willing to commit further support for the Company.

Fig 1 shows in detail the extent of the zinc price fall during the second half of 2015. In early 2016, although the zinc price remains very volatile, the market sentiment for zinc is more positive with the zinc price having increased significantly from the low point last year. The underlying EBITDA[1] at KRP for each of the half years since the operation started to trade in 2012 had been improving up until the second half of 2015, as can be seen from the chart above, which shows the half yearly underlying EBITDA profile against the zinc prices over the period. The first half of 2015 generated a positive underlying EBITDA of US$2.9 million which was offset in the second half of the year by an underlying EBITDA loss so that KRP operation had a cumulative underlying EBITDA profit of US$863k in the year.

Following the loss of control and restructuring of KRP, the carrying value of the Company's investment in KRP has been reduced to US$6.4 million resulting in a one off loss of US$36.7 million which is reflected in the total net loss figure for the Group of US$47.0 million.

Fig 1. Five year zinc price and KRP EBITDA performance



As announced in the press release on 29 December 2015, under the recently revised AIM Rule 15, the restructuring of our interest in KRP completed on 29 April 2016 is "deemed to be a disposal resulting in a fundamental change of business" and the Company would need to carry out an acquisition which constitutes a reverse takeover within six months of the date of completion of the restructuring being 28 October 2016 otherwise the shares of the Company will be suspended from AIM. It is our aim to have a substantial new project in place within six months so that it can form the basis of either maintaining the quotation of the Company's shares on AIM or a re-application to AIM. A substantial amount of the current trading in ZincOx's share is already carried out on ISDX, as it is the preferred exchange for many market makers. It is our intention to seek a dual listing on the ISDX market so that in the event that there was a period while the quote for our shares was suspended on AIM, shareholders could continue to trade our shares on the ISDX market. The ISDX is a relatively new independent market which has attracted several high growth junior companies with the largest company having a market capitalisation approaching £1 billion.

The fall in the zinc price has obviously had a dramatic impact on the Company's business. However, the management team are determined to try to rebuild value for shareholders and, during this time, have agreed to take a very significant pay cut. I am concerned that we need to maintain as much incentive as possible for management and at the same time align, as strongly as possible, their interests to those of the shareholders and given the current financial position of the Company, there are few options open to us. We have used share options to incentivise management in the past and have a policy allowing them to hold 10% of issued shares under option. However, the exercise price for these is so far from the current share price that they no longer provide a meaningful incentive for management, all of whom have agreed to substantially reduced remuneration packages. We will, therefore, cancel all outstanding share options with a view to reissuing them following this announcement.

With good fundamentals supporting the zinc price, a now proven technical process for EAF dust recycling, considerable in-house technical expertise and your strong and dedicated management team I believe there is a good chance that we can identify a new project around which we can rebuild the Company.

It has been an extremely difficult period for you, our shareholders, all our staff, your management team and the Board. I would like to take this opportunity to thank our staff and management for their efforts and to reassure shareholders that every possible effort was made to maintain the Company's interest in KRP, and as we move forward no less effort is being made to find a new project and create value for you all.

Finally I would like to thank our loyal shareholders for their support over the past year, especially during the fundraising last Summer.

Dr Rod Beddows
Chairman

11 May 2016

[1] KRP earnings before interest, tax, depreciation and amortisation (in accordance with the revenue recognition policy of the Company and adjusted to exclude foreign exchange gains and losses)

Chief Executive's Review

Andrew Woollett, Chief Executive.

Since first production in April 2012, the profitability of KRP has been compromised by the frequent stoppages required to repair the heat exchangers. In the first half of 2015, we redesigned the gas handling system in a way that enabled the heat exchangers to be removed with relatively little additional capital. The heat exchangers were designed to pre-heat the furnace's combustion air thereby reducing gas consumption, so that their removal led to higher gas usage and increased operating costs. However, during the first half of the year we completed trials that demonstrated that about 40% of the total gas could be replaced by injecting pulverised coal. As the cost of energy in the form of coal is about quarter of that which it is for gas this would lead to a significant operating cost saving which would more than compensate for the additional energy required by the absence of the primary heat exchangers.

In July 2015, under extremely difficult conditions and against a backdrop of continuing losses the Company raised GBP 2.9 million (net of expenses) to carry out the modifications and provide a modest budget for the pursuit of new projects.

The modifications to the plant were completed by the end of November and the plant successfully restarted. The installation of the coal injection was postponed pending additional vendor quotations.

Unfortunately, soon after the funds had been raised, the price of all commodities collapsed. This was a result of the fears of a Chinese slowdown compounded by the concerns that Glencore, one of the world's largest resource companies, might face insurmountable debt obligations, something which has proved not to be the case.

In the Autumn, as the zinc price collapsed, it became increasingly obvious that the Company would not be in a position to meet its debt repayment obligations to Korea Zinc in that it required a tranche of principal repayment at the end of January 2016. We entered into discussions with our debt provider, Korea Zinc, and it agreed to postpone capital repayments and interest by one year, provided the Company could raise sufficient new equity to see it through 2016, and consequently the loan renegotiation was conditional on a US$5 million capital increase into ZincOx Korea. Korea Zinc, the loans of which were fully guaranteed by both KRP and ZincOx Resources plc, also offered to restructure the ownership of the project, essentially converting their debt to equity on a formula that would leave ZincOx with a 10% interest in a KRP, and no debt owing to Korea Zinc.

In spite of your management's determined efforts to raise the necessary new equity from new investors and existing shareholders, the history of underperformance at KRP and weak market sentiment for commodities prevented the necessary funds being raised which led to the ownership in KRP being restructured along the lines proposed by Korea Zinc. Since the end of the year KRP has continued to suffer losses and Korea Zinc has undertaken further modifications and other expenses, so that it has loaned US$5.4 million to KRP. Korea Zinc notified the Company that the restructuring was legally completed on 29 April 2016 and we understand that it is the intention of Korea Zinc to convert these additional funds into equity, so that ZincOx's interest in KRP will be reduced to about 9.2%.

On 11 May 2016, the repayment date on the £4.2 million corporate Loan Notes, which ZincOx issued in 2013, was extended from July 2016 to January 2018 (the "Transaction"). These corporate Loan Notes are also secured against a plot of land for heavy industrial use in Turkey which had originally been earmarked for the development of a new Electric Arc Furnace Dust (EAFD) treatment plant. The land was put up for sale at the start of last year, however the political uncertainty in Turkey over the past twelve months has discouraged new investment and the plot has not yet been sold. Efforts to sell the plot are ongoing but in the event that it is not sold or the receipt from its sale are inadequate to cover the cost of its repayment then ZincOx's interest in KRP will be used to further secure the position of Noteholders. The Company plans to sell the land over the next few months. Should there be any shortfall on the Loan Notes following the sale of the land in Turkey, then corporate Noteholders remain fully guaranteed by the Company, however, there is no certainty that the Company will have sufficient assets to satisfy any shortfall. Further details of the amendments to the Loan Notes are set our below including details in relation to the warrants attached to them. The Noteholders include two directors of the Company, Andrew Woollett and Gautam Dalal ("Lending Directors"), who hold £877,500 and £450,000 of the Notes respectively. Due to the involvement of the Lending Directors, the Transaction constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies. The Independent Directors (the directors of the Company excluding the Lending Directors), having consulted with Peel Hunt, the Company's Nominated Adviser, consider that the terms of the transaction are fair and reasonable insofar as the shareholders of the Company are concerned.

We now look forward to relaunching the Company using its broad and deep experience of zinc recovery processes. In the meantime, however, in order to give management time to find a suitable project, the overheads of the Company have been reduced to an absolute minimum, the Belgian office has been closed and most of the staff made redundant with executive directors on a greatly reduced salary and non-executive directors foregoing any salary.

We believe the Rotary Hearth Furnace is an attractive technology for treating EAFD, provided its zinc concentrate is further processed using our Consecutive Metal Leaching ("CML") technology for the recovery of a high quality zinc oxide chemical, an option that was not available to us in Korea because the zinc concentrate was already contracted for sale to Korea Zinc.

In August 2015 we learned that the Company had won, against international competition, approval to build an EAFD recycling plant near Ho Chi Minh City in southern Vietnam. Vietnam has had one of the fastest growing steel recycling industries and annual steel capacity would generate over 100,000 tonnes per annum ("tpa") of EAFD. The government of Ba Ria Vung Tau province, where most of the steel is recycled, were concerned about the generation of EAFD and sought proposals from various companies. Following the approval of our proposal we obtained our Investment Registration Certificate in February 2016 and are currently finalising a purchase option over a suitable site.

We are currently seeking partners to join us in the finalisation of a Bankable Development Study that could form the basis of project financing. An incoming partner could earn a significant interest in the project and at the same time, therefore, reduce the capital required by ZincOx for its development. Notwithstanding the excellent economic returns presented by the project, the slow ramp up at KRP and the continuing general sentiment towards commodities, creates a very tough environment in which to find partners for the project.

In addition to the Vietnamese project, the Company is examining other projects and is actively engaged in discussions with corporate strategic partners.

Andrew Woollett
Chief Executive

11 May 2016

Fig 2. KRP Plant Performance
(recovery x throughput as a % of targets)

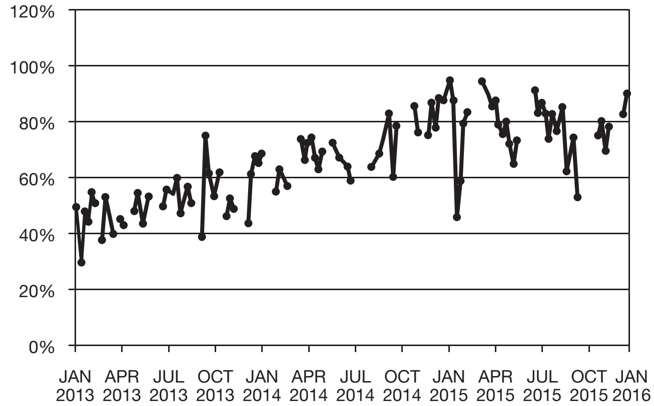
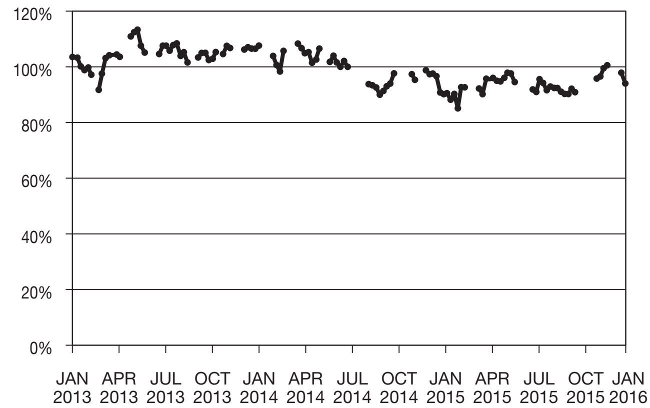


Fig 3. EAFD Zinc grade as % of target
(27.2% zinc)



The directors of the Company and its subsidiary undertakings (which together comprise "the Group") present their Strategic Report, as approved by the whole Board, for the year ended 31 December 2015. The Strategic Report is a statutory requirement under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to provide fair and balanced information that enables the Directors to be satisfied that they have complied with s172 of the Companies Act 2006 which sets out the Directors' duty to promote the success of the Company.

Principal Activities

The principal activity of the Group is to undertake activities for the production of high grade zinc concentrate by the recycling of EAFD. The Company acts as a recycling, development and holding company. A detailed review of the business and future developments is included in the Chief Executive's Review and the Operational Review section of the Strategic Report (pages 6-8).

Business Model

Scrap iron and steel is mostly recycled in electric arc furnaces ("EAF") where the volatile constituents (Zn, Pb, Cl, Na etc) are driven off as fine particles and gasses, together with fine particles of rust. This EAFD, needs to be filtered from the flue gases. Steel is generally protected from corrosion by galvanising, a process whereby a thin coating of zinc is applied to the surface of the steel. This coating insulates the steel from reaction with air and so prevents corrosion. Steel scrap is, becoming increasingly galvanised and since zinc is a volatile element, it constitutes part of the EAFD. The zinc content of the EAFD is generally between 20% and 25%, and also contains 25% to 30% iron, both of which occur largely as oxides. In addition, the EAFD contains lead, cadmium and arsenic, all these toxic elements are to some extent soluble in water, which therefore makes EAFD a hazardous waste. EAFD is probably the world's largest inorganic hazardous waste problem.

The steel mills need to dispose of the EAFD either in landfill or to processors which recover the zinc. Process plants based on existing technology have never been developed unless a significant disposal fee has been paid by the steel mills.

The breakthrough technology used by ZincOx recovers the zinc using a rotary hearth furnace ("RHF"). The zinc forms a unique high quality zinc oxide concentrate ("HZO"), an iron intermediate product ("ZHBI"). This means that there will be no solid waste entering landfill.

The ZHBI can be further processed into pig iron and a clean slag that can be used by the cement industry. It has recently been demonstrated that the exceptional quality of the HZO will enable it to be upgraded to a zinc oxide chemical. The upgrading would greatly enhance revenue and profitability. When developed with the rotary hearth furnace as an integrated operation, together with ZHBI upgrading the technology is referred to as the "Full Cycle" approach.

The HZO which was produced by KRP proved to be a high value material with significant benefits over other zinc concentrates. The opportunity to further upgrade the HZO to an industrial zinc oxide will be incorporated into future projects to significantly improve the economic returns.

Operational Review

Korean Recycling Plant (KRP)

The Korean Recycling Plant, KRP is one of the world's largest EAFD recycling facilities, having a nominal capacity of 200,000 tpa EAFD for the production of about 70,000 tpa zinc concentrate (HZO) and 100,000 tpa of iron product (ZHBI). KRP has exclusive long term EAFD supply agreements with eight steel companies that have targeted output of 175,000 tpa. The plant commenced production in April 2012.

During the year the plant processed 145k tonnes of EAFD producing 50,538 tonnes of high quality HZO with an average grade of 66.4% which is equivalent to 33,490 tonnes of zinc. The EAFD processed was an increase of 21% over the previous year. And although the recovery improved during 2015 the zinc grade in the EAFD fell by 6% from an average grade of 27.2% to 25.6% with the result that the zinc shipments improved by 17% during the year from 28,564 tonnes to 33,490 tonnes of zinc contained.

Fig 4. Zinc in conc. produced as % of target
(1,052t/week)

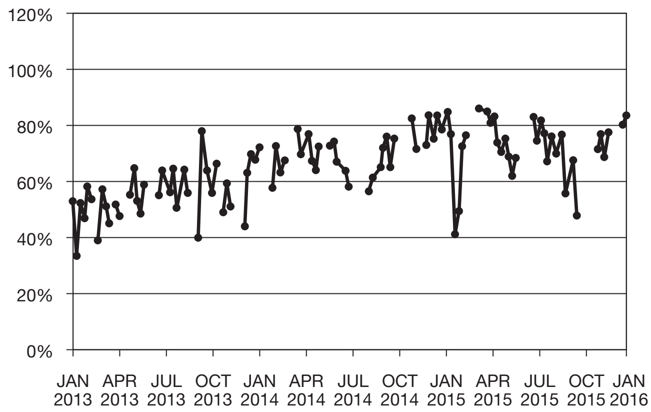
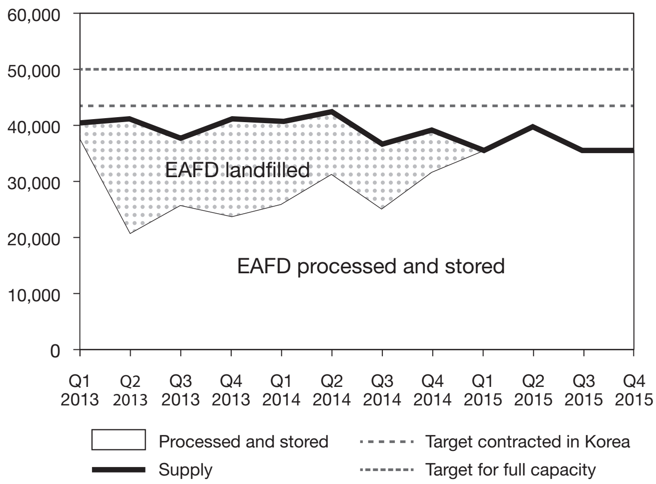


Fig 5. KRP EAFD supply
(quarterly)



The well documented issues with the heat exchangers were finally resolved during the plant closure at the end of October 2015. This work allowed the four primary heat exchangers on the plant to be replaced with refractory lined tubes which meant that the ongoing problem of heat exchanger corrosion could not recur. The baghouse was also expanded in order to compensate for the additional cooling air required, as a consequence of the cooling effect lost by heat exchanger removal. In the future, the energy input lost as a result of the removal of the heat exchangers will be more than compensated for by coal injection so that gas consumption will reduce. The installation of coal injection is expected to be completed in May 2016.

Following the restart in November 2015 the process began to settle down to its new operating conditions and progress was being made to make continual improvements as can be seen by the weekly production charts shown in Figs 2, 3 and 4.

Steel production in Korea fell significantly in 2015 with proportionally less EAFD being generated. Indeed since the start of 2015 our throughput was limited by EAFD supply, and during most of the year we had to run at a reduced feed rate, so that in addition to stoppages for Heat Exchanger problems, the plant was very significantly constrained by the availability of EAFD. This is illustrated on the graph in Fig 5 showing the history of EAFD availability since 2013. The target quantity of EAFD is 16,666 tonnes per month, whereas the actual deliveries averaged 12,210 tonnes per month for the year. In previous years, however, the slow ramp-up led to throughput significantly less than 12,000 tonnes per month and KRP had been obliged to send contracted EAFD to landfill, whereas there was no landfill in 2015.

In order to address the shortfall in EAFD, the Company arranged for its importation. As a hazardous waste, the import and export of EAFD is governed by the Basel Convention, an international treaty designed to prevent the dumping of such waste in countries where there may be less strict and well managed environmental protection. Compliance with the procedures laid down in the Basel convention is a protracted exercise, however the Company successfully obtained the necessary permission and imports from two overseas mills commenced towards the end of the year. A number of overseas mills were contacted with a view to exporting EAFD to KRP so that the plant could work at full capacity by the middle of 2016.

The KRP plant has now been operating for four years and all the lessons that have been learned in Korea to build and develop the RHF will be incorporated into any new RHF projects.

Technology

The Company has always reviewed new developments in technology being used to treat EAFD to make comparison of these with our RHF/CML approach. We still feel that the best way of creating long term value is by using RHF technology and the upgrading of its products, zinc and iron bearing products. Definitive progress was made with both these upgrades during 2015.

Zinc Concentrate (HZO) Upgrading

During 2014 and 2015, testwork on KRP's zinc concentrate ("HZO") continued and confirmed the best way to upgrade it to an industrial quality zinc oxide chemical. The best process was designed by ZincOx's technical team and is called Consecutive Metal Leaching ("CML"). CML comprises a combination of existing technologies specifically configured to remove the halides, sulphates and deleterious base metals from the concentrate. The zinc oxide that remains after CML has a grade of about 99.7% zinc oxide, high enough to qualify for most industrial uses, including rubber and ceramics.

Laboratory scale CML testwork has provided samples of the zinc oxide. These samples have been used to make glazes for the ceramics industry and samples of rubber, by laboratories that specialise in the technical qualification of raw materials. In both cases the zinc oxide produced by upgrading the HZO was confirmed to be equally effective as leading market brands.

Fig 6. Vietnam EAF Steel Production

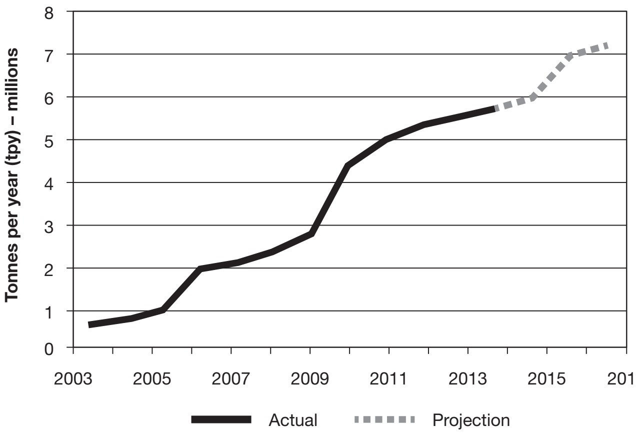
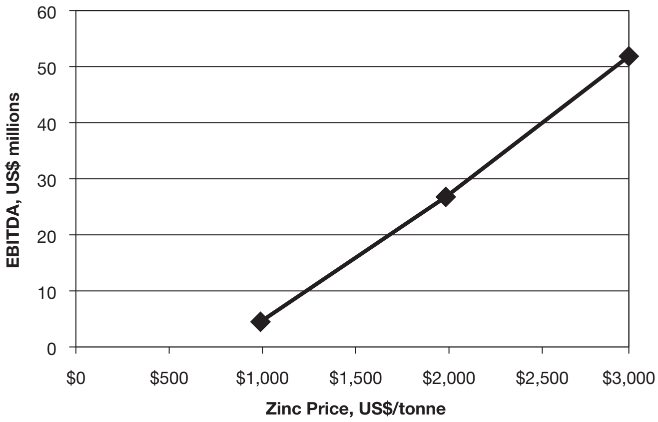


Fig 7. VRUP EBITDA, US$M-v-zinc price, US$/t
(assumes $250/tZnO premium)



Iron Product (ZHBI) Upgrading

ZHBI, the iron product of the RHF, can be melted to produce pig iron and saleable slag. Several melting techniques were investigated and the Submerged Arc Furnace ("SAF") was found to be the most attractive. Representative ZHBI samples have been analysed and the results used to undertake sophisticated computer simulation of the SAF technology. The simulation was carried out by Mintek, an internationally recognised metallurgical laboratory. The computer modelling gives likely energy and reagent consumptions as well as iron, slag and fume compositions. This information has been used in developing a scoping study for the installation of a melter to work in combination with an RHF. The study was positive but due to the high proportion of slag and energy required for its melting development of such an installation would probably require a scrap price in excess of US$250 per tonne.

New Projects

ZincOx has been actively researching potential sites for recycling plants over the past eight years. Vietnam is likely to be the next development but considerable work has been undertaken elsewhere so that a series of developments could be envisaged.

Vietnam has a fast growing steel industry comprised of both primary steel making using blast furnaces and the recycling of steel scrap in EAFs (Fig 6).

There are no large scale plants treating EAFD in Vietnam, the disposal of which presents a growing problem for the EAF operators. The bulk of the EAFs are located in the Phu My industrial zone, about 100km south-east of Ho Chi Minh City. The government of Ba Ria Vung Tau province invited bids to build a central EAFD treatment plant, and this was won by ZincOx in September 2015. The Company was awarded its Investment Registration Certificate in February 2016. A site for the VRUP has been selected on the Phu My 3 industrial zone and negotiations to purchase the land are well advanced.

The Vietnam Recycling and Upgrading Plant ("VRUP") is designed to have a capacity of 100,000 tpa EAFD and cost about US$107 million to develop. Economic indicators, assuming a zinc price of US$2,000 per tonne, pre-tax and ungeared, are as follows:

NPV (10% disc. rate), US$ million	89
IRR	23%
EBITDA, US$ million per annum	27

The sensitivity of the EBITDA of the operation to the zinc price is presented in Fig 7.

The cost of producing zinc units, net of by-products and chemical premium, will place it among the lowest cost zinc producers in the world.

Other

In the USA, during the early part of 2015, the Group's Big River Zinc facility continued to provide services to third parties distributing sulphuric acid and diesel emission fluid. As was highlighted in the Annual Report last year the Company considered USA to be a low priority target because the capacity of EAFD recycling in North America was broadly in balance. Having explored many activities at Big River in recent years the directors took the decision to sell Big River and stop any drain on the resources required to support it and as a result the asset was disposed of in August 2015.

In Russia, the Company has a joint venture with the Magnezit Group, for the investigation of an EAFD recycling plant to service steel mills in the former Soviet Union. The investigation, which is at early stage, is still being led by the Magnezit Group.

Performance Review

Financial

Group Results Overview

The Group result for the year is a loss of US$46.7 million (2014: US$33.2 million). This includes the loss from KRP, which is classed as a discontinued operation, of US$36.7 million (2014: US$14.9 million) and the loss from the continuing operation of US$10.0 million (2014: US$18.4 million). The KRP result is for the period to the 30 December 2015, the date on which operational and accounting control of KRP was effectively lost.

Due to the collapse in the zinc price in the second half of the year, KRP was making losses that precluded repayment of the debt scheduled to begin at the end of January 2016. Korea Zinc were prepared to postpone repayment, provided the Company could inject at least US$5 million of new equity into KRP before the year end, in order to fund losses through to the middle of 2016. Due to the ongoing losses at KRP and the very negative investor sentiment towards commodities in the last quarter of 2015, the Company was unable to raise sufficient additional equity. Rather than miss a loan repayment date with Korea Zinc, the ownership of KRP was restructured, by prior agreement, such that the loans did not go into default. KRP is owned 100% by ZincOx Resources (Korea) Ltd ("ZincOx Korea"), which, up to 30 December 2015, was wholly owned by the Company.

The agreed restructuring achieves the following:-

- As at 31 December 2015, a reduced Company interest in ZincOx Korea of 10% was agreed, with the balance held by Korea Zinc. Legal completion of this position was notified to the Group on 29 April 2016
- The conversion of Korea Zinc's Offtake and Development loans into equity; and
- The cancellation of all guarantees given by the Company, in respect of the Offtake and Development loans.

The restructuring will result in ZincOx Korea having a nominal share capital value of US$64 million, of which US$6.4 million (10%) is owned by the Company. This valuation will be used in future if loans to ZincOx Korea are to be converted to equity.

Since 30 December 2015, whilst the restructuring is being undertaken, KRP has, to date, required additional working capital of about US$5.4 million. This is being met through the provision of a new loan from Korea Zinc to ZincOx Korea, it is likely that Korea Zinc will convert this loan to equity in the near future. If this were to be done, ZincOx's interest in ZincOx Korea, and therefore KRP, would reduce to 9.2%. The Group financial result for the year, reflects the loss of operational and accounting control of ZincOx Korea on 30 December 2015, and as such, ZincOx Korea's result up to this point, has been consolidated and shown as a discontinued operation. The balance sheet of ZincOx Korea has been deconsolidated at the year end, with the Company's remaining 10% interest in ZincOx Korea being reclassified, within investments, as a "financial asset" under IAS 39.

When the discontinued activity for KRP is excluded, the Group made an underlying EBITDA loss of US$4.2 million for the year to 31 December 2015 (2014: US$4.7 million). KRP finished the year with an underlying EBITDA gain of US$0.9 million (2014: underlying EBITDA loss of US$1.3 million) as detailed in note 8, and this improvement was due to a continuing improvement in the operational performance at KRP, although this has been masked by the collapse of the zinc price in the second half of the year.

Key Performance Indicators in relation to KRP

Building on the physical throughputs and operational performance, the Group sold 33,490 tonnes of zinc contained in concentrate in the year from KRP (2014: 28,564 tonnes). This was the plant's third full year in production and although it continued to have minor teething issues in the year, up until the heat exchangers were replaced during the November shutdown, the physical sale of final product increased by 17% in the year. In addition to stoppages due to the heat exchangers, throughput was, for almost all the year, constrained by a shortage of EAFD supply.

This increased production did not translate into increased revenues due to the collapse in the zinc price during the second half of the year. The average zinc price during the first half of the year was US$2,133 per tonne which reduced by 19% to an average of US$1,730 during the second half of the year.

The collapse in the zinc price began in early August and continued through to the end of the year, with a low point of US$1,461 per tonne during December. This compares to the low point during the first half of the year of US$1,984 per tonne during March. The low zinc price during the second half of the year triggered the restructuring of KRP discussions with Korea Zinc. The continuing low zinc price and uncertainty over when the price might rise, meant that raising new equity of US$5 million, as a condition of the loan refinance, was not possible and ultimately led to the agreement to restructure the Korea Zinc loans.

The fall in zinc prices during the second half of 2015 impacted the underlying EBITDA profit for KRP which fell from US$2.9 million at the half year to US$0.9 million for the full year.

"We are currently seeking partners to join us in the finalisation of a Bankable Development Study that could form the basis of project financing."

Key metrics ("KPIs") were monitored through the year up to 30 December 2015 as well as other key economic operating factors through regular management meetings.

KRP	2015	2014	% change
Zinc in Concentrate sold (tonnes)	33,490	28,564	+17%
Average zinc price (US$/tonne)	1,927	2,164	-11%
Zinc revenue billed (US$ millions)	36.4	37.5	-3%
Underlying EBITDA (US$ millions)*	0.9	(1.3)	+169%
EAFD processed (tonnes)	144,679	119,124	+21%

* *before anyone offs and foreign exchange impact*

The directors continued to monitor any hazards that were reported on operational sites during the year and review any accidents and incidents as part of the ongoing environmental health and safety procedure. During the year, the total number of man hours worked across the Group was 206,776, with no lost time incidents (2014: 182,000 hours and one lost time incident).

At the Group level, the directors continue to monitor the cash requirements of the business when compared to cash available. Following the loss of control of KRP, the directors have undertaken a cost cutting review for the period in which the Company is now considering its future options. New projects and initiatives are being pursued, with detailed consideration being given to any financing opportunities. At the same time, the search for strategic and or project partners is ongoing.

Funding

In March 2015, negotiations took place with Korea Zinc to amend the repayments due against the Development loan, replacing a bullet repayment in February 2016 with six equal payments of US$3.1 million, beginning in February 2016 and payable every six months. These instalments include the deferred interest that Korea Zinc had previously agreed to roll up and in recognition of this, the offtake agreement with Korea Zinc was increased to 1,050,000 tonnes.

In July 2015, the Group completed an equity fundraising of £2.9 million (equivalent to US$4.0 million) after expenses. These funds were raised to enable the removal of the heat exchangers at KRP and expansion of the baghouse and to allow for its further optimisation.

Following the significant drop in the zinc price during the second half of the year, the Development loan repayment, that fell due at the end of January 2016, was renegotiated during November 2015 to push the payment out by a further 12 months, conditional on the Group injecting a further US$5 million of equity into KRP before the end of 2015. This fundraising was unsuccessful due to the continued uncertainty over the expected future zinc price.

In Korea, the Group also made use of a rolling "receivables purchase agreement" during the year with Standard Chartered Bank Korea ("SCBK"), whereby it can receive funds in between the monthly receipts that are received from Korea Zinc.

Funding that has been required by KRP, since the Group lost operational and financial control on 30 December 2015, has been provided as a loan by Korea Zinc. Due to the continued low zinc price funding of US$5.4 million has been provided by Korea Zinc. It is expected that this continued support and funding by Korea Zinc will lead to a dilution of the Group's interest in KRP as discussed above.

In July 2015, the Group also completed a renegotiation with the corporate Noteholders to extend the redemption date by a further 12 months to July 2016. The corporate Loan Notes were initially issued in August 2013, amounting to £4.2 million, bearing interest at a rate of 10%. Security for the Loan Notes was provided by the Company and in addition a charge was taken over land in the heavy industrial zone at Aliaga in Turkey. During 2015, all the remaining land in the light industrial zone was sold, and in December an amount of £420k was paid off against the Loan Notes. The funds realised by the sales will also cover the interest payments on the Loan Notes until July 2016, when they were due to be repaid in full.

> The Company is examining other projects and is actively engaged in discussions with corporate strategic partners.

On 11 May 2016, the terms of the Loan Notes were renegotiated so as to extend the date to January 2018. The Company intends to sell the industrial land in Turkey against which the Noteholders have a charge. As a result of falling land values and the depreciation of the Turkish Lira, the land sale may not realise enough cash to cover completely the outstanding amount of the Loan Notes and the Company would be required to make good any shortfall. Furthermore, the Company has granted a charge to the Noteholders over ZincOx's shares in ZincOx Korea, although there is no certainty that the assets of the Company will be sufficient in such circumstances to satisfy such shortfall. After July 2016, the interest will continue at the same rate, 10% per annum, but will be rolled up into the principal amount of the Loan Notes until such time as the Noteholders are repaid in full. The Noteholders include two directors of the Company, Andrew Woollett and Gautam Dalal ("Lending Directors"), who hold £877,500 and £450,000 of the Notes respectively.

The Loan Notes have warrants attached, the amount and price of which are adjusted as new shares are issued, so as to maintain the interests of the Loan Note holders. As at 31 March 2016, the Noteholders were entitled to warrants over 19,217,840 shares at an exercise price of 25p. If, as would seem likely, the Company carries out further funding by issuing new equity over the life of the Loan Notes, additional warrants would need to be issued. In order to simplify the situation and reduce future dilution, it has been agreed in May 2016, that the number of warrants will be reduced to 9,450,000 with a new strike price of 5p.

Due to the involvement of the Lending Directors, the Transaction constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies. The Independent Directors (the directors of the Company excluding the Lending Directors), having consulted with Peel Hunt, the Company's Nominated Adviser, consider that the terms of the transaction are fair and reasonable insofar as the shareholders of the Company are concerned.

The interest charge for the year, in relation to the Loan Notes was US$0.6 million (2014: US$0.7 million) which accrues at a rate of 10% per annum.

Liquidity

The cash funds of the Group at 31 December 2015 were US$0.7 million (2014: US$1.2 million). These cash funds were held in a range of currencies at the year end, the most significant of which were US Dollars 0.5 million (2014: US$0.7 million), and Pounds Sterling 0.1 million (2014: £0.1 million).

Going Concern

Since the end of 2015 the directors have initiated a cost reduction programme covering all areas of the business whilst at the same time, investigating new projects around which the Company can be rebuilt. These cost reductions include significantly cutting the salary of all the directors.

The Company has been in discussions with potential strategic and project specific partners, for the development of new recycling projects, whilst looking at opportunities to use the intellectual property that has been developed, on other potential assets. The fundraising in February 2016 for £205,000 (before expenses), was completed to allow the Company time to explore these opportunities on a reduced overhead basis, as well as allowing enough time to realise value from KRP.

Following the loss of operational control of KRP, at the end of 2015, the Group now has a 10% holding of KRP in exchange for both the Development and Offtake loans being extinguished. Furthermore, accumulated losses brought forward in ZincOx Korea would need to be extinguished before any dividend can be paid out to the Company by ZincOx Korea. The timing of any dividend receipt is dependent on future profits of KRP which in turn are dependent upon the future zinc price and the directors have used consensus forecasts produced by 13 zinc analysts during March 2016 of US$1,793 per tonne for 2016, US$1,990 per tonne in 2017, US$2,296 per tonne in 2018, US$2,497 per tonne in 2019 and a long run zinc price of US$2,218 per tonne thereafter. On this basis and assuming the same operating metrics that were measured in the operation during 2015 and before any coal injection improvements, it is unlikely that a dividend would be paid before 2018. The low zinc price at the beginning of 2016 led to continuing losses. Korea Zinc has, however, continued to fund KRP and the Group will not be required to support KRP.

The ability of KRP to pay dividends in future periods may affect the ability of the Group to exploit its intangible assets in the future and as a result the carrying value of the intangibles will continue to be reviewed at future reporting dates to ensure the future viability of the Group permits their commercial exploitation.

The directors have assessed the material uncertainties concerning the Group's future funding requirement which may cast significant doubt upon the Group's ability to continue as a going concern and compared them with the levels of expected finance available and have a reasonable expectation that the Group has adequate financial resources to manage its business risks and continue in operational existence for the next twelve months from the date of this report. The directors considered various scenarios in reviewing the budgets and projections for 2016. These scenarios review the financial modelling of very low activity "hibernating" budget allowing time to realise value from KRP, through to new funds being raised so as to enable the development of new projects, whether that is using RHF/CML or other technology.

Financial Review of Operations

Korean Recycling Plant (KRP)

KRP sold 33,490 tonnes of zinc in concentrate to Korea Zinc in the year to 31 December 2015 (2014: 28,564 tonnes). All of the material was sold to Korea Zinc under the offtake agreement which had been signed in April 2011 as part of the financing of the project. This resulted in revenues of US$36.4 million (2014: US$37.5 million) as detailed in note 8. The quality of the product was higher during 2015 with an average zinc grade of 66.4% compared to 65.6% during 2014.

Monthly revenues at KRP are dependent on the London Metal Exchange (LME) zinc price because the product sold by KRP is a zinc oxide concentrate sold under an international pricing formula. For the first half of the year, the LME zinc price was in line with the range seen in the previous five years, with a high of US$2,400 per tonne. In the second half of the year, however, the price collapsed, reaching a low of US$1,461 per tonne, in December.

The analysts and forecasters who watch the zinc market generally agree that, as certain key mines have now been exhausted such as Century Mine in Australia and Lisheen in Ireland, there will be reduced supply. The weakening Chinese economy, however, is expected to have a significant impact on demand. One key indicator to support a rising zinc price expectation, is the LME zinc stocks, which were 690,825 tonnes at the start of 2015, dropping by 33% to 464,400 tonnes by the year end. The reduction has continued since the year end such that, by the end of April 2016, the stock had fallen a further 9% to 400,000 tonnes.

A further impact on the result for the year was the volatility in the foreign exchange rates. The sales of zinc concentrate are made in US Dollars and the majority of costs incurred at KRP are incurred in Korean Won, the high point for this exchange rate in the year was 1,204 KRW per US$ (2014: 1,135 KRW per US$) and the low point was 1,070 KRW per US$ (2014: 1,010 KRW per US$) with an average for the year of 1,127 KRW per US$ (2014: 1,055 KRW per US$).

The underlying EBITDA gain for KRP included in discontinued activities (see note 8), prior to any foreign exchange movements, was US$0.9 million during the year (2014: EBITDA loss US$1.3 million).

EAFD is a waste which we receive from the Korean steel mills the quality of which is dependent upon the scrap buying policies of the steel mills. The incremental production in the year was achieved in spite of the zinc grade in the EAFD reducing to an average of 25.6% from an average of 27.2% during 2014.

As has been noted, the plant had various stoppages through the year mainly to remediate the heat exchangers. Despite these stoppages the plant still managed to process 145,000 tonnes of EAFD in the year compared to 119,000 tonnes the year before. The impact of running the KRP below its capacity of 200,000 tonnes per annum was that certain operating consumptions were above the target levels. In addition, extra costs were incurred for remediation of the heat exchangers. It is expected Korea Zinc will make certain improvements during 2016 that had been planned for KRP, including coal injection to reduce the gas consumption in the plant.

Other Projects

USA

Following the impairment of the Big River Zinc smelter in USA at the end of 2014, the Group continued to seek alternative uses for the asset during the year as well as looking for opportunities to dispose of the asset, which would have the effect of removing any ongoing holding cost for the Group. As a result, the Big River Zinc smelter assets were sold on 24 August 2015, for a gross price of US$750,000.

In 2007 the Group purchased a 17 acre site in Ohio which was intended to be the site of the first RHF plant. The EAFD supply agreements in the USA are under relatively long term arrangements between the mills and existing recyclers and, as a result, the land in the USA is currently surplus to requirements. The land was put up for sale and subsequently sold, since the year end, realising US$187k, net of expenses. The land in Ohio is shown at the year end, as an asset held for sale in the Group balance sheet.

Turkey

Land held in Turkey within the light industrial zone, was fully disposed of during 2015, and this realised approximately £378k. Proceeds from land sales have been partially used to repay capital of £420k and interest of £417k in respect of the Loan Notes that were taken out in August 2013.

In view of the charge over the land in Turkey, in favour of the holders of the Loan Notes, any remaining funds are held in an escrow account, against the Loan Notes. At the end of December the balance in the escrow account was £262k (2014: £948k).

Environmental, Health, Safety & Quality

The Group believes that what is good for the planet is good for business and good for the communities in which ZincOx operates. There is an overriding commitment to Sustainable Development which is pursued through the effective management of Environment, Health, Safety and Quality ("EHSQ") using best practices from ZincOx and other third parties.

As the projects are progressed internationally, the directors remain relentless in their pursuit of an injury free environment for all employees and others who come onto ZincOx sites and the Group seeks to ensure that its business contributes lasting benefits to society through the consideration of health, safety, social, environmental, ethical and economic aspects in all decisions and activities.

During 2015, some two hundred and six thousand, seven hundred and seventy six hours were worked in ZincOx worldwide, including projects, with no significant environmental incidents and no lost time incident. ZincOx's management believe that all incidents and injuries are preventable and strives to create a workplace culture where all employees and contractors share these beliefs.

Risks

Set out below are certain risks which may affect performance. Such risks are not intended to be presented in any order of priority. Although the directors and senior management have significant experience and take steps continually to mitigate and review risks under their control as far as possible and reasonably practicable, any of the risks set out below, as well as any other risks referred to in this annual report, could have a material adverse effect on business performance. In addition, the internal and external risks set out below are not exhaustive and additional risks, not presently known to the directors, or which the directors currently deem immaterial, may arise or become material in the future. The operational and financial risks which might relate to the operation of KRP are deemed as risks on the Group which may affect the ability of KRP to pay a dividend in the future.

Operational risks

- The ability of KRP to generate profits and hence pay dividends to the Company is dependent on:
  - Remediation at KRP which may impact future profitability of the plant,
  - Unexpected failure of equipment,
  - Failure of third party services which is managed by electrical back up on site,
  - Materials and equipment availability, in a timely manner, which is managed through regular dialogue with external suppliers and monitoring of equipment on the site by the maintenance team,
  - Environmental incidents are managed by routine monitoring and training of staff, and
  - Reduced availability of EAFD in Korea, which was mitigated by finding new sources of dust for import.
- Health and safety incidents,
- Single project dependence,
- Loss of key personnel and,
- Ability to exploit intangible assets in the future.

Financial risks

- Zinc price movement and associated volatility will affect the monthly profitability of KRP,
- Funding of any short term loans in KRP provided by Korea Zinc, as a result of operational issues or zinc price reduction, with a financial risk that it may dilute the Group's holding if the Group does not follow its corresponding obligation,
- Zinc price movements will affect the amount of finance which may be available for the development of other projects within the Group. Any decline in zinc prices will therefore have an adverse impact on the business. No hedging is currently undertaken to mitigate this risk,
- Unscheduled loss of production at KRP will impact profitability which will impact on ability to pay a dividend to fund the Group,
- Foreign exchange movements: this is continuously monitored and no hedging is currently undertaken to mitigate this risk,
- Cost inflation is managed by reviewing alternative suppliers where appropriate,
- In KRP the renewal of a suitable receivable purchase agreement,
- Insurances may not cover all liabilities. Insurance policies are held both at the Group level and at the project level, and are reviewed annually,
- Sale of land in Turkey and the ability for the sale proceeds to cover the value of the Loan Notes, and
- Any legal proceedings.

All of these risks could materially affect the Group, its business, results of future operations or financial condition. Policies and impacts relating to financial risk management are set out in note 20 to the financial statements.

Uncertainties

Set out below are certain principal uncertainties which may affect potential growth across the Group.

- Dependence on the EAFD supply contracts, which is why the Group is aiming to sign up long term EAFD agreements with suppliers of EAFD within target territories for expansion,
- Availability of capital to fund other recycling projects. The directors continue to maintain a good relationship with prospective suppliers of finance,
- Ensuring intellectual property and know-how is protected,
- Competitor technology and,
- Going concern

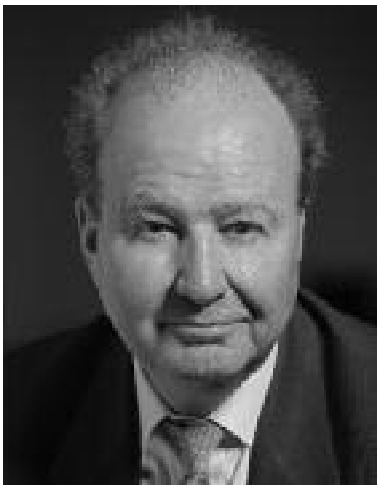
The Group is further exposed to uncertainty connected with the political, fiscal and legal systems, including taxation and currency fluctuations in the territories in which the Group operates.

On behalf of the Board

Andrew Woollett
Chief Executive

11 May 2016

Directors

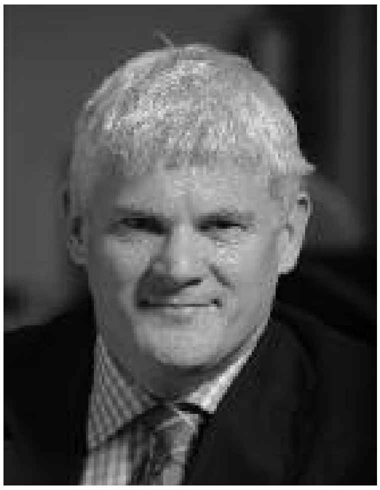


Rod Beddows
Non-Executive Chairman

Rod Beddows has over 25 years of experience as a strategy consultant and financial adviser to mining and metals companies. He was the co-founder of Hatch Corporate Finance (now HCF International Advisers) and was its CEO for seven years. He is now a director and Senior Adviser for Mining. Before that, he founded and was Chairman and CEO of Beddows and Co, one of the steel industry's foremost consultancy groups. He is also a Senior Adviser for Steel with RBC (Royal Bank of Canada). Rod was appointed Chairman of NRR (North River Resources) in December 2015. Rod was appointed to the Board of ZincOx in February 2008, now chairs the Nomination and Remuneration Committees and also sits on the Audit Committee.

Andrew Woollett
Chief Executive Officer

Andrew Woollett is a geologist with over 30 years of international experience in mineral exploration and development. He began his career with RTZ in Saudi Arabia and then worked in Greenland for the EU. Upon completion of an MSc in mineral exploration from the Royal School of Mines in 1981 he joined Cluff Resources plc and worked in the UK, Eire, Zimbabwe, and Shanghai. He was a founder director of Ivernia West plc and in 1989 set up Reunion Mining plc, a multi-commodity African exploration and mining company where he was Executive Chairman until the company was taken over by Anglo American plc. In 1999 he set up ZincOx with Noel Masson.



Simon Hall
Finance Director

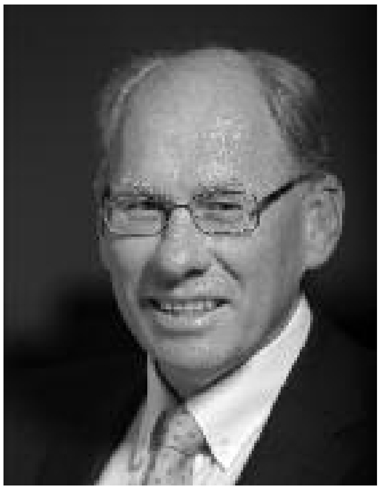
Simon Hall is a Chartered Accountant and engineer with experience of business development across a range of sectors over the last 20 years. He was formerly head of finance in BT Consumer Mobile before joining ZincOx. Simon was appointed to the Board in January 2006 and is responsible for all financial matters across the Group.

Gautam Dalal
Non-Executive Director

Gautam Dalal, Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee, is a Chartered Accountant with over 30 years of experience with KPMG. He was responsible for the commencement of its business in India from 1993 to 1998 after which he spent two years in the UK managing the account of a major industrial conglomerate globally. In 2000 he returned to India as Chairman and CEO of KPMG's Indian operations, growing the business to more than 1,000 employees. In 2003 he returned to the UK and in 2008 he took over as Head of the Diversified Industrials market sector where he was involved with delivering business change agendas in major multinational corporations. Gautam was appointed to the Board in January 2011.

Jacques Dewalens
Technical and Production Director

Jacques Dewalens joined ZincOx in September 2007 as head of technical services and production manager. He has a PhD in Sciences with over 35 years of experience in the zinc industry, mostly spent at Umicore and its precursor zinc subsidiaries. Jacques retired from the Board in April 2015, but remains available as a Consultant to the Group.



Guy Lafferty
Non-Executive Director

Guy Lafferty was a partner of Höegh Capital Partners Limited, whose clients owned 14.73% of the Company's issued share capital. Guy retired from the Board in April 2015 and the shares held were subsequently sold.

Group information

Ian Halliwell
Company Secretary

Ian Halliwell qualified as an accountant in 1994 and has over 20 years of experience in the energy sector. His early experience was working on large oil and gas construction projects in the North Sea. Ian held the role of Group Financial Controller at both Reunion Mining plc and Ridge Mining plc.

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Bankers
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Registrars
Capita Registrars
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Kent BR3 4TU

The Company's share price listing can be found at **www.zincox.com**

Corporate Governance

As the Company's shares are traded on AIM, the Company is not required to comply with the UK Corporate Governance Code ("the Code"). However, the maintenance of effective corporate governance remains a key priority for the Board of ZincOx and it therefore broadly follows the principles of corporate governance as set out in the QCA (Quoted Companies Alliance) guidelines for an AIM Company.

The Board of Directors

The Role of the Board

Up until 15 April 2015, the Board comprised three executive directors and three non-executive directors. The details of those directors are set out on pages 14 and 15. Gautam Dalal and Rod Beddows are considered independent with Rod Beddows being Chairman. On 15 April 2015, Jacques Dewalens and Guy Lafferty retired from the Board.

The Board has generally held meetings at least five times a year but in 2015, given the financial difficulties in the year, it met twelve times. A summary of matters requiring action/approval by the Board typically includes determination and approval of the corporate strategy, approval of interim and full year financial statements and reports, ensuring processes are in place to manage major risks, corporate governance and reporting to shareholders. The executive management team make day-to-day operating decisions to ensure proper management of the Company's business and for implementing the Board's approved strategy.

To enable the Board to discharge its duties all directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all directors in advance of Board meetings. The Chairman ensures that all directors are properly briefed on issues arising at Board meetings.

All directors are encouraged to bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. The Chairman ensures that directors have access to independent professional advice as required in order to fulfil their duties. All directors have access to the Company Secretary who is responsible for ensuring the Board procedures are followed and that the Board complies with applicable rules and regulations. Relevant and appropriate training is available to every director.

Performance Evaluation

The Chairman is committed to ensuring that formal evaluation of the performance of the Board, its committees and individual directors is undertaken annually.

Internal Control

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The risk management process and system of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. Any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Full Board meetings are held frequently to review Group strategy, direction and financial performance. The executive directors meet regularly to review operational reports from all the Group's areas of operations. This process is used to identify major business risks and evaluate their financial implications and ensures an appropriate control environment. Certain control over expenditure is delegated to on site managers subject to Board control by means of monthly budgetary reports. Internal financial control procedures include:

- Preparation and regular review of operating budgets and forecasts,
- Prior approval of all capital expenditure,
- Review and debate of treasury policy, and
- Unrestricted access of non-executive directors to all members of senior management.

In addition, the processes used by the Board to review the effectiveness of its system of internal control include:

- The Audit Committee reviews the effectiveness of the risk management process and significant risk issues are referred to the Board,
- The Chairman of the Audit Committee reports the results of Audit Committee meeting to the Board and the Board receives minutes of all such meetings,
- The Audit Committee maintains close contact with the Finance Director and periodically instigates investigations into the effectiveness and other aspects of internal control, and
- A register of the risks facing the Group together with compensating internal controls is maintained and reviewed on a regular basis, with risk weightings assigned to ensure that priority is given to the major risks faced by the Group.

The Board has reviewed the effectiveness of the system of internal financial control for the period from 1 January 2015 to the date of this report.

Board Committees

Report of the Audit Committee

The Chairman of the Audit Committee is Gautam Dalal. The Committee is formally constituted with written terms of reference. Under these terms of reference, the Audit Committee may examine any matters relating to the financial affairs of the Group and the Group's audits, including reviews of the financial statements and announcements, internal control and risk management procedures, accounting policies, the independence, appointment and fees of external auditors and such other related functions as the Board may require. During the year the Committee completed such reviews.

The Company currently has no internal audit function due to its relatively small size. The Audit Committee regularly reviews whether it is appropriate for the Company to establish an internal audit function. A risk report is provided to the Audit Committee three times a year.

	31 December 2015		1 January 2015 or subsequent date of appointment	
	Ordinary Shares at £0.01	Options	Ordinary Shares at £0.01	Options
Andrew Woollett*	6,286,779	562,213	5,294,223	4,515,854
Simon Hall	163,100	453,758	163,100	1,731,318
Rod Beddows***	822,500	–	822,500	–
Gautam Dalal**	1,589,920	–	710,000	–
Total	**8,862,299**	**1,015,971**	**6,989,823**	**6,247,172**

* *800,000 of the ordinary shares of Andrew Woollett are registered in the name of EFG Trust Company Limited, 429,108 are held in his pension fund and a further 187,787 are held in the name of his children.*

** *held by Gautam Dalal and his immediate family.*

*** *400,000 are held in Rod Beddows' pension fund*

During the year, the membership of the Audit Committee comprised two non-executive directors, Gautam Dalal (Chairman) and Rod Beddows (following the resignation of Guy Lafferty in April 2015), with the Finance Director in attendance. The Chief Executive Officer is not a member, but may be invited to attend meetings of the Committee. The external auditors also attend for the meetings and they have direct access to the members of the Committee without the presence of the executive directors for independent discussions. The Audit Committee met twice during 2015.

Report of the Remuneration Committee
During the year, the membership of the Remuneration Committee changed following the resignation of Guy Lafferty (Chairman) and now comprises Rod Beddows (Chairman) and Gautam Dalal. It determines the policy of the overall annual remuneration of the executive directors in consultation with the Chief Executive Officer and takes into consideration external data and comparative third party remuneration. The Committee has access to professional advice from inside and outside the Company and had one meeting in 2015.

Remuneration Policy
The Group's policy is to attract, retain and motivate high quality executives capable of achieving the Group's objectives and to offer a remuneration package which is competitive with the sector in which the Group operates.

Share Option and Incentive Plans
The Company has the following share incentive schemes in operation:

- HMRC approved share option scheme for UK employees (Company Share Option Plan), and
- An executive share option scheme on the same terms as above for overseas employees and those UK employees who have exceeded the £30,000 HMRC limit (Executive Share Option Plan).

Options granted under the above schemes are subject to performance criteria and generally cannot be exercised within three years. The Company's remuneration policy with regard to options is to maintain an amount equivalent to 10% of the issued share capital in options to the Company's management and employees.

Details of directors' emoluments are disclosed in note 3(b) to the financial statements and the directors' options are disclosed below.

Directors and their Interests
In accordance with the Company's Articles of Association, Andrew Woollett and Gautam Dalal retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Andrew Woollett entered into a service agreement with the Company on 5 November 2001. This agreement can be terminated on twelve months' notice. Gautam Dalal entered into a letter of appointment with the Company on 23 December 2010. This appointment can be terminated on three months' notice.

The directors in office as at the end of the year and their shareholdings are shown in the table above.

In addition, 4,026,634 warrants are held by Andrew Woollett as at 31 December 2015 (2014: 2,193,750) and 2,064,940 warrants are held by Gautam Dalal as at 31 December 2015 (2014: 1,125,000). As shown in note 3c, Andrew Woollett has an interest of £877,500 (2014: £975,000), and Gautam Dalal £450,000 (2014: £500,000) in the outstanding Loan Notes as at 31 December 2015.

Report of the Nomination Committee
During the year, the membership of the Nomination Committee comprised Rod Beddows (Chairman) and Gautam Dalal, with the Company Secretary in attendance. The Chief Executive Officer is not a member, but may be invited to attend meetings of the Committee. The Committee is formally constituted with written terms of reference. The purpose of the Nomination Committee is to lead the process for Board appointments and to make recommendations to the Board. The Committee met once in 2015.

Directors' Report

The directors submit their report and the audited financial statements of the Company and Group for the year ended 31 December 2015.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and parent company financial statements in accordance with United Kingdom Accounting Standards (The Financial Reporting Standard applicable in the UK and Republic of Ireland or FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed in the Group financial statements, subject to any material departures disclosed and explained in the financial statements,
- state whether applicable FRS 102 standards have been followed in the parent company's 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that financial statements comply with the Companies Act 2006. 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 confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the ZincOx Resources plc website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Results and Dividends
The Group's consolidated loss for the year is disclosed in the Performance Review (Financial) section of the Strategic Report on page 8. The directors do not recommend the payment of a dividend, and the consolidated loss for the period will be transferred to the accumulated retained losses in the financial statements.

Principal Risks and Uncertainties
These are disclosed in the Strategic Report on page 13. Policies and impacts relating to financial risk management are set out in note 20 to the financial statements.

Substantial Shareholdings
As at 11 May 2016, the directors, in addition to their own holdings, have been notified of the following substantial interests equal to or greater than 3% of the issued share capital of the Company.

Substantial shareholdings	Number of Ordinary Shares	Percentage of Issued Share Capital
Sloane Robinson Global Fund	42,142,319	20.03
Charles Stanley Group Plc	17,537,987	8.33
Andrew Woollett	7,686,779	3.65

Going Concern
The Group's business activities, together with any factors which may affect its future development, performance and position have been set out in the Strategic Report (pages 6 to 13). Additionally, the risk factors and uncertainties affecting the future success have been described in the Strategic Report. The cumulative deficit on profit and loss reserves at the end of December 2015 for the Group of US$200 million includes the loss for the year of US$47 million. The Group has unrestricted cash at the year end of US$655k. The directors have prepared forecasts which demonstrate that the Group can continue in existence for at least the next twelve months, assuming the successful implementation of the cost reduction programme and taking into account the deferral of the Loan Notes. Furthermore, the exploitation of the intangible assets in relation to technology which the Group has developed and which are carried at a value of US$4.2 million will importantly either require new funds to be raised or for the Group to enter into a new project without injecting any Group cash. The directors have assessed the material uncertainties concerning the Group's future funding requirement which may cast significant doubt upon the Group's ability to continue as a going concern and compared them with the levels of expected finance available and have a reasonable expectation that the Group has adequate financial resources to manage its business risks and continue in operational existence for the next twelve months from the date of this report, and for these reasons they continue to adopt the going concern basis in preparing these financial statements.

Post Balance Sheet Events
The post balance sheet events are covered in detail in note 22 to the financial statements.

Auditor
Grant Thornton UK LLP have signified their willingness to continue in office in accordance with Section 489 of the Companies Act 2006. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Ian Halliwell
Company Secretary

11 May 2016

Independent Auditor’s Report
To the members of ZincOx Resources plc

We have audited the Group financial statements of ZincOx Resources plc for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the related notes. 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.

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the Group financial statements:
- give a true and fair view of the state of the Group’s affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2(c) to the financial statements concerning the Company’s ability to continue as a going concern.

The cumulative deficit on profit and loss reserves at the end of December 2015 for the Group of US$200 million includes the loss for the year of US$47 million. The Group has unrestricted cash at the year end of US$655k. The directors have prepared forecasts which demonstrate that the Group can continue in existence for at least the next twelve months, assuming the successful implementation of the cost reduction programme and taking into account the deferral of the Loan Notes. Furthermore, the exploitation of the intangible assets in relation to technology which the Group has developed and which are carried at a value of US$4.2 million will importantly either require new funds to be raised or for the Group to enter into a new project without injecting any Group cash.

These conditions, along with the other matters explained in note 2(c) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors’ Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of ZincOx Resources plc for the year ended 31 December 2015.

Charles Hutton-Potts
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

11 May 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Continuing operations			
Revenue	23	246	605
Cost of sales		(1,827)	(687)
Gross loss		(1,581)	(82)
Administrative expenses (net of gains and impairments)	3	(7,754)	(17,571)
Operating Loss	3	**(9,335)**	**(17,653)**
Underlying EBITDA Loss		**(4,213)**	**(4,687)**
Other gains	4	1,584	1,119
Impairment provisions	2	(2,364)	(13,917)
Foreign exchange (loss)/gain		(2,101)	1,531
Depreciation and amortisation	3	(2,241)	(1,699)
Operating Loss		**(9,335)**	**(17,653)**
Finance income	5	1	1
Finance costs	5	(643)	(699)
Loss before tax		**(9,777)**	**(18,351)**
Taxation	6	(36)	–
Loss for the year from continuing operations		**(10,013)**	**(18,351)**
Discontinued operations			
Loss for the year from discontinued operations	8	(36,651)	(14,878)
Net Loss		**(46,664)**	**(33,229)**
From continuing and discontinued operations			
Basic and diluted loss per ordinary share (cents)	7	(26.43)	(21.11)
Adjusted loss per ordinary share (cents)*	7	(24.43)	(12.24)
From continuing operations			
Basic and diluted loss per ordinary share (cents)	7	(5.67)	(11.66)
Adjusted loss per ordinary share (cents)*	7	(4.33)	(2.82)

* *Adjusted loss per ordinary share calculation excludes impairment provisions.*

The notes on pages 26 to 49 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 $'000	2014 $'000
Loss for the year	**(46,664)**	**(33,229)**
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	(2,460)	(3,068)
Total comprehensive income for the year	**(49,124)**	**(36,297)**

The notes on pages 26 to 49 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2015

	Notes	2015 $'000	2014 $'000	2013 $'000
Assets				
Non-Current Assets				
Intangible assets	9	4,242	8,615	16,352
Property, plant and equipment	10	22	115,681	134,078
Investments	31	6,560	100	106
Trade and other receivables	12	–	10	–
		10,824	124,406	150,536
Current Assets				
Inventories	13	–	1,651	1,403
Trade and other receivables	12	508	4,405	3,540
Restricted cash	15	389	1,476	667
Cash and cash equivalents		655	1,195	4,752
		1,552	8,727	10,362
Assets held for sale	14	1,970	3,107	1,484
Total Assets		**14,346**	**136,240**	**162,382**
Liabilities				
Current Liabilities				
Trade and other payables	16	(688)	(14,368)	(13,640)
Loans and borrowings	17	(5,611)	(12,238)	(2,026)
		(6,299)	(26,606)	(15,666)
Non-Current Liabilities				
Trade and other payables	16	(96)	(4,598)	(3,730)
Loans and borrowings	17	–	(52,739)	(59,664)
		(96)	(57,337)	(63,394)
Total Liabilities		**(6,395)**	**(83,943)**	**(79,060)**
Net Assets		**7,951**	**52,297**	**83,322**
Equity				
Share capital	18	46,679	46,310	45,795
Share premium		185,590	181,371	176,944
Retained losses		(199,965)	(153,491)	(120,592)
Foreign currency reserve		(24,353)	(21,893)	(18,825)
Total Equity		**7,951**	**52,297**	**83,322**

The notes on pages 26 to 49 form an integral part of these financial statements.

Approved by the directors on 11 May 2016.

Simon Hall
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Loss before taxation due to continuing operations		(9,977)	(18,351)
Loss before taxation due to discontinued operations	8	(36,651)	(14,878)
Loss before taxation		(46,628)	(33,229)
Adjustments for:			
Depreciation and amortisation		8,253	7,827
Interest received	9	(4)	(3)
Interest expense	10	4,140	5,322
Impairment of intangible assets	14	2,011	7,503
Impairment of property, plant and equipment		1,225	6,467
Impairment of assets held for sale		285	–
Share based payments		190	330
Increase in trade and other payables		1,556	2,130
Decrease/(increase) in trade and other receivables		693	(875)
Decrease/(increase) in inventories	2	133	(248)
Foreign exchange losses		6,784	1,257
Loss due to loss of operational control of subsidiary		22,136	–
Other gains		(1,552)	(1,119)
Cash utilised in operations		**(778)**	**(4,638)**
Interest paid		(2,609)	(2,571)
Taxation		(37)	–
Net cash flow from operating activities		**(3,424)**	**(7,209)**
Investing activities			
Net proceeds from disposal of assets		660	1,895
Net proceeds from disposal of scrapped assets		3	10
Cash disposed of with loss of operational control of subsidiary		(5)	–
Purchase of intangible assets		(613)	(596)
Purchase of property, plant and equipment		(3,344)	(2,639)
Insurance proceeds received		300	–
Interest received		4	3
Net cash used in investing activities		**(2,995)**	**(1,327)**
Financing activities			
Proceeds from borrowings		1,271	1,270
Repayment of borrowings		(623)	–
Restriction of cash		–	(809)
Release of restricted cash		1,087	–
Net proceeds from issue of ordinary shares		4,588	4,942
Net cash received from financing activities		**6,323**	**5,403**
Net decrease in cash and cash equivalents		**(96)**	**(3,133)**
Cash and cash equivalents at start of year		1,195	4,752
Exchange differences on cash and cash equivalents		(444)	(424)
Cash and cash equivalents at end of year		**655**	**1,195**

The above cash flows aggregate those from continuing and discontinued operations. Separate disclosure has been made in note 8 for those cash flows relating to discontinued operations only.

The notes on pages 26 to 49 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

	Share capital $'000	Share premium $'000	FX reserve $'000	Retained losses $'000	Total equity $'000
Balance at 1 January 2013	**45,271**	**169,985**	**(18,536)**	**(94,638)**	**102,082**
Share based payments	–	–	–	377	377
Issue of share capital	524	6,959	–	–	7,483
Transactions with owners	**524**	**6,959**	**–**	**377**	**7,860**
Loss for the year	–	–	–	(26,331)	(26,331)
Other comprehensive income items that will be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	–	–	(289)	–	(289)
Total comprehensive income for the year	**–**	**–**	**(289)**	**(26,331)**	**(26,620)**
Balance at 31 December 2013	**45,795**	**176,944**	**(18,825)**	**(120,592)**	**83,322**
Share based payments	–	–	–	330	330
Issue of share capital	515	4,427	–	–	4,942
Transactions with owners	**515**	**4,427**	**–**	**330**	**5,272**
Loss for the year	–	–	–	(33,229)	(33,229)
Other comprehensive income items that will be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	–	–	(3,068)	–	(3,068)
Total comprehensive income for the year	**–**	**–**	**(3,068)**	**(33,229)**	**(36,297)**
Balance at 31 December 2014	**46,310**	**181,371**	**(21,893)**	**(153,491)**	**52,297**
Share based payments	–	–	–	190	190
Issue of share capital	369	4,219	–	–	4,588
Transactions with owners	**369**	**4,219**	**–**	**190**	**4,778**
Loss for the year	–	–	–	(46,664)	(46,664)
Other comprehensive income items that will be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	–	–	(2,460)	–	(2,460)
Total comprehensive income for the year	**–**	**–**	**(2,460)**	**(46,664)**	**(49,124)**
Balance at 31 December 2015	**46,679**	**185,590**	**(24,353)**	**(199,965)**	**7,951**

The notes on pages 26 to 49 form an integral part of these financial statements.

1 Accounting Policies

(a) Accounting Convention and Basis of Preparation of Financial Statements
The Company is a public limited liability company incorporated in the United Kingdom. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The Group has adopted all of the standards and interpretations issued by the International Accounting Standards Board and the IFRS Interpretations Committee that are relevant to its operations.

Changes in accounting policies and disclosures
No material changes to accounting policies arose as a result of new and amended standards adopted by the Group. New standards and interpretations currently in issue (as at 11 May 2016) but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 January 2015 are:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018 – not yet adopted by the EU)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016 – not yet adopted by the EU)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018 – not yet adopted by the EU)
- IFRS 16 Leases effective 1 January 2019 – not yet adopted by the EU)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016 – not yet adopted by the EU)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017 – not yet adopted by the EU)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)
- Amendments to IAS 12: Recognition of Deferred Tax assets for Unrealised Losses (effective 1 January 2017 – not yet adopted by the EU)

As far as can be determined at this stage, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

Presentational currency
Notwithstanding that the Group continues to be managed from the UK, the directors recognise that its current and future operations will be overseas. In addition, the Group received sales revenues predominantly in US Dollars and for this reason has reported its financial results in US Dollars.

The Group has applied the principles of IAS 21 'The Effects of Changes in Foreign Exchange Rates' in preparing these financial statements and has applied them to all periods in these financial statements.

The Group has elected to translate its income statement at average exchange rates for the period and to translate its assets and liabilities at period end exchange rates. Share capital and share premium reserves of the parent company have been translated at historic exchange rates with any differences between the historic rates and the period end rates being charged to the foreign exchange translation reserve.

(b) Basis of Consolidation and Presentation of Financial Information
With the exception of certain items noted below, which are carried at fair value, the consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

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

All intra-group assets, liabilities, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(c) Segmental Reporting
Reported segments are those components of the business where results are regularly reviewed by the Board to assess their performance and to make resource allocation decisions. The reported segments are identified separately as 'recycling operations' or 'other segments' due to the similarity of their economic characteristics and not by their geographical area of operation.

1 Accounting Policies continued

(d) Revenue

The Group recognises revenue for the sale of goods when title and the associated risks and rewards of ownership have passed to its customers. Revenues are measured at the fair value of the consideration received or receivable, net of applicable sales taxes. In the case of zinc concentrate sales, the revenue is recognised at the point of delivery and is priced at the end of each calendar month according to the price at the end of the month of delivery. An adjustment is then subsequently made between the month end price and the month after month of arrival price using the zinc price as published by the London Metal Exchange ("LME").

The Group recognises revenue for the rendering of services when it is probable that the economic benefits associated with the transaction will flow to the customer and that the stage of completion of any such transaction is clearly measurable.

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over their useful life. The major categories of property, plant and equipment which are depreciated on a straight-line basis down to their residual values are;

Buildings	up to 40 years or life of lease
Computer Equipment	4 to 5 years
Fixtures and Fittings	4 to 5 years
Plant and Machinery	4 to 30 years
Motor Vehicles	4 to 5 years

Any gain or loss arising on a disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Residual values, useful economic lives and depreciation methods are assessed annually.

Construction in Progress is an asset class in which project costs incurred during the construction of projects, which may take an extended period to complete, are capitalised. Upon satisfaction of certain completion tests at the end of the construction cycle, the construction in progress will be transferred to the asset classes stated above following which depreciation will commence.

The value of land is only tested when there is an indication of impairment. The carrying values of depreciated property, plant and equipment are assessed for impairment when indicators of impairment arise with any impairment charged to profit or loss.

(f) Impairment Reviews of Intangible Assets and Property, Plant and Equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation where future cash flows are based on expected useful life, together with estimates of future zinc prices and costs. Any impairment loss is charged to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the First-In-First-Out method.

(h) Foreign Currency

The functional currency of the parent company is Pounds Sterling. The amounts in the financial statements and accompanying notes for the current year have been translated at 1.48236 US$/£ year end rate where they relate to the Company or consolidated balance sheet and at 1.53234 US$/£ average rate for the year where they relate to the Company or consolidated income statement.

The comparative amounts in the financial statements and accompanying notes for 2014 have been translated at 1.55728 US$/£ year end rate where they relate to the Company or consolidated balance sheet (2013: 1.64880 US$/£) and at 1.65274 US$/£ average rate for the year where they relate to the Company or consolidated income statement (2013: 1.56353 US$/£).

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in profit or loss.

The assets and liabilities in the financial statements of foreign subsidiaries and the parent company are translated at the rate of exchange ruling at the balance sheet date. Exchange differences that arise from the re-translation of a net investment in subsidiaries or from re-translating intra-group balances, which are in substance part of the net investment, are recognised in other comprehensive income and accumulated in the foreign currency reserve in equity.

1 Accounting Policies continued

The Group took advantage of the exemption in IFRS 1 and deemed the cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS.

(i) Intangible Assets

i) Computer Software
As per IAS 38, purchased computer software that will generate economic benefit beyond one year is capitalised as an intangible asset and amortised over its expected useful economic life of four years on a straight line basis.

ii) Deferred Development Costs and Related Overheads
Development costs incurred on specific projects are only capitalised in accordance with IAS 38 when recoverability can be assessed with probable economic certainty. The directors review each project on a technical and commercial basis in line with the impairment testing noted in note 1(f). In the event that it becomes evident that capitalised costs are unlikely to be recovered from future revenues, they are either written off immediately to the profit or loss, amortised or an impairment provision is made.

Capitalised development costs relating to the Group in general, and that satisfy the provisions of IAS 38, are amortised over their useful economic life of ten years on a straight line basis and subject to the same impairment testing noted in note 1(f).

(j) Taxation
Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax is the tax currently payable based on taxable profit for the year using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on the difference between carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Tax losses which are available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated at tax rates that have been enacted or substantively enacted. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets relating to brought forward tax losses are not yet recognised by the Group, but they will be recognised to the extent that taxable profit will be available in the future.

(k) Pensions
The pension costs charged to the profit or loss represent the contributions payable during the period to defined contribution schemes.

(l) Leased Assets
In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of an asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset, or, if lower, the present value of the minimum lease payments to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight line basis over the lease term.

(m) Financial Assets
All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed in profit or loss.

The Group has also followed the guidance in IAS 39, indicating that the 10% holding in KRP should be categorised as a “financial asset” within investments. The accounting treatment for this asset is that it should be recognised at its initial value and then subsequently fair valued with any adjustment booked to the income statement.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents are adjusted to reflect bank overdrafts which are repayable on demand.

Trade receivables and loans are measured subsequent to initial recognition at amortised cost, less provision for impairment.

1 Accounting Policies continued

(n) Financial Liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual process of the instrument. Financial liabilities categorised at fair value through profit or loss are recorded initially at fair value; all transaction costs are recognised immediately in profit or loss.

Financial liabilities categorised at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised in profit or loss. All other financial liabilities are recorded at amortised cost, using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(o) Share Based Payments
All share based payment arrangements granted after 7 November 2002 are equity-settled transactions that are recognised in the financial statements.

The fair value of any share options or warrants granted to employees and directors, or in exchange for goods and services, are recognised as an expense in the income statement with a corresponding entry to retained earnings. This fair value is appraised at the grant date.

If vesting periods or other non-market performance conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options or warrants expected to vest. Estimates are revised subsequently if there is any indication that the number expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options or warrants that have vested are not exercised.

Upon exercise of share options or warrants, the proceeds received (net of associated transaction costs) are credited to share capital and where appropriate, share premium.

For share options, fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For warrants, fair value is measured by either the Monte Carlo method or the Black-Scholes as appropriate to the circumstances and adjusted in the same way as for the share options.

(p) Borrowing Costs
Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets from the commencement of incurring borrowing costs until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are reflected in profit or loss in the period in which they are incurred.

(q) Restricted Cash
Restricted cash is excluded from cash and cash equivalents and is described as current where it is planned to use the cash in the next twelve months and is non-current for the remaining balance.

(r) Underlying EBITDA
This is a key measure to assess the underlying financial performance of the operating divisions and the Group as a whole. The Group has chosen to define this measure as ‘earnings before interest, depreciation and amortisation’ and specifically excludes any impairment provisions, foreign exchange gains and losses or exceptional gains and losses charged or credited to profit or loss.

2 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year are discussed below:

(a) Impairment Reviews

Intangible assets
In accordance with the accounting policy stated above, the Group performs an assessment of the recognition and recoverability of intangible assets to see whether any of the Group's development expenditures have suffered impairment. This assessment is dependent on the future viability of the relevant technology and expected products, the methodology followed in order to assess the recoverable amount of an individual cash-generating project is to consider a cash flow model over 20 years or the life of the plant, whichever is shorter, and with appropriate assumptions for the zinc price, operating and capital development costs. In performing any cash flow analysis the Group uses risk adjusted discount rates based on support from third parties. It should be noted that, where discounting is used, the zinc price and the discount rate will have the most significant impact on the value in use calculations.

The intangible assets, which the Group is carrying at the end of 2015, relate to historic spend incurred on the development of the RHF technology, as a way to treat EAFD, but also for further development activities which has resulted in the CML technology being able to produce a commercial grade zinc oxide product, following the initial generation of the HZO from the RHF. As directors, we feel that we can monetise the carrying value of the Group's intangible assets in the future.

During the year, impairment reviews have taken place to impair any spends which were incurred on items which may not be expected to generate an expected future economic benefit, e.g. the carrying cost of development spends in relation to KRP2 (see table below). In addition the Company has also adopted FRS 102 in the year and has changed the amortisation of the intangible assets to a 10 year useful life (see note 40 for the adjusted amortisation incurred on transition to FRS 102). The table below summarises the impairment provisions made in the year and included in the Group income statement. In the event that any future development activity is abandoned or the directors cease to believe that the projects can be commercially exploited, then the expenditure associated with that project will be fully impaired through the Group income statement.

For the year ending 31 December 2015, the Group made impairments, on continuing operations, of US$2,011k against intangible assets, US$68k against property, plant and equipment and US$285k against assets held for sale. In addition, an impairment provision in the year of US$1,157k was made against property, plant and equipment in respect of discontinued operations (see note 8).

Carrying value of 10% holding in KRP
Following the Group's loss of control over KRP at the end of the year, the Group has adopted a carrying value for the 10% holding in KRP of US$6.4 million. This valuation, at 31 December 2015 uses the "price of recent investment" guidelines as described by the International Private Equity and Venture Capital Valuation Guidelines. Following the extinguishing of the Development and Offtake loans with Korea Zinc, the equivalent value of a 10% holding in KRP is US$6.4 million.

The Group has also followed the guidance in IAS 39, indicating that the 10% holding should be categorised as a "financial asset" within investments. The accounting treatment for this asset is that it should be recognised at its initial value and then subsequently fair valued with any adjustment booked to the income statement.

A cashflow was prepared, covering a 20 year period and expected future dividend receipts over that time, using a discount rate of 9%, reflecting the 10 year Korean government bonds and an equity risk premium. The cashflow also uses consensus zinc price forecasts of US$1,793 per tonne for 2016, US$1,990 per tonne in 2017, US$2,296 per tonne in 2018, US$2,497 per tonne in 2019 and a long run zinc price of US$2,218 per tonne thereafter. The resulting flow of dividends returns an NPV that shows no indication of impairment at the year end.

(b) Share Based Payments

In order to calculate the charge for share based payments as required by IFRS2, the Group makes estimates principally relating to the assumptions used in its option or warrant pricing model as set out in note 24. The charge made in the year in respect of options is US$57k (2014: US$330k) and for warrants is US$133k (2014: US$ nil).

(c) Going Concern

The directors considered various scenarios in reviewing the budgets and projections for 2016 covering a period of at least twelve months from the date of this report. These scenarios review the financial modelling of different cash flow scenarios, ranging from a base case, namely, to put the Group into hibernation until value can be obtained from the remaining interest in KRP, through to the development of new opportunities, following further funding being made available to the Group.

Impact on Group	**Notes**	**KRP2 $'000**	**Other $'000**	**ORP $'000**	**Minor projects $'000**	**Total impairment $'000**
Intangible assets	9	605	756	–	650	2,011
Property, plant and equipment	8, 10	–	–	–	68	68
Assets held for sale	14	–	–	196	89	285
2015 provision		**605**	**756**	**196**	**807**	**2,364**

2 Critical Accounting Estimates and Judgements continued

All cases assume the ongoing savings from a continuing Group wide cost reduction programme, until future funding is secured, which was started immediately after the loss of control of KRP. It should also be noted that any discretionary spending has been stopped during this critical period while the Company looks for projects to deploy the zinc recovery technology it has developed over recent years. No dividend income from KRP is expected during the next twelve months.

Any ongoing funding for KRP is assumed to be funded by Korea Zinc during 2016 and any contribution required by the Group to participate is expected to be dealt with through an agreed dilution formula with Korea Zinc, thus no immediate cash will be required to support KRP.

The Group had outstanding Loan Notes of GBP 3.78 million which were due to be repaid in July 2016. The directors have agreed with the Noteholders to extend the repayment date to January 2018. The Loan Notes are secured against the land in the heavy industrial zone and interest will be payable from the funds held in the escrow account until July 2016, following which any interest on the Loan Notes (at the existing interest rate of 10%) will be rolled up until the Loan Notes are repaid in full. Any unpaid amounts will also be secured against the assets of the Company including the existing cash holdings and the remaining interest in KRP.

The Company has been in continuing discussions with potential strategic and project specific partners for the development of new recycling projects and looking at opportunities to use the intellectual property and know-how that has been developed on other assets. The fundraising in February 2016 for £205,000 (before expenses) was completed to allow the Company time to explore these opportunities on a reduced overhead basis as well as allowing time to realise value from KRP.

The directors have considered various scenarios in reviewing the budgets and projections for the twelve months from the date of this report. These scenarios range from the financial modelling of a hibernation budget, allowing time to realise value from KRP through to new funds into the Group to develop new projects, whether that is using RHF technology or another technology which the Group has developed in prior years. However, given the existence of these material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern and, therefore, as a result, it may be unable to realise its assets and discharge its liabilities in the normal course of business. If this were the case, the presentation of the Group financial statements on a going concern basis would be inappropriate and the Group financial statements would need to be presented on a break up basis.

The cumulative deficit on profit and loss reserves at the end of December 2015 for the Group of US$200 million includes the loss for the year of US$47 million. The Group has unrestricted cash at the year end of US$655k. The directors have prepared forecasts which demonstrate that the Group can continue in existence for at least the next twelve months, assuming the successful implementation of the cost reduction programme and taking into account the deferral of the Loan Notes. Furthermore, the exploitation of the intangible assets in relation to technology which the Group has developed and which are carried at a value of US$4.2 million will importantly either require new funds to be raised or for the Group to enter into a new project without injecting any Group cash.

The directors have assessed the material uncertainties concerning the Group's future funding requirement which may cast significant doubt upon the Group's ability to continue as a going concern and compared them with the levels of expected finance available and have a reasonable expectation that the Group has adequate financial resources to manage its business risks and continue in operational existence for the next twelve months from the date of this report.

3(a) Operating Loss

The table states those charges and credits relating to continuing operations only.

	2015 $'000	2014 $'000
Operating loss on continuing operations is stated after charging:		
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Group accounts	67	82
Fees payable to the Company's auditors for the audit of subsidiary accounts	25	26
Fees payable to the Company's auditors for other services	15	17
Tax services	25	28
Fees payable to other external auditors for the audit of subsidiary accounts	4	5
Foreign exchange loss on monetary assets	2,101	–
Depreciation of owned property, plant and equipment	49	1,296
Depreciation of leased property, plant and equipment	23	19
Amortisation of intangible assets	2,169	384
Operating leases	681	781
And after crediting:		
Foreign exchange gain on monetary assets	–	1,531

3(b) Directors and Employees

The table below relates to continuing operations only.

	2015 $'000	2014 $'000
Wages and salaries	1,753	2,365
Social security costs	273	344
Pensions	79	109
Share based payments on options (note 24)	57	330
	2,162	**3,148**

The monthly average number of persons employed by the Group (including directors) on continuing operations during the year was 16 (2014: 20).

Directors and key management personnel

The directors, which include both executive and non-executive directors, are the key management personnel of the Group. The table below details directors' emoluments and total remuneration.

In addition, an amount equivalent to US$98k (2014: US$106k) for employers' national insurance was incurred by the Group in respect of the key management personnel.

The number of directors who participated in defined contribution pension schemes was one (2014: one).

Full details of directors share options are included under Corporate Governance (see page 18). There were no share options exercised by the directors in the year (2014: nil).

An amount of US$57k has been charged to the income statement for the year (2014: US$263k) in respect of share based payments on options for directors.

	Salary $'000	Bonus $'000	Other benefits $'000	Total emoluments $'000	Pension $'000	2015 Total remuneration $'000	2014 Total remuneration $'000
Andrew Woollett	377	–	12	389	–	389	419
Simon Hall	265	–	5	270	25	295	319
Jacques Dewalens*†	114	–	–	114	–	114	422
Rod Beddows	66	–	–	66	–	66	71
Guy Lafferty†	–	–	–	–	–	–	–
Gautam Dalal	54	–	–	54	–	54	58
Totals	**876**	**–**	**17**	**893**	**25**	**918**	**1,289**

* *Included above are emoluments paid as related party transactions (see note 3(c) below).*

† *Jacques Dewalens and Guy Lafferty retired as directors on 15 April 2015.*

3(c) Related Party Transactions

During the year ended 31 December 2015 the Group paid €102k, equivalent to US$114k (2014: €316k equivalent to US$422k) for technical consultancy services to Zinc Consult Sprl. a company in which Jacques Dewalens, ZincOx Resources plc's Technical and Production Director up until 15 April 2015, has an interest.

Loan notes

In August 2015, the Company issued Andrew Woollett, ZincOx Resources plc's Chief Executive, 4,026,634 three year warrants at an exercise price of 25p in respect of Loan Notes taken out in 2013. At the same time, 2,193,750 existing warrants at an exercise price of 40p were cancelled (see note 24).

During the year ended 31 December 2015, the Group repaid £97,500 of principal, equivalent to US$145k to Andrew Woollett in respect of the Loan Notes, leaving a balance outstanding at 31 December 2015 of £877,500 (2014: £975,000).

Furthermore, the Group paid £105,140, equivalent to US$161k (2014: £97,500, equivalent to US$161k) of interest (gross of withholding tax) to Andrew Woollett. This cost was charged to the income statement and included within finance costs.

In August 2015, the Company issued Gautam Dalal, a non-executive director of ZincOx Resources plc, 2,064,940 three year warrants at an exercise price of 25p in respect of Loan Notes taken out in 2013. At the same time, 1,125,000 existing warrants at an exercise price of 40p were cancelled (see note 24).

During the year ended 31 December 2015, the Group repaid £50,000 of principal, equivalent to US$74k to Gautam Dalal in respect of the Loan Notes, leaving a balance outstanding at 31 December 2015 of £450,000 (2014: £500,000).

Furthermore, the Group paid £53,918, equivalent to US$83k (2014: £50,000, equivalent to US$83k) of interest (gross of withholding tax) to Gautam Dalal. This cost was charged to the income statement and included within finance costs.

Further information concerning the loan notes is detailed in note 17 'Loans and Borrowings'.

3(d) Administrative Expenses (net of gains and impairments)

The table below relates to continuing operations only.

	Notes	2015 $'000	2014 $'000
Administrative costs (excluding depreciation/amortisation)		(4,827)	(5,026)
Other gains	4	1,584	1,119
Impairment provisions	2	(2,364)	(13,917)
Foreign exchange (loss)/gain		(2,101)	1,531
Depreciation		(46)	(1,278)
		(7,754)	**(17,571)**

4 Other Gains

The table below relates to continuing operations only.

	2015 $'000	2014 $'000
Gain on disposal of scrap equipment	3	10
Gain on disposal of property, plant and equipment	1,281	1,109
Gain from insurance claim at Big River Zinc	300	–
	1,584	**1,119**

Included in the gain on disposal of property, plant and equipment is an amount of US$1,080k (2014: US$ nil) relating to the sale of the remaining assets at Big River Zinc, an amount of US$167k (2014: US$1,109k) relating to the sale of land from ZincOx Anadolu Cinko SVTAS in Turkey and an amount of US$34k (2014: US$ nil) relating to the disposal of other property, plant and equipment within the Group.

5 Finance Income/(Costs)

The table below relates to continuing operations only.

	2015 $'000	2014 $'000
Interest received	1	1
Interest paid	(643)	(699)
	(642)	**(698)**

6 Taxation

The information below relates to continuing operations only.

	2015 $'000	2014 $'000
Taxation on loss for the year		
Overseas taxation	36	–
Current tax charge for the year	**36**	**–**

The tax assessed for the year is lower than the standard rate of tax in the UK of 20% (2014: 21%). The differences are explained as follows:

	2015 $'000	2014 $'000
Loss on ordinary activities before tax	(9,977)	(18,351)
Loss on ordinary activities multiplied by weighted standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(2,020)	(3,945)
Effect of:		
Disallowed expenses	426	(2,957)
Non taxable income	(66)	(230)
Deferred tax not recognised	1,696	7,132
Current tax charge for year	**36**	**–**

The Company has deferred tax assets of US$12.0 million that it doesn't recognise.

The Group still has an open tax enquiry in relation to the deferred capital receipts following the sale of Shaimerden. The nature of the enquiry relates to the value of receipts that were expected at the time of disposal and the availability of double taxation relief in respect of withholding tax which was deducted at source by the purchaser. The directors have sought extensive tax advice, including advice from leading tax counsel, on the specific tax issues and remain of the view that, based on this advice, together with their valuation of the future receipts at the time of disposal, no provision should be required.

7 Loss Per Share

Continuing and discontinued operations

The calculation of the loss per share is based on the loss attributable to ordinary shareholders of US$46,664k (2014: US$33,229k) divided by the weighted average number of shares in issue during the year of 176,579,687 (2014: 157,388,897).

An adjusted loss per ordinary share for the year has been presented to exclude the impairment provisions made in the year of US$3,521k (2014: US$13,970k). It has been calculated based on adjusted loss attributable to ordinary shareholders of US$43,143k (2014: US$19,259k).

Continuing operations

The calculation of the loss per share from continuing operations is based on the loss attributable to ordinary shareholders of US$10,013k (2014: US$18,351k) divided by the weighted average number of shares in issue during the year of 176,579,687 (2014: 157,388,897).

An adjusted loss per ordinary share for the year has been presented to exclude the impairment provisions made in the year of US$2,364k (2014: US$13,917k). It has been calculated based on adjusted loss attributable to ordinary shareholders of US$7,649k (2014: US$4,434k).

There is no dilutive effect of the share options in issue during 2015 and 2014.

8 Discontinued Operations

Following the restructuring of KRP, as discussed in the Performance Review section of the Strategic Report (see pages 6 to 13), the Group lost effective operational control of ZincOx Korea on 30 December 2015.

The legal restructuring of ZincOx Korea, including the issuance of shares to Korea Zinc, and the cancellation of the Offtake and Development Loans made by Korea Zinc, was formally completed on 29 April 2016.

Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations (i.e. from KRP) included in the loss for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2015 $'000	2014 $'000
Revenue	36,422	37,546
Cost of sales	(39,266)	(42,726)
Gross loss	(2,844)	(5,180)
Administrative expenses (net of gains and impairments)	(30,313)	(5,077)
Operating Loss	**(33,157)**	**(10,257)**
Underlying EBITDA Gain/(Loss)	**863**	**(1,288)**
Other losses	(32)	–
Impairment provisions	(1,157)	(53)
Loss due to loss of operational control of subsidiary	(22,136)	–
Foreign exchange loss	(4,683)	(2,788)
Depreciation and amortisation	(6,012)	(6,128)
Operating Loss	**(33,157)**	**(10,257)**
Finance income	3	2
Finance costs	(3,497)	(4,623)
Loss before tax	**(36,651)**	**(14,878)**
Attributable income tax expense	–	–
Net Loss	**(36,651)**	**(14,878)**

Cash flows from discontinued operations

	2015 $'000	2014 $'000
Net cash outflows from operating activities	(3,757)	(2,335)
Net cash outflows from investing activities	(325)	(2,589)
Net cash (outflows)/inflows from financing activities	(2,102)	3,310
Net cash outflows	**(6,184)**	**(1,614)**

The 10% holding in KRP has been classified as a financial asset within investments (see note 31).

9 Intangible Assets

	Deferred Group development costs $'000	Computer software $'000	Total intangible assets $'000
Cost			
At 1 January 2013	15,295	560	15,855
Additions	1,966	5	1,971
Disposals	(281)	(33)	(314)
Impairment provisions	(513)	–	(513)
Foreign exchange	242	12	254
At 1 January 2014	16,709	544	17,253
Additions	596	–	596
Impairment provisions	(7,503)	–	(7,503)
Foreign exchange	(488)	(35)	(523)
At 1 January 2015	9,314	509	9,823
Additions	613	–	613
Impairment provisions	(2,011)	–	(2,011)
De-consolidate ZincOx Korea subsidiary	(529)	–	(529)
Foreign exchange	(391)	(29)	(420)
At 31 December 2015	**6,996**	**480**	**7,476**
Accumulated Amortisation			
At 1 January 2013	4	549	553
Charge for the year	347	7	354
Released on disposals	(4)	(33)	(37)
Foreign exchange	19	12	31
At 1 January 2014	366	535	901
Charge for the year	378	6	384
Foreign exchange	(42)	(35)	(77)
At 1 January 2015	702	506	1,208
Charge for the year	2,167	2	2,169
Foreign exchange	(115)	(28)	(143)
At 31 December 2015	**2,754**	**480**	**3,234**
Net Book Value			
At 31 December 2015	**4,242**	**–**	**4,242**
At 31 December 2014	8,612	3	8,615
At 31 December 2013	16,343	9	16,352

Following an impairment review at the year end of the deferred development costs carried by Zincox Resources plc, impairment provisions of US$2,011k have been made against their carrying value (see note 2(a) for details).

All deferred development costs that have been written off in the year are included in profit or loss in arriving at an operating loss.

The intangible assets of ZincOx (Korea) Ltd were de-consolidated from the Group as at 30 December 2015, following the loss of operational control of the Korean Recycling Plant (KRP).

10 Property, Plant and Equipment

	Land and buildings $'000	Plant and machinery $'000	Construction in progress $'000	Fixtures and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Cost							
At 1 January 2013	25,030	128,520	181,034	196	527	1,151	336,458
Additions	7	164	3,028	–	–	34	3,233
Transfers	–	1,204	(1,204)	–	–	–	–
Disposals	(451)	–	–	–	34	(98)	(515)
Reclassifications	(289)	3,209	(2,920)	–	–	–	–
De-consolidate ZincOx Yemen subsidiary	–	(7,395)	(155,998)	(38)	(74)	(949)	(164,454)
Foreign exchange	(209)	1,629	36	4	11	8	1,479
At 1 January 2014	24,088	127,331	23,976	162	498	146	176,201
Additions	9	933	1,692	–	5	–	2,639
Transfers	–	3,486	(3,486)	–	–	–	–
Disposals	–	–	–	–	(3)	–	(3)
Reclassifications	(2,714)	(2,038)	2,038	–	–	–	(2,714)
Foreign exchange	(940)	(4,207)	(188)	(12)	(36)	(16)	(5,399)
At 1 January 2015	20,443	125,505	24,032	150	464	130	170,724
Additions	–	2,022	1,243	–	15	64	3,344
Transfers	–	527	(527)	–	–	–	–
Disposals	(1,268)	(15,962)	(19,624)	–	(42)	(52)	(36,948)
Reclassifications	(3)	129	(129)	–	–	–	(3)
De-consolidate ZincOx Korea subsidiary	(17,578)	(102,874)	(4,642)	–	(6)	(14)	(125,114)
Foreign exchange	(1,341)	(7,699)	(353)	(10)	(29)	(13)	(9,445)
At 31 December 2015	**253**	**1,648**	**–**	**140**	**402**	**115**	**2,558**
Depreciation and Impairment Provisions							
At 1 January 2013	776	20,422	175,998	176	468	1,099	198,939
Charge for the year	519	6,698	–	5	27	20	7,269
Released on disposals	–	–	–	–	34	(92)	(58)
Reclassifications	–	3,744	(3,744)	–	–	–	–
De-consolidate ZincOx Yemen subsidiary	–	(7,395)	(155,998)	(38)	(74)	(949)	(164,454)
Foreign exchange	34	371	–	4	11	7	427
At 1 January 2014	1,329	23,840	16,256	147	466	85	42,123
Charge for the year	531	6,862	–	5	22	23	7,443
Impairment provisions	1,115	1,810	3,540	–	2	–	6,467
Released on disposals	–	–	–	–	(3)	–	(3)
Reclassifications	(101)	–	–	–	–	–	(101)
Foreign exchange	(74)	(754)	(1)	(11)	(35)	(11)	(886)
At 1 January 2015	2,800	31,758	19,795	141	452	97	55,043
Charge for the year	460	5,586	–	3	8	27	6,084
Impairment provisions	–	129	1,028	–	–	68	1,225
Released on disposals	(1,268)	(15,957)	(19,615)	–	(42)	(51)	(36,933)
Reclassifications	(3)	–	–	–	–	–	(3)
De-consolidate ZincOx Korea subsidiary	(1,611)	(18,509)	(1,160)	–	(5)	(14)	(21,299)
Foreign exchange	(125)	(1,359)	(48)	(9)	(28)	(12)	(1,581)
At 31 December 2015	**253**	**1,648**	**–**	**135**	**385**	**115**	**2,536**
Net Book Value							
At 31 December 2015	**–**	**–**	**–**	**5**	**17**	**–**	**22**
At 31 December 2014	17,643	93,747	4,237	9	12	33	115,681
At 31 December 2013	22,759	103,491	7,720	15	32	61	134,078

10 Property, Plant and Equipment continued

Disposals in the year include fully depreciated amounts of US$36,711k, across all asset classes, in respect of the sale of the remaining property, plant and equipment at Big River Zinc.

The property, plant and equipment of ZincOx (Korea) Ltd were de-consolidated from the Group as at 30 December 2015, following the loss of operational control of the Korean Recycling Plant (KRP).

A full impairment of assets (US$1,157k) held for the future construction of a second plant in Korea was made in the year at ZincOx (see note 2(a) and note 8). In addition, an impairment was made in the year against motor vehicles held under a finance lease in Belgium (US$68k).

There is no capitalised depreciation or capitalised interest included within property, plant and equipment.

11 Finance Lease Liabilities

	Minimum lease payments 2015 $'000	Interest 2015 $'000	Principal 2015 $'000	Minimum lease payments 2014 $'000	Interest 2014 $'000	Principal 2014 $'000	Minimum lease payments 2013 $'000	Interest 2013 $'000	Principal 2013 $'000
Finance lease liabilities are payable as follows:									
Less than one year	22	3	19	16	1	15	24	2	22
Between one and five years	46	4	42	14	–	14	35	1	34
	68	**7**	**61**	**30**	**1**	**29**	**59**	**3**	**56**

Assets held within the Group under finance leases had a net book value at 31 December 2015 of US$67k (2014: US$30k, 2013: US$54k).

12 Trade and Other Receivables

	2015 $'000	2014 $'000	2013 $'000
Current			
Trade receivables	148	3,791	2,479
Deposits	38	7	12
Other debtors	229	324	723
Prepayments	93	283	326
	508	**4,405**	**3,540**
Non-Current			
Deposits	–	10	–
	–	**10**	**–**

None of the current receivables are past due.

13 Inventories

	2015 $'000	2014 $'000	2013 $'000
Raw materials	–	1,204	1,239
Finished goods	–	447	164
	–	**1,651**	**1,403**

Inventories of US$1,001k attributed to ZincOx (Korea) Ltd were de-consolidated from the Group following the loss of operational control of KRP as at 30 December 2015.

Raw materials of US$518k were disposed of by BRZ in the year to Jiva Resources Incorporation.

The cost of inventory recognised as an expense and included in 'cost of sales' amounted to US$10,121k (2014: US$8,801k, 2013: US$7,286k).

There were no write-down of inventories in the period (2014: US$ nil, 2013: US$66k).

14 Assets Held for Sale

Following the decision to sell the land inside the Heavy Industrial Zone at Aliaga, Turkey, this asset has now been classified as an asset held for sale. The carrying cost of US$1.8 million (YTL 5.2 million) has been applied, being the lower of cost and net realisable value.

The remaining assets held for sale in Belgium were impaired by US$89k at the year end. These assets have been fully written down at 31 December 2015.

Following the decision to sell the land in Ohio, previously held to develop a recycling project in the USA, this asset has been classified as an asset held for sale with a fair value of US$0.2 million. The fair value is stated after an impairment provision of US$196k was made at the year end. The land was subsequently sold in February 2016 for US$0.2 million.

The Turkish land forms part of the Group's recycling segment activity and fall within the geographical region called 'Rest of Europe'. The land at Ohio forms part of the Group's recycling segment activity and falls within the geographical region called 'USA' (see note 23).

15 Restricted Cash

	2015 $'000	2014 $'000	2013 $'000
Current			
Cash held in escrow against loan notes (see note 17)	389	1,476	667
	389	**1,476**	**667**

16 Trade and Other Payables

	2015 $'000	2014 $'000	2013 $'000
Current			
Trade payables	401	9,003	7,680
Taxation and social security	66	254	268
Accruals	199	4,552	5,104
Other payables	–	544	566
Finance lease obligations	22	15	22
	688	**14,368**	**13,640**
Non-Current			
Accruals	–	3,690	2,795
Employee benefits	–	8	10
Other payables	50	886	891
Finance lease obligations	46	14	34
	96	**4,598**	**3,730**

17 Loans and Borrowings

	2015 $'000	2014 $'000	2013 $'000
Current			
Korea Zinc Company Limited secured loans	–	3,413	976
Standard Chartered Bank Korea Ltd facility	–	2,260	999
Secured loan notes	5,603	6,541	–
Other bank borrowings	8	24	51
	5,611	**12,238**	**2,026**
Non-Current			
Korea Zinc Company Limited secured loans	–	52,739	52,739
Secured loan notes	–	–	6,925
	–	**52,739**	**59,664**

Korean loans
Following the loss of operational control of ZincOx (Korea) Ltd as at 30 December 2015, both the Offtake and Development loans, granted by Korea Zinc Company Limited ("Korea Zinc"), have been de-recognised in the Group balance sheet. Both loans with Korea Zinc were secured by a debenture over the assets of KRP only.

At the same time, the US$5 million rolling Receivables Services facility that was taken out by ZincOx (Korea) Ltd with Standard Chartered Bank Korea Ltd ("SCBK") in April 2013, was de-recognised in the Group balance sheet.

Secured loan notes
In July 2013, the Company issued Loan Notes to a value of £4.2 million together with four year warrants over 9,450,000 new ordinary shares of the Company. During the year, £420k was repaid to lenders leaving an outstanding balance of £3.78 million (US$5.6 million) at 31 December 2015.

Interest is 10%, and the Loan Notes repayment date has been renegotiated so that the Loan Notes will now be repayable by January 2018. Interest on the notes will be payable from the restricted cash until July 2016 following which it will then roll up until the Loan Notes are repaid in full as described in the Strategic Report. The existing warrants associated with this loan are described in note 24.

The Loan Notes are secured against the shares in ZincOx Anadolu Cinko SVTAS, the Company's wholly owned subsidiary that owns the freehold land held at Aliaga, Turkey.

Other loans
Other bank borrowings represent an unsecured facility taken out by ZincOx Resources Belgium Sprl to fund short-term working capital requirements.

18 Share Capital

The shares of the Company are denominated in Pounds Sterling but are retranslated for the Group financial statements at their historic rate.

	Number shares	Share capital $'000	Share premium $'000	Total $'000
In issue 1 January 2013	103,466,716	45,271	169,985	215,256
103,466,716 deferred shares at 24 pence	103,466,716	40,526	–	40,526
103,466,716 ordinary shares at 1 pence	103,466,716	4,745	169,985	174,730
Ordinary shares issued	32,113,913	524	6,959	7,483
In issue 31 December 2013	135,580,629	45,795	176,944	222,739
Ordinary shares issued	30,725,149	515	4,427	4,942
In issue 31 December 2014	166,305,778	46,310	181,371	227,681
Ordinary shares issued	23,607,641	369	4,219	4,588
In issue 31 December 2015	**189,913,419**	**46,679**	**185,590**	**232,269**

The share capital reserve at 31 December 2015 stated at its historical value in its nominal currency of GBP, is £26,731k (2014: £26,495k, 2013: £26,188k) which equates to being translated at an average exchange rate of approximately 1.75 US$/£ (2014: 1.75 US$/£, 2013: 1.75 US$/£).

At 31 December 2015, there were options available over 9,170,989 ordinary shares in the Company, 1,015,971 available to directors (see page 18 within Corporate Governance) and 8,155,018 to eligible persons. The exercise price of each option is between £0.10 and £2.625. Options granted before 2009 cannot be exercised for two years (three years for those granted from 2009) from the date they were granted, and must be exercised within 10 years from that date.

At 31 December 2015, there were warrants available over 17,345,498 ordinary shares in the Company, 6,091,574 available to directors (see page 18 within Corporate Governance) and 11,253,924 to other subscribers of the loan notes. The warrants have a three year life, expiring on 20 August 2018, and can be exercised immediately, at an exercise price of 25p.

The highest and lowest prices of the Company's shares during the year were 18.00p and 0.505p respectively, and the share price at the end of the year was 0.75p.

The number of shares which would have been in issue at the end of the financial year, had all options and warrants been exercised, was 216,429,906. There were no share options or warrants exercised in the year.

Details of the Company Share Options

Date of issue	At 31 December 2015 Number	Exercise price £	Date from which exercisable	Expiry date
5 January 2006	697,240	1.50	5 January 2008	5 January 2016
27 June 2006	456,442	2.075	27 June 2008	27 June 2016
16 January 2007	642,501	2.625	16 January 2009	16 January 2017
29 February 2008	388,486	2.60	28 February 2010	28 February 2018
28 January 2014	5,067,320	0.245	28 January 2017	28 January 2024
28 January 2015	1,919,000	0.10	28 January 2018	28 January 2025
	9,170,189			

19 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2015 $'000	2014 $'000	2013 $'000
Less than one year	72	484	455
Between one and five years	10	3,015	4,116
More than five years	–	3,477	2,706
	82	**6,976**	**7,277**

ZincOx (Korea) Limited signed a 50 year lease in December 2010, renewable every 10 years, for the site of its Korean Recycling Plant. This commitment fell away at 30 December 2015 following the loss of operational control of ZincOx (Korea) Ltd and its subsequent de-consolidation from the Group.

20 Financial Instruments

Capital Management Policies and Procedures

The Group's capital management objectives are:

- to increase the value of the assets of the business,
- to provide an adequate return to shareholders in the future when assets are taken into production, and
- to ensure the Group's ability to continue as a going concern.

These objectives will be achieved by identifying the right development recycling projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by our own means.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the consolidated balance sheet.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of the underlying assets. Capital for the reporting periods under review is summarised as follows:

	2015 $'000	2014 $'000	2013 $'000
Total equity	7,951	52,297	83,322
Less: cash and cash equivalents	(655)	(1,195)	(4,752)
Capital	**7,296**	**51,102**	**78,570**
Total equity	7,951	52,297	83,322
Borrowings	5,611	64,977	61,690
Overall financing	**13,562**	**117,274**	**145,012**
Capital to overall financing ratio	**0.54**	**0.44**	**0.54**

The disclosures detailed below are as required by IFRS 7 'Financial Instruments: Disclosures'. The Company's principal treasury objective is to provide sufficient liquidity to meet operational cash flow requirements and to allow the Group to take advantage of new growth opportunities whilst maximising shareholder value. The Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they evolve. The impact of the risks, required to be discussed in accordance with IFRS 7, are detailed below, supported by a specific explanation of these risks on page 13 of the Strategic Report.

20 Financial Instruments continued

Liquidity and Funding Risk

The objective of the Group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due as shown below:

	Current						Non-Current					
	Within 6 months			6 to 12 months			1 to 5 years			Later than 5 years		
	2015 $'000	2014 $'000	2013 $'000	2015 $'000	2014 $'000	2013 $'000	2015 $'000	2014 $'000	2013 $'000	2015 $'000	2014 $'000	2013 $'000
Trade payables	678	11,336	9,765	10	3,032	3,875	96	4,598	3,730	–	–	–
Borrowings	288	5,805	2,774	5,650	7,883	880	–	46,898	50,490	–	17,898	21,266
Totals	**966**	**17,141**	**12,539**	**5,660**	**10,915**	**4,755**	**96**	**51,496**	**54,220**	**–**	**17,898**	**21,266**

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments in other Group companies, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its other receivables. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Foreign Exchange Risk

The Group's transactional foreign exchange exposure arises from income, expenditure and purchase and sale of assets denominated in foreign currencies. As each material commitment is made, the risk in relation to currency fluctuations is assessed by the Board and regularly reviewed. The Group does not have a hedging programme in place at this time.

Foreign currency denominated financial assets and liabilities, translated into US Dollars at the closing rate, are as follows:

	2015			2014			2013		
	Financial assets $'000	Financial liabilities $'000	Exposure $'000	Financial assets $'000	Financial liabilities $'000	Exposure $'000	Financial assets $'000	Financial liabilities $'000	Exposure $'000
GBP	–	–	–	1	–	1	3	4	(1)
KRW	–	–	–	1	–	1	–	–	–
EUR	19	12	7	29	1,336	(1,307)	20	1,799	(1,779)
USD	615	–	615	4,611	59,425	(54,814)	6,143	55,403	(49,260)

20 Financial Instruments continued

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities that are held in a currency other than the functional currency of the underlying Group entity. With ZincOx (Korea) Ltd being de-consolidated, the main exposure is in ZincOx Resources plc where the functional currency is Pounds Sterling, yet significant cash assets are held in US Dollars.

It assumes a +/-5% change of the US Dollar-Sterling, US Dollar-Euro and US Dollar-Korean Won for the year ended 31 December 2015 (2014: 5%, 2013: 5%). The sensitivity analysis is applied to the Group's foreign currency financial instruments held at balance sheet date. If the US Dollar had weakened by 5% against Sterling, Euro, and Korean Won (the other main functional currencies of the Group entities), this would have had the following impact by currency:

	2015		2014		2013	
	Net result for year $'000	Equity $'000	Net result for year $'000	Equity $'000	Net result for year $'000	Equity $'000
GBP	–	–	–	–	–	–
EUR	(37)	–	(20)	(65)	(59)	(89)
USD	(1,521)	(29)	(1,527)	2,610	(1,043)	2,346

If the US Dollar had strengthened against these respective currencies, there would be an equal and opposite effect on the net result for the year and equity.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest Rate Risk
The Group is exposed to interest rate risk in respect of the cash balances held with banks and other highly rated counterparties. If the interest rate the Group received had increased/decreased by 0.1% during the year, the net result for the year would have been increased/reduced by US$ nil (2014: US$1k 2013: US$2k). There would have been no impact on other equity.

The trade and other payables, borrowings and the other financial liabilities are carried at amortised cost. All the financial assets are considered to be cash and receivables. The fair values of all financial assets and financial liabilities are not considered to be materially different from their carrying values.

2015	Weighted average effective interest rate	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Assets					
Investments		–	–	6,465	6,465
Cash	1.04%	655	–	–	655
Restricted cash		389	–	–	389
Trade and other receivables		–	–	508	508
Total Financial Assets		**1,044**	**–**	**6,973**	**8,017**
Liabilities					
Trade and other payables		–	(22)	(666)	(688)
Borrowings – current		(8)	(5,603)	–	(5,611)
Other non-current liabilities		–	(46)	(50)	(96)
Total Financial Liabilities		**(8)**	**(5,671)**	**(716)**	**(6,395)**
Net Financial Assets/(Liabilities)		**1,036**	**(5,671)**	**6,257**	**1,622**

20 Financial Instruments continued

2014	Weighted average effective interest rate	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Assets					
Cash	0.29%	1,195	–	–	1,195
Restricted cash		1,476	–	–	1,476
Trade and other receivables		–	–	4,405	4,405
Total Financial Assets		**2,671**	**–**	**4,405**	**7,076**
Liabilities					
Trade and other payables		–	(15)	(14,353)	(14,368)
Borrowings – current		(1,635)	(10,603)	–	(12,238)
Borrowings – non-current		(37,739)	(15,000)	–	(52,739)
Other non-current liabilities		–	(14)	(4,584)	(4,598)
Total Financial Liabilities		**(39,374)**	**(25,632)**	**(18,937)**	**(83,943)**
Net Financial Liabilities		**(36,703)**	**(25,632)**	**(14,532)**	**(76,867)**

2013	Weighted average effective interest rate	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Assets					
Cash	0.49%	4,752	–	–	4,752
Restricted cash		667	–	–	667
Trade and other receivables		–	–	3,540	3,540
Total Financial Assets		**5,419**	**–**	**3,540**	**8,959**
Liabilities					
Trade and other payables		–	(11)	(13,629)	(13,640)
Borrowings – current		(51)	(1,975)	–	(2,026)
Borrowings – non-current		(37,739)	(21,925)	–	(59,664)
Other non-current liabilities		–	(34)	(3,696)	(3,730)
Total Financial Liabilities		**(37,790)**	**(23,945)**	**(17,325)**	**(79,060)**
Net Financial Liabilities		**(32,371)**	**(23,945)**	**(13,785)**	**(70,101)**

Financial Assets

The Group held the following financial assets:

	2015 $'000	2014 $'000	2013 $'000
Investments	6,465	–	–
Cash and cash equivalents	655	1,195	4,752
Restricted cash	389	1,476	667
Trade and other receivables	508	4,405	3,540
	8,017	**7,076**	**8,959**

Investments relate to the Group's 10% share in KRP. This asset has been recognised at its initial value and then subsequently fair valued. The valuation at 31 December 2015 uses the "price of recent investment" guidelines as described by the International Private Equity and Venture Capital Valuation Guidelines.

Cash and cash equivalents comprise cash and short-term deposits held by the Group treasury function.

21 Capital Commitments

At 31 December 2015, the Group had no capital commitments (2014: nil).

22 Post Balance Sheet Events

On 1 February 2016, the Company raised £205,000, before expenses, by way of a conditional placing of 20,500,000 ordinary shares at a price of 1p. At the same time, the Company took the opportunity to simplify the share structure by cancelling all 103,466,716 outstanding Deferred Shares that carried limited participation rights.

On 29 April 2016, the Company announced the completion of the legal transfer of 90% of the shares of ZincOx (Korea) Ltd, from the Company to Korea Zinc Company Limited, leaving the Company with a 10% interest in ZincOx (Korea) Ltd.

In May 2016, the terms of the Loan Notes were renegotiated to extend the redemption date to January 2018. Interest will be paid until July 2016 after which time it will be rolled up until the Loan Notes are repaid in full. Any unpaid amounts will also be secured against the assets of the Company including cash holdings and the remaining interest in KRP. The existing 19,217,840 warrants will be cancelled and replaced by 9,450,000 with a strike price at 5p.

23 Segmental Analysis

Up until the end of 2015, the Group considers that its activities are split into the following segments: its recycling operations (the KRP in Korea up until 30 December 2015 when it was discontinued) which is the main activity and all other segments (mainly recycling development). An operating segment is a component of the Group engaged in one of these activities. In relation to the recycling operations activity, each operating segment is usually signified by a separate geographical location for the purposes of making economic decisions.

In addition, UK Head Office costs are disclosed separately and added to the sector result in arriving at an operating (loss)/profit.

The following table analyses the sector revenue and result from continuing operations and reconciles the sector result to the loss after tax.

	Revenue		Sector result	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Recycling – operations	–	–	–	–
Other segments	246	605	(5,784)	(16,387)
Sector total	**246**	**605**	**(5,852)**	**(16,387)**
UK Head Office			(3,483)	(1,266)
Operating loss			**(9,335)**	**(17,653)**
Finance income			1	1
Finance costs			(643)	(699)
Loss before tax			**(9,977)**	**(18,351)**
Taxation			(36)	–
Loss after tax			**(10,013)**	**(18,351)**

23 Segmental Analysis continued

The activity split of net assets for the Group is as follows:

	Assets			Liabilities			Net assets		
	2015 $'000	2014 $'000	2013 $'000	2015 $'000	2014 $'000	2013 $'000	2015 $'000	2014 $'000	2013 $'000
Recycling – operations	6,465	122,681	128,210	–	75,261	69,580	6,465	47,420	58,630
Other segments	7,076	12,436	28,099	5,992	8,274	8,790	1,084	4,162	19,309
Sector total	**13,541**	**135,117**	**156,309**	**5,992**	**83,535**	**78,370**	**7,549**	**51,582**	**77,939**
UK Head Office – unallocated	805	1,123	6,073	403	408	690	402	715	5,383
Total	**14,346**	**136,240**	**162,382**	**6,395**	**83,943**	**79,060**	**7,951**	**52,297**	**83,322**

The activity split of capital additions and amounts depreciated, impaired or amortised, for the Group, including discontinued operations, is as follows:

	Capital additions			Depreciation, impairment and amortisation		
	2015 $'000	2014 $'000	2013 $'000	2015 $'000	2014 $'000	2013 $'000
Recycling – operations	3,430	2,591	3,192	7,775	6,181	5,896
Other segments	513	642	2,012	1,561	15,051	1,694
Sector total	**3,943**	**3,233**	**5,204**	**9,336**	**21,232**	**7,590**
UK Head Office – unallocated	14	2	–	2,436	565	630
Total	**3,957**	**3,235**	**5,204**	**11,772**	**21,797**	**8,220**

Geographic Information

The Group also has a global geographical presence which is reflected in the segmental analysis. As the Group develops future recycling facilities then each plant that's subsequently developed will become an operating segment in its own right.

Revenue for the Group, on continuing operations, is generated by Big River Zinc Corporation (2015: US$0.3 million, 2014: US$0.6 million).

Within Group revenue, 100% (2014:100%) is generated from a single customer of Big River Zinc and is included within the segment called 'other segments'.

The carrying amount of non-current assets, excluding deferred tax assets, analysed by the geographical area in which the assets are located is as follows:

	2015 $'000	2014 $'000	2013 $'000
United Kingdom	10,795	3,465	3,635
Rest of Europe*	7	117	2,588
USA	–	–	15,225
Korea	–	119,803	128,090
Other Asia**	22	1,021	998
Total	**10,824**	**124,406**	**150,536**

* *Rest of Europe includes Belgium and Turkey*

** *Other Asia includes Thailand, Vietnam and historically, Malaysia*

24 Share Based Payments

Employee Related Share Option Plans

Share options to employees and other eligible persons are granted on a discretionary basis. The exercise price of the granted options is, at least, equal to the market price of the shares on the date of the grant.

Movements in the number of employee share options outstanding and their related weighted average exercise prices, as stated in their nominal currency of GBP, are as follows:

	2015		2014		2013	
	Weighted average exercise price (£ per share)	**Outstanding options (thousands)**	**Weighted average exercise price (£ per share)**	**Outstanding options (thousands)**	**Weighted average exercise price (£ per share)**	**Outstanding options (thousands)**
At 1 January 2015	0.49	13.152	0.93	8,734	1.07	7,902
Granted	0.07	2,937	0.12	10,650	0.30	5,650
Cancelled	0.02	(6,584)	0.47	(6,232)	0.37	(4,465)
Lapsed	1.30	(334)	–	–	0.54	(353)
At 31 December 2015	**0.67**	**9,171**	**0.49**	**13,152**	**0.93**	**8,734**

No options were exercised in either of the years to 31 December 2015, 31 December 2014 or 31 December 2013.

The weighted average assumptions made in applying the Black-Scholes model to option grants made in the period are set out below.

Weighted average fair value of share options and input assumptions	**2015 Options granted**	**2014 Options granted**	**2013 Options granted**
Share price at grant	£0.838	£0.241	£0.355
Exercise price	£0.065	£0.121	£0.304
Shares under option	2,937,500	10,650,000	5,650,000
Expected volatility	35%	35%	58%
Option life (years)	5	5	5
Risk free interest rate	1.20%	2.07%	1.11%
Fair value per option	£0.04	£0.16	£0.22
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes

The total charge for the period relating to employee share based payment plans was US$57k (2014: US$330k, 2013: US$8k). The vesting period for the options granted was three years (2014 and 2013: three years). Other non-market performance conditions that exist are as follows:

(a) For the 2015 options, the award of options is conditional on the Company's share price reaching 20 pence for 20 consecutive business working days during a three year 'Performance Period' ending on 28 January 2018.

(b) For the 2014 options, the award of options is conditional on the Company's share price reaching 33 pence during a three year 'Performance Period' ending on 28 January 2017.

(c) For the 2013 options, the award of options is conditional on an 'Award Production' linked to a minimum production capacity at KRP where no options can be exercised below an annual production for 2013 of 127,500 tonnes of EAFD, rising to 100% of the options being exercised at 170,000 tonnes of processed EAFD. These options were cancelled in 2014.

The volatility calculation used for the 2014 options was based on the Company's share price performance for the 6 to 12 months preceding the date of grant as this was felt to be more reflective of the current trend in share price performance. This volatility calculation was repeated for the 2015 options granted. In previous years, the volatility calculation was based on the Company's share price performance for the five years preceding the date of grant.

No dividend is assumed in the calculation (2014 and 2013: nil) of the option fair values.

24 Share Based Payments continued

Share Warrants

In August 2013, the Company granted four year warrants over 9,450,000 new ordinary shares of the Company at an exercise price of 40 pence per share and an interest rate of 10% per annum. The warrants were fair valued using the Monte Carlo valuation method with the following input assumptions made.

- Share price at grant was 20.25p,
- Exercise price of 40p,
- Expected volatility reducing from 42.3% in Year 1 to 31.5% in Year 4,
- Warrant life of four years,
- Risk free interest rate of 1.74%, and
- Fair value per warrant of 2.5p.

In 2015, the Company cancelled the 9,450,000 warrants (2014 and 2013: nil) that were issued in 2013 and granted three year warrants over 17,435,498 new ordinary shares of the Company at an exercise price of 25 pence per share and an interest rate of 10% per annum. The warrants were fair valued using the Black-Scholes model with the following input assumptions made.

- Share price at grant was 11.75p,
- Exercise price of 25p,
- Expected volatility of 34%,
- Warrant life of three years,
- Risk free interest rate of 0.88%, and
- Fair value per warrant of 0.5p.

There is no vesting period attached to the warrants and none were exercised in the year to 31 December 2015 (2014 and 2013: none exercised or cancelled).

The total share based payment charge for the period relating to warrants was US$133k (2014: US$ nil, 2013: US$369k). A share based payment charge of US$350k was credited in the year, via reserves (2014 and 2013: US$ nil) as a result of the cancellation of the 2013 warrants.

Independent Auditor's Report

To the members of ZincOx Resources plc

We have audited the parent company financial statements of ZincOx Resources plc for the year ended 31 December 2015 which comprise the parent balance sheet, parent statement of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2(c) to the financial statements concerning the Company's ability to continue as a going concern.

The cumulative deficit on profit and loss reserves at the end of December 2015 for the Company of US$181 million includes the loss for the year of US$90 million. The Company has unrestricted cash at the year end of US$585k. The directors have prepared forecasts which demonstrate that the Company can continue in existence for at least the next twelve months, assuming the successful implementation of the cost reduction programme and taking into account the deferral of the Loan Notes. Furthermore, the exploitation of the intangible assets in relation to technology which the Company has developed and which are carried at a value of US$4.2 million will importantly either require new funds to be raised or for the Company to enter into a new project without injecting any of the Company's cash.

These conditions, along with the other matters explained in note 2(c) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of ZincOx Resources plc for the year ended 31 December 2015.

Charles Hutton-Potts
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

11 May 2016

Company Balance Sheet
As at 31 December 2015

	Notes	2015 $'000	2014* $'000
Fixed Assets			
Intangible assets	29	4,221	7,506
Tangible assets	30	15	8
Investments	31	6,658	74,587
		10,894	**82,101**
Current Assets			
Debtors due within one year	32	206	4,370
Debtors due after one year	32	3,487	16,379
Restricted cash	33	389	1,476
Cash at bank and in hand		585	251
		4,667	22,476
Creditors – amounts falling due within one year	34	(6,142)	(7,626)
Net Current (Liabilities)/Assets		**(1,475)**	**14,850**
Total Assets less Current Liabilities		**9,419**	**96,951**
Creditors – amounts falling due after one year	34	(64)	(67)
Net Assets		**9,355**	**96,884**
Capital and Reserves			
Share capital	35	46,679	46,310
Share premium	35	185,590	181,371
Profit and loss account		(181,465)	(91,305)
Foreign currency reserve		(41,449)	(39,492)
Equity Shareholders' Funds	36	**9,355**	**96,884**

** The 2014 statements have been restated following the adoption by the parent company of FRS 102*

The notes on pages 53 to 61 form an integral part of these financial statements.

Approved by the directors on 11 May 2016.

Simon Hall
Director

Company registration number: 3800208

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

	Share capital $'000	Share premium $'000	FX reserve $'000	Retained losses $'000	Total equity $'000
Balance at 1 January 2014*	**45,795**	**176,944**	**(33,761)**	**(74,208)**	**114,770**
Share based payments	–	–	–	330	330
Issue of share capital	515	4,427	–	–	4,942
Transactions with owners	**515**	**4,427**	**–**	**330**	**5,272**
Loss for the year	–	–	–	(17,427)	(17,427)
Other comprehensive income items that will be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	–	–	(5,731)	–	(5,731)
Total comprehensive income for the year	**–**	**–**	**(5,731)**	**(17,427)**	**(23,158)**
Balance at 31 December 2014*	**46,310**	**181,371**	**(39,492)**	**(91,305)**	**96,884**
Share based payments	–	–	–	190	190
Issue of share capital	369	4,219	–	–	4,588
Transactions with owners	**369**	**4,219**	**–**	**190**	**4,778**
Loss for the year	–	–	–	(90,350)	(90,350)
Other comprehensive income items that will be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	–	–	(1,957)	–	(1,957)
Total comprehensive income for the year	**–**	**–**	**(1,957)**	**(90,350)**	**(92,307)**
Balance at 31 December 2015	**46,679**	**185,590**	**(41,449)**	**(181,465)**	**9,355**

** The 2014 statements have been restated following the adoption by the parent company of FRS 102*

The share capital and share premium account have been translated at historic US$/£ exchange rates at the point where shares were issued in the Company. The profit and loss result for the year and share based payment expense have been translated at the average US$/£ exchange rate for each year.

The notes on pages 53 to 61 form an integral part of these financial statements.

25 Significant Accounting Policies

The individual financial statements of the Company, as required by the Companies Act 2006, have been presented in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

This is the first year in which the financial statements of the Company have been prepared under FRS 102. The Company has taken advantage of exemptions available to it, by which it is not required to publish (i) a cash flow statement and (ii) related party disclosures. Refer to note 40 for an explanation of the transition.

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings as at 31 December each year.

The principal accounting policies which differ to those set out in note 1 to the consolidated financial statements are noted below.

With the exception of items (v) and (vi) below, which are carried at fair value, the financial statements have been prepared on the historical cost basis.

(i) Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(ii) The requirements of FRS 20, Share Based Payments, are the same as those set out in note 1 to the consolidated financial statements.

(iii) The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to publish its individual profit and loss and related notes.

(iv) Investments in subsidiaries, intergroup funding and deferred consideration:

Fixed asset investments in subsidiary undertakings are stated at cost less provision for diminution in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

Sales of fixed asset investments are accounted for on exchange and deferred consideration is not recognised until the receipt is considered to be virtually certain.

Where the Company has provided funds to a subsidiary in the year these amounts are also stated at cost less provision for a diminution in value.

(v) Investment in financial assets.

(vi) Inter-company loans.

(vii) The directors considered various scenarios in reviewing the budgets and projections for 2016 covering a period of at least twelve months from the date of this report. These scenarios review the financial modelling of different cash flow scenarios, ranging from a base case, namely, to put the Company into hibernation until value can be obtained from the remaining interest in KRP, through to the development of new opportunities, following further funding being made available to the Company.

All cases assume the ongoing savings from a continuing cost reduction programme for the Company, until future funding is secured, a program that started immediately after the loss of control of KRP. It should also be noted that any discretionary spending has been stopped during this critical period while the Company looks for projects to deploy the zinc recovery technology it has developed over recent years. No dividend income from KRP is expected during the next twelve months.

Any ongoing funding for KRP is assumed to be funded by Korea Zinc during 2016 and any contribution required by the Company to participate is expected to be dealt with through an agreed dilution formula with Korea Zinc, thus no immediate cash will be required to support KRP.

The Company had outstanding Loan Notes of GBP 3.78 million which were due to be repaid in July 2016. The directors have agreed with the Noteholders to extend the repayment date to January 2018. The Loan Notes are secured against the land in the heavy industrial zone and interest will be payable from the funds held in the escrow account until July 2016, following which any interest on the Loan Notes (at the existing interest rate of 10%) will be rolled up until the Loan Notes are repaid in full. Any unpaid amounts will also be secured against the assets of the Company including the existing cash holdings and the remaining interest in KRP.

The Company has been in continuing discussions with potential strategic and project specific partners for the development of new recycling projects and looking at opportunities to use the intellectual property and know-how that has been developed on other assets. The fundraising in February 2016 for £205,000 (before expenses) was completed to allow the Company time to explore these opportunities on a reduced overhead basis as well as allowing time to realise value from KRP.

25 Significant Accounting Policies continued

The directors have considered various scenarios in reviewing the budgets and projections for the twelve months from the date of this report. These scenarios range from the financial modelling of a hibernation budget, allowing time to realise value from KRP through to new funds into the Company to develop new projects, whether that is using RHF technology or another technology which the Company has developed in prior years. However, given the existence of these material uncertainties which may cast significant doubt over the Company's ability to continue as a going concern and, therefore, as a result, it may be unable to realise its assets and discharge its liabilities in the normal course of business. If this were the case, the presentation of the parent company's financial statements on a going concern basis would be inappropriate and the parent company's financial statements would need to be presented on a break up basis.

The cumulative deficit on profit and loss reserves at the end of December 2015 for the Company of US$181 million includes the loss for the year of US$90 million. The Company has unrestricted cash at the year end of US$585k. The directors have prepared forecasts which demonstrate that the Company can continue in existence for at least the next twelve months, assuming the successful implementation of the cost reduction programme and taking into account the deferral of the Loan Notes. Furthermore, the exploitation of the intangible assets in relation to technology which the Company has developed and which are carried at a value of US$4.2 million will importantly either require new funds to be raised or for the Company to enter into a new project without injecting any of the Company's cash.

The directors have assessed the material uncertainties concerning the Company's future funding requirement which may cast significant doubt upon the Company's ability to continue as a going concern and compared them with the levels of expected finance available and have a reasonable expectation that the Company has adequate financial resources to manage its business risks and continue in operational existence for the next twelve months from the date of this report.

Presentational Currency

The Company has reported its financial results in US Dollars. Furthermore, it has elected to translate its Profit and Loss account at average exchange rates for the period and to translate its assets and liabilities at period end exchange rates. Share capital and share premium reserves have been translated at historic exchange rates with any differences between the historic rates and the period end rates being charged to the foreign exchange translation reserve.

26 Impairment Provisions

The impairment provisions that have been made in the Company are calculated from the same underlying assumptions that were used in calculating the impairment provisions in the consolidated financial statements (see note 2(a) for more details).

27 Loss for the Financial Year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Profit and Loss account in these financial statements. The loss for the Company was US$90,350k translated at an average rate for the year of 1.53234 US$/£ (2014 restated: US$17,427k translated at an average rate for the year of 1.65274 US$/£).

The average monthly number of employees of the Company (including directors) during the year was 7 (2014: 9) and their aggregate remuneration comprised:

	2015 $'000	**2014 $'000**
Wages and salaries	1,085	1,371
Social security costs	129	162
Other pension costs	44	63
	1,258	**1,596**

28 Operating Loss

The auditors' remuneration for audit services to the Company was US$30,000 translated at an average rate for the year of 1.53234 US$/£ (2014: US$30,000 US$/£ translated at an average rate for the year of 1.65274 US$/£).

29 Intangible Assets – Deferred Costs

	Company development costs $'000	Company Total $'000
Cost		
At 1 January 2014	15,766	15,766
Additions	514	514
Impairment provisions	(6,895)	(6,895)
Foreign exchange	(476)	(476)
At 1 January 2015	8,909	8,909
Additions	439	439
Impairment provisions	(2,011)	(2,011)
Foreign exchange	(384)	(384)
At 31 December 2015	**6,953**	**6,953**
Amortisation		
At 1 January 2014	732	732
Charge for the year	755	755
Foreign exchange	(84)	(84)
At 1 January 2015	1,403	1,403
Charge for the year	1,466	1,466
Foreign exchange	(137)	(137)
At 31 December 2015	**2,732**	**2,732**
Net Book Value		
At 31 December 2015	**4,221**	**4,221**
At 31 December 2014	7,506	7,506

30 Tangible Assets

	Land and buildings $'000	Plant and machinery $'000	Fixtures and fittings $'000	Computer equipment $'000	Total $'000
Cost					
At 1 January 2014	178	859	106	727	1,870
Additions	–	–	–	2	2
Disposals	–	–	–	(4)	(4)
Foreign exchange	(9)	(48)	(6)	(39)	(102)
At 1 January 2015	169	811	100	686	1,766
Additions	–	–	–	14	14
Disposals	–	(151)	–	–	(151)
Foreign exchange	(8)	(39)	(5)	(33)	(85)
At 31 December 2015	**161**	**621**	**95**	**667**	**1,544**
Depreciation					
At 1 January 2014	178	859	106	707	1,850
Charge for the year	–	–	–	14	14
Released on disposals	–	–	–	(4)	(4)
Foreign exchange	(9)	(48)	(6)	(39)	(102)
At 1 January 2015	169	811	100	678	1,758
Charge for the year	–	–	–	7	7
Released on disposals	–	(151)	–	–	(151)
Foreign exchange	(8)	(39)	(5)	(33)	(85)
At 31 December 2015	**161**	**621**	**95**	**652**	**1,529**
Net Book Value					
At 31 December 2015	**–**	**–**	**–**	**15**	**15**
At 31 December 2014	–	–	–	8	8

31 Investments

	Financial assets $'000	Subsidiaries $'000	Joint venture $'000	Total $'000
Cost				
At 1 January 2014	–	71,062	106	71,168
Additions	–	9,938	–	9,938
Foreign exchange	–	(922)	(6)	(928)
At 1 January 2015	–	80,078	100	80,178
Additions	–	16,739	–	16,739
Disposals	–	(7,433)	–	(7,433)
Reclassify to 'Financial assets'	6,465	(6,395)	–	70
Foreign exchange	–	(3,853)	(5)	(3,858)
At 31 December 2015	**6,465**	**79,136**	**95**	**85,696**
Impairment Provisions				
At 1 January 2014	–	5,919	–	5,919
Foreign exchange	–	(328)	–	(328)
At 1 January 2015	–	5,591	–	5,591
Impairment provisions (net of reversals)	–	76,202	–	76,202
Foreign exchange	–	(2,755)	–	(2,755)
At 31 December 2015	**–**	**79,038**	**–**	**79,038**
Net Book Value				
At 31 December 2015	**6,465**	**98**	**95**	**6,658**
At 31 December 2014	–	74,487	100	74,587

Additions in the year of US$16,739k (2014: US$9,938k) represents a series of capital contributions by the Company for shares in ZincOx (Korea) Ltd, a wholly owned subsidiary up to 30 December 2015, where there was a loss of operational control and subsequent de-consolidation of the subsidiary.

Disposals in the year of US$7,433k (2014: US$ nil) are as a result of a capital restructuring in the Company's wholly owned subsidiary, ZincOx Belgium Sprl. As part of the capital restructuring, prior year impairments brought forward at 1 January 2015, were reversed in the year.

Net impairment provisions in the year comprise an impairment of US$81,524k against ZincOx (Korea) Ltd at 30 December 2015, following the loss of operational control of this subsidiary, and a reverse impairment provision of US$5,501k from prior years against ZincOx Belgium Sprl. as described above. Further impairments of US$179k were made against item of property plant & equipment, held in ZincOx Belgium Sprl, considered to be of no value

A residual investment of 10% in ZincOx (Korea) Ltd was reclassified from 'Subsidiaries' to 'Financial Assets' and fair valued at US$6,395k (see note 2a). In addition, a further US$70k was reclassified from 'Debtors' to 'Financial Assets'.

31 Investments continued

Interest in Subsidiary Undertakings
On 30 December 2015, the Company lost operational control of its subsidiary undertaking, ZincOx (Korea) Ltd, when it agreed to transfer 90% of its interest in KRP to Korea Zinc Company Limited.

On 31 December 2015 the Company liquidated its subsidiary undertaking ZincOx Resources (Korea) Ltd.

On 29 April 2016, the Company liquidated its subsidiary undertaking, ZincOx Belgium Sprl (see note 39).

The Company had an interest in the following subsidiary undertakings during the year ending 31 December 2015, all of which are included in the consolidated financial statements. With the exception of those holdings marked with an asterisk, all shareholdings were held directly by the Company.

Name of Undertaking	Country of incorporation/ registration and operation	Principal activities	Proportion of, and voting rights held by the Company and the Group
ZincOx Belgium Sprl	Belgium	Metallurgical research	99.99%
Zinc Corporation of Kazakhstan Ltd	British Virgin Islands	Holding	100%
ZincOx Anadolu Cinko SVTAS	Turkey	Zinc processing	100%
ZincOx Resources (USA) Ltd	UK	Holding	100%
Big River Zinc Corporation*	USA	Zinc processing	100%
Zinc and Iron Recycling of Ohio, Inc.*	USA	Zinc processing	100%
Zinc and Iron Recycling Inc.*	USA	Zinc processing	100%
ZincOx (USA) Recycling, Inc.*	USA	Holding	100%
ZincOx Thailand Company Ltd	Thailand	Zinc processing	100%
ZincOx Resources (Korea) Ltd	UK	Zinc processing	100%
ZincOx (Korea) Ltd	Korea	Zinc processing	100%

The Company tests the carrying value of its investments in its subsidiary undertakings which are carried at historical cost less any impairment. This test is carried out on an annual basis or more frequently if market conditions indicate a potential impairment.

Interest in Joint Venture
The Company has a 51% interest in an unincorporated joint venture with Ural Recycling Ltd, a wholly owned subsidiary of Magnezit Group Limited, a Russian company looking at the potential to develop a zinc recycling plant in Russia.

32 Debtors

	2015 $'000	2014 $'000
Due within one year		
Trade debtors	59	–
Other debtors	64	112
Prepayments	83	99
Amounts owed by Group undertakings	–	4,159
	206	**4,370**
Due after one year		
Amounts owed by Group undertakings	3,487	16,379
	3,487	**16,379**

The Company tests the carrying value of its loans to its undertakings of the Group which are carried at historical cost less any impairment and this test is carried out on an annual basis or more frequently if market conditions indicate a potential impairment.

Amounts owed by Group undertakings due after one year are stated after allowing for any impairment provision. At 31 December 2015 impairment provisions stood at US$35.8 million (2014: US$37.2 million) against ZincOx Resources (USA) Ltd in respect of the recycling assets at BRZ and in the USA.

33 Restricted Cash

Restricted cash of £262k, equivalent to US$389k, existed at 31 December 2015 (2014: £948k, equivalent to US$1,476k). It represents cash generated from land sales at Aliaga in Turkey offset by interest paid to holders of secured loan notes (see note 17). These funds are restricted under the terms of the loan.

34 Creditors

	2015 $'000	2014 $'000
Amounts falling due within one year		
Trade creditors	239	164
Taxation and social security	64	67
Accruals	101	127
Amounts owed to Group undertaking	135	678
Loan notes	5,603	6,590
	6,142	**7,626**
Amounts falling due after one year		
Amounts owed to Group undertaking	64	67
	64	**67**

35 Share Capital

The shares of the Company are denominated in Pounds Sterling but are retranslated for the Company financial statements at their historic rate.

	Number shares	Share capital $'000	Share premium $'000	Total $'000
In issue 1 January 2013	103,466,716	45,271	169,985	215,256
103,466,716 deferred shares at 24 pence	103,466,716	40,526	–	40,526
103,466,716 ordinary shares at 1 pence	103,466,716	4,745	169,985	174,730
Ordinary shares issued	32,113,913	524	6,959	7,483
In issue 31 December 2013	135,580,629	45,795	176,944	222,739
Ordinary shares issued	30,725,149	515	4,427	4,942
In issue 31 December 2014	166,305,778	46,310	181,371	227,681
Ordinary shares issued	23,607,641	369	4,219	4,588
In issue 31 December 2015	**189,913,419**	**46,679**	**185,590**	**232,269**

The share capital reserve at 31 December 2015 stated at its historical value in its nominal currency of GBP, is £26,731k (2014: £26,495k, 2013: £26,188k) which equates to being translated at an average exchange rate of approximately 1.75 US$/£ (2014: 1.75 US$/£, 2013: 1.75 US$/£).

At 31 December 2015, there were options available over 9,170,989 ordinary shares in the Company, 1,015,971 available to directors (see page 18 within Corporate Governance) and 8,155,018 to eligible persons. The exercise price of each option is between £0.10 and £2.625. Options granted before 2009 cannot be exercised for two years (three years for those granted from 2009) from the date they were granted, and must be exercised within 10 years from that date.

At 31 December 2015, there were warrants available over 17,345,498 ordinary shares in the Company, 6,091,574 available to directors (see page 18 within Corporate Governance) and 11,253,924 to other subscribers of the loan notes. The warrants have a three year life, expiring on 20 August 2018, and can be exercised immediately, at an exercise price of 25p.

The highest and lowest prices of the Company's shares during the year were 18.00p and 0.505p respectively, and the share price at the end of the year was 0.75p.

The number of shares which would have been in issue at the end of the financial year, had all options and warrants been exercised, was 216,429,906. There were no share options or warrants exercised in the year.

36 Reconciliation of Movements in Shareholders' Funds

	2015 $'000	2014 $'000
Loss for the financial year	(90,350)	(17,427)
Issue of shares	4,588	4,942
Share based payments expense	190	330
Net decrease to shareholders' funds	(85,572)	(12,155)
At beginning of year (restated)	96,884	114,770
Movement in foreign currency reserve	(1,957)	(5,731)
At end of year (restated)	**9,355**	**96,884**

37 Financial Commitments

At 31 December 2015 the commitment under operating leases for land and buildings was US$32k representing a four month break period on the recently negotiated office lease (2014: US$11k).

38 Related Party Transactions

Remuneration in respect of key management personnel, defined as directors for this purpose, is disclosed in note 3(c) above.

39 Post Balance Sheet Events

On 1 February 2016, the Company raised £205,000, before expenses, by way of a conditional placing of 20,500,000 ordinary shares at a price of 1p. At the same time, the Company took the opportunity to simplify the share structure by cancelling all 103,466,716 outstanding Deferred Shares that carried limited participation rights.

On 29 April 2016, the Company announced the completion of the legal transfer of 90% of the shares of ZincOx (Korea) Ltd, from the Company to Korea Zinc Company Limited, leaving the Company with a 10% interest in ZincOx (Korea) Ltd.

In May 2016, the terms of the Loan Notes were renegotiated to extend the redemption date to January 2018. Interest will be paid until July 2016 after which time it will be rolled up until the Loan Notes are repaid in full. Any unpaid amounts will also be secured against the assets of the Company including cash holdings and the remaining interest in KRP. The existing 19,217,840 warrants will be cancelled and replaced by 9,450,000 with a strike price at 5p.

40 Transition to FRS 102

The Company has adopted FRS 102 for the year ended 31 December 2015 and has restated the comparative prior year amounts. The following notes explain the restatement.

1) An imputed market rate of interest has now been charged to subsidiary undertakings of the Company against those long term loans where a zero rate of interest had been previously agreed.

2) A 10 year useful life has now been applied to the Company's intangible assets, in respect of deferred costs, where previously a 20 year useful life had been adopted.

3) An impairment made against the imputed interest (see explanatory note 1 above).

Transition to FRS 102 reconciliations

Restated Company Balance Sheet	Explanation notes	31 December 2014 $'000	1 January 2014 $'000
Original shareholders' funds		97,585	115,136
Imputed interest income from Group undertakings	1	3,049	1,493
Movement on foreign currency reserve due to imputed interest	1	(96)	81
Additional amortisation charged on intangible assets	2	(724)	(347)
Movement on foreign currency reserve due to amortisation	2	23	(19)
Impairment of imputed interest	3	(3,049)	(1,493)
Movement on foreign currency reserve due to impairment	3	96	(81)
Restated shareholders' funds		**96,884**	**114,770**

Restated Company Profit and Loss Account For the year ended 31 December 2014	Explanation notes	31 December 2014 $'000
Original loss on ordinary activities before and after tax		(17,050)
Imputed interest income from Group undertakings	1	1,556
Additional amortisation charged on intangible assets	2	(377)
Impairment of imputed interest	3	(1,556)
Restated loss for the financial year before and after tax		**(17,427)**

Forward Looking Statements

The Chairman's Statement, Chief Executive's Review and the Strategic Report contain discussion of future operations and financial performance by use of various forward looking words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and terms of similar substance. These forward looking statements are based on management's current expectations and beliefs about future events but as with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances which could cause the Group's actual activities and results to differ materially from those contained in the forward looking statements.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2016 Annual General Meeting of ZincOx Resources plc will be held at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS on Friday, 17 June 2016 at 12:30pm for the purpose of transacting the following business:

Ordinary Business

1) To receive and adopt the Strategic Report, the Directors' Report and financial statements for the financial year ended 31 December 2015 together with the Auditors' Report.

2) To re-elect Andrew Woollett as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association.

3) To re-elect Gautam Dalal as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association.

4) To re-appoint Grant Thornton UK LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions. Resolutions 5 and 7 will be proposed as ordinary resolutions:

5) "**THAT** the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £701,370 representing a number of ordinary shares of 1 pence each (the "Shares") equivalent to approximately one third of the issued share capital of the Company at the date of this notice.

   The authorities referred to in this Resolution 5 shall be in substitution for all other existing authorities dealing with the subject matter of this Resolution and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or on the date that is 15 months from the date of the passing of this Resolution (if earlier). The Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors are hereby authorised to allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority shall replace all existing authorities conferred on the directors in respect of the allotment of relevant securities to the extent that the same have not been previously utilised."

To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

6) "**THAT**, subject to and conditional upon the passing of Resolution 5, the directors be and they are hereby empowered pursuant to section 570 of the Act, in substitution for all previous powers granted thereunder, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the general authority conferred by the foregoing resolution as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

   a) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of Shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, but subject to such exclusions or other arrangements that the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and

   b) (otherwise than pursuant to sub–paragraph (a) of this Resolution 6) up to an aggregate nominal amount of £210,413 representing approximately 10% of the current issued share capital of the Company; and

   the authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or on the date that is 15 months from the date of the passing of this Resolution (if earlier). The Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors are hereby authorised to allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority shall replace all existing authorities conferred on the directors in respect of the allotment of relevant securities to the extent that the same have not been previously utilised.

7) To consider, in accordance with Section 656 of the Act, whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company were half or less of its called-up share capital.

Registered Office	**By Order of the Board**
Knightway House	
Park Street	**Ian Halliwell**
Bagshot	Secretary
Surrey	
GU19 5AQ	12 May 2015

Other information

Notes
Any member entitled to attend and vote at the annual general meeting ("AGM") convened by the notice above is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

In order to be valid, any form of proxy and a power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the AGM or of any adjournment of the AGM. Alternatively, members may submit their proxy votes electronically using the Share Portal service at www.capitashareportal.com.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. Capita's participant ID is RA10. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent by 12.30pm on 15 June 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the time when stamp was applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by the enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

The right of members to vote at the meeting is determined by reference to the register of members. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders (including those who hold Shares in uncertificated form) must be entered on the Company's share register at 6.00pm on 15 June 2016 in order to be entitled to attend and vote at the AGM. Such shareholders may only cast votes in respect of Shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

The total number of Ordinary Shares in issue as at 11 May 2016, the last practicable day before printing this document, was 210,413,419 Ordinary Shares and the total level of voting rights was 210,413,419, none of which were attached to Shares held in treasury by the Company.

There will be available for inspection at the registered office of the Company, during usual business hours on any weekday (except public holidays) from the date of this notice until the date of the meeting, and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting, copies of the service contracts and letters of appointment of each of the directors.

Biographical details of each director who is being proposed for appointment or re-election by shareholders, including their membership of Board committees, are set out on pages 14 and 15.

Explanation of Resolution 5
The directors wish to renew at the forthcoming AGM the authority and power which were granted to them at the GM held on 18 December 2015. Such authority and power are normally given on an annual basis to the directors of a company that has its shares traded on the Alternative Investment Market. The Act provides that the directors may not issue new shares unless authorised to do so by the shareholders. In Resolution 5 an authority is being sought to issue new Shares up to a maximum aggregate nominal amount of £701,370, representing a number of Shares equivalent to approximately one third of the issued share capital of the Company at the date of this notice. Such authority will (except in relation to commitments which have been made but not fulfilled) lapse on the earlier of (i) the conclusion of the AGM of the Company to be held in 2017 and (ii) 15 months from the date of Resolution 5 being passed.

The granting of these authorities will ensure that the directors are able to maintain a degree of flexibility for the issue of Shares without the need to obtain shareholders' consent on each occasion. The directors have no present intention to exercise this authority except in connection with the Company's employee share incentive schemes. In the event that the further authority is exercised, the directors intend to follow emerging best practice as regards its use (including as to the requirement for directors to stand for re-election) as recommended by the ABI.

Explanation of Resolution 6
If new Shares are to be allotted for cash, Section 561(1) of the Act requires the new Shares to be offered first to the existing holders of Shares on a proportionate basis. Resolution 6, which will be proposed as a special resolution, is in accordance with normal practice and, if passed, will give the directors the power to allot Shares for cash without first offering those Shares to shareholders. This power will allow the directors to implement rights issues, open offers or other similar such issues of Shares without complying fully with the pre-emption requirements of the Act which can prove unduly burdensome in certain circumstances (for example, in the case of shareholders resident in certain overseas countries). Power is also being sought to enable the directors to issue Shares for cash otherwise than on a pre-emptive basis in relation to outstanding share options and otherwise for new Shares up to an aggregate nominal amount of £210,413 which represents a number of Shares equal to approximately 10% of the Company's issued share capital at the date of this notice. If given, the power contained in this special resolution will (except in relation to commitments which have been made but not fulfilled) lapse on the earlier of (i) the conclusion of the AGM of the Company to be held in 2017 and (ii) 15 months from the date of Resolution 6 being passed.

Explanation of Resolution 7

Section 656 consideration
This is an ordinary resolution required by the Companies Act 2006 (the "Act") given that, as at 31 December 2015, the Company's net assets were less than half its called-up share capital (categorised as a 'Serious Loss of Capital'). the Directors are required, pursuant to section 656 of the Companies Act 2006, to convene a general meeting of the Company for the purpose of allowing shareholders to consider whether any, and if so what, steps should be taken to deal with the situation. The Board would therefore like to ensure that this matter is addressed accordingly at the 2016 AGM of the Company. The Board does not consider it necessary to propose any additional resolutions in relation to this matter at the AGM. The Board does, however, welcome dialogue with shareholders on this point and the AGM will provide a forum for such discussions to take place.

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