



Vision

ZincOx is a Company dedicated to the recovery of zinc from unconventional primary and secondary resources. It is seeking to add substantial value to these resources by applying its considerable processing knowledge, experience and ability to modify or develop new technology and thereby rebuild the Company.

Highlights

2016

- Memorandum of Understanding entered into with Korea Zinc Company Ltd (KZC) for a JV over the Vietnamese Recycling and Upgrading Plant (VRUP)
- Recycling project approved by Vietnamese Government
- Group overheads substantially cut back
- Legal completion of transfer of 90% of shares in Korean Recycling Plant (KRP) to KZC

Post Year End

- Sold remaining balance of KRP to KZC for US\$7,950,000
- Repaid Corporate Loan Notes in full
- Signed Joint Venture Agreement with KZC for the evaluation and development of VRUP
- Considerable progress with VRUP (land lease signed, commencement of basic engineering and environmental impact assessment)
- Delisting of shares anticipated on 28 April 2017

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Chairman's Statement



I would like to thank the staff, management, shareholders and other Board members for their support over the past year and look forward to a positive outcome to the efforts of management and staff in pursuing the new opportunities.”

Following the restructuring of the ownership and debt in our Korean subsidiary at the end of 2015, your Company immediately set about eliminating all expenditures judged as non-critical. The only costs were those required for the effort focused on finding a new project around which the Company could be rebuilt. The Korean Recycling Plant ('KRP') had proven the Company's technology and so the Board were confident such a project or projects could be secured. The reduction in costs included the elimination of Non-Executive Directors' fees and substantial reductions in management salaries. By mutual agreement Simon Hall resigned as Finance Director. This was appropriate for a Company with limited activities at that time. We welcomed Donald McAlister as part-time Finance Director.

Your management was targeting opportunities where it could bring its considerable zinc experience to bear, particularly where this could add value without the immediate requirement for additional investment by the Company. In view of the Company's very depressed share price, management believed a new project would best be financed through a joint venture with an industry partner or using private equity at the project level rather than through an equity issue at the corporate level.

However, cash flow required the Company to raise £205,000, in February 2016 and in June, a further £300,000, by way of the issue of new shares at a price of 1p per share. This represented a premium to the then price of 82% and 60% respectively. These funds enabled us to continue to look for a suitable new flagship project. The search was successful and resulted in the signing of a Memorandum of Understanding with Korea Zinc Company Ltd ('KZC') in November 2016, for a joint venture, for the design and development of a new EAFD recycling plant in Vietnam. The full joint venture was signed in January 2017 and the Board is pleased to say that work on the Vietnamese Recycling and Upgrading Plant ('VRUP') is well underway.

As your Board expected and much of the market predicted, the zinc price has recovered markedly from the lows at the end of 2015 and this has led to greater interest in zinc projects

Dr Rod Beddows, Chairman.



generally. However, during 2016, KZC were required to support the KRP with an injection of capital; resulting in our interest in KRP being diluted to 8.74%. As it was likely to take some time for any dividends to flow back to the Company from this interest and because the Corporate Loan Notes were still outstanding, it was decided to evaluate the possibility of a sale of our remaining interest. This resulted in us entering a sale and purchase agreement with KZC for the sale of the remaining interest for US\$7,950,000 of which US\$7,000,000 was paid on 25 January 2017. This enabled us to repay the Corporate Loan Notes thus leaving your Company debt free. The balance of the consideration is due once KZC has completed various procedural requirements in Korea.

As has been explained in our press releases, following the disposal of 90% of our interest in KRP in 2015, under the Stock Exchange rules, our shares could not continue to be listed on AIM and will be officially delisted on 28 April 2017. We appreciate that this has been a great frustration to many of our shareholders but we are taking steps for the shares to be traded on an online market place so as to provide some means of buying and selling shares and shareholders will be informed of the trading mechanism in due course. The Company will need to have a substantial and certain project before it can seek to have its shares listed again. Furthermore this needs to be a project that will appeal to a broad spectrum of investors if the share price is to be supported which, in the current climate for commodities, probably means it being close to or having positive cash flow.

I would like to thank the staff, management, shareholders and other Board members for their support over the past year and look forward to a positive outcome to the efforts of management and staff in pursuing the new opportunities.

Dr Rod Beddows

Chairman

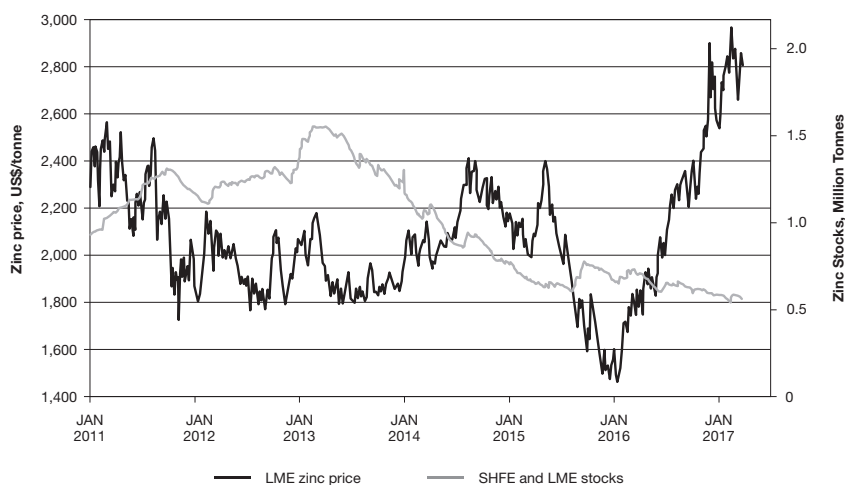
29 March 2017

Chief Executive's Review

Andrew Woollett, Chief Executive.



Zinc price and zinc stocks – LME and SHFE (Shanghai)



As mentioned in the Chairman's Statement, 2016 has been a year of recovery for the Company, following the loss of control of KRP at the end of 2015. With a stronger zinc price and sufficient cash to enable the Company to pursue further projects, this review aims to look forward to 2017.

Whilst we looked at a number of mining opportunities during the year, the progress we made in our discussions with parties interested in our knowledge of the recycling plants enabled us to enter into a Memorandum of Understanding ('MOU') with KZC to develop a new recycling plant in Vietnam, similar to the one in Korea, but with the facility to further upgrade the end product.

Vietnamese Recycling and Upgrading Plant ('VRUP')

In February 2016 the Registration Certificate for VRUP was approved.

The MOU, signed in November, set out the principal terms of a Joint Venture Agreement ('JVA') under which KZC and the Company will jointly design and develop a new recycling plant. Following the year end, on 19 January 2017, a JVA was entered into between KZC and the Company for the joint development of a recycling plant in Vietnam the principal terms being that KZC will fund 100% of a Definitive Development Study ('DDS') in sufficient detail to enable the raising of project finance for the construction of the project. The DDS is expected to cost about US\$2.5 million. KZC owns 51% of the special purpose vehicle established in Vietnam set up to develop the recycling plant, with the remaining 49% owned by ZincOx. In the event that the DDS costs more than US\$3 million, the interest of ZincOx in the JVA shall be diluted proportionately according to the additional funds that KZC has contributed, however ZincOx will be able to buy back its interest to 49% on the same terms in the following six months.

The recycling plant is to be based on the Rotary Hearth Furnace ('RHF') technology developed by ZincOx in Korea. KRP is now owned by KZC; this is one of the largest facilities recycling waste dust (EAFD) generated by recycling galvanised steel scrap and has the design capacity of treating 200,000 tonnes per annum.

VRUP is planned to treat up to 100,000 tpa of EAFD and in addition to upgrade both the iron and zinc intermediate products of the RHF to final products.

Zinc Price

As was pointed out in last year's Annual Report, notwithstanding the fall in all commodity prices, the fundamentals for zinc remained strong with mines being closed and demand remaining relatively strong. 2016 saw LME zinc stocks falling and, as a consequence, the price of zinc has recovered more quickly and dramatically than that of most other metals.

Turkish Land

The Company had planned to have sold by now the plot of land it owns in the Aliaga Heavy Industrial Zone. The land is in a prime coastal location, ideally suited for a larger manufacturing operation. The area is, however, subject to certain rezoning and this is taking some time to resolve due to the various interests of the parties involved. We are informed by our lawyers in Turkey that this should be resolved within the next few months which will remove any uncertainty over the land and enable us to obtain full value for it. The Company plans to dispose of this land as soon as it realistically can.

Outlook

Over the past 17 years the Company has been at the forefront of development in new zinc recovery technology. This experience and the experience of developing KRP has meant that we have been able to enter a JVA with KZC for VRUP in which we hold a 49% interest. We continue to look for zinc projects both in mining and recycling with a view to bringing in joint venture partners to assist with the funding.

Andrew Woollett

Chief Executive

29 March 2017

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 2016. 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 identify zinc projects where the knowledge and expertise built up over many years can be used to evaluate and where applicable develop projects or work with others in joint ventures or sell on such projects with a view to building cash reserves to return to shareholders. The Company acts as a recycling, processing, development and holding company. A detailed review of the business and future developments is included in the Chief Executive's Review (page 2) and the Operational Review section of the Strategic Report (pages 3-4).

Business Model

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, and therefore scrap, is becoming increasingly galvanised. 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 gases, together with fine particles of rust. This Electric Arc Furnace Dust ('EAFD') needs to be filtered from the flue gases and since zinc is a volatile element, it constitutes part of the EAFD. The EAFD generally contains between 20% and 25% zinc, and 25% to 30% iron, both of which occur largely as oxides. In addition, the EAFD contains lead, cadmium and arsenic, all toxic elements which are, to some extent, soluble in water. EAFD is, therefore, a hazardous waste. There are estimated to be 7 million tonnes of EAFD generated annually from over 1,000 EAFs globally, probably making EAFD the world's largest inorganic hazardous waste product.

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 not been developed unless a significant disposal fee has been paid by the steel mills.

The breakthrough technology used by ZincOx recovers the zinc using an 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. As zinc in the chemical form is worth about twice that of zinc in a concentrate feeding a smelter, 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.

Operational Review

Korean Recycling Plant (KRP)

The KRP has now been operating for five years and all the lessons that have been learned in Korea, to build and develop the RHF, can be incorporated into any new RHF projects, in particular the Vietnamese Recycling and Upgrading Plant ('VRUP').

The sale of the Company's remaining interest in KRP in January 2017 enabled the Company to repay the Corporate Loan Notes in full leaving the Group debt free.

Technology

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

Zinc Concentrate (HZO) Upgrading

Testwork on KRP's zinc concentrate ('HZO') has confirmed the best way to upgrade it to an industrial quality zinc oxide chemical. The ideal 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 specialize 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.

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.

Vietnamese Recycling and Upgrading Plant ('VRUP')

ZincOx has been actively researching potential sites for recycling plants over the past eight years and in February 2016 we signed an Investment Registration Certificate with the Government of Vietnam. Our strategy of identifying projects capable of being brought to potential joint venture partners is firmly demonstrated by the entering of a JVA with KZC in 2017 in which the Company now retains a 49% interest.

Vietnam has a fast growing steel industry comprised of both primary steel making using blast furnaces and the recycling of steel scrap in EAF's.

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 EAF's are located in the Phu My industrial zone, about 100km south-east of Ho Chi Minh City. A site for the VRUP has been selected on the Phu My 3 industrial zone and a 61 year lease entered into.

The Company is currently carrying out a Definitive Development Study funded by KZC with the aim of completing it in Q3 2017 so that a development decision can be made before the end of 2017.

The VRUP is designed to have a capacity of 100,000 tpa EAFD and cost about US\$107 million to develop.

Other

Other projects are being evaluated by the Company and as and when agreements on such new projects are entered into, the relevant announcements will be made.

Performance Review

Financial

Group Results Overview

The Group result for the year is a loss of US\$6.0 million (2015: US\$46.7 million). This includes the loss from discontinued operations of US\$112,000 (2015: US\$36.7 million) and the loss from the continuing operation of US\$5.8 million (2015: US\$9.9 million).

As has been previously reported, following the collapse in the zinc price in the second half of 2015, the Group's ownership of KRP was restructured as follows:-

- As at 31 December 2015, a reduced Company interest of 10% in ZincOx (Korea) Ltd, now Zinc Oxide Corporation ('ZOC'), was agreed, with the balance held by KZC. Legal completion of this position was notified to the Group on 29 April 2016.

- KZC provided financial support through the transition period with a loan to KRP amounting to US\$5.4 million which was subsequently capitalised, reducing the Company's interest in ZOC and KRP from 10% to approximately 9.2%. Further cash injections from KZC after the legal completion diluted the Company's interest in ZOC to 8.74%, the position at 31 December 2016.
- In January 2017 KZC agreed to pay the Company a total of US\$7,950,000, in two tranches, for the Group's remaining interest in ZOC. US\$7,000,000 was paid in January 2017 with the balance of US\$950,000 due to be paid when KZC has completed various procedural requirements in Korea.

As a result of the loss of control of KRP in 2015, the Korean subsidiary was deconsolidated and no operating results relating to KRP have been reported in the Group financial statements for 2016.

Funding

On 11 May 2016, the terms of the Corporate Loan Notes were renegotiated so as to extend the repayment date to January 2018. Furthermore, interest, which accrues at 10% per annum, was rolled into the principal from August 2016.

The interest charge for the year, in relation to the Loan Notes was US\$0.5 million (2015: US\$0.6 million). The Loan Notes were repaid on 25 January 2017 using part of the proceeds of the sale of the residual interest in KRP.

In January and June 2016 the Company separately raised £205,000 and £300,000 (before expenses) by way of conditional placings of 20,500,000 shares (at a price of 1p per share) and 30,000,000 shares (at a price of 1p per share), respectively.

Liquidity

The cash funds of the Group at 31 December 2016 were US\$0.2 million (2015: US\$0.7 million). These cash funds were held in a range of currencies at the year end, the most significant of which were US Dollars 0.1 million (2015: US\$0.5 million), and Pounds Sterling 0.1 million (2015: £0.1 million).

Going Concern

In early 2017, the Group sold its remaining interest in KRP for US\$7.95 million, generating US\$7 million of cash in January, with US\$0.95 million to follow. From this cash, the Group repaid its outstanding Loan Notes in January, amounting to US\$4.9 million (£3.97 million) and thereby completely clearing any indebtedness of the Group.

The directors, having reviewed future forecasts and commitments combined with the current cash available, believe that the Group has adequate financial resources to manage its business risks and continue in operational existence for twelve months from the date of this report.

Financial Review of Operations

Other Projects

USA

Following the sale of assets at Big River Zinc in 2015, and the remaining assets held in the USA being surplus to requirements, the Group sold the land that was held in Ohio in early 2016. With no further assets of note being held in the USA, the Group decided to waive all inter-company loans made by PLC to its US subsidiaries at the end of 2016.

Turkey

The Group retains 50,850 square metres of land in Turkey which is zoned for heavy industrial use. The land is shown as an asset held for sale at a carrying value of US\$1.5 million. The security over this asset that was held by the Company's Noteholders was released following the repayment of the Loan Notes on 25 January 2017.

Environmental, Health, Safety & Quality

The Group is committed to sustainable development, the protection of the environment and the health and safety of its employees.

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.

Financial risks

- Zinc price movement and associated volatility will affect the profitability of future projects,
- 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,
- Foreign exchange risk; the Group's overseas assets and planned projects will be subject to movements in exchange rates which will affect their value and profitability. Exchange rate movements are regularly monitored by management. No hedging of currencies is currently undertaken,

- Cost inflation is managed by reviewing alternative suppliers where appropriate,
- Insurances may not cover all liabilities. Insurance policies are held both at the Group level and at the project level, and are reviewed annually; and
- Joint venture risks. Joint venture partners may not honour the terms of agreements. This could affect the viability and value of projects.

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 19 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
- 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

29 March 2017

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. Rod was appointed Chairman of NRR (North River Resources) in December 2015. He is a director of Albion Steel Ltd, which is bringing a new steel technology to the UK. 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 40 years of international experience in mineral exploration and project 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 and has been Chief Executive ever since.



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 retired from the Board in June 2016.

**Donald McAlister**

Finance Director (part-time)

Donald McAlister is an accountant with some twenty-five years' experience in the resources sector. He is experienced in all aspects of mining finance including project evaluation, joint venture negotiation, project finance (debt and equity), metal hedging and financial reporting. He has held the position of Finance Director in three London listed companies. Donald's experience also includes the economic evaluation of gold and base metal mines and the arranging of project finance for feasibility studies and mine developments. He is a director of Tertiary Minerals PLC and Moxico Resources plc. Donald joined the Board as part-time Finance Director in July 2016.

**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 agenda in major multinational corporations. Gautam was appointed to the Board in January 2011.

Group Information

Corporate Company Secretary

Wynter Bee Consulting Ltd

Registered Company Number

3800208

Registered Office

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One Wood Street
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Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

The Company is committed to high standards of corporate governance and the Board seeks to comply with the principles of the UK Corporate Governance Code ('the Code'), insofar as it is appropriate to the Company at this stage in its development.

The Board of Directors

The Role of the Board

During the year, the Board comprised two executive directors and two non-executive directors. The details of those directors are set out on pages 6 and 7. On 17 June 2016, Simon Hall retired from the Board and on 11 July 2016, Donald McAlister joined the Board as part-time Finance Director.

The Board generally holds meetings at least five times a year. 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.

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 2016 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 2016		1 January 2016 or subsequent date of appointment	
	Ordinary Shares at £0.01	Options	Ordinary Shares at £0.01	Options
Andrew Woollett*	7,593,572	6,730,000	6,286,779	562,213
Rod Beddows**	1,322,500	2,400,000	822,500	–
Gautam Dalal***	1,589,920	2,400,000	1,589,920	–
Donald McAlister	–	2,400,000	–	–
Total	10,505,992	13,930,000	8,699,199	562,213

* 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 94,580 are held in the name of his children.

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

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

During the year, the membership of the Audit Committee comprised two non-executive directors, Gautam Dalal (Chairman) and Rod Beddows, 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 the meetings and have direct access to the members of the Committee without the presence of the executive directors for independent discussions. The Audit Committee met three times during 2016.

Report of the Remuneration Committee

The Remuneration Committee 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 2016.

Remuneration Policy

The Group's policy is to attract, where applicable, 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 Options

The Company has issued options for an amount equivalent to 10% of the issued share capital in options to the Company's management and employees and it plans to issue a similar amount of warrants to retain and incentivise management and employees to achieve the Company's objectives:

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

Directors and their Interests

In accordance with the Company's Articles of Association, Rod Beddows and Donald McAlister retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Rod Beddows entered into a service agreement with the Company on 25 February 2008. This agreement can be terminated on three months' notice. Donald McAlister entered into a letter of appointment with the Company on 17 July 2016. 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, 2,193,750 warrants are held by Andrew Woollett as at 31 December 2016 (2015: 4,026,634) and 1,125,000 warrants are held by Gautam Dalal as at 31 December 2016 (2015: 2,064,940). As shown in note 3c, Andrew Woollett has an interest of £914,905 (2015: £877,500), and Gautam Dalal £469,182 (2015: £450,000) in the outstanding Loan Notes as at 31 December 2016.

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 twice in 2016.

Directors' Report

The directors submit their report and the audited financial statements of the Company and Group for the year ended 31 December 2016.

The directors who served in the year were as follows:

Rod Beddows *Non-Executive Chairman*
Andrew Woollett *Chief Executive Officer*
Simon Hall *Finance Director* (resigned 17 June 2016)
Donald McAlister *Part-time Finance Director* (appointed 11 July 2016)
Gautam Dalal *Non-Executive Director*

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. The work carried out by the auditors does not involve the consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the Company's website.

They are further responsible for ensuring that the Strategic Report and the Directors' Report and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

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 4. 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.

Future Developments

Future plans and developments for the Group are discussed in the Chief Executive's Review on page 2.

Principal Risks and Uncertainties

These are disclosed in the Strategic Report on page 5. Policies and impacts relating to financial risk management are set out in note 19 to the financial statements.

Substantial Shareholdings

As at 29 March 2017, 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	17.53
Harold N McCawley	20,832,812	8.67
Charles Stanley Group Plc	17,537,987	7.29
Andrew Woollett	7,593,572	3.16

Post Balance Sheet Events

The post balance sheet events are covered in detail in note 21 to the financial statements.

Auditor

Crowe, Clark, Whitehill 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

Wynter Bee Consulting Ltd

Corporate Company Secretary

29 March 2017

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 2016 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Cash Flow, the Group Statement of Changes in Equity, and the related notes numbered 1 to 23. 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the 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 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 financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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, based on the work undertaken in the course of our audit:

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters 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 parent company financial statements of ZincOx Resources plc for the year ended 31 December 2016.

Richard Baker

Senior Statutory Auditor
for and on behalf of Crowe, Clark, Whitehill LLP
Statutory Auditor
Reading

29 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 \$'000	2015 \$'000
Continuing operations			
Revenue	22	597	246
Cost of sales		(536)	(1,827)
Gross profit/(loss)		61	(1,581)
Operating costs (net of gains and impairments)	3	(5,378)	(7,606)
Operating Loss	3	(5,317)	(9,187)
Analysed as:			
Gross profit/(loss)		61	(1,581)
Administrative expenses		(1,563)	(4,869)
Foreign exchange gain/(loss)		30	(2,101)
Underlying Operating Loss		(1,472)	(8,551)
Other (losses)/gains	4	(9)	1,571
Impairment provisions	2	(3,836)	(2,207)
Operating Loss		(5,317)	(9,187)
Finance income	5	–	1
Finance costs	5	(521)	(640)
Loss before tax		(5,838)	(9,826)
Taxation	6	–	(35)
Loss for the year from continuing operations		(5,838)	(9,861)
Discontinued operations			
Loss for the year from discontinued operations	8	(112)	(36,803)
Net Loss		(5,950)	(46,664)
From continuing and discontinued operations			
Basic and diluted loss per ordinary share (cents)	7	(2.65)	(26.43)
Adjusted loss per ordinary share (cents)*	7	(0.94)	(24.43)
From continuing operations			
Basic and diluted loss per ordinary share (cents)	7	(2.60)	(5.58)
Adjusted loss per ordinary share (cents)*	7	(0.89)	(4.33)

* Adjusted loss per ordinary share calculation excludes impairment provisions.

The notes on pages 18 to 39 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 \$'000	2015 \$'000
Loss for the year	(5,950)	(46,664)
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	351	(2,460)
Total comprehensive income for the year	(5,599)	(49,124)

The notes on pages 18 to 39 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Non-Current Assets			
Intangible assets	9	–	4,242
Property, plant and equipment	10	2	22
Investments	30	6,395	6,560
		6,397	10,824
Current Assets			
Trade and other receivables	12	92	508
Restricted cash	14	12	389
Cash and cash equivalents		167	655
		271	1,552
Assets held for sale	13	1,475	1,970
Total Assets		8,143	14,346
Liabilities			
Current Liabilities			
Trade and other payables	15	(127)	(688)
Loans and borrowings	16	–	(5,611)
		(127)	(6,299)
Non-Current Liabilities			
Trade and other payables	15	(50)	(96)
Loans and borrowings	16	(4,848)	–
		(4,898)	(96)
Total Liabilities		(5,025)	(6,395)
Net Assets			
Equity			
Share capital	17	6,883	46,679
Share premium	17	185,564	185,590
Capital redemption reserve	17	40,526	–
Retained losses		(204,645)	(199,965)
Foreign currency reserve		(25,210)	(24,353)
Total Equity		3,118	7,951

The notes on pages 18 to 39 form an integral part of these financial statements.

Approved by the directors on 29 March 2017.

Donald McAlister

Director

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016 \$'000	2015 \$'000
Loss before taxation due to continuing operations		(5,838)	(9,826)
Loss before taxation due to discontinued operations	8	(112)	(36,802)
Loss before taxation		(5,950)	(46,628)
Adjustments for:			
Depreciation and amortisation		278	8,253
Interest received		–	(4)
Interest expense		522	4,140
Impairment of investments	30	88	–
Impairment of intangible assets	9	3,635	2,011
Impairment of property, plant and equipment	10	–	1,225
Impairment of trade and other receivables	2a	113	–
Impairment of assets held for sale	13	–	285
Share based payments	23	62	190
(Decrease)/increase in trade and other payables		(414)	1,556
Decrease in trade and other receivables		383	693
Decrease in inventories		–	133
Foreign exchange (gains)/losses		(30)	6,784
Loss due to loss of operational control of subsidiary	8	15	22,136
Other losses/(gains)		9	(1,552)
Cash utilised in operations		(1,289)	(778)
Interest paid		(302)	(2,609)
Taxation		–	(37)
Net cash flow from operating activities		(1,591)	(3,424)
Investing activities			
Net proceeds from disposal of assets		187	660
Net proceeds from disposal of scrapped assets		–	3
Cash disposed of with loss of operational control of subsidiary		(10)	(5)
Release of restricted cash		377	1,087
Purchase of intangible assets		–	(613)
Purchase of property, plant and equipment		(2)	(3,344)
Insurance proceeds received		–	300
Interest received		–	4
Net cash generated/(used) in investing activities		552	(1,908)
Financing activities			
Proceeds from borrowings		–	1,271
Repayment of borrowings		(4)	(623)
Net proceeds from issue of ordinary shares		704	4,588
Net cash received from financing activities		700	5,236
Net decrease in cash and cash equivalents		(339)	(96)
Cash and cash equivalents at start of year		655	1,195
Exchange differences on cash and cash equivalents		(149)	(444)
Cash and cash equivalents at end of year		167	655

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 18 to 39 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	FX reserve \$'000	Retained losses \$'000	Total equity \$'000
Balance at 1 January 2015	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
Share based payments	–	–	–	–	62	62
Issue of share capital	730	(26)	–	–	–	704
Cancellation of deferred shares	(40,526)	–	40,526	–	–	–
Transactions with owners	(39,796)	(26)	40,526	–	62	766
Loss for the year	–	–	–	–	(5,950)	(5,950)
Other comprehensive income items that will be subsequently reclassified to profit or loss						
Exchange differences on translating foreign operations	–	–	–	(857)	1,208	351
Total comprehensive income for the year	–	–	–	(857)	(4,742)	(5,599)
Balance at 31 December 2016	6,883	185,564	40,526	(25,210)	(204,645)	3,118

The notes on pages 18 to 39 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

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.

New standards, amendments and interpretations adopted by the Group

None of the new standards, amendments and interpretations adopted by the Group during the year were considered to have had a material impact on the financial statements.

New standards, amendments and interpretations not adopted by the Group

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will have an impact on the recognition of operating leases. The directors' detailed review of these new standards is still ongoing and they expect to be able to provide a more comprehensive assessment of the impact in the next set of financial statements. 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 translated its income statement at average monthly 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 2016. 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.

(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, any 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;

1 Accounting Policies continued

Buildings	up to 40 years or life of lease
Computer Equipment	3 to 5 years
Fixtures and Fittings	3 to 5 years
Plant and Machinery	3 to 30 years
Motor Vehicles	3 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) 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 1.23016 US\$/£ year end rate where they relate to the Company or consolidated balance sheet and at 1.36548 US\$/£ average monthly 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 2015 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 monthly rate for the year where they relate to the Company or consolidated income statement.

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.

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.

(h) 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 10 years on a straight line basis and subject to the same impairment testing noted in note 1(f).

Notes to the Financial Statements

Continued

1 Accounting Policies continued

(i) 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.

(j) Pensions

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

(k) 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

(l) 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 holding interest 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 Statement of Comprehensive Income.

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.

(m) 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 as 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.

(n) 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.

1 Accounting Policies continued

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.

(o) 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.

(p) 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.

(q) Going Concern

The financial statements are prepared on a going concern basis. The directors, having reviewed future forecasts and commitments combined with the current cash available, believe that the Group has adequate financial resources to manage its business risks and continue in operational existence for twelve months from the date of this report.

(r) Non-Current Assets Held for Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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 the expectation that the technology can be monetised in the future.

At the end of 2015, the Group held intangible assets relating to (a) the historic spend incurred on the development of the RHF technology as a way to treat EAFD, and (b) further development activities aimed at producing a commercial grade zinc oxide product, following the initial generation of the HZO from the RHF.

With the loss of control of KRP at the end of 2015, the Group was forced into reducing its activities during the first half of 2016. As a result, it reduced its overhead in order to continue as a going concern, allowing it time to find a new project. By June 2016, these factors, coupled with the lack of any imminent project opportunities, triggered an impairment review by the directors resulting in a full impairment of the intangible assets (US\$3,635k) through the Group income statement.

Since the half year, the Group has successfully found a project in Vietnam (see note 21 'Post Balance Sheet Events') to which the RHF technology and upgrading ability to a commercial grade zinc oxide can now be applied. Furthermore the Group has generated cash from the sale of its residual interest in KRP, thus allowing the Group to adopt a going concern basis (see note 2d).

Notes to the Financial Statements

Continued

2 Critical Accounting Estimates and Judgements continued

However, neither of these two events occurred before the end of the year, and so the directors feel that, as of 31 December 2016, the full impairment of intangible assets should remain in place. It is hoped that some of this impairment can be reversed in 2017.

Trade and other receivables

During the year, amounts of US\$101k in respect of VAT receivable in Anadolu Cinko SVTAS and US\$12k in respect of a trade receivable in ZincOx Resources plc were impaired and charged to the Group income statement.

Investments

Since 2012, the Group has held a 51% investment in an unincorporated joint operation, with Ural Recycling Ltd, to examine the potential to develop a zinc recycling plant in Russia. With no activity in the year and no significant progress made on this project, the directors have valued this investment at US\$ nil as at 31 December 2016. The original investment has been matched by an equivalent project expenditure and no further obligations exist. The resultant change in fair value of US\$88k has been charged in the year to the Group income statement (see note 30).

The table below summarises the impairment provisions made in the year and included in the Group income statement. For the year ending 31 December 2016, the Group made total impairments, on continuing operations, of US\$3,836k, with no impairments made against discontinued operations.

(b) Share Based Payments

In order to calculate the charge for share based payments as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option or warrant pricing model as set out in note 23. The charge made in the year in respect of options is US\$22k (2015: US\$57k) and for warrants is US\$40k (2015: US\$133k).

(c) Carrying Value of KRP Interest

Following the Group's loss of control over KRP at the end of 2015, the Group adopted a carrying value for its holding in KRP. This valuation, at the end of 2015 and 2016, 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, an equivalent value for the Group's holding was established at US\$6.4 million.

The Group has also followed the guidance in IAS 39, which is that the remaining interest should be categorised as a financial asset within investments, recognised at its initial value and subsequently fair valued with any adjustment booked to the Statement of Comprehensive Income.

For the initial valuation at 31 December 2015, 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 used 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 returned an NPV that showed no indication of a material change in value at the end of 2015.

Towards the end of 2016, the directors began negotiations with Korea Zinc to sell the Group's residual 8.74% interest in KRP. The valuation model and inputs were reviewed at this time and whilst the economics were improved as a result of a higher zinc price, there was significant uncertainty as to what could be realised in any potential sale of the residual interest. The discussions with Korea Zinc were concluded only in January and a final Sale and Purchase Agreement was signed on 11 January 2017.

(d) Going concern

As stated in the Strategic Report on page 4, the directors, having reviewed future forecasts and commitments combined with the current cash available, believe that the Group has adequate financial resources to manage its business risks and continue in operational existence for twelve months from the date of this report.

Impact on Group	Notes	RHF & Upgrading \$'000	Minor Projects \$'000	Ural Recycling Joint Operation \$'000	Total impairment \$'000
Intangible assets	9	3,566	69	–	3,635
Trade and other receivables	2a	–	113	–	113
Investments	30	–	–	88	88
2016 provision		3,566	182	88	3,836

3(a) Operating Loss

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

	2016 \$'000	2015 \$'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	22	67
Fees payable to the Company's auditors for other services	–	11
Tax services	3	25
Fees payable to other external auditors for the audit of subsidiary accounts	1	1
Foreign exchange loss on monetary assets	–	2,101
Depreciation of owned property, plant and equipment	49	31
Amortisation of intangible assets	274	2,169
Operating leases	50	99
And after crediting:		
Foreign exchange gain on monetary assets	30	–

3(b) Directors and Employees

The table below relates to continuing operations only.

	2016 \$'000	2015 \$'000
Wages and salaries	339	1,442
Social security costs	32	187
Pensions	11	58
Share based payments on options (note 23)	23	57
	405	1,744

The monthly average number of persons employed by the Group (including directors) on continuing operations during the year was 6 (2015: 12).

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\$24k (2015: US\$98k) 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 (2015: one).

Full details of directors share options are included under Corporate Governance (see page 10). There were no share options exercised by the directors in the year (2015: nil).

An amount of US\$5k has been charged to the income statement for the year (2015: US\$57k) in respect of share based payments on options for directors.

	Salary \$'000	Bonus \$'000	Other benefits \$'000	Total emoluments \$'000	Pension \$'000	2016 Total remuneration \$'000	2015 Total remuneration \$'000
Andrew Woollett	112	–	13	125	–	125	389
Simon Hall ¹	86	–	3	89	2	91	295
Donald McAlister ^{2,3}	15	–	–	15	–	15	–
Jacques Dewalens ³	–	–	–	–	–	–	114
Rod Beddows	–	–	–	–	–	–	66
Gautam Dalal	–	–	–	–	–	–	54
Totals	213	–	16	229	2	231	918

¹ Simon Hall retired as a director on 17 June 2016.

² Donald McAlister was appointed as a director on 11 July 2016.

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

Notes to the Financial Statements

Continued

3(c) Related Party Transactions

During the year ended 31 December 2016 the Group paid £11k, equivalent to US\$15k (2015: nil) for financial consultancy services to Holbans Consulting Ltd, a company in which Donald McAlister, ZincOx Resources plc's Finance Director from 11 July 2016, has an interest.

During the year ended 31 December 2015 the Group paid €102k, equivalent to US\$114k 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 April 2016, the Company issued Andrew Woollett, ZincOx Resources plc's Chief Executive, 2,193,750 warrants with a three years and ten months life, at an exercise price of 1.6 pence in respect of Loan Notes taken out in 2013. At the same time, 4,026,634 existing warrants at an exercise price of 25 pence were cancelled (see note 23).

During the year ended 31 December 2016, interest (gross of withholding tax) of £37,405 (equivalent to US\$51k) was rolled into the principal amount owing to Andrew Woollett in respect of the Loan Notes, leaving a balance outstanding at 31 December 2016 of £914,905 (2015: £877,500).

Furthermore, the Group paid £51,207, equivalent to US\$70k (2015: £105,140, 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 April 2016, the Company issued Gautam Dalal, a non-executive director of ZincOx Resources plc, 1,125,000 warrants with a three years and ten months life, at an exercise price of 1.6 pence in respect of Loan Notes taken out in 2013. At the same time, 2,064,940 existing warrants at an exercise price of 25 pence were cancelled (see note 23).

During the year ended 31 December 2016, interest (gross of withholding tax) of £19,182 (equivalent to US\$26k) was rolled into the principal amount owing to Gautam Dalal in respect of the Loan Notes, leaving a balance outstanding at 31 December 2016 of £469,182 (2015: £450,000).

Furthermore, the Group paid £26,260, equivalent to US\$36k (2015: £53,918, 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 16 'Loans and Borrowings'.

3(d) Operating Costs (net of gains and impairments)

The table below relates to continuing operations only.

	Notes	2016 \$'000	2015 \$'000
Administrative costs (excluding depreciation/amortisation)		(1,285)	(4,865)
Other (losses)/gains	4	(9)	1,571
Impairment provisions	2	(3,836)	(2,207)
Foreign exchange gain/(loss)		30	(2,101)
Depreciation		(278)	(4)
		(5,378)	(7,606)

4 Other (Losses)/Gains

The table below relates to continuing operations only.

	2016 \$'000	2015 \$'000
Gain on disposal of scrap equipment	–	3
(Loss)/gain on disposal of property, plant and equipment	(9)	1,268
Gain from insurance claim at Big River Zinc	–	300
	(9)	1,571

The loss on disposal of property, plant and equipment in the year relates to small office equipment disposals across the Group.

5 Finance Income/(Costs)

The table below relates to continuing operations only.

	2016 \$'000	2015 \$'000
Interest received	–	1
Interest paid	(521)	(640)
	(521)	(639)

6 Taxation

The information below relates to continuing operations only.

	2016 \$'000	2015 \$'000
Taxation on loss for the year		
Overseas taxation	–	35
Current tax charge for the year	–	35

The tax assessed for the year is lower than the standard rate of tax in the UK of 20% (2015: 20%). The differences are explained as follows:

	2016 \$'000	2015 \$'000
Loss on ordinary activities before tax	(5,838)	(9,826)
Loss on ordinary activities multiplied by weighted standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(1,168)	(1,990)
Effect of:		
Disallowed expenses	40	419
Non-taxable income	–	(90)
Deferred tax assets not recognised	1,126	1,696
Other timing differences	2	–
Current tax charge for the year	–	35

The Company has accumulated trading losses of US\$10.2 million (2015: US\$12.0 million) and accelerated capital allowances of US\$26k (2015: US\$28k) but doesn't recognise these as deferred tax assets in the financial statements because their value is uncertain.

The Group still has an open tax enquiry in relation to the deferred capital receipts following the sale of its Shaimerden zinc mine in 2003. 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\$5,950k (2015: US\$46,664k) divided by the weighted average number of shares in issue during the year of 224,336,707 (2015: 176,579,687).

An adjusted loss per ordinary share for the year has been presented to exclude the impairment provisions made in the year of US\$3,836k (2015: US\$3,521k). It has been calculated based on adjusted loss attributable to ordinary shareholders of US\$2,114k (2015: US\$43,143k).

Continuing operations

The calculation of the loss per share from continuing operations is based on the loss attributable to ordinary shareholders of US\$5,838k (2015: US\$9,861k) divided by the weighted average number of shares in issue during the year of 224,336,707 (2015: 176,579,687).

An adjusted loss per ordinary share for the year has been presented to exclude the impairment provisions made in the year of US\$3,836k (2015: US\$2,207k). It has been calculated based on adjusted loss attributable to ordinary shareholders of US\$2,002k (2015: US\$7,654k).

There is no dilutive effect of the share options in issue during 2016 and 2015.

Notes to the Financial Statements

Continued

8 Discontinued Operations

In April 2016, the Group lost effective operational control of ZincOx Belgium Sprl when it was handed over to Belgian insolvency practitioners for subsequent liquidation. This action was necessary due to the general downturn in the Group's activities in the year, as discussed in the Performance Review section of the Strategic Report (see pages 4-5).

In December 2015, following the restructuring of KRP, the Group lost effective operational control of ZincOx Korea. A formal 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 notified to the Company by Korea Zinc on 29 April 2016.

Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations (i.e. from Belgium and Korea) 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.

	2016 \$'000	2015 \$'000
Revenue	–	36,422
Cost of sales	–	(39,266)
Gross loss	–	(2,844)
Operating costs (net of gains and impairments)	(111)	(30,461)
Operating Loss	(111)	(33,305)
Analysed as:		
Gross loss	–	(2,844)
Administrative expenses	(96)	(2,328)
Foreign exchange loss	–	(4,683)
Underlying Operating Loss	(96)	(9,855)
Impairment provisions	–	(1,314)
Loss due to loss of operational control of subsidiary	(15)	(22,136)
Operating Loss	(111)	(33,305)
Finance income	–	3
Finance costs	(1)	(3,500)
Loss before tax	(112)	(36,802)
Attributable income tax expense	–	(1)
Net Loss	(112)	(36,803)

Cash flows from discontinued operations

	2016 \$'000	2015 \$'000
Net cash outflows from operating activities	(27)	(3,872)
Net cash outflows from investing activities	–	(207)
Net cash inflows/(outflows) from financing activities	13	(2,135)
Net cash outflows	(14)	(6,214)

The residual 8.74% holding in KRP is classified as a financial asset within investments (see note 30).

9 Intangible Assets

	Deferred Group development costs \$'000	Computer software \$'000	Total intangible assets \$'000
Cost			
At 1 January 2015	9,314	509	9,823
Additions	613	–	613
Impairment provisions	(2,011)	–	(2,011)
Deconsolidate ZincOx Korea subsidiary	(529)	–	(529)
Foreign exchange	(391)	(29)	(420)
At 1 January 2016	6,996	480	7,476
Disposals	–	(345)	(345)
Impairment provisions	(3,635)	–	(3,635)
De-consolidate ZincOx Belgium subsidiary	–	(68)	(68)
Foreign exchange	(828)	(67)	(895)
At 31 December 2016	2,533	–	2,533
Accumulated Amortisation			
At 1 January 2015	702	506	1,208
Charge for the year	2,167	2	2,169
Foreign exchange	(115)	(28)	(143)
At 1 January 2016	2,754	480	3,234
Charge for the year	274	–	274
Released on disposals	–	(345)	(345)
De-consolidate ZincOx Belgium subsidiary	–	(68)	(68)
Foreign exchange	(495)	(67)	(562)
At 31 December 2016	2,533	–	2,533
Net Book Value			
At 31 December 2016	–	–	–
At 31 December 2015	4,242	–	4,242

Following an impairment review in the year of the deferred development costs, impairment provisions of US\$3,635k 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 Belgium Sprl were de-consolidated from the Group at 29 April 2016 following loss of control of the subsidiary.

Notes to the Financial Statements

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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 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 1 January 2016	253	1,648	–	140	402	115	2,558
Additions	–	–	–	–	2	–	2
Disposals	(133)	(516)	–	(80)	(215)	–	(944)
De-consolidate ZincOx Belgium subsidiary	(97)	(1,070)	–	(45)	(148)	(120)	(1,480)
Foreign exchange	(23)	(62)	–	(15)	(38)	5	(133)
At 31 December 2016	–	–	–	–	3	–	3
Depreciation and Impairment Provisions							
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 1 January 2016	253	1,648	–	135	385	115	2,536
Charge for the year	–	–	–	–	4	–	4
Released on disposals	(133)	(516)	–	(80)	(206)	–	(935)
De-consolidate ZincOx Belgium subsidiary	(97)	(1,070)	–	(40)	(147)	(120)	(1,474)
Foreign exchange	(23)	(62)	–	(15)	(35)	5	(130)
At 31 December 2016	–	–	–	–	1	–	1
Net Book Value							
At 31 December 2016	–	–	–	–	2	–	2
At 31 December 2015	–	–	–	5	17	–	22

Disposals in the year represent obsolete equipment in ZincOx Resources plc, generating a net loss of US\$9k, included in profit or loss as Other Losses (see note 4).

The property, plant and equipment of ZincOx Belgium Sprl were de-consolidated from the Group as at 29 April 2016, following the loss of control of the subsidiary.

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

11 Finance Lease Liabilities

	Minimum lease payments 2016 \$'000	Interest 2016 \$'000	Principal 2016 \$'000	Minimum lease payments 2015 \$'000	Interest 2015 \$'000	Principal 2015 \$'000
Finance lease liabilities are payable as follows:						
Less than one year	–	–	–	22	3	19
Between one and five years	–	–	–	46	4	42
	–	–	–	68	7	61

Following the de-consolidation of ZincOx Belgium Sprl, there are no assets held under finance leases within the Group at 31 December 2016 (2015: assets held under finance leases with a net book value of US\$67k).

12 Trade and Other Receivables

	2016 \$'000	2015 \$'000
Current		
Trade receivables	–	148
Deposits	2	38
VAT	67	175
Other debtors	–	54
Prepayments	23	93
	92	508

None of the current receivables are past due.

13 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\$1.5 million (YTL 5.2 million) has been applied, being the lower of cost and net realisable value.

The Turkish land forms part of the Group's recycling segment activity and falls within the geographical region called 'Rest of Europe' (see note 22).

14 Restricted Cash

	2016 \$'000	2015 \$'000
Current		
Cash held in escrow against secured Loan Notes (see note 16)	12	389
	12	389

Notes to the Financial Statements

Continued

15 Trade and Other Payables

	2016 \$'000	2015 \$'000
Current		
Trade payables	32	401
Taxation and social security	7	66
Accruals	53	199
Other payables	35	–
Finance lease obligations	–	22
	127	688
Non-Current		
Other payables	50	50
Finance lease obligations	–	46
	50	96

16 Loans and Borrowings

	2016 \$'000	2015 \$'000
Current		
Secured Loan Notes	–	5,603
Other bank borrowings	–	8
	–	5,611
Non-Current		
Secured Loan Notes	4,848	–
	4,848	–

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 2015, £420k was repaid to lenders leaving an outstanding balance of £3.78 million (US\$5.6 million) at 31 December 2015.

Interest at 10% was paid during in the year until July 2016, following which, it was rolled up into the principal, leaving a balance of £3.9 million (translated at the balance sheet rate of 1.23016 to an equivalent US\$4.8 million).

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. Any unpaid amounts of interest are secured against the assets of the Company including cash holdings and the remaining 8.74% interest in KRP. However, in January 2017, the Company repaid the Loan Notes in full, including interest that had been rolled into the principal amount (see note 21).

The existing warrants associated with these Loan Notes were re-negotiated in April 2016, with the term extended to February 2020 (see note 23). They were not cancelled in January 2017 when the Loan Notes were repaid.

Other bank borrowings

Other bank borrowings represent an unsecured facility taken out by ZincOx Belgium Sprl to fund short-term working capital requirements. These were de-consolidated in the year.

17 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	Capital redemption reserve \$'000	Total \$'000
Ordinary shares in issue 1 January 2015	166,305,778	46,310	181,371	–	227,681
103,466,716 deferred shares at 24 pence	103,466,716	40,526	–	–	40,526
166,305,778 ordinary shares at 1 penny	166,305,778	5,784	181,371	–	187,155
Ordinary shares issued	23,607,641	369	4,219	–	4,588
Ordinary shares in issue 31 December 2015	189,913,419	46,679	185,590	–	232,269
Ordinary shares issued	50,500,000	730	(26)	–	704
Deferred shares at 24 pence cancelled	(103,466,716)	(40,526)	–	40,526	–
Ordinary shares in issue 31 December 2016	240,413,419	6,883	185,564	40,526	232,973

The share capital reserve at 31 December 2016 stated at its historical value in its nominal currency of GBP, is £2,404k (period to 31 December 2015: £26,731k).

On 30 June 2016, following the cancellation of all existing options and the grant of new options, there were options available over 24,030,000 ordinary shares in the Company, 13,930,000 available to directors (see page 10 within Corporate Governance) and 10,100,000 to eligible persons. The exercise price of each option is 1.6 pence, exercisable from 30 June 2019, with an expiry date of 30 June 2026.

At 31 December 2016, there were warrants available over 9,450,000 ordinary shares in the Company, 3,318,750 available to directors and 6,131,250 to other subscribers of the Loan Notes. The life of the warrants, which were extended in the period to expire on 20 February 2020, can be exercised immediately at a price of 5p.

The highest and lowest prices of the Company's shares during the period were 1.23p and 0.3p respectively, and the share price at the end of the period was 0.45p, having been suspended from trading on AIM as at 31 October 2016.

The number of shares which would have been in issue at the end of the period, had all options and warrants been exercised, was 273,893,419. There were no share options or warrants exercised in the period.

Capital Redemption Reserve

On 1 February 2016, the Company cancelled 103,466,716 Deferred Shares with a nominal value of 24 pence and carrying no voting rights, resulting in the creation of a Capital Redemption Reserve.

Company Share Options

The Company has a total of 24,030,000 options in issue, all being granted on 30 June 2016 with a ten year life expiring on 30 June 2026, exercisable after three years from 30 June 2019, at an exercise price of 1.6 pence.

Notes to the Financial Statements

Continued

18 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2016 \$'000	2015 \$'000
Less than one year	–	72
Between one and five years	–	10
More than five years	–	–
	–	82

Following the de-consolidation of ZincOx Belgium Sprl in April 2016, there are no longer any operating leases held within the Group.

19 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:

	2016 \$'000	2015 \$'000
Total equity	3,118	7,951
Less: cash and cash equivalents	(167)	(655)
Capital	2,951	7,296
Total equity	3,118	7,951
Borrowings	4,848	5,611
Overall financing	7,966	13,562
Capital to overall financing ratio	0.37	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 5 of the Strategic Report.

19 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	127	678	–	10	50	96	–	–
Borrowings	242	288	242	5,650	4,888	–	–	–
Totals	369	966	242	5,660	4,938	96	–	–

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, a financial asset investment 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, financial asset investments, and the 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:

	2016			2015		
	Financial assets \$'000	Financial liabilities \$'000	Exposure \$'000	Financial assets \$'000	Financial liabilities \$'000	Exposure \$'000
EUR	–	10	(10)	19	12	7
USD	6,485	–	6,485	7,080	–	7,080

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. The main exposure is in ZincOx Resources plc where the functional currency is Pounds Sterling, yet significant financial assets are held in US Dollars, namely the 8.74% investment in KRP as a financial asset.

It assumes a +/-5% change of the US Dollar-Sterling and US Dollar-Euro for the year ended 31 December 2016 (2015: 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 and Euro this would have had the following impact by currency:

	2016		2015	
	Net result for year \$'000	Equity \$'000	Net result for year \$'000	Equity \$'000
EUR	(6)	–	(37)	–
USD	(28)	(308)	(1,521)	(337)

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.

Notes to the Financial Statements

Continued

19 Financial Instruments continued

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\$1k (2015: US\$ nil). There would have been no impact on other equity.

Financial Assets and Liabilities

The Group's financial assets comprise cash and cash equivalents, which include short-term deposits held by the Group treasury function, trade and other receivables and financial asset investments available for sale. Their fair values are not considered to be materially different from their carrying values.

The Group's financial liabilities comprise loans and trade and other payables, and are carried at amortised cost, with their fair values not considered to be materially different from their carrying values.

The following is an analysis of the Group's financial instruments:

	Weighted average effective interest rate	Variable interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2016					
Assets					
Investments		–	–	6,395	6,395
Cash	0.00%	167	–	–	167
Restricted cash		12	–	–	12
Trade and other receivables		–	–	92	92
Total Financial Assets		179	–	6,487	6,666
Liabilities					
Trade and other payables		–	–	(127)	(127)
Borrowings – non-current		–	(4,848)	–	(4,848)
Other non-current liabilities		–	–	(50)	(50)
Total Financial Liabilities		–	(4,848)	(177)	(5,025)
Net Financial Assets/(Liabilities)		179	(4,848)	6,310	1,641
2015					
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 – non-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

19 Financial Instruments continued

The following table analyses the Group's financial instruments in accordance with IFRS 7:

2016	Cash \$'000	Loans & receivables \$'000	Available for sale \$'000	Amortised cost \$'000	Total \$'000
Assets					
Investments	–	–	6,395	–	6,395
Cash	167	–	–	–	167
Restricted cash	12	–	–	–	12
Trade and other receivables	–	92	–	–	92
Total Financial Assets	179	92	6,395	–	6,666
Liabilities					
Trade and other payables	–	–	–	(127)	(127)
Borrowings – non-current	–	(4,848)	–	–	(4,848)
Other non-current liabilities	–	–	–	(50)	(50)
Total Financial Liabilities	–	(4,848)	–	(177)	(5,025)
Net Financial Assets/(Liabilities)	179	(4,756)	6,395	(177)	1,641
2015					
	Cash \$'000	Loans & receivables \$'000	Available for sale \$'000	Amortised cost \$'000	Total \$'000
Assets					
Investments	–	–	6,465	–	6,465
Cash	655	–	–	–	655
Restricted cash	389	–	–	–	389
Trade and other receivables	–	508	–	–	508
Total Financial Assets	1,044	508	6,465	–	8,017
Liabilities					
Trade and other payables	–	–	–	(688)	(688)
Borrowings – non-current	–	(5,611)	–	–	(5,611)
Other non-current liabilities	–	–	–	(96)	(96)
Total Financial Liabilities	–	(5,611)	–	(784)	(6,395)
Net Financial Assets/(Liabilities)	1,044	(5,103)	6,465	(784)	1,622

Investments relate to the Group's remaining share in KRP. This asset has been recognised at its initial value and then subsequently fair valued. The valuation at 31 December 2016 uses the "price of recent investment" guidelines as described by the International Private Equity and Venture Capital Valuation Guidelines.

Notes to the Financial Statements

Continued

20 Capital Commitments

At 31 December 2016, the Group had no capital commitments (2015: nil).

21 Post Balance Sheet Events

On 11 January 2017, the Company sold its residual 8.74% interest in Zinc Oxide Corporation (formerly known as ZincOx (Korea) Ltd), to Korea Zinc Company for a consideration of US\$7.95 million. An amount of US\$7 million was paid to the Company by the end of January 2017 with the balance of US\$0.95 million to be paid within nine months of the sale date.

On 19 January 2017, the Company entered into a Joint Venture Agreement ('JVA') with Korea Zinc Company Limited ('KZC') for the joint development of a recycling plant in Vietnam, based on the Rotary Hearth Furnace ('RHF') technology developed by the Company in Korea. Under the JVA, KZC will fund 100% of a Definitive Development Study ('DDS'), expected to cost US\$2.5 million, with the Company earning a 49% interest in an incorporated special purpose company.

On 25 January 2017, the Company used the proceeds from the sale of its residual interest in Zinc Oxide Corporation, to repay £3,970,282 (equivalent to US\$4.85 million) of outstanding Loan Notes (see note 16).

22 Segmental Analysis

Up until the end of 2016, 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 was 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Recycling – operations	–	–	18	–
Other segments	597	246	(5,097)	(6,302)
Sector total	597	246	(5,079)	(6,302)
UK Head Office			(238)	(2,885)
Operating loss			(5,317)	(9,187)
Finance income			–	1
Finance costs			(521)	(640)
Loss before tax			(5,838)	(9,826)
Taxation			–	(35)
Loss after tax			(5,838)	(9,861)

22 Segmental Analysis continued

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

	Assets		Liabilities		Net assets/(liabilities)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Recycling – operations	6,395	6,465	–	–	6,395	6,465
Other segments	1,565	7,076	4,957	5,992	(3,392)	1,084
Sector total	7,960	13,541	4,957	5,992	3,003	7,549
UK Head Office – unallocated	183	805	68	403	115	402
Total	8,143	14,346	5,025	6,395	3,118	7,951

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Recycling – operations	–	3,430	–	7,775
Other segments	2	513	101	1,562
Sector total	2	3,943	101	9,337
UK Head Office – unallocated	–	14	4,013	2,437
Total	2	3,957	4,114	11,774

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 ZincOx Thailand Company Ltd (2016: US\$0.4 million, 2015: nil), ZincOx Resources plc (2016: US\$0.2 million, 2015: nil) and USA (2016: nil, 2015: US\$0.2 million).

Within Group revenue, 99.7% is generated from Zinc Oxide Corporation (formerly ZincOx (Korea) Ltd) a customer of both ZincOx Thailand Company Ltd and ZincOx Resources plc and is included within 'other segments'. For 2015, 100% of Group revenue is generated from a single customer of Big River Zinc and is also included within '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:

	2016 \$'000	2015 \$'000
United Kingdom	6,397	10,795
Rest of Europe*	–	7
Other Asia**	–	22
Total	6,397	10,824

* Rest of Europe includes Turkey and previously Belgium

** Other Asia includes Thailand

Notes to the Financial Statements

Continued

23 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.

On 30 June 2016, all existing options were cancelled and replaced by 24,030,000 granted options as detailed in the tables below. No options were exercised in either of the years to 31 December 2016 or 31 December 2015.

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:

	2016		2015	
	Weighted average exercise price (£ per share)	Outstanding options (thousands)	Weighted average exercise price (£ per share)	Outstanding options (thousands)
At 1 January 2016	0.67	9,171	0.49	13,152
Granted	0.02	24,030	0.07	2,937
Cancelled	0.52	(8,017)	0.02	(6,584)
Lapsed	1.73	(1,154)	1.30	(334)
At 31 December 2016	0.02	24,030	0.67	9,171

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	2016 Options granted	2015 Options granted
Share price at grant	£0.008	£0.084
Exercise price	£0.016	£0.065
Shares under option	24,030,000	2,937,500
Expected volatility	60.56%	35.00%
Option life (years)	5	5
Risk free interest rate	0.60%	1.20%
Fair value per option	£0.003	£0.044
Valuation model	Black-Scholes	Black-Scholes

The total charge for the period relating to employee share based payment plans was US\$22k (2015: US\$57k).

The vesting period for the options granted was three years. Other non-market performance conditions that exist are as follows:

- For the 2016 options, there were no non-market performance conditions attached.
- 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.

The volatility calculation used for the 2015 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. A similar volatility calculation was repeated for the 2016 options granted except that it was based on the Company's share price performance for the last 100 days. In previous years, the volatility calculation has been based on the Company's share price performance for the five years preceding the date of grant.

No dividend is assumed in the calculation (2015: nil) of the option fair values.

23 Share Based Payments continued

Share Warrants

In 2015, the Company cancelled the 9,450,000 warrants 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 3 years,
- Risk free interest rate of 0.88%, and
- Fair value per warrant of 0.5p.

In May 2016, the Company cancelled the 17,435,498 warrants that were re-issued in 2015 and granted new warrants with a three years and ten months life over 9,450,000 new ordinary shares of the Company at an exercise price of 1.6 pence 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 0.7p,
- Exercise price of 5p,
- Expected volatility of 115%,
- Warrant life of 3.81 years,
- Risk free interest rate of 0.88%, and
- Fair value per warrant of 0.307p.

There is no vesting period attached to the warrants and none were exercised in the year to 31 December 2016 (2015: none exercised or cancelled).

The total share based payment charge for the period relating to warrants was US\$40k (2015: US\$133k).

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 2016 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 11, 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.

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 2016;
- 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 based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements; and
- the Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

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 2016.

Richard Baker

Senior Statutory Auditor
for and on behalf of Crowe, Clark, Whitehill LLP
Statutory Auditor
Reading

29 March 2017

Company Balance Sheet

As at 31 December 2016

	Notes	2016 \$'000	2015 \$'000
Fixed Assets			
Intangible assets	28	–	4,221
Tangible assets	29	2	15
Investments	30	6,477	6,658
		6,479	10,894
Current Assets			
Debtors due within one year	31	39	206
Debtors due after one year	31	1,858	3,487
Restricted cash	32	12	389
Cash at bank and in hand		142	585
		2,051	4,667
Creditors – amounts falling due within one year	33	(69)	(6,142)
Net Current Assets/(Liabilities)		1,982	(1,475)
Total Assets less Current Liabilities		8,461	9,419
Creditors – amounts falling due after one year	33	(4,901)	(64)
Net Assets		3,560	9,355
Capital and Reserves			
Share capital	34	6,883	46,679
Share premium	34	185,564	185,590
Capital redemption reserve	34	40,526	–
Profit and loss account		(186,797)	(181,465)
Foreign currency reserve		(42,616)	(41,449)
Equity Shareholders' Funds		3,560	9,355

The Company reports a loss of US\$6,602k (2015: US\$90,350k) for the financial year.

The notes on pages 43 to 49 form an integral part of these financial statements.

Approved by the directors on 29 March 2017.

Donald McAlister

Director

Company registration number: 3800208

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	FX reserve \$'000	Retained losses \$'000	Total equity \$'000
Balance at 1 January 2015	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
Share based payments	–	–	–	–	62	62
Issue of share capital	730	(26)	–	–	–	704
Cancellation of deferred shares	(40,526)	–	40,526	–	–	–
Transactions with owners	(39,796)	(26)	40,526	–	62	766
Loss for the year	–	–	–	–	(6,602)	(6,602)
Other comprehensive income items that will be subsequently reclassified to profit or loss						
Exchange differences on translating foreign operations	–	–	–	(1,167)	1,208	41
Total comprehensive income for the year	–	–	–	(1,167)	(5,394)	(6,561)
Balance at 31 December 2016	6,883	185,564	40,526	(42,616)	(186,797)	3,560

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 monthly US\$/£ exchange rate for each year.

The notes on pages 43 to 49 form an integral part of these financial statements.

Notes to the Financial Statements

Continued

24 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').

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

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 (iv) and (v) below, which are carried at fair value and amortised cost respectively, 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 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.
- (iii) 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.

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.

- (iv) Investment in financial assets.
- (v) Inter-company loans.
- (vi) In early 2017, the Group sold its remaining interest in KRP for US\$7.95 million, generating US\$7 million of cash in January, with US\$0.95 million to follow. From this cash, the Group took the opportunity to repay its outstanding Loan Notes in January, amounting to US\$4.9 million (£3.97 million) and thereby completely clearing any indebtedness of the Group.

As stated in the Strategic Report on page 4, the directors have reviewed future forecasts and commitments, which when compared to the current cash available, lead the directors to 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.

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 monthly 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.

25 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).

Notes to the Financial Statements

Continued

26 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\$6,602k translated at an average monthly rate for the year of 1.36548 US\$/£ (2015: US\$90,350k translated at an average monthly rate for the year of 1.53234 US\$/£).

The average monthly number of employees of the Company (including directors) during the year was 6 (2015: 7) and their aggregate remuneration comprised:

	2016 \$'000	2015 \$'000
Wages and salaries	339	1,085
Social security costs	32	129
Other pension costs	11	44
	382	1,258

27 Operating Loss

The auditors' remuneration for audit services to the Company was US\$10,000 translated at an average monthly rate for the year of 1.36548 US\$/£ (2015: US\$30,000 translated at an average monthly rate for the year of 1.53234 US\$/£).

28 Intangible Assets

	Company development costs \$'000	Company Total \$'000
Cost		
At 1 January 2015	8,909	8,909
Additions	439	439
Foreign exchange	(384)	(384)
At 1 January 2016	8,964	8,964
Impairment provisions	(3,613)	(3,613)
Foreign exchange	(808)	(808)
At 31 December 2016	8,156	8,156
Amortisation		
At 1 January 2015	1,403	1,403
Charge for the year	1,466	1,466
Impairment provisions	(2,011)	(2,011)
Foreign exchange	(137)	(137)
At 1 January 2016	4,743	4,743
Charge for the year	274	274
Impairment provisions	3,613	3,613
Foreign exchange	(474)	(474)
At 31 December 2016	8,156	8,156
Net Book Value		
At 31 December 2016	–	–
At 31 December 2015	4,221	4,221

29 Tangible Assets

	Land and buildings \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Total \$'000
Cost					
At 1 January 2015	169	811	100	686	1,766
Additions	–	–	–	14	14
Disposals	–	(151)	–	–	(151)
Foreign exchange	(8)	(39)	(5)	(33)	(85)
At 1 January 2016	161	621	95	667	1,544
Additions	–	–	–	3	3
Disposals	(133)	(516)	(79)	(554)	(1,282)
Foreign exchange	(28)	(105)	(16)	(113)	(262)
At 31 December 2016	–	–	–	3	3
Depreciation					
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 1 January 2016	161	621	95	652	1,529
Charge for the year	–	–	–	4	4
Released on disposals	(133)	(516)	(79)	(544)	(1,272)
Foreign exchange	(28)	(105)	(16)	(111)	(260)
At 31 December 2016	–	–	–	1	1
Net Book Value					
At 31 December 2016	–	–	–	2	2
At 31 December 2015	–	–	–	15	15

Notes to the Financial Statements

Continued

30 Investments

	Financial assets \$'000	Subsidiaries \$'000	Joint operation \$'000	Total \$'000
Cost				
At 1 January 2015	–	80,078	100	80,178
Additions	–	16,739	–	16,739
Disposals	–	(86,298)	–	(86,298)
Reclassify to 'Financial assets'	6,465	(6,395)	–	70
Foreign exchange	–	(3,853)	(5)	(3,858)
At 1 January 2016	6,465	271	95	6,831
Disposals	(58)	(144)	–	(202)
Foreign exchange	(12)	(45)	(16)	(73)
At 31 December 2016	6,395	82	79	6,556
Impairment Provisions				
At 1 January 2015	–	5,591	–	5,591
Impairment provisions (net of reversals)	–	76,202	–	76,202
Released on disposals	–	(78,866)	–	(78,866)
Foreign exchange	–	(2,754)	–	(2,754)
At 1 January 2016	–	173	–	173
Impairment provisions (net of reversals)	–	–	88	88
Released on disposals	–	(144)	–	(144)
Foreign exchange	–	(29)	(9)	(38)
At 31 December 2016	–	–	79	79
Net Book Value				
At 31 December 2016	6,395	82	–	6,477
At 31 December 2015	6,465	98	95	6,658

Disposals in the year of US\$202k (2015: US\$86,298k) comprise amounts of US\$58k recovered from Zinc Oxide Corporation (formerly ZincOx (Korea) Ltd) thus reducing the Company's overall financial asset investment in KRP, and US\$144k resulting from the loss of control and subsequent de-consolidation of ZincOx Belgium Sprl, a wholly owned subsidiary.

The investment in the Belgian subsidiary had been previously impaired to nil at the end of 2015 thus giving rise to a reversal of impairment provision in the year of US\$144k when de-consolidated.

The Company revalued its investment with Ural Recycling Ltd, an unincorporated joint operation, to US\$ nil as no significant progress was being made on this project. An amount of US\$88k was charged to profit and loss in the year.

Financial assets

The Company holds an 8.74% interest in Zinc Oxide Corporation (formerly ZincOx (Korea) Ltd).

The Company sold its interest in KRP to Korea Zinc on 11 January 2017 for a total consideration of US\$7.95 million (see note 37 'Post Balance Sheet Events').

30 Investments continued

Interest in Subsidiary Undertakings

On 29 April 2016, the Company liquidated its subsidiary undertaking, ZincOx Belgium Sprl.

On 29 April 2016, the Company dissolved its subsidiary undertaking, Zinc and Iron Recycling Inc.

The Company had an interest in the following subsidiary undertakings during the year ending 31 December 2016, 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%

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.

31 Debtors

	2016 \$'000	2015 \$'000
Due within one year		
Trade debtors	–	59
Other debtors	24	64
Prepayments	15	83
	39	206
Due after one year		
Amounts owed by Group undertakings	1,858	3,487
	1,858	3,487

The Company tests the carrying value of its loans to its undertakings of the Group 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.

Following the sale in 2015 of the recycling assets at BRZ and generally in the USA, the Company formally waived its' inter-company loans with ZincOx Resources (USA) Ltd in the year. At the same time, impairment provisions previously made in respect of these loans, were reversed through profit and loss, leaving a zero impact on the Company's result for the year.

With no significant assets in the Company's subsidiary, ZincOx Thailand Company Ltd, and no clear project currently being undertaken in Thailand, the directors took the decision to fully impair the inter-company loan balance amounting to US\$906k.

At 31 December 2016 impairment provisions stood at US\$1.8 million (2015: US\$35.8 million)

Notes to the Financial Statements

Continued

32 Restricted Cash

Restricted cash of £10k, equivalent to US\$12k, existed at 31 December 2016 (2015: £262k, equivalent to US\$389k). It represents cash generated from land sales at Aliaga in Turkey offset by interest paid to holders of secured loan notes (see note 16). These funds are restricted under the terms of the loan.

33 Creditors

	2016 \$'000	2015 \$'000
Amounts falling due within one year		
Trade creditors	21	239
Taxation and social security	7	64
Accruals	41	101
Amounts owed to Group undertaking	–	135
Loan Notes	–	5,603
	69	6,142
Amounts falling due after one year		
Amounts owed to Group undertaking	53	64
Loan Notes	4,848	–
	4,901	64

34 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	Capital redemption reserve \$'000	Total \$'000
Ordinary shares in issue 1 January 2015	166,305,778	46,310	181,371	–	227,681
103,466,716 deferred shares at 24 pence	103,466,716	40,526	–	–	40,526
166,305,778 ordinary shares at 1 penny	166,305,778	5,784	181,371	–	187,155
Ordinary shares issued	23,607,641	369	4,219	–	4,588
Ordinary shares in issue 31 December 2015	189,913,419	46,679	185,590	–	232,269
Ordinary shares issued	50,500,000	730	(26)	–	704
Deferred shares at 24 pence cancelled	(103,466,716)	(40,526)	–	40,526	–
Ordinary shares in issue 31 December 2016	240,413,419	6,883	185,564	40,526	232,973

The share capital reserve at 31 December 2016 stated at its historical value in its nominal currency of GBP, is £2,404k (period to 31 December 2015: £26,731k).

On 30 June 2016, following the cancellation of all existing options and the grant of new options, there were options available over 24,030,000 ordinary shares in the Company, 13,930,000 available to directors (see page 10 within Corporate Governance) and 10,100,000 to eligible persons. The exercise price of each option is 1.6 pence, exercisable from 30 June 2019, with an expiry date of 30 June 2026.

At 31 December 2016, there were warrants available over 9,450,000 ordinary shares in the Company, 3,318,750 available to directors and 6,131,250 to other subscribers of the Loan Notes. The life of the warrants, which were extended in the period to expire on 20 February 2020, can be exercised immediately at a price of 5p.

The highest and lowest prices of the Company's shares during the period were 1.23p and 0.3p respectively, and the share price at the end of the period was 0.45p, having been suspended from trading on AIM as at 31 October 2016.

The number of shares which would have been in issue at the end of the period, had all options and warrants been exercised, was 273,893,419. There were no share options or warrants exercised in the period.

34 Share Capital *continued*

Capital Redemption Reserve

On 1 February 2016, the Company cancelled 103,466,716 Deferred Shares with a nominal value of 24 pence and carrying no voting rights, resulting in the creation of a Capital Redemption Reserve.

Company Share Options

The Company has a total of 24,030,000 options in issue, all being granted on 30 June 2016 with a ten year life expiring on 30 June 2026, exercisable after three years from 30 June 2019, at an exercise price of 1.6 pence.

35 Financial Commitments

At 31 December 2016 there were no financial commitments from the Company (2015: US\$32k).

36 Related Party Transactions

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

Related party transactions in respect of Loan Notes are disclosed in note 3(c) above

37 Post Balance Sheet Events

On 11 January 2017, the Company sold its residual 8.74% interest in Zinc Oxide Corporation (formerly known as ZincOx (Korea) Ltd), to Korea Zinc Company for a consideration of US\$7.95 million. An amount of US\$7 million was paid to the Company by the end of January 2017 with the balance of US\$0.95 million to be paid within nine months of the sale date.

On 19 January 2017, the Company entered into a Joint Venture Agreement ('JVA') with Korea Zinc Company Limited ('KZC') for the joint development of a recycling plant in Vietnam, based on the Rotary Hearth Furnace ('RHF') technology developed by the Company in Korea. Under the JVA, KZC will fund 100% of a Definitive Development Study ('DDS'), expected to cost US\$2.5 million, with the Company earning a 49% interest in an incorporated special purpose company.

On 25 January 2017, the Company used the proceeds from the sale of its residual interest in Zinc Oxide Corporation, to repay £3,970,282 (equivalent to US\$4.85 million) of outstanding Loan Notes (see note 16).

38 General Information

ZincOx Resources plc, a company limited by shares, is incorporated in England and Wales (registration number 3800208) and has its registered office and principal place of business at Knightway House, Park Street, Bagshot, Surrey, GU19 5AQ.

The principal activity of the Company is to identify zinc projects where the knowledge and expertise built up over many years can be used to evaluate, and where applicable, develop projects or work with others in joint ventures or sell on such projects with a view to building cash reserves to return to shareholders. The Company acts as a recycling, processing, development and holding company.

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 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting of ZincOx Resources plc will be held at the offices of Eversheds Sutherland (International) LLP, One Wood Street, London EC2V 7WS on Friday, 16 June 2017 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 2016 together with the Auditors' Report.
- 2) To re-elect Rod Beddows 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 Donald McAlister as a director of the Company, in accordance with Article 112 of the Company's articles of association.
- 4) To appoint Crowe, Clark, Whitehill 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 £721,242 representing a number of ordinary shares of 1 penny 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 £240,413 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

Knightway House
Park Street
Bagshot
Surrey
GU19 5AQ

By Order of the Board

Wynter Bee Consulting Ltd
Corporate Company Secretary

30 March 2017

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 14 June 2017. 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 as at close of business on 14 June 2017 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 29 March 2017, the last practicable day before printing this document, was 240,413,419 Ordinary Shares and the total level of voting rights was 240,413,419, 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 Saturdays and 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 6-7.

Explanation of Resolution 5

The directors wish to renew at the forthcoming AGM the authority and power which were granted to them at the AGM held on 17 June 2016. 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 £721,242, 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 £240,413 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 2016, 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 2017 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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