ZincOx Resources Limited
Annual Report & Accounts 2017

Vision

The principal activity of the Company is to identify and develop 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 was the developer of Asia's largest zinc recycling plant and acts as a recycling, processing, development and holding company

Highlights

2017

- Sale of KRP to KZC for US$7.95 million in January 2017
- Corporate Loan Notes repaid in full in January 2017
- Delisting of shares at 07:00 on 2 May 2017
- Sale of Turkish land realising net approx. £2.35 million
- VRUP Pre-development phase completed
- Decision taken for the development of VRUP
- £0.75 million investment in Moxico Resources plc

Post Year End

- Sale of VRUP to KZC for US$1.25 million net of tax
- Technical Assistance and Marketing Support Agreement signed with KZC for an upfront amount of US$1.61 million plus potential future payments
- Corporate restructure to a 'Limited' company

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Chairman's Statement

"After the very testing times we suffered in 2016, I am very happy to report a much-improved situation and outlook for the Company in this annual report and I am hopeful that my report next year will show further significant improvement."

Dr Rod Beddows, Chairman.

The position of ZincOx has improved considerably during the course of 2017. We have realised the value of key assets and this has enabled us to clear our debt and rebuild our treasury, so that we are now in a position to press ahead with the definition of new projects around which we can either rebuild the Company or sell for the more immediate benefit of shareholders.

As mentioned in the circular to shareholders, dated 16 April 2018, our aim, following the re-registration as a limited company, is, at the Annual General Meeting ("AGM") to seek your authority for a capital reduction, thus enabling the Board to look at the best ways of returning surplus cash to shareholders.

At the start of the year, Korea Zinc Company Limited ("KZC") acquired ZincOx's 8.74% residual interest in the Korean Recycling Plant ("KRP") for a consideration of US$7,950k. The first two tranches of these funds were paid on 25 January 2017, and 30 September 2017. As a foreign owned business, ZincOx's Korean subsidiary was able to obtain government incentives, so the sale to a Korean company has made the documentation for the sale complex, with approvals required by various Korean government departments, most of which have now been obtained. The final tranche, amounting to US$89k net will be paid once all the documentation has been finalised, and this is expected within the next couple of months.

In September 2017, we sold about four-fifths of our industrial land in Turkey. Given the instability of and uncertainty in Turkey since we bought the land, the gain in its value has been roughly balanced by the fall in the Turkish lira against the pound, the sale has realised about £2,350k. However, when the remaining land is sold the further significant fall in the value of the Turkish lira since the initial sale was announced, means that the remaining land is very unlikely to realise the same relative value in sterling, although no impairment on its carrying cost is anticipated.

In the summer of 2016, the Vietnamese government announced its approval of ZincOx's plan to build a 100,000 tpa EAFD recycling plant in Ba Ria Vung Tau Province, near Ho Chi Minh City. On 19 January 2017, a Joint Venture Agreement ("JVA") was entered into with KZC for the joint development of the recycling plant. Under the agreement ZincOx were managers for the initial work required to complete a Definitive Development Study ("DDS") during 2017, following which a development decision could be taken and KZC would take over the management. The initial phase was to be funded by KZC alone up to US$2,500k at which point Korea Zinc would have earned a 51% interest in the project.

The plant, which is designed to treat 100,000 tpa of Electric Arc Furnace Dust ("EAFD") is based on the Rotary Hearth Furnace ("RHF") technology developed by ZincOx and used in Korea. In addition, it will upgrade the iron and zinc intermediate products made by the RHF, to final products, and we call this type of plant a Full Cycle configuration. The upgrading process for the zinc, Consecutive Metal Leaching ("CML"), was developed by ZincOx. The zinc will be upgraded to a zinc oxide of industrial quality in which the zinc is in a form that makes it about twice as valuable as its form in the intermediate product and so creates a significant competitive advantage when compared to other EAFD treatment technologies. The upgrading of the iron will create pig iron and a clean slag which can be crushed to make a construction aggregate. While iron revenue will increase total revenue, the production of a saleable slag will mean that the plant will generate no waste, and this is a very significant environmental advantage.

The DDS involved the piloting of the CML process and production of several tonnes of zinc oxide, all of which was of industrial quality. Samples of zinc oxide from the pilot have been sent to various laboratories and potential customers which have verified its acceptability.

As part of the DDS, marketing studies were undertaken to identify suitable target markets. The main thrust of the DDS was the design and engineering of the plant and a detailed costing exercise. The total cost of the project was estimated to be US$124 million. The DDS was completed during 2017 and construction on site commenced in December.

Financing our minority position in this project would have been extremely challenging for a company of our size and we decided to sell our interest to KZC, and agreements were entered into in April 2018. Under the agreements KZC and Zinc Oxide Corporation of Vietnam ("ZOCV") will pay a total of US$2,862k together with additional payments once the plant is in operation and profitable. The additional payments comprise technical support of US$284k, per annum, for a period of eight years, and a marketing support fee of US$2.84 per metric tonne of industrial quality zinc oxide chemical sold which is expected to amount to about US$85k per annum and will be paid for a period of five years from the commencement of commercial production.

Since the beginning of 2018, your management has been very focused on the definition of new recycling projects using the Full Cycle configuration. Their efforts have been focused on two areas and we are sufficiently encouraged that we are vigorously pursuing them. There are many different aspects to the completion of a definitive development study for a new project and it will probably be several months before we know if either of these projects can be developed. However, the cost of this work will be significantly reduced as a result of the considerable work undertaken by the Company on previous projects.

Given that we have clearly defined budget for the projects that are being actively pursued, and allowing for some cost overruns and overheads, the Company will still have cash available after completion of the DDS for these projects. If the DDSs are positive and if we are to maintain a meaningful interest in the projects we will need to raise very substantial sums of new equity, in which case our remaining cash resources will be relatively insignificant. Alternatively, if the projects are sold outright, no further cash will be required.

While we are very encouraged by the investigations to date, we have to consider that these projects may not be successful. If this is the case then we may conclude that we are unable to realize the central objective of the company and, therefore, we should seriously consider returning some of the Company's remaining cash to shareholders.

As mentioned in the circular of 16 April 2018, your Board has decided that some of the cash that is likely to remain after these new projects have been pursued, should be offered back to shareholders sooner rather than later. In order to do this, we would need to very substantially restructure the Company. As this is an expensive and time-consuming process for a "public limited company", it was decided to convert the company to a "limited company". This conversion was approved by a General Meeting of the shareholders held on 4 May 2018, and we are actively pressing ahead with restructuring of the balance sheet. The restructuring will involve further shareholder approval that is being sought at this year's Annual General Meeting, the notice and resolutions for which are attached hereto.

Fortunately, the zinc price remains strong and the vast majority of daily LME stock movements are negative implying a continuing shortfall in production that is likely to continue for at least the next couple of years. Provided this strong price persists it will enable us to pursue a broader spectrum of financing options.

In November, following shareholder approval, we completed an investment of £750k in Moxico Resources plc. This gives ZincOx an interest of around 7.5% in Moxico and exposure to Moxico's exciting copper exploration in Zambia. Moxico have an 85% interest in the Mimbula copper deposit near Chingola. Mimbula is a very advanced exploration project with over 58,000m of drilling that has delineated a resource of 61.5 million tonnes of ore with a copper grade of 1.18%. The resource can be mined from an open pit with a low strip ratio and the ore is amenable to direct leaching and electrowinning. Confirmatory drilling and definitive metallurgical testwork are planned before the end of 2018, which should raise most of the Mimbula resource to the reserve category and for the commencement of mine planning and process design. Over the past six months Moxico's management have negotiated the purchase of a majority interest is a second copper deposit which is less well drilled but has potential to make a larger mine. We believe that Moxico's strong management team is capable of developing its projects to production in the near term and listing its shares on a recognised stock in the medium term.

After the very testing times we suffered in 2016, I am very happy to report a much-improved situation and outlook for the Company in this annual report and I am hopeful that my report next year will show further significant improvement.

Finally, I would like to thank the staff, management, shareholders and other Board members for their support over the past year.

Dr Rod Beddows
Chairman

4 June 2018

Strategic Report

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 2017. 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 and the Operational Review section of the Strategic Report.

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 ("EAFs") 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, and have been included in the design of 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 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 January 2017 has recently sold its interest, as referred to in the Chairman's Statement.

Outlook

Over the past 17 years the Company has been at the forefront of the development in new zinc recovery technology. This experience and the experience of developing KRP has meant that we were able to enter into a JVA with KZC for VRUP, which by the sale of our interest to KZC, has enabled us to build our treasury.

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 reports a profit for the year of US$4,339k (2016: loss US$5,950k).

In January 2017, Korea Zinc Company Limited ("KZC") agreed to pay a total of US$7,950k (before withholding tax) in two tranches for the Group's remaining interest in Zinc Oxide Corporation ("ZOC"). All of the consideration bar US$89k has been received.

Funds generated by the sale of ZOC were partly used to repay the Company's Corporate Loan Notes which together with accrued interest amounted to US$5,317k (£3,968k).

In September 2017, the Group disposed of 43,578 square metres of its land holding in the Aliaga Heavy Industrial Zone in Turkey, for the sum of TRY 14,352k (US$3,794k). The Group retains a land holding of 9,638 square metres, which continues to be marketed.

The Group generated income of US$582k from the provision of services to VRUP. A payment of US$1,243k was received from Korea Zinc in recognition of the Group's efforts in developing the VRUP business opportunity.

In April 2018, the Group entered into a Sale and Purchase Agreement ("SPA") with KZC regarding the Company's interest in Zinc Oxide Corporation Vietnam ("ZOCV"), the company established to develop the Vietnamese Recycling and Upgrading Plant ("VRUP"). The Company has, on the same date, entered into a Technical Assistance and Marketing Support Agreement ("TAMSA") with ZOCV, to provide support for VRUP. Under the SPA, KZC has agreed to pay US$1,250k (net of tax) for ZincOx's interest in ZOCV. Under the TAMSA, ZOCV agreed to pay, an upfront technical assistance fee of US$1,184k and a lump sum Licence Fee of US$427k (both net of tax). In addition, the Group is entitled, depending on the success of the operation, further payments in the future. US$284k, per annum, for a period of eight years, commencing on commercial and profitable production from VRUP and a marketing support fee of US$2.84 per metric tonne of industrial quality zinc oxide chemical sold will be paid for a period of five years from the commencement of commercial production, which is expected to amount to approx. US$85k per annum.

In November the Group subscribed for 12,500,000 shares in Moxico Resources plc at a cost of £750k (US$1,012k). Moxico's business is the exploration and development of copper resources in Zambia and it is committed to achieving copper production and to having its shares listed on a recognised stock exchange in the medium term.

Funding
The Group's cash position at the year-end (US$4,881k) together with the funds (US$2,861k net of tax) to be received in 2018 from the SPA and the TAMSA enables the Board to believe that the Group has sufficient liquidity to continue as a going concern, and to continue in operational existence for the twelve months from the date of this report.

Liquidity
The cash funds of the Group at 31 December 2018 were US$4,881k (2016: US$167k). These cash funds were held in a range of currencies at the year end, the most significant of which were US$2,680k (2016: US$89k), £1,274k (2016: £52k) and TRY 1,792k (2016: TRY nil).

Going Concern
The Groups cash position at the year-end (US$4,881k) together with the funds (US$2,861k net of tax) to be received in 2018 from the SPA and the TAMSA enables enable the Directors to report that the Group is a going concern and therefore to adopt the Going Concern Basis for the preparation of these Financial Statements.

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. The operational and financial risks which might relate to the operation of KRP are deemed as risks on the Group which may affect the ability of KRP to pay a dividend in the future.

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 Groups 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,
- Future income due from ZOCV may be affected by the performance of the operation which is outwith the control of the Group.

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 1.4 and note 20 to the Financial Statements.

Uncertainties

Set out below are certain principal uncertainties which may affect the success of 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

4 June 2018

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 7 years. He is now a director and Senior Adviser for Mining. Before that, he founded and was Chairman and CEO of Beddows and Co, one of the steel industry's foremost consultancy groups. He is 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.

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. He is a director of Moxico Resources plc and Tertiary Minerals PLC, where he chairs the Audit Committee and Remuneration Committee. 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. He is a non-executive director and vice-chairman of the Bart's Health NHS Trust and a non-executive director of Camellia plc.

Group Information

Corporate Company Secretary

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Directors' Report

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 directors submit their report and the audited Financial Statements of the Company and Group for the year ended 31 December 2017.

The directors who served in the year were as follows:

Rod Beddows	Non-Executive Chairman
Andrew Woollett	Chief Executive Officer
Donald McAlister	Part-time Finance Director
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 IFRS's 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 Ltd 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.

The Board of Directors

The Role of the Board

During the year, the Board comprised two executive directors and two non-executive directors (see Director's Report).

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 2017 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.

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 2017.

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 2017.

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. Details of directors' emoluments are disclosed in note 4 to the Financial Statements and the directors' options are disclosed below.

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

The directors in office as at the end of the year and their shareholdings were as follows:

	31 December 2017		1 January 2017 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	7,593,572	6,730,000
Rod Beddows**	1,322,500	2,400,000	1,322,500	2,400,000
Gautam Dalal***	1,589,920	2,400,000	1,589,920	2,400,000
Donald McAlister	–	2,400,000	–	2,400,000
Total	**10,505,992**	**13,930,000**	**10,505,992**	**13,930,000**

* *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.*

In addition, 1,500,000 warrants are held by Rod Beddows as at 31 December 2017 (2016: nil) 10,693,750 warrants are held by Andrew Woollett as at 31 December 2017 (2016: 2,193,750), 1,500,000 warrants are held by Donald McAlister (2016: nil) and 2,625,000 warrants are held by Gautam Dalal as at 31 December 2017 (2016: 1,125,000). Full details are provided in note 19.

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 have not met during 2017.

Results and Dividends

The Group's consolidated profit for the year is disclosed in the Performance Review (Financial) section of the Strategic Report. The directors do not recommend the payment of a dividend, and the consolidated profit for the period will be transferred to equity in the Financial Statements.

Future Developments

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

Principal Risks and Uncertainties

These are disclosed in the Strategic Report. Policies relating to financial risk management are set out in note 1.4 with their impact disclosed in note 20 to the Financial Statements.

Substantial Shareholdings

As at 4 June 2018, 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.

	Number of Ordinary Shares	% of Issued Share Capital
Sloane Robinson Global Fund	42,142,319	17.53
Harold N McCawley	20,832,812	8.67
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

4 June 2018

Independent Auditor's Report

To the members of ZincOx Resources Ltd

Opinion

We have audited the Financial Statements of ZincOx Resources Ltd and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cashflow Statement, the Consolidated Statement of Changes in Shareholders' Equity and notes 1 to 22 to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Financial Statements 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.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

4 June 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Continuing operations			
Revenue	22	582	597
Cost of sales		(476)	(536)
Gross profit		**106**	**61**
Operating costs net of gains and impairments	3	(1,274)	(5,378)
Operating loss	2	**(1,168)**	**(5,317)**
Analysed as:			
Gross profit		106	61
Administrative expenses		(745)	(1,563)
Foreign exchange (loss)/gain		(534)	30
Underlying operating loss		**(1,173)**	**(1,472)**
Other losses	6	–	(9)
Impairment reversals/(provisions)	1.3	5	(3,836)
Operating loss		**(1,168)**	**(5,317)**
Finance income	7	6	–
Finance costs	7	(35)	(521)
Loss before tax		**(1,197)**	**(5,838)**
Taxation	8	(127)	–
Loss for the year from continuing operations		**(1,324)**	**(5,838)**
Discontinued operations			
Profit/(loss) for the year from discontinued operations	10	5,663	(112)
Net profit/(loss)		**4,339**	**(5,950)**
From continuing and discontinued operations			
Basic and diluted profit/(loss) per ordinary share (cents)	9	1.80	(2.65)
Adjusted profit/(loss) per ordinary share (cents)*	9	1.80	(0.94)
From continuing operations			
Basic and diluted loss per ordinary share (cents)	9	(0.55)	(2.60)
Adjusted loss per ordinary share (cents)*	9	(0.55)	(0.89)

** adjusted profit/(loss) per ordinary share calculation excludes impairment (reversals)/provisions*

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 $'000	2016 $'000
Profit/(loss) for the year	**4,339**	**(5,950)**
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	55	351
Total comprehensive income/(expense) for the year	**4,394**	**(5,599)**

The notes to the Financial Statements form an integral part of these Financial Statements.

Consolidated Balance Sheet

As at 31 December 2017

	Notes	2017 $'000	2016 $'000
Assets			
Non-Current Assets			
Property, plant & equipment	11	2	2
Investments	12	1,012	6,395
		1,014	6,397
Current Assets			
Trade and other receivables	13	305	92
Restricted cash	14	–	12
Cash and cash equivalents	15	4,881	167
		5,186	271
Assets held for sale	16	1,503	1,475
Total Assets		**7,703**	**8,143**
Liabilities			
Current Liabilities			
Trade and other payables	17	(103)	(127)
		(103)	(127)
Non-Current Liabilities			
Trade and other payables	17	(50)	(50)
Loans and borrowings	18	–	(4,848)
		(50)	(4,898)
Total Liabilities		**(153)**	**(5,025)**
Net Assets		**7,550**	**3,118**
Equity			
Share capital	19	3,948	3,948
Share premium	19	185,564	185,564
Capital redemption reserve	19	43,461	43,461
Retained losses		(200,268)	(204,645)
Foreign exchange reserve		(25,155)	(25,210)
Total Equity		**7,550**	**3,118**

The notes to the Financial Statements form an integral part of these Financial Statements.

Approved by the directors on 4 June 2018.

Donald McAlister
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Loss before taxation due to continuing operations		(1,324)	(5,838)
Profit/(loss) before taxation due to discontinued operations	10	5,663	(112)
Profit/(loss) before taxation		4,339	(5,950)
Adjustments for:			
Depreciation and amortisation		1	278
Interest received		(6)	–
Interest expense		35	522
Impairment of investments		–	88
Impairment of intangible assets		–	3,635
Impairment (reversal) / provision of trade and other receivables		(5)	113
Share based payments		39	62
Decrease in trade and other payables		(35)	(414)
(Increase) / decrease in trade and other receivables		(111)	383
Foreign exchange losses / (gains)		534	(30)
Loss due to loss of operational control of subsidiary		–	15
Share of loss of associate		4	–
Other (gains) / losses		(5,667)	9
Cash utilised in operations		**(872)**	**(1,289)**
Interest paid		(35)	(302)
Net cash flow from operating activities		**(907)**	**(1,591)**
Investing activities			
Net proceeds from disposal of assets		11,600	187
Cash disposed of with loss of operational control of subsidiary		–	(10)
Release of restricted cash		12	377
Purchase of property, plant and equipment		(1)	(2)
Investment in financial assets		(1,012)	–
Interest received		6	–
Net cash generated from investing activities		**10,605**	**552**
Financing activities			
Repayment of borrowings		(5,317)	(4)
Net proceeds from issue of ordinary shares		–	704
Net cash (used) / received from financing activities		**(5,317)**	**700**
Net increase / (decrease) in cash and cash equivalents		**4,381**	**(339)**
Cash and cash equivalents at start of year		167	655
Exchange differences on cash and cash equivalents		333	(149)
Cash and cash equivalents at end of year		**4,881**	**167**

The above cash flows aggregate those from continuing and discontinued operations. Separate disclosure has been made in note 10 for those cash flows relating to discontinued operations only.

The notes to the Financial Statements form an integral part of these Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Foreign exchange reserve $'000	Retained losses $'000	Total equity $'000
Balance at 1 January 2016	**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	(43,461)	–	43,461	–	–	–
Transactions with owners	**(42,731)**	**(26)**	**43,461**	**–**	**62**	**766**
Loss for the year	–	–	–	–	(5,950)	(5,950)
Other comprehensive income/(expense) items that will be subsequently reclassified to profit or loss						
Exchange differences on translating foreign operations	–	–	–	(857)	1,208	351
Total comprehensive expense for the year	**–**	**–**	**–**	**(857)**	**(4,742)**	**(5,599)**
Balance at 31 December 2016	**3,948**	**185,564**	**43,461**	**(25,210)**	**(204,645)**	**3,118**
Share based payments	–	–	–	–	38	38
Transactions with owners	**–**	**–**	**–**	**–**	**38**	**38**
Profit for the year	–	–	–	–	4,339	4,339
Other comprehensive income items that will be subsequently reclassified to profit or loss						
Exchange differences on translating foreign operations	–	–	–	55	–	55
Total comprehensive income for the year	**–**	**–**	**–**	**55**	**4,339**	**4,394**
Balance at 31 December 2017	**3,948**	**185,564**	**43,461**	**(25,155)**	**(200,268)**	**7,550**

The notes to the Financial Statements form an integral part of these Financial Statements.

1. Accounting Policies

1.1 Statutory Information

ZincOx Resources Ltd, is a company limited by shares, registered and incorporated in England and Wales (registration number 3800208) with its registered office and principal place of business at Suite 4, Crown House, High Street, Hartley Wintney, Hampshire, RG27 8NW.

1.2 Basis of Preparation

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, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the EU.

The preparation of Group Financial Statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the Group Financial Statements and their effect are disclosed in note 1.3.

Basis of measurement

The consolidated Financial Statements have been prepared on a historical cost basis, except for the fair valuing of share based payments.

Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2017. 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.

The consolidated Financial Statements incorporate the results of business combinations using the acquisition method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

New standards, interpretations and amendments effective from 1 January 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's Financial Statements.

New and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2017 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Financial Statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective. Unless stated below, there are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Standard (all endorsed by the EU)	Effective date
IFRS 9 Financial Instruments	1 Jan 2018
IFRS 15 Revenue from Contracts with Customers	1 Jan 2018
IFRS 16 Leases	1 Jan 2019

The only standard that is anticipated to be significant or relevant to the Group is IFRS 9 "Financial Instruments". The Group is in the process of assessing the quantitative implications of the standard on the Financial Statements.

IFRS 15 "Revenue from Contracts with Customers" may have an impact on revenue recognition and related disclosures but it is not thought to be significant, given that the Group presently has minimal revenue. IFRS 16 "Leases" are not expected to have a material impact on the Group at this stage of the Group's operation, as the only leases likely to be held are short term leases for office space in the United Kingdom and any overseas subsidiary companies.

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.

Going concern

The Company raises finance for its evaluation activities in discrete tranches, as and when required. When any of the Group's projects move to the development stage, specific project financing will be required.

1. Accounting Policies (continued)

The directors prepare annual budgets and cash flow projections that extend beyond twelve months from the date of this report. The Board considers that the Group's cash position at the year end (US$4.9 million), the forecast expenditure of the Group and the discretionary nature of much of that expenditure, demonstrate that the Group has adequate funding for the next twelve months and that it is appropriate to adopt the going concern basis for preparing the Financial Statements. The directors have a reasonable expectation that they will be able to secure additional funding as and when required to fund the acquisition of new projects when these form part of the Group's strategy.

1.3 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 at the end of each year, an assessment of the recoverability of intangible assets to see whether any of the Group's development expenditures or projects have suffered impairment.

In June 2016, the Group's assessed the recognition and recoverability of its intangible assets, comprising knowledge of furnace technology and the upgrading of zinc oxide concentrate, and concluded that, based on their future viability and expected future economic benefits to the Group at that time, there were significant indicators of impairment. It therefore fully impaired its intangible assets by an amount of US$3.6 million as at 30 June 2016.

In 2017, following the identification of VRUP, that could utilise this technology, the previously impaired intangible assets were re-assessed for their recognition and recoverability with a view to reversing part, or all, of the US$3.6 million impairment described above.

The Vietnam JVA acknowledged the Group's efforts in developing VRUP with a compensation amount of US$1.2 million subsequently contributed by KZC to ZOCV, allowing ZincOx to gain an initial 49% interest in ZOCV. Furthermore, the eventual sale of the Group's interest in ZOCV in early 2018 recognised additional value to VRUP through a Sale and Purchase Agreement.

Despite this, the directors do not feel that the future economic benefits to the Group justify a reversal of the US$3.6 million impairment at the year end.

Trade & other receivables
In addition, a part-reversal of an impairment amount of US$5k in respect of VAT receivable in Anadolu Cinko SVTAS, was credited to the Group income statement.

(b) Accounting for VRUP
Under IAS 28 'Investments in Associates and Joint Ventures', the Company held significant influence up until 15 December 2017, over Zinc Oxide Corporation Vietnam ("ZOCV"), a Vietnamese entity that was set up at the end of 2016 to develop the Vietnam Recycling and Upgrading Plant ("VRUP").

The Company initially invested an amount of US$1.2 million in the shares of ZOCV, acquiring a 49% interest. Whilst the Group had no obligation to fund the project during the Definitive Development Study ("DDS") it did initially have the power to participate in the financial and operating policy decisions of ZOCV. The Company therefore adopted the equity method of accounting for VRUP recognising a share of assets, liabilities, revenues and expenses of ZOCV in its Financial Statements.

Towards the end of 2017, as the DDS was nearing completion, the directors of the Company saw an opportunity to generate cash and add value to shareholders by selling its 49% share of ZOCV, and therefore actively sought to find a buyer for its 49% interest.

On 15 December 2017, the Company's 49% interest in ZOCV was diluted down to 8%, as it opted not to contribute any further investment to VRUP. At the year end, the Company's investment of US$1,243k represented its 8% interest in ZOCV. The Company lost significant control over VRUP at this point.

For the period to 15 December 2017, the Group recorded a share of net losses of ZOCV of US$4k (2016: US$ nil). This is included in the profit for the year from discontinued operations.

Following the decision to sell the Group's interest, an amount of US$1,243k was reclassified from 'investment in associate' to 'assets held for sale'.

1.4 Financial Instruments – Risk Management
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 developed and taken into production; and
- to ensure the Group's ability to continue as a going concern.

The impact of the risks, required to be discussed in accordance with IFRS 7, are detailed below, supported by a more specific explanation of risks in the Strategic Report.

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.

Credit risk
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 does not have a large number of counterparties and customers and as such, has a significant concentration of credit risk.

Foreign exchange risk

The Group's transactional foreign exchange exposure arises from income, expenditure, financial asset investments, and the purchase 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.

Interest rate risk

The Group's exposure to interest rate risk in respect of the cash balances held with banks and other highly rated counterparties, is currently negligible as (i) bank interest rates are historically very low and (ii) many of the Group's cash balances are held in non-interest-bearing accounts.

1.5 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.

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.

1.6 Segmental Information

An operating segment is a component of the Group engaged in exploration, evaluation, development or production activity that is regularly reviewed by the Chief Operating Decision Maker ("CODM") for the purposes of allocating resources and assessing financial performance. The CODM is considered to be the Board of Directors. The Group currently has only one primary business activity, that of 'recycling development'.

Reported segments are identified separately due to their economic characteristics and not by their geographical area of operation.

1.7 Pensions

The pension costs charged to the consolidated income statement represent the contributions payable during the period to defined contribution schemes.

1.8 Share Based Payments

All share based payment arrangements granted after 7 November 2002 are equity-settled transactions that are recognised in the Financial Statements. Where equity settled share options or warrants are awarded to employees, the fair value of the options or warrants at the date of grant is charged to the consolidated income statement over the vesting period.

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.

Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options or warrants that eventually vest.

Non-market vesting conditions and market vesting conditions are factored into the fair value of the options or warrants granted. If all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options or warrants are modified before they vest, the increase in the fair value of the options or warrants, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

1.9 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 1.34912 US$/£ (2016: 1.23016 US$/£) year end rate where they relate to the Company or consolidated balance sheet and at 1.28924 US$/£ (US$/£ 1.36548) average monthly rate for the year where they relate to the Company or consolidated income statement.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their functional currency) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings which serve as a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated into US Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

1. Accounting Policies (continued)

Exchange differences recognised profit or loss in Group entities' separate Financial Statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

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

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.

1.10 Impairment
Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred expenditure are carried out on a project by project basis, with each project representing a potential single cash-generating unit. In accordance with the requirements of IFRS 6, an impairment review is undertaken when indicators of impairment arise such as:

(i) unexpected occurrences that render the project uneconomic;
(ii) variations in metal prices that render the project uneconomic;
(iii) substantive expenditure on further evaluation of the project is neither budgeted nor planned; and

Furthermore, deferred exploration expenditure incurred in connection to the future development of zinc recycling projects is reviewed annually or whenever there are any indicators of impairment. 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.

Whilst deferred exploration and evaluation expenditure assets are tested at a cash-generating unit level, other individual assets are also tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

1.11 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 the consolidated income statement in the period in which they are incurred.

1.12 Taxation
Current 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
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company, or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

1.13 Financial Assets

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity and its accounting policy for each category as follows:

Fair value through profit or loss

These assets are carried in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. The Group does not voluntarily classify any financial assets as being at fair value through profit or loss but does hold an investment in Moxico Resources plc where 12,500,000 ordinary shares of that company are held for the medium term or whenever the right opportunity to sell them arises.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and, for the purpose of the statement of cash flows, bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated balance sheet.

1.14 Financial Liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

These liabilities are carried in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include trade payables and other short-term monetary liabilities that are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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

The major categories of property, plant and equipment which are depreciated on a straight-line basis down to their residual values are;

Plant and Machinery	-	3 to 30 years
Fixtures and Fittings	-	3 to 5 years
Computer Equipment	-	3 to 5 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 consolidated income statement.

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.

Freehold land is not depreciated but carried at fair value, based on periodic valuations by a professionally qualified valuer. The value of land is only tested when there is an indication of impairment. These revaluations are made twice a year to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

1.16 Joint Arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either: (a) joint ventures: where the Group has rights to only the net assets of the joint arrangement; (b) joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers: (a) the structure of the joint arrangement; (b) the legal form of joint arrangements structured through a separate vehicle; (c) the contractual terms of the joint arrangement agreement; and (d) any other facts and circumstances (including any other contractual arrangements).

1. Accounting Policies (continued)

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

1.17 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.

1.18 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.

1.19 Share Capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

2. Operating Loss

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

	2017 $'000	2016 $'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	21	22
Fees payable to the Company's auditors for other services	2	–
Tax services	8	3
Fees payable to other external auditors for the audit of subsidiary accounts	1	1
Foreign exchange loss on monetary assets	534	–
Depreciation of owned property, plant and equipment	1	4
Amortisation of intangible assets	–	274
Operating leases	31	50
And after crediting:		
Foreign exchange gain on monetary assets	–	30

3. Operating Costs Net of Gains and Impairments

The table below relates to continuing operations only.

	Notes	2017 $'000	2016 $'000
Administrative costs (excluding depreciation/amortisation)		(744)	(1,285)
Other losses	6	–	(9)
Impairment reversals/(provisions)	1.3	5	(3,836)
Foreign exchange (loss)/gain		(534)	30
Depreciation and amortisation		(1)	(278)
		(1,274)	**(5,378)**

4. Directors and Employees

The table below relates to continuing operations only.

	2017 $'000	2016 $'000
Wages and salaries	391	339
Social security costs	39	32
Pensions	4	11
Share based payments on options (note 19)	39	23
	473	**405**

The monthly average number of persons employed by the Group (including directors) on continuing operations during the year was 5 (2016: 6).

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' total emoluments which was also their total renumeration.

In addition, an amount equivalent to US$34k (2016: US$24k) 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 nil (2016: one).

4. Directors and Employees (continued)

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 (2016: nil).

An amount of US$23k has been charged to the income statement for the year (2016: US$5k) in respect of share based payments on options for directors.

	Salary $'000	Other Benefits $'000	2017 Total Remuneration $'000	2016 Total Remuneration $'000
Andrew Woollett	193	17	210	125
Simon Hall[1]	–	–	–	91
Donald McAlister	45	–	45	15
Rod Beddows	26	–	26	–
Gautam Dalal	26	–	26	–
Totals	**290**	**17**	**307**	**231**

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

5. Related Party Transactions

During the year the Group paid £ nil (2016: £11k, equivalent to US$15k) for financial consultancy services and £1k, equivalent to US$1k (2016: £ nil) for the rental of IT software, to Holbans Consulting Ltd, a company in which Donald McAlister, ZincOx Resources Ltd's Finance Director from 11 July 2016, has an interest.

The Company invested £750k in the shares of Moxico Resources plc, a company in which Donald McAlister is a director. All the directors of the Company are also shareholders of Moxico Resources plc.

Loan Notes

On 25 January 2017, the Group repaid the principal amount of £877,500 (equivalent to US$1,184k) to Andrew Woollett, ZincOx Resources Ltd's Chief Executive, in respect of the outstanding Loan Notes.

Furthermore, the Group paid £44k (equivalent to US$56k) of final accumulated interest (gross of withholding tax) to Andrew Woollett, of which £6k (equivalent to US$8k) was charged (net of withholding tax) to the income statement and included within finance costs.

On 25 January 2017, the Group repaid the principal amount of £450k (equivalent to US$607k) to Gautam Dalal, a non-executive director of ZincOx Resources Ltd, in respect of the outstanding Loan Notes.

Furthermore, the Group paid £22k (equivalent to US$29k) of final accumulated interest (gross of withholding tax) to Gautam Dalal, of which £3k (equivalent to US$4k) was charged (net of withholding tax) to the income statement and included within finance costs.

6. Other Losses

Other losses of US$9k from 2016 relate to the loss on disposal of redundant office equipment by ZincOx Resources Ltd.

A gain in the year of US$2,803k has been treated as a discontinued operation (see note 10) and relates to the disposal of land held in Aliaga, Turkey within the Heavy Industrial Zone ("HIZ").

7. Finance Income/(Costs)

The table below relates to continuing operations only.

	2017 $'000	2016 $'000
Interest received	6	–
Interest paid	(35)	(521)
	(29)	**(521)**

8. Taxation

The information below relates to continuing operations only.

There is tax charge on from foreign operations for the year of US$127k (2016: US$ nil).

The tax assessed for the year is lower than the weighted standard rate of tax in the UK of 19.25% (2016: 20%). The differences are explained as follows:

	2017 $'000	2016 $'000
Loss on ordinary activities before tax	(1,197)	(5,838)
Loss on ordinary activities multiplied by weighted standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	(230)	(1,168)
Effect of:		
Disallowed expenses	14	40
Deferred tax assets not recognised	89	1,126
Other timing differences	–	2
Current tax charge for the year	**(127)**	**–**

The Company has accumulated trading losses of US$9.8 million (2016: US$10.2 million) and accelerated capital allowances of US$23k (2016: US$26k) but doesn't recognise these as deferred tax assets in the Financial Statements because their value is uncertain.

The Group's subsidiary, Zinc Corporation of Kazakhstan, a British Virgin Island company, but considered UK resident for tax purposes, 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.

9. Profit/(Loss) per Share

Continuing and discontinued operations
The calculation of the profit/(loss) per share is based on the profit attributable to ordinary shareholders of US$4,339k (2016: loss of US$5,950k) divided by the weighted average number of shares in issue during the year of 240,413,419 (2016: 224,336,707).

An adjusted profit/(loss) per ordinary share has been presented to exclude the impairment reversals made in the year of US$5k (2016: impairment provisions of US$3,836k). It has been calculated based on adjusted profit attributable to ordinary shareholders of US$4,334k (2016: adjusted loss of US$2,114k).

Continuing operations
The calculation of the loss per share from continuing operations is based on the loss attributable to ordinary shareholders of US$1,324k (2016: loss of US$5,838k) divided by the weighted average number of shares in issue during the year of 240,413,419 (2016: 224,336,707).

An adjusted loss per ordinary share for the year has been presented to exclude the impairment reversals made in the year of US$5k (2016: impairment provisions of US$3,836k). It has been calculated based on adjusted loss attributable to ordinary shareholders of US$1,329k (2016: adjusted loss of US$2,002k).

There is no dilutive effect of the share options in issue during 2017 and 2016.

10. Discontinued Operations

KRP
On 11 January 2017, the Group sold its remaining 8.74% interest in KRP to KZC for US$7,895k (net of withholding tax). An amount of US$7,806k has been received to date with a further US$89k included in trade and other receivables as at 31 December 2017.

The 8.74% investment in KRP had a fair value of US$6,395k at the date of sale, and with a realised exchange gain US$64k, the Group made a total gain on this discontinued operation of US$1,564k.

VRUP

The Company acquired a free carried 49% interest in the shares of ZOCV in the year, having received a compensation payment of US$1.2 million from KZC in recognition of the Company's efforts in developing the VRUP business opportunity.

Towards the end of 2017, the directors of the Company saw an opportunity to generate cash and add value to shareholders, by selling its 49% share of ZOCV. It therefore took the decision to discontinue any activity in further developing VRUP and with an exchange gain of US$56k, the Group made a total gain on this discontinued operation of US$1,300k.

Turkish Land

In September 2017, the Group disposed of 43,578 square metres of its land holding in the Aliaga Heavy Industrial Zone in Turkey, for the sum of TRY 14,352k (US$3,794k). The Group retains a land holding of 9,638 square metres, which continues to be marketed.

Discontinued operations in 2016 relate to the loss resulting from the loss of operational control of the Group's activities in Belgium and Korea.

Analysis of profit from discontinued operations

The combined results of the discontinued operations included in the profit 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.

	2017 $'000	2016 $'000
Operating income/(costs) net of gains and impairments	5,663	(111)
Operating profit/(loss)	**5,663**	**(111)**
Analysed as:		
Administrative expenses	–	(96)
Share of net loss of associate	(4)	–
Underlying operating loss	**(4)**	**(96)**
Other gains	5,667	–
Loss due to loss of operational control of subsidiary	–	(15)
Operating profit/(loss)	**5,663**	**(111)**
Finance costs	–	(1)
Profit/(loss) before tax	**5,663**	**(112)**
Attributable income tax expense	–	–
Net profit/(loss)	**5,663**	**(112)**

Cash flows from discontinued operations

	2017 $'000	2016 $'000
Net cash outflows from operating activities	–	(27)
Net cash inflows from investing activities	11,600	–
Net cash inflows from financing activities	–	13
Net cash inflows/(outflows)	**11,600**	**(14)**

11. Property, Plant & Equipment

	Land $'000	Plant & Machinery $'000	Fixtures & Fittings $'000	Computer Equipment $'000	Motor Vehicles $'000	Total $'000
Cost						
At 1 January 2016	253	1,648	140	402	115	2,558
Additions	–	–	–	2	–	2
Disposals	(230)	(1,586)	(125)	(363)	(120)	(2,424)
Foreign exchange	(23)	(62)	(15)	(38)	5	(133)
At 1 January 2017	–	–	–	3	–	3
Additions	–	–	–	1	–	1
At 31 December 2017	**–**	**–**	**–**	**4**	**–**	**4**
Depreciation & Impairment Provisions						
At 1 January 2016	253	1,648	135	385	115	2,536
Charge for the year	–	–	–	4	–	4
Released on disposals	(230)	(1,586)	(120)	(353)	(120)	(2,409)
Foreign exchange	(23)	(62)	(15)	(35)	5	(130)
At 1 January 2017	–	–	–	1	–	1
Charge for the year	–	–	–	1	–	1
At 31 December 2017	**–**	**–**	**–**	**2**	**–**	**2**
Net Book Value						
At 31 December 2017	**–**	**–**	**–**	**2**	**–**	**2**
At 31 December 2016	–	–	–	2	–	2

12. Investments

The Group held a financial asset investment of US$1,012k at 31 December 2017, relating to the Company's investment in 12,500,000 ordinary shares of Moxico Resources plc. This asset was acquired on 6 November 2017 and the directors consider that there has been no material change to its value at the year end.

At the end of 2016, the Group held a financial asset investment of US$6,395k relating to its 8.74% residual interest in Zinc Oxide Corporation (formerly ZincOx (Korea) Ltd).

13. Trade and Other Receivables

	2017 $'000	2016 $'000
Current		
Trade receivables	48	–
Deposits	8	2
VAT	64	67
Advances	77	–
Other receivables	89	–
Prepayments	19	23
	305	**92**

14. Restricted Cash

Restricted cash of US$12k held at the end of 2016 was cash held in escrow against secured Loan Notes. This was released in the year.

15. Cash and Cash Equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	4,881	167
	4,881	**167**

16. Assets Held for Sale

The remaining land inside the Heavy Industrial Zone at Aliaga, Turkey is classified as held for sale. The carrying cost of US$260k (YTL 984k) has been applied, being the lower of cost and net realisable value.

The Group's interest in the VRUP is classified as held for sale following the decision to sell its 8% investment in ZOCV. The carrying cost of US$1,243k has been applied, being the lower of cost and net realisable value.

17. Trade and Other Payables

	2017 $'000	2016 $'000
Current		
Trade payables	16	32
Taxation and social security	21	7
Accruals	66	53
Other payables	–	35
	103	**127**
Non-Current		
Other payables	50	50
	50	**50**

18. Loans and Borrowings

	2017 $'000	2016 $'000
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. These were re-negotiated in April 2016, with the term extended to February 2020 (see note 19), but repaid in full on 25 January 2017, including unpaid interest accruing from August 2016 at 10%.

The Loan Notes were secured against the shares in ZincOx Anadolu Cinko SVTAS, the Company's wholly owned subsidiary that owns the freehold land held at Aliaga, Turkey. This security was released on 25 January 2017, when the Loan Notes were repaid. The warrants, however, were not cancelled at this date and remain in place.

19. 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 of shares	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Total $'000
Ordinary shares in issue 1 January 2016	189,913,419	46,679	185,590	–	232,269
103,466,716 deferred shares at 24 pence	103,466,716	43,461	–	–	43,461
189,913,419 ordinary shares at 1 pence	189,913,419	3,218	185,590	–	188,808
Ordinary shares issued	50,500,000	730	(26)	–	704
Deferred shares at 24 pence cancelled	(103,466,716)	(43,461)	–	43,461	–
Ordinary shares in issue at 31 December 2016 and 2017	**240,413,419**	**3,948**	**185,564**	**43,461**	**232,973**

The share capital reserve at 31 December 2017 stated at its historical value in its nominal currency of GBP, is £2,404k (period to 31 December 2016: £2,404k).

The directors have reconsidered the historic exchange rates used when reporting the equity of the Company and the Group. They have reviewed the 2013 issue of deferred shares and considered that a fairer and more appropriate value of the share capital account, as presented in US Dollars, would be to reclassify an amount of US$2,935k from share capital to the capital redemption reserve. This has no impact on the reported result or total equity in prior years, although the adjusted comparative amounts by equity component have been reflected in these Financial Statements.

The Company's shares were suspended in 2016 and later, in 2017, were delisted from AIM, although they continued to be traded on Asset Match. The lowest and highest price traded for the Company's shares during the period were 0.45p and 0.70p respectively, and the share price at the end of the period was 0.70p.

Employee Related Share Options
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.

No options were issued in the year and none were exercised in either of the years to 31 December 2017 or 31 December 2016.

At 31 December 2017, there were options over 24,030,000 ordinary shares in the Company, 13,930,000 to directors and 10,100,000 to eligible persons. The options have a 10 year life expiring on 30 June 2026, exercisable three years from 30 June 2019, with an exercise price of each option is 1.6 pence.

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:

	2017		2016	
	Weighted Average Exercise Price (£ per share)	Outstanding Options (thousands)	Weighted Average Exercise Price (£ per share)	Outstanding Options (thousands)
At 1 January 2017	0.02	24,030	0.67	9,171
Granted	–	–	0.02	24,030
Cancelled	–	–	0.52	(8,017)
Lapsed	–	–	1.73	(1,154)
At 31 December 2017	**0.02**	**24,030**	**0.02**	**24,030**

The total charge for the period relating to employee share based payment plans was US$15k (2016: US$22k).

The vesting period for the options granted in 2016 was three years. There were no non-market performance conditions attached.

The volatility calculation used for the 2016 options was based on the Company's share price performance for the 100 days preceding the date of grant as this was felt to be more reflective of the current trend in share price performance. 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 (2016: nil) of the option fair values.

19. Share Capital (continued)

Share Warrants

On 1 May 2017, the Company granted five year warrants over 21,000,000 ordinary shares of the Company, 13,000,000 to directors and 8,000,000 to non-directors. These warrants expire on 30 April 2022 and can be exercised immediately at a price of 1 penny. The warrants were fair valued using the Black-Scholes model with the following input assumptions made.

- Share price at grant was 0.42p,
- Exercise price of 1p,
- Expected volatility of 50%,
- Warrant life of 5 years,
- Risk free interest rate of 0.48%, and
- Fair value per warrant of 0.0852p

On 29 April 2016, the Company re-issued warrants that were attached to the Loan Notes, over 9,450,000 ordinary shares of the Company, 1,327,500 to directors and 8,122,500 to other former subscribers of the Loan Notes, at an exercise price of 5 pence and an interest rate of 10% per annum. These warrants expire on 20 February 2020 and can be exercised immediately at a price of 5 pence. 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 either tranche of warrants and none were exercised in the year to 31 December 2017 (2016: none exercised or cancelled).

The total share based payment charge for the period relating to warrants was US$24k (2016: US$40k).

The number of shares which would have been in issue at the end of the period, had all options and warrants been exercised, was 294,893,419.

Capital Redemption Reserve

In 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.

20. Financial Instruments

The Group's policies and procedures for capital management and its objectives in managing the various risks associated with liquidity and funding, credit, foreign exchange and interest rate, are discussed in note 1.4 above. The specific risks and strategies to mitigate them are discussed within the Strategic Report on pages 4-5.

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.

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables	103	127	–	–	50	50	–	–
Borrowings	–	242	–	242	–	4,888	–	–
Totals	**103**	**369**	**–**	**242**	**50**	**4,938**	**–**	**–**

Credit Risk
The Group's principal financial assets are bank balances and cash, trade and other receivables, and financial asset investments, 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 does not have many counterparties and customers and as such, has a significant concentration of credit risk.

Foreign Exchange Risk
The Group held foreign currency financial assets of US$2,828k at 31 December 2017 (2016: US$6,485k) and financial liabilities of US$15k (2016: US$10k), translated into US Dollars at the closing rate, and spit as follows:

	2017 Financial Assets $'000	2017 Financial Liabilities $'000	2017 Exposure $'000	2016 Financial Assets $'000	2016 Financial Liabilities $'000	2016 Exposure $'000
EUR	4	15	(11)	–	10	(10)
USD	2,821	–	2,821	6,485	–	6,485
YTL	3	–	3	–	–	–

The main exposure is in ZincOx Resources Ltd where the functional currency is Pounds Sterling, yet significant financial assets are held in US Dollars, namely bank balances and cash.

Assuming a +/-5% change of the US Dollar-Sterling and US Dollar-Euro for the year ended 31 December 2017 (2016: 5%), the impact on both the net result and equity would have been as follows:

	2017 Net result for year $'000	2017 Equity $'000	2016 Net result for year $'000	2016 Equity $'000
EUR	(2)	(1)	(6)	–
USD	(164)	(194)	(28)	(308)

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.

Interest Rate Risk
The Group's exposure to interest rate risk in respect of the cash balances held with banks and other highly rated counterparties is negligible. If the interest rate the Group received had increased/decreased by 0.1 percent during the year, the net result for the year would have been increased/reduced by US$3k (2016: US$1k). 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. Their fair values are not considered to be materially different from their carrying values.

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

20. Financial Instruments (continued)

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

2017	Weighted Average Effective Interest Rate	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non-interest bearing $'000	Total $'000
Assets					
Investments		–	–	1,012	1,012
Cash	0.22%	4,881	–	–	4,881
Trade and other receivables		–	–	305	305
Total Financial Assets		**4,881**	**–**	**1,317**	**6,198**
Liabilities					
Trade and other payables		–	–	(103)	(103)
Other non-current liabilities		–	–	(50)	(50)
Total Financial Liabilities		**–**	**–**	**(153)**	**(153)**
Net Financial Assets		**4,881**	**–**	**1,164**	**6,045**

2016	Weighted Average Effective Interest Rate	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non-interest bearing $'000	Total $'000
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**

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

2017	Cash $'000	Loans & Receivables $'000	Available for Sale $'000	Amortised Cost $'000	Total $'000
Assets					
Investments	–	–	1,012	–	1,012
Cash	4,881	–	–	–	4,881
Trade and other receivables	–	305	–	–	305
Total Financial Assets	**4,881**	**305**	**1,012**	**–**	**6,198**
Liabilities					
Trade and other payables	–	–	–	(103)	(103)
Other non-current liabilities	–	–	–	(50)	(50)
Total Financial Liabilities	**–**	**–**	**–**	**(153)**	**(153)**
Net Financial Assets/(Liabilities)	**4,881**	**305**	**1,012**	**(153)**	**6,045**

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**

Investments in 2017 relate to the Group's investment in 12,500,000 ordinary shares of Moxico Resources plc (see note 12).

21. Post Balance Sheet Events

Sale of interest in VRUP
On 16 April, 2018, the Company entered into a Sale and Purchase Agreement ("SPA") with Korea Zinc Company ("KZC") regarding the Company's interest in Zinc Oxide Corporation Vietnam ("ZOCV"), the company established to develop the Vietnamese Recycling and Upgrading Plant ("VRUP").

At the same time, the Company entered into a Technical Assistance and Marketing Support Agreement ("TAMSA") with ZOCV, to provide ongoing support for VRUP.

Under the SPA, KZC agreed to pay US$1,250,000 for its interest in ZOCV (initially 49% but diluted to 8% by the year end). Under the TAMSA, ZOCV agreed to pay US$1,184,210 as an up-front technical assistance fee plus a lump sum licence fee of US$500,000. In addition, ZOCV has agreed to pay US$284,210 per annum, for a period of eight years, commencing on commercial production from VRUP subject to availability of post-tax profits. Furthermore, it has agreed to pay a marketing support fee of US$2.84 per metric tonne of industrial quality zinc oxide chemical sold, payable for a period of five years from commercial production.

Corporate restructuring
On 4 May 2018, the Company held a shareholders General Meeting in which three special resolutions were passed approving the Company's re-registration to a private limited company, under the name 'ZincOx Resources Limited', with a new set of Articles of Association.

22. Segmental Analysis

Since the end of 2015, when the Group's recycling operation at KRP in Korea was discontinued, the Group has one primary business activity, namely recycling development.

Geographic information
The Group also splits its activities by geographical location 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 Resources Ltd (2017: US$0.6 million, 2016: US$0.2 million) and ZincOx Thailand Company Ltd (2017: US$ nil, 2016: US$0.4 million).

Within Group revenue, 100% is generated from Zinc Oxide Corporation Vietnam ("ZOCV"). For 2016, 99.7% of Group revenue is generated from Zinc Oxide Corporation (formerly ZincOx (Korea) Ltd) a customer of both ZincOx Thailand Company Ltd and ZincOx Resources Ltd.

The carrying amount of non-current assets, excluding deferred tax assets, is US$1,014k (2016: US$6,397k). These have a geographical analysis of the United Kingdom, the area in which the assets have been recorded.

Independent Auditor's Report

To the members of ZincOx Resources Ltd

Opinion

We have audited the Financial Statements of ZincOx Resources Ltd for the year ended 31 December 2017 which comprise the parent Company Balance Sheet, the parent Company Statement of Changes in Shareholders' Equity and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 8, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

4 June 2018

Company Balance Sheet

As at 31 December 2017

	Notes	2017 $'000	2016 $'000
Fixed Assets			
Tangible assets	C4	2	2
Investments	C5	2,344	6,477
		2,346	**6,479**
Current Assets			
Debtors due within one year	C6	176	39
Debtors due after one year	C6	–	1,858
Restricted cash		–	12
Cash at bank and in hand		4,405	142
		4,581	2,051
Creditors – amounts falling due within one year	C7	(82)	(69)
Net Current Assets		**4,499**	**1,982**
Total Assets less Current Liabilities		**6,845**	**8,461**
Creditors – amounts falling due after one year	C7	(58)	(4,901)
Net Assets		**6,787**	**3,560**
Capital and Reserves			
Share capital	19	3,948	3,948
Share premium	19	185,564	185,564
Capital redemption reserve	19	43,461	43,461
Profit and loss account		(183,992)	(186,797)
Foreign currency reserve		(42,194)	(42,616)
Equity Shareholders' Funds		**6,787**	**3,560**

The Company reports a profit of US$2,767k (2016: loss of US$6,602k) for the financial year.

Approved by the directors on 4 June 2018.

Donald McAlister
Director

Company registration number: 3800208

The notes to the Financial Statements form an integral part of these Financial Statements.

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Foreign exchange reserve $'000	Retained losses $'000	Total equity $'000
Balance at 1 January 2016	**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	(43,461)	–	43,461	–	–	–
Transactions with owners	**(42,731)**	**(26)**	**43,461**	–	**62**	**766**
Loss for the year	–	–	–	–	(6,602)	(6,602)
Other comprehensive (expense) / income items that will be subsequently reclassified to profit or loss						
Exchange differences on translating foreign operations	–	–	–	(1,167)	1,208	41
Total comprehensive expense for the year	**–**	**–**	**–**	**(1,167)**	**(5,394)**	**(6,561)**
Balance at 31 December 2016	**3,948**	**185,564**	**43,461**	**(42,616)**	**(186,797)**	**3,560**
Share based payments	–	–	–	–	38	38
Transactions with owners	**–**	**–**	**–**	**–**	**38**	**38**
Profit for the year	–	–	–	–	2,767	2,767
Other comprehensive income items that will be subsequently reclassified to profit or loss						
Exchange differences on translating foreign operations	–	–	–	422	–	422
Total comprehensive income for the year	**–**	**–**	**–**	**422**	**2,767**	**3,189**
Balance at 31 December 2017	**3,948**	**185,564**	**43,461**	**(42,194)**	**(183,992)**	**6,787**

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 to the Financial Statements form an integral part of these Financial Statements.

C1. 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.

(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.

With the exception of items (iv) and (v) above, which are carried at fair value and amortised cost respectively, the Financial Statements have been prepared on the historical cost basis.

Going Concern

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.

C2. Profit/(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 profit for the Company was US$2,767k translated at an average monthly rate for the year of 1.28924 US$/£ (2016: loss of US$6,602k translated at an average monthly rate for the year of 1.36548 US$/£).

The average monthly number of employees of the Company (including directors) during the year was 5 (2016: 6) and their aggregate remuneration comprised:

	2017 $'000	2016 $'000
Wages and salaries	391	339
Social security costs	39	32
Other pension costs	4	11
	434	**382**

C3. Operating Loss

The auditors' remuneration for audit services to the Company was US$10,000 translated at an average monthly rate for the year of 1.28924 US$/£ (2016: US$10,000 translated at an average monthly rate for the year of 1.36548 US$/£).

C4. Tangible Assets

	Land & Buildings $'000	Plant & Machinery $'000	Fixtures & Fittings $'000	Computer Equipment $'000	Total $'000
Cost					
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 1 January 2017	–	–	–	3	3
Additions	–	–	–	1	1
At 31 December 2017	**–**	**–**	**–**	**4**	**4**
Depreciation					
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 1 January 2017	–	–	–	1	1
Charge for the year	–	–	–	1	1
At 31 December 2017	**–**	**–**	**–**	**2**	**2**
Net Book Value					
At 31 December 2017	**–**	**–**	**–**	**2**	**2**
At 31 December 2016	–	–	–	2	2

C5. Investments

	Financial assets $'000	Associates $'000	Joint operation $'000	Subsidiaries $'000	Total $'000
Cost					
At 1 January 2016	6,465	–	95	271	6,831
Disposals	(58)	–	–	(144)	(202)
Foreign exchange	(12)	–	(16)	(45)	(73)
At 1 January 2017	6,395	–	79	82	6,556
Additions	1,012	1,300	–	–	2,312
Share of loss of associate	–	(4)	–	–	(4)
Disposals	(7,895)	–	–	–	(7,895)
Other gains transferred to profit and loss	1,564	–	–	–	1,564
Foreign exchange	(64)	(53)	8	7	(102)
At 31 December 2017	**1,012**	**1,243**	**87**	**89**	**2,431**
Impairment Provisions					
At 1 January 2016	–	–	–	173	173
Impairment provisions (net of reversals)	–	–	88	–	88
Released on disposals	–	–	–	(144)	(144)
Foreign exchange	–	–	(9)	(29)	(38)
At 1 January 2017	–	–	79	–	79
Foreign exchange	–	–	8	–	8
At 31 December 2017		**–**	**87**	**–**	**87**
Net Book Value					
At 31 December 2017	**1,012**	**1,243**	**–**	**89**	**2,344**
At 31 December 2016	6,395	–	–	82	6,477

Financial Assets

In January 2017, the Company sold its 8.74% interest in Zinc Oxide Corporation (formerly ZincOx (Korea) Ltd) to Korea Zinc Company ("KZC") for US$7.9 million, generating a gain of US$1,564k which was credited to profit and loss in the year.

The Company invested US$1,012k in Moxico Resources plc through the subscription of 12,500,000 ordinary shares at 6 pence per ordinary share (£750k). This asset was acquired on 6 November 2017 and the directors consider that there has been no material change to its value at the year end.

Joint operation

The Company has revalued its investment with Ural Recycling Ltd, an unincorporated joint operation, to US$ nil as no significant progress was being made on this project.

Associates

Under IAS 28 'Investments in Associates and Joint Ventures', the Company held significant influence up until 15 December 2017, over Zinc Oxide Corporation Vietnam ("ZOCV"), a Vietnamese entity that was set up at the end of 2016 to develop the Vietnam Recycling and Upgrading Plant ("VRUP"). An amount of US$1.2 million was initially invested in the shares of ZOCV, on behalf of the Company by KZC, following a compensation payment from them in recognition of the Company developing the VRUP business opportunity acquiring. This secured a 49% interest in ZOCV and is recorded in Other Gains at its retranslated amount of US$1.3 million.

Whilst the Group had no obligation to fund the project during the Definitive Development Study ("DDS") it did initially have the power to participate in the financial and operating policy decisions of ZOCV. The Company therefore adopted the equity method of accounting for VRUP recognising a share of assets, liabilities, revenues and expenses of ZOCV in its Financial Statements.

Towards the end of 2017, as the DDS was nearing completion, the directors of the Company saw an opportunity to generate cash and add value to shareholders by selling its 49% share of ZOCV, and therefore actively sought to find a buyer for its 49% interest. The carrying value of US$1,243k was therefore reclassified in the Group balance sheet as an asset held for sale under IFRS 5 'Non-Current Assets Held for Sale', but remains an investment in associate on the Company balance sheet.

On 15 December 2017, the Company's 49% interest in ZOCV was diluted down to 8%, as it opted not to contribute any further investment to VRUP. At the year end, the Company's investment of US$1,243k represented its 8% interest in ZOCV. The Company lost significant influence over VRUP at this point.

Interest in Subsidiary Undertakings

On 9 June 2017, 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 2017, all of which are included in the consolidated Financial Statements. Except for 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
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 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.

C6. Debtors

	2017 $'000	2016 $'000
Due within one year		
Trade debtors	49	–
Deposits	7	–
VAT	17	24
Other debtors	89	–
Prepayments	14	15
	176	**39**
Due after one year		
Amounts owed by Group undertakings	–	1,858
	–	**1,858**

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. At 31 December 2017 impairment provisions stood at US$4.3 million (2016: US$1.8 million)

C7. Creditors

	2017 $'000	2016 $'000
Amounts falling due within one year		
Trade creditors	7	21
Taxation and social security	22	7
Accruals	53	41
	82	**69**
Amounts falling due after one year		
Amounts owed to Group undertaking	58	53
Loan Notes	–	4,848
	58	**4,901**

Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of ZincOx Resources Limited (the "**Company**") will be held at the offices of Eversheds Sutherland, One Wood Street, London, EC2V 7WS at 12.30pm on Thursday 28 June 2018, 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 2017 together with the Auditors' Report.
2. To re-elect Andrew Woollett as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association.
3. To re-elect Gautam Dalal as a director of the Company retiring by rotation, in accordance with Article 106 of the Company's articles of association.
4. To 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. Resolution 5 will be proposed as an ordinary resolution:

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 £801,378 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 resolutions which will be proposed as special resolutions:

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:

   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 (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. **THAT**, the share premium account of the Company be and the same is hereby reduced by £100,680,430 to £0 and the capital redemption reserve of the Company be and the same is reduced by £24,832,012 to £0 and the sums so reduced be applied to eliminate accrued losses on the P&L account and the remainder to be credited as a distributable reserve.

Registered Office:
Suite 4
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High Street
Hartley Wintney
Hampshire
RG27 8NW

By Order of the Board

Wynter Bee Consulting Ltd
Corporate Company Secretary

4 June 2018

Notes

Any member entitled to attend and vote at the Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and, in the event of a poll, to vote instead of the member. Shareholders will receive a Form of Proxy with this document. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting, or any adjournment thereof, in person.

In order to be valid, any Form of Proxy and a power of attorney or other authority under which it is signed must reach the Company's Registrar, Link Market Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU by 12.30pm on 26 June 2018, not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the Annual General Meeting and in default will not be treated as valid. Alternatively, Shareholders may submit their proxy votes electronically using the Share Portal service at www.signalshares.com.

Shareholders requiring any assistance should call Link Market Services on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Please note that Link Market Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. Link Market Services 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 26 June 2018. 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 Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those Shareholders registered in the register of members of the Company as at close of business on 26 June 2018 (or if the Annual General Meeting is adjourned, Shareholders registered in the register of members of the Company not later than 48 hours excluding any part of a day which is a non-working day, before the time fixed for the adjourned Annual General Meeting) shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after the relevant times 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 4 June 2018, the last practicable day before distributing 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.

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 16 June 2017. Section 551 of 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 £801,378, 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 2019 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 2019 and (ii) 15 months from the date of Resolution 6 being passed.

Forward Looking Statements

The Chairman's Statement, Strategic Report and the Directors' 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.

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