Annual Report & Accounts 2018

ZincOx Resources Limited

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

2018

- Sale of VRUP to KZC for US$2.86 million net of tax, plus potential future payments
- Corporate restructure to a 'Limited' company
- Repurchase of 118.0 million ordinary shares for US$3.8 million (£2.9 million)
- Shares in issue reduced to 122.5 million ordinary shares

Post Year End

- Formation of ZincOx Spain SL to facilitate the development of the SFC

Chairman's Statement

> Over the past eighteen months, we have made great progress in simplifying the structure and balance sheet of the Company and have placed it on a firm financial footing.

Dr Rod Beddows, Chairman.

2018 has seen a major corporate restructuring of ZincOx that has simplified the Company, rationalised the balance sheet and enabled your management team to concentrate on the generation of new recycling projects. It is, therefore, in a strong position to create substantial value for shareholders over the coming year.

At the end of 2017 we had completed the definitive development study for the Vietnamese Recycling and Upgrading Plant ("VRUP"). This is the first plant designed to operate on a no solid waste solution for the treatment of Electric Arc Furnace Dust ("EAFD"). This study was undertaken in a joint venture with Korea Zinc Company Limited ("Korea Zinc" or "KZC") (51%) in which ZincOx (49%) were the managers of the work in the pre-construction phase. The development cost of the plant was estimated to be US$124 million, of which ZincOx were responsible for its 49% share. The Board considered various financing options, but raising new equity for a minority position in such a large project with various operational risks was found to be extremely challenging and so we decided it would be preferable to sell our interest in this project and concentrate on generating new projects in which we could maintain a controlling interest.

In April 2018, Korea Zinc and its subsidiary, Zinc Oxide Corporation Korea, agreed to purchase our shares in Zinc Oxide Corporation Vietnam, the Vietnamese company holding VRUP, for US$2,861,710. Once the plant is in operation and profitable, additional payments will be due to ZincOx for technical support services of up to US$284,210, 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. The latter fee is expected to amount to about US$85,000 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. Sites in Spain and Japan have now been identified and the projects are being vigorously pursued. Both plants will have a capacity of 100,000 tonnes per annum and this allows a "cookie-cutter" approach to their design, thus reducing the time and cost of basic engineering. There are many different aspects to the completion of definitive development studies for these projects of which EAFD supply contracts and environmental permitting are probably the most critical elements, both of which are difficult to predict. It will still probably be several months before we know if either of these projects can be developed, however we remain optimistic that at least one of these will have advanced to a point at which it will be ready for development by the end of this year.

Towards the beginning of 2018 it became clear that, given the cash received from the sale of VRUP, the Company would still have excess cash after completing the studies on the Spanish and Japanese projects. If these studies are positive and if we are to maintain a meaningful interest in the development of the projects we will need to raise very substantial sums of new equity, in which case the outstanding cash resources will be relatively insignificant. Alternatively, if the projects are sold outright, no further cash will be required.

The Board decided that some of the Company's cash should be returned to shareholders. In order to enable this action we had to substantially restructure the Company. As restructuring is an expensive and time-consuming process for a public limited company, it was decided to convert the Company to a private limited company. This conversion was approved by a General Meeting of the shareholders held on 4 May 2018 and restructuring of the balance sheet was approved at the Annual General Meeting held on 28 June 2018.

Following the restructuring, we felt the best way to return the excess cash to shareholders was through a share buy-back of up to 50% of the issued shares in the Company at a price of 2.5p per share. A Tender Offer for 50% of the issued share capital was made on 23 July 2018. Under the terms of the buy-back, if any shareholders did not take up their rights, other shareholders could elect to sell more than their 50% entitlement. This was indeed the case and following shareholder approval, approximately 98% of the Tender Offer Shares available were repurchased by the Company and immediately cancelled on 4 September 2018. As a result of the buy-back the number of shares in issue was reduced by approximately half, from 240 million to 122 million at a cost of approximately £2.9 million.

In November 2017, the Company purchased 12.5 million shares at 6 pence per share in Moxico Resources plc ("'Moxico") for a cost of £750,000. Moxico has interests in a number of copper exploration projects in Zambia, the most advanced of which, is Mimbula, a near surface resource amounting to over 60 million tonnes of ore at 1.18% copper. Moxico has reported very encouraging results from the geological and process design work at the Mimbula deposit. It has recently raised further sums which will be used to fast-track a first phase of development at Mimbula, where production is scheduled for the second quarter of 2020. At that time Moxico intends to list its shares on a major stock market.

While we had hoped that Moxico would have listed its shares more quickly than will now be the case, we are delighted with the appreciation in the share price, and excited by the progress reported at Mimbula and the other prospects being explored elsewhere in Zambia.

Over the past eighteen months, we have made great progress in simplifying the structure and balance sheet of the Company and have placed it on a firm financial footing. The management is able to focus on its very clear strategy and the Board is confident that this, together with the value being created by Moxico, will have a good chance of adding significant value to the Company over the next year.

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

23 May 2019

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 2018. 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 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 a Rotary Heath Furnace ("RHF"). The zinc forms a unique high quality zinc oxide concentrate ("HZO"), an iron intermediate product ("ZHBI"). This means that there will be no solid waste entering landfill.

The ZHBI can be further processed into pig iron and a clean slag that can be used by the cement industry. It has recently been demonstrated that the exceptional quality of the HZO will enable it to be upgraded to a zinc oxide chemical. 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

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 nine 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 Joint Venture Agreement ("JVA") with KZC in January 2017 and sale of our interest in April 2018, as referred to in the Chairman's Statement.

New Recycling Plants

The Company is actively pursuing the concept of developing new recycling plants in Spain and Japan. This work involves the identification of suitable plant sites, negotiations for EAFD supply contracts, basic engineering to enable a detailed costing of the development of the plants and the necessary environmental and other permitting.

Investments

Moxico Resources plc

Moxico Resources plc is a junior British exploration and mining company focused on copper in Zambia. Moxico intends to list its shares on a recognised stock market in 2020. ZincOx holds an interest (12,500,000 shares) in Moxico which it acquired in 2017 at a price per share of 6p. In December 2018, Moxico raised £10m at a share price of 12p.

Moxico's main asset is the 85% owned Mimbula Copper deposit located on Zambia's copper belt. The deposit hosts a JORC compliant Inferred Mineral Resource of 61.5 million tonnes, at a copper grade of 1.18% (containing 725,700 tonnes of copper). Moxico has commenced a drilling programme designed to increase both the grade and tonnage and to improve resource confidence.

Moxico's development plan for Mimbula is based on a staged approach, initially generating cash flow from material in surface stockpiles with plant capacity being filled from in situ material. Production from this phase is expected to commence in the first half of 2020. Phase 2 will focus on the large in situ orebody and a feasibility study into this large-scale development is expected in 2020.

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$194k (2017: US$4,339k).

The directors took the decision to discontinue any activity in further developing the Vietnam Recycling and Upgrading Plant ("VRUP") towards the end of 2017.

In April 2018, the Group received US$2.86 million from the sale of its 8% interest in VRUP. This comprised US$1.25 million for the disposal of the Company's shares held in Zinc Oxide Vietnam Company ("ZOCV"), to Korea Zinc Company Ltd ("KZC") under the terms of a Sale and Purchase Agreement, plus US$1.61 million under the terms of a Technical Assistance and Marketing Support Agreement ("TAMSA") with KZC.

Furthermore, the Group is entitled, depending on the success of the operation, to further payments in the future of 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 approximately US$85k per annum. Production at VRUP had not yet commenced at the end of 2018.

The Group generated no other income during the year (2017: US$582k).

The Group holds 12,500,000 shares in Moxico Resources plc which were purchased at a cost of £750k (US$1,012k). These have been fair valued in the Financial Statements at 12 pence per share, the price at which Moxico raised funds in December 2018. The resultant increase of £750k (US$952k) has been shown as a gain on revaluation though other comprehensive income. 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.

Share Buy-back

Following the General Meeting on 4 September 2018, the Company repurchased 118 million of its own shares at a price of 2.5 pence per share and immediately cancelled them.

Funding and Going Concern

The Group's cash position at the year-end was US$1,960k. The directors regularly monitor the Group's cash position and believe, having considered the Group's available opportunities to raise cash, that the Company and Group remain a going concern and these Financial Statements have been prepared on that basis.

Liquidity

The cash funds of the Group at 31 December 2018 were US$1,960k (2017: US$4,881k). These cash funds were held in a range of currencies at the year end, the most significant of which were US$250k (2017: US$2,680k), £1,208k (2017: £1,274k) and TRY 828k (2017: TRY 1,792k).

Environmental, Health, Safety & Quality

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

Risks

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

Financial risks

- Zinc price movement and associated volatility will affect the profitability of future projects,
- Zinc price movements will affect the amount of finance which may be available for the development of other projects within the Group. Any decline in zinc prices will therefore have an

adverse impact on the business. No hedging is currently undertaken to mitigate this risk,
- Foreign exchange risk. The Group's overseas assets and planned projects will be subject to movements in exchange rates which will affect their value and profitability. Exchange rate movements are regularly monitored by management. No hedging of currencies is currently undertaken,
- Cost inflation is managed by reviewing alternative suppliers where appropriate,
- Insurances may not cover all liabilities. Insurance policies are held both at the Group level and at the project level and are reviewed annually, and
- The Group could be adversely affected if joint venture partners are unable or unwilling to perform their obligations.

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 19 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,
- 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, and
- The success of Group's present strategy of developing and packaging Zinc recycling projects with a view to selling or constructing those projects depends on the availability of finance or the ability to find a buyer of those projects.

On behalf of the Board

Andrew Woollett
Chief Executive

23 May 2019

Directors

Rod Beddows
Non-Executive Chairman

Rod Beddows has over 35 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. 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 25 years of 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

Wynter Bee Consulting Limited

Registered Company Number

3800208

Registered Office

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Auditors

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Solicitors

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Registrars

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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 2018.

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.

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 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 2018 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 two 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 twice during 2018.

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 2018.

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 over its issued share capital 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, Rod Beddows and Donald McAlister retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Rod Beddows entered into a service agreement with the Company on 25 February 2008. This agreement can be terminated on three months' notice. Donald McAlister entered into a letter of appointment with the Company on 17 July 2016. This appointment can be terminated on three months' notice.

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

	31 December 2018		1 January 2018 or subsequent date of appointment	
	Ordinary Shares at £0.01	Options	Ordinary Shares at £0.01	Options
Andrew Woollett*	7,780,152	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***	–	2,400,000	1,589,920	2,400,000
Donald McAlister	–	2,400,000	–	2,400,000
Total	**9,102,652**	**13,930,000**	**10,505,992**	**13,930,000**

* *800,000 of the ordinary shares are registered in the joint names of Andrew Woollett & his family, 429,108 are held in his pension fund and a further 281,160 and 578,000 shares are held solely by his family.*

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

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

In addition, as at 31 December 2018, 1,500,000 warrants are held by Rod Beddows (2017: 1,500,000) 10,693,750 warrants are held by Andrew Woollett (2017: 10,693,750), 1,500,000 warrants are held by Donald McAlister (2017: 1,500,000), and 2,625,000 warrants are held by Gautam Dalal (2017: 2,625,000). Full details are provided in note 17.

On 2 April 2019, Gautam Dalal exercised his 1,500,000 warrants and immediately gifted them to his adult children.

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 2018.

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 Strategic Report.

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 19 to the Financial Statements.

Substantial Shareholdings

As at 23 May 2019, 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	21,071,160	17.00
Harold N McCawley	10,416,406	8.40
Andrew Woollett	7,780,152	6.28
Graham Hazell	5,204,311	4.20
Teck Resources Limited	5,049,759	4.07
Ian Tanner	4,432,059	3.58

Post Balance Sheet Events

The post balance sheet events are covered in detail in note 20 to the Financial Statements.

Auditor

Crowe U.K. 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

23 May 2019

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 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders' Equity and notes 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.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's 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.

Use of our report

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.

Richard Baker
Senior Statutory Auditor
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Reading

23 May 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Continuing operations			
Revenue	21	–	582
Cost of sales		–	(476)
Gross profit		**–**	**106**
Operating costs net of gains and impairments	3	(1,161)	(1,276)
Operating loss	2	**(1,161)**	**(1,170)**
Analysed as:			
Gross profit		–	106
Administrative expenses		(1,175)	(747)
Foreign exchange gain/(loss)		2	(534)
Underlying operating loss		**(1,173)**	**(1,175)**
Impairment reversals		12	5
Operating loss		**(1,161)**	**(1,170)**
Finance income	6	42	6
Finance costs	6	–	(35)
Loss before tax		**(1,119)**	**(1,199)**
Taxation	7	(115)	(127)
Loss for the year from continuing operations		**(1,234)**	**(1,326)**
Discontinued operations			
Profit for the year from discontinued operations	9	1,428	5,665
Net profit		**194**	**4,339**
From continuing and discontinued operations			
Basic and diluted profit per ordinary share (cents)	8	0.09	1.80
Adjusted profit per ordinary share (cents)*	8	0.19	1.80
From continuing operations			
Basic and diluted loss per ordinary share (cents)	8	(0.57)	(0.55)
Adjusted loss per ordinary share (cents)*	8	(0.58)	(0.55)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 $'000	2017 $'000
Profit for the year	**194**	**4,339**
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	(503)	55
Items that will not be reclassified to profit or loss		
Gain on revaluation of financial asset	952	–
Total comprehensive income for the year	**643**	**4,394**

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

Consolidated Balance Sheet

As at 31 December 2018

	Notes	2018 $'000	2017 $'000
Assets			
Non-Current Assets			
Intangibles	10	599	–
Property, plant & equipment	11	1	2
Investments	12	1,904	1,012
		2,504	1,014
Current Assets			
Trade and other receivables	13	35	305
Cash and cash equivalents	14	1,960	4,881
		1,995	5,186
Assets held for sale	15	–	1,503
Total Assets		**4,499**	**7,703**
Liabilities			
Current Liabilities			
Trade and other payables	16	(131)	(103)
		(131)	(103)
Non-Current Liabilities			
Trade and other payables	16	–	(50)
		–	(50)
Total Liabilities		**(131)**	**(153)**
Net Assets		**4,368**	**7,550**
Equity			
Share capital	17	2,011	3,948
Share premium	17	–	185,564
Capital redemption reserve	17	1,937	43,461
Fair value reserve	18	952	–
Retained losses		(15,970)	(200,268)
Foreign exchange reserve		15,438	(25,155)
Total Equity		**4,368**	**7,550**

Approved by the directors on 23 May 2019

Donald McAlister
Director

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

Consolidated Cash Flow Statement
For the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Loss before taxation due to continuing operations		(1,119)	(1,199)
Profit before taxation due to discontinued operations	9	1,428	5,665
Profit before taxation		309	4,466
Adjustments for:			
Depreciation and amortisation		2	1
Interest received		(42)	(6)
Interest expense		–	35
Impairment reversal of trade and other receivables		(12)	(5)
Impairment of assets held for sale		209	–
Share-based payments		16	38
Increase/(decrease) in trade and other payables		53	(35)
Decrease/(increase) in trade and other receivables		246	(111)
Foreign exchange (gains)/losses		(2)	534
Gain due to loss of operational control of subsidiary		(21)	–
Share of loss of associate		–	4
Other gains		(1,629)	(5,667)
Cash used in operations		**(871)**	**(746)**
Interest paid		–	(35)
Tax paid		(115)	(127)
Net cash flow used in operating activities		**(986)**	**(908)**
Investing activities			
Net proceeds from disposal of assets		2,862	11,600
Cash disposed of with loss of operational control of subsidiary		(11)	–
Release of restricted cash		–	12
Purchase of intangible assets		(599)	–
Purchase of property, plant and equipment		(1)	(1)
Investment in financial assets		–	(1,012)
Interest received		42	6
Net cash generated from investing activities		**2,293**	**10,605**
Financing activities			
Repayment of borrowings		–	(5,317)
Purchase of own shares		(3,841)	–
Net cash used from financing activities		**(3,841)**	**(5,317)**
Net (decrease)/increase in cash and cash equivalents		**(2,534)**	**4,380**
Cash and cash equivalents at start of year		4,881	167
Exchange differences on cash and cash equivalents		(387)	334
Cash and cash equivalents at end of year		**1,960**	**4,881**

The above cash flows aggregate those from continuing and discontinued operations. Separate disclosure has been made in note 9 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 2018

	Share capital $’000	Share premium $’000	Capital redemption reserve $’000	Fair value reserve $’000	Foreign exchange reserve $’000	Retained losses $’000	Total equity $’000
Balance at 1 January 2017	**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**
Share-based payments	–	–	–	–	–	16	16
Capital restructure	–	(185,564)	(43,461)	–	41,096	187,929	–
Buy back of share capital	(1,937)	–	1,937	–	–	(3,841)	(3,841)
Transactions with owners	**(1,937)**	**(185,564)**	**(41,524)**	**–**	**41,096**	**184,104**	**(3,825)**
Profit for the year	–	–	–	–	–	194	194
Gain on revaluation of financial asset investments	–	–	–	952	–	–	952
Other comprehensive income items that will be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations	–	–	–	–	(503)	–	(503)
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**952**	**(503)**	**194**	**643**
Balance at 31 December 2018	**2,011**	**–**	**1,937**	**952**	**15,438**	**(15,970)**	**4,368**

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 and financial asset investments.

Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2018. 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.

Application of new and revised IFRS's

New and revised standards and interpretations applied

The following new and revised Standards and Interpretations have been issued and are effective for the current financial year of the Group.

IFRS 9 '*Financial Instruments*' took effect from 1 January 2018 and has been adopted for the year ended 31 December 2018 using the full retrospective method. The Group has reassessed the classification and measurement of financial instruments and this has not given rise to any changes except that financial assets previously classified as 'loans and receivables' under IAS 39 are now presented as 'financial assets at amortised cost' in the Financial Statements. As the effect of adopting IFRS 9 is immaterial to the Group, no opening statement of financial position as at 1 January 2017 has been presented.

IFRS 15 '*Revenue from Contracts with Customers*' also took effect from 1 January 2018 and has been adopted for the year ended 31 December 2018 using the full retrospective method. The revenue recognition accounting policy applied prior to adoption of IFRS 15 by the Group is consistent with the requirements of IFRS 15, and therefore adoption of the standard has not affected amounts recognised in the current or comparative periods.

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Standard or interpretation	Effective for annual periods commencing on or after
IFRS 2 (amendments) Share-Based Payments	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IAS 40 (amendments) Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to IFRSs: 2014–2016 cycle in respect of IFRS 1 and IAS 28	1 January 2018

New and revised standards and interpretations in issue but not yet effective

Standard or interpretation	Effective for annual periods commencing on or after
IFRS 9 (amendments) Prepayment Features with Negative Compensation	1 January 2019
IFRS 16 Leases	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019*
IAS 28 (amendments) Investments in Associates and Joint Ventures	1 January 2019*
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Annual Improvements to IFRSs: 2015–2017 cycle	1 January 2019*
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020*
IFRS 17 Insurance Contracts	1 January 2021*

1. Accounting Policies (continued)

Standards and amendments marked with an asterisk (*) have not yet been endorsed for use in the EU and will not be adopted until such time as endorsement is confirmed.

The directors do not expect IFRS 16 '*Leases*' 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.

For all of the other standards and amendments listed above, the directors do not expect any material impact.

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 typically receives sales revenues 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 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.

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$2.0 million), the forecast expenditure and discretionary nature of much of that expenditure, along with available opportunities to raise further cash, demonstrate that the Group can operate 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) Deferred Development Costs
In December 2018, the Group assessed the recognition and recoverability of its direct costs in progressing the Spanish Full Cycle ("SFC") and Japanese Full Cycle ("JFC") projects, comprising basic engineering, metallurgical testwork, environmental assessments, technical and in-country support as well as identifying a suitable site to build a full cycle facility.

These deferred development costs incurred against the SFC and JFC projects in the year, have been recognised in accordance with the provisions of IAS 38 as intangible assets. They can be reliably measured, and recoverability can be assessed with probable economic certainty, given the ongoing discussions with Korea Zinc around how best to maximise the value of these projects.

The directors consider these costs to have no foreseeable limit to their future expected economic life and have treated them as having an indefinite useful life and therefore not amortised.

If and when a decision to develop that project has been made, these costs will be transferred to property, plant and equipment.

(b) 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.

At the end of 2017, all previously recognised intangible assets, comprising knowledge of furnace technology and the upgrading of zinc oxide concentrate, had been fully impaired, due to there being no clear foreseeable future economic benefits to the Group. The interest in VRUP at the time did not justify a reversal of these previously impaired assets.

In December 2018, the Group capitalised US$599k of deferred development costs as discussed in note 1.3(a) above. The directors have assessed their future viability and expected future economic benefits to the Group, which show no indicator of impairment.

Asset held for sale
The remaining 9,638 m2 of land, held by ZincOx Anadolu Cinko SVTAS within the Heavy Industrial Zone at Aliaga, Turkey, was fully impaired in the year with an amount of US$209k being charged to the income statement. The land has been actively marketed for the last few years, and classified as an asset held for sale, but with very little interest from potential buyers and deteriorating economic and political factors in Turkey, the directors decided that the carrying cost should be fully impaired in the year.

Trade & other receivables
In addition, a part-reversal of an impairment amount of US$12k in respect of VAT receivable in Anadolu Cinko SVTAS, was credited to the Group income statement.

(c) Revaluation of Financial Asset Investments
The Group has fair valued its financial asset investment in Moxico Resources plc ("Moxico"), in line with the provisions of IFRS 9.

Whilst Moxico's shares are not listed on any public exchange, the most recent placing on 14 December 2018, allotted ordinary shares at 12 pence each, and therefore the Group's original investment in 12,500,000 ordinary shares of Moxico, purchased at 6 pence per share, has been revalued to reflect a price of 12 pence. A gain on revaluation of US$952k (equivalent to £750k) has been reported in the year as other comprehensive income within an undistributable fair value reserve.

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

In accordance with IFRS 9, a loss allowance is recognised on initial recognition of financial assets held at amortised cost, based on expected credit losses, and is remeasured annually with changes appearing in profit or loss. Where there has been a significant increase in credit risk of the financial instrument since initial recognition, the loss allowance is measured based on lifetime expected losses. In all other cases, the loss allowance is measured based on 12-month expected losses. For assets with a maturity of 12 months or less, including trade and other receivables, the 12-month expected loss allowance is equal to the lifetime expected loss allowance.

The Group's credit risk is primarily attributable to its other receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has few counterparties and no 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

As required by IFRS 15, the Group recognises revenue for the sale of goods when the relevant performance obligation is satisfied. The performance obligation is considered to be satisfied when the goods have been transferred to the customer and the customer has obtained control of that asset. Specifically, revenue from the sale of goods is recognised when title and the associated risks and rewards of ownership have passed to its customers.

Furthermore, the Group recognises revenue for the rendering of services when the relevant performance obligation is satisfied. The performance obligation is considered to be satisfied when the economic benefits associated with the transaction flow to the customer and that the stage of completion of any such transaction is clearly measurable.

Revenue is measured at the transaction price, being the fair value of the consideration received or receivable. The transaction price is reduced for estimated customer returns, rebates and other similar allowances.

1.6 Segmental Information

An operating segment is a component of the Group engaged in the 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.

1. Accounting Policies (continued)

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 1.26902 (2017: 1.34912 US$/£) year end rate where they relate to the Company or consolidated balance sheet and at 1.33473 (2017: 1.28924 US$/£) 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.

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 development costs are carried out on a project by project basis, with each project representing a potential single cash-generating unit. 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; and
(iii) substantive expenditure on further evaluation of the project is neither budgeted nor planned.

Furthermore, deferred development costs incurred in connection to the future development of zinc recycling projects are 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 development 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 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.

1.12 Discontinued Operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs upon disposal or when the criteria to be classed as held for sale, if earlier.

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 (FVTPL)
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 FVTPL.

Fair value through other comprehensive income (FVOCI)
These assets are carried in the consolidated balance sheet at fair value with changes in fair value recognised in other comprehensive income. The Group classifies its equity investments at FVOCI.

Financial assets at amortised cost
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 financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated balance sheet.

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and 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 (FVTPL)
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 Intangibles
Deferred development costs incurred on specific projects are only capitalised in accordance with IAS 38 when they can be reliably measured, and recoverability can be assessed with probable economic certainty. The directors review each project on a technical and commercial basis in line with the impairment testing noted in note 1.10. If it becomes evident that capitalised costs are unlikely to be recovered from future revenues, they are either amortised or an impairment provision is made. Costs incurred include appropriate technical and administrative overheads but not general overheads. Deferred development costs are carried at cost, less any impairment losses recognised.

In line with the provisions of IAS 38, capitalised development costs that have a finite life, are amortised over their useful economic life on a straight-line basis. Conversely, those capitalised development costs that have no foreseeable limit to their future expected economic benefits, are treated as having an indefinite useful life and are not amortised. Whether the costs are finite or indefinite, they are subject to the same impairment testing noted in note 1.10.

1. Accounting Policies (continued)

1.16 Property, Plant and Equipment
Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Property, plant and equipment are 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;

Computer Equipment	-	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 the directors' assessment of its recoverable value. The value of land is only tested when there is an indication of impairment. These revaluations are made once 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 fair value reserve except to the extent that any decrease in value in excess of the credit balance on the fair value reserve, or reversal of such a transaction, is recognised in profit or loss.

1.17 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 or (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).

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.

1.18 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.

	2018 $'000	2017 $'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	21
Fees payable to the Company's auditors for other services	–	2
Tax services	6	8
Fees payable to other external auditors for the audit of subsidiary accounts	2	1
Foreign exchange loss on monetary assets	–	534
Depreciation of owned property, plant and equipment	2	1
Operating leases	28	31
And after crediting:		
Foreign exchange gain on monetary assets	2	–

3. Operating Costs Net of Gains and Impairments

The table below relates to continuing operations only.

	2018 $'000	2017 $'000
Administrative costs (excluding depreciation/amortisation)	(1,173)	(746)
Impairment reversals	12	5
Foreign exchange gain/(loss)	2	(534)
Depreciation and amortisation	(2)	(1)
	(1,161)	**(1,276)**

4. Directors and Employees

The table below relates to continuing operations only.

	2018 $'000	2017 $'000
Wages and salaries	463	391
Social security costs	49	39
Pensions	4	4
Share-based payments on options (note 17)	16	38
	532	**472**

The monthly average number of persons employed by the Group (including directors) on continuing operations during the year was 5 (2017: 5).

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 remuneration.

In addition, an amount equivalent to US$47k (2017: US$34k) 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 (2017: nil).

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 (2017: nil).

4. Directors and Employees (continued)

An amount of US$10k has been charged to the income statement for the year (2017: US$23k) in respect of share-based payments on options for directors.

	Salary $'000	Other Benefits $'000	2018 Total Remuneration $'000	2017 Total Remuneration $'000
Andrew Woollett	293	14	307	210
Donald McAlister	40	–	40	45
Rod Beddows	27	–	27	26
Gautam Dalal	27	–	27	26
Totals	**387**	**14**	**401**	**307**

5. Related Party Transactions

The Company holds 1,250,000 shares in 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.

6. Finance Income/(Costs)

The table below relates to continuing operations only.

	2018 $'000	2017 $'000
Interest received	42	6
Interest paid	–	(35)
	42	**(29)**

7. Taxation

The information below relates to continuing operations only. The profit from discontinued operations (see note 9) of US$1,428k (2017: US$5,665k) is covered by losses and other reliefs.

There is tax charge on foreign operations for the year of US$115k (2017: US$127k).

The tax assessed for the year is lower than the weighted standard rate of tax in the UK of 19.00% (2017: 19.25%). The differences are explained as follows:

	2018 $'000	2017 $'000
Loss on ordinary activities before tax	(1,119)	(1,199)
Loss on ordinary activities multiplied by weighted standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(213)	(231)
Effect of:		
Disallowed expenses	73	14
Deferred tax assets not recognised	25	90
Current tax charge for the year	**(115)**	**(127)**

The Company has accumulated trading losses and excess management expenses of US$50.6m, equivalent to £39.9m (2017: US$51.2m, equivalent to £37.9m) and accelerated capital allowances of US$91k, equivalent to £72k (2017: US$117k, equivalent to £87k), which may shelter profits in the future at the, then prevailing corporation tax rate. The Company does not recognise these as deferred tax assets in the Financial Statements because their value is uncertain.

No provision for tax has been made on the unrealised investment in Moxico shares as the Company expects this to be covered by losses or other allowances.

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 obtained 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.

8. Profit/(Loss) per Share

Continuing and discontinued operations
The calculation of the profit per share is based on the profit attributable to ordinary shareholders of US$194k (2017: US$4,339k) divided by the weighted average number of shares in issue during the year of 204,864,175 (2017: 240,413,419).

An adjusted profit per ordinary share has been presented to exclude the impairment reversals made in the year of US$12k (2017: US$5k). It has been calculated based on adjusted profit attributable to ordinary shareholders of US$390k (2017: US$4,334k).

Continuing operations
The calculation of the loss per share from continuing operations is based on the loss attributable to ordinary shareholders of US$1,172k (2017: US$1,326k) divided by the weighted average number of shares in issue during the year of 204,864,175 (2017: 240,413,419).

An adjusted loss per ordinary share for the year has been presented to exclude the impairment reversals made in the year of US$12k (2017: US$5k). It has been calculated based on adjusted loss attributable to ordinary shareholders of US$1,184k (2017: adjusted loss of US$1,331k).

There is no dilutive effect of the share options in issue during 2018 and 2017.

9. Discontinued Operations

VRUP
The directors took the decision to discontinue any activity in further developing VRUP at the end of 2017. In April 2018, the Group's remaining 8% interest in the shares of ZOCV was sold for US$1,250k with further sums of US$1,612k received in respect of past technical assistance, which the directors deem to be consideration for the disposal transaction. In total, a consideration of US$2,862k was received for the disposal of the VRUP.

ZincOx Thailand Company Ltd
On 22 December 2018, the Group assigned its interest in the shares of ZincOx Thailand Company Ltd, a wholly owned subsidiary, to Mr Chakrit Sakunkrit, for a consideration of US$1. The result for ZincOx Thailand Company Ltd to 22 December 2018 has been included in the consolidated income statement and reported under discontinued operations for the year. A Group gain of US$21k on disposal of has also been included under discontinued operations for the year.

USA
Following the sale of assets of Big River Zinc in 2016, the directors agreed that there was no further requirement to keep the USA subsidiary companies, and as such, the results of Big River Zinc Corporation have been treated as a discontinued operation in the year. A Group gain of US$59k was reported in the year as a result of releasing previously held accruals and environmental provisions.

Turkish Land
Discontinued operations in 2017 relate to the loss of operational control of the Group's activities in Korea and Vietnam in addition to the disposal of land held in the Aliaga Heavy Industrial Zone in Turkey, where a further impairment of US$209k was made in the year.

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 profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2018 $'000	2017 $'000
Operating income net of gains and impairments	1,428	5,665
Operating profit (before and after tax)	**1,428**	**5,665**
Analysed as:		
Administrative (expenses)/income	(13)	2
Share of net loss of associate	–	(4)
Underlying operating loss	**(13)**	**(2)**
Other gains	1,629	5,667
Impairment provisions	(209)	–
Gain due to loss of operational control of subsidiary	21	–
Operating profit (before and after tax)	**1,428**	**5,665**

9. Discontinued Operations (continued)

Cash flows from discontinued operations

	2018 $'000	2017 $'000
Net cash inflows from operating activities	127	14
Net cash inflows from investing activities	2,851	11,600
Net cash inflows	**2,978**	**11,614**

10. Intangibles

	Deferred Development Costs $'000	Total $'000
Cost		
At 1 January 2017 and 2018	–	–
Additions	599	599
At 31 December 2018	**599**	**599**
Accumulated Amortisation		
At 1 January 2017 and 2018	–	–
Charge for the year	–	–
At 31 December 2018	**–**	**–**
Net Book Value		
At 31 December 2018	**599**	**599**
At 31 December 2017	–	–

11. Property, Plant & Equipment

	Computer Equipment $'000	Total $'000
Cost		
At 1 January 2017	3	3
Additions	1	1
At 1 January 2018	4	4
Additions	1	1
At 31 December 2018	**5**	**5**
Depreciation & Impairment Provisions		
At 1 January 2017	1	1
Charge for the year	1	1
At 1 January 2018	2	2
Charge for the year	2	2
At 31 December 2018	**4**	**4**
Net Book Value		
At 31 December 2018	**1**	**1**
At 31 December 2017	2	2

12. Investments

Financial Assets

The Group made an investment in 12,500,000 ordinary shares of Moxico Resources plc in November 2017 at 6 pence per share. The 2017 Financial Statements held this financial asset investment at a cost of £750k (equivalent to US$1,012k), as permitted by IAS 39.

With the implementation of IFRS 9, the Group's equity investment has now been fair valued at 12 pence per share, the price at which Moxico raised funds in December 2018. The fair value of the investment at 31 December 2018 is £1,500k (US$1,904k), with a resultant gain of £750k (US$952k) recognised through other comprehensive income.

Associates

Under IAS 28 '*Investments in Associates and Joint Ventures*', the Group 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").

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 Group 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 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 remained an investment in associate on the Company balance sheet (see note C6).

On 15 December 2017, the Group'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 Group's investment of US$1,243k represented its 8% interest in ZOCV. The Group lost significant influence over VRUP at this point.

On 16 April 2018, the Group disposed of its shares in ZOCV, for a consideration of US$1.25 million, by entering into a Sale and Purchase Agreement ("SPA") with Korea Zinc Company ("KZC"). Further sums of US$1.61 million were received in respect of past technical assistance under a Technical Assistance and Marketing Support Agreement ("TAMSA"). In total, a consideration of US$2.86 million was received for the disposal of the VRUP.

Joint operation

The Group is no longer pursuing its' previously written down investment with Ural Recycling Ltd, an unincorporated joint operation, and has formally disposed of it in the year for nil consideration.

The following table summarises the Group's investments.

	Financial assets $'000	Associates $'000	Joint operation $'000	Total $'000
Cost				
At 1 January 2017	6,395	–	79	6,474
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
Reclassified to assets held for sale	–	(1,243)	–	(1,243)
Foreign exchange	(64)	(53)	8	(109)
At 1 January 2018	1,012	–	87	1,099
Disposals	–	–	(81)	(81)
Fair value revaluation	952	–	–	952
Foreign exchange	(60)	–	(6)	(66)
At 31 December 2018	**1,904**	**–**	**–**	**1,904**
Impairment Provisions				
At 1 January 2017	–	–	79	79
Foreign exchange	–	–	8	8
At 1 January 2018	–	–	87	87
Released on disposals	–	–	(81)	(81)
Foreign exchange			(6)	(6)
At 31 December 2018	**–**	**–**	**–**	**–**
Net Book Value				
At 31 December 2018	**1,904**	**–**	**–**	**1,904**
At 31 December 2017	1,012	–	–	1,012

13. Trade and Other Receivables

	2018 $'000	2017 $'000
Current		
Trade receivables	–	48
Deposits	7	8
VAT	10	64
Advances	–	77
Other receivables	1	89
Prepayments	17	19
	35	**305**

14. Cash and Cash Equivalents

	2018 $'000	2017 $'000
Cash at bank and in hand	1,960	4,881
	1,960	**4,881**

15. Assets Held for Sale

Land inside the Heavy Industrial Zone at Aliaga, Turkey was classified as held for sale at the end of 2017 (US$260k) but was fully impaired at 31 December 2018.

The Group's interest in the VRUP was classified as held for sale at the end of 2017 (US$1,243k), and sold in April 2018.

16. Trade and Other Payables

	2018 $'000	2017 $'000
Current		
Trade payables	54	16
Taxation and social security	13	21
Accruals	59	66
Other payables	5	–
	131	**103**
Non-Current		
Other payables	–	50
	–	**50**

17. Share Capital

The shares of the Company are denominated in Pounds Sterling (1p per share) 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 of 1p per share in issue at 1 January 2017 and 2018	240,413,419	3,948	185,564	43,461	232,973
Capital restructure	–	–	(185,564)	(43,461)	(229,025)
Repurchase of ordinary shares	(117,958,855)	(1,937)	–	1,937	–
Ordinary shares in issue at 31 December 2018	**122,454,564**	**2,011**	**–**	**1,937**	**3,948**

The share capital reserve at 31 December 2018 stated at its historical value in its nominal currency of GBP, is £1,225k (2017: £2,404k).

The directors have used cumulative historic exchange rates for the capital restructure and repurchase of ordinary shares, when translating the capital and reserves of the Company and the Group.

The Company's shares are traded on Asset Match. The lowest and highest price traded for the Company's shares during the period were 0.66p and 3.00p respectively, and the share price at the end of the period was 3.00p.

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.

At 31 December 2018, 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 1.6 pence.

No options were issued in the year and none were exercised in either of the years to 31 December 2018 or 31 December 2017. The weighted average exercise price of all share options, as stated in their nominal currency, therefore remained at £0.02 per share.

The total charge for the period relating to employee share-based payment plans was US$16k (2017: US$15k).

No dividend is assumed in the calculation (2017: nil) of the option fair values.

Share Warrants

On 1 May 2017, the Company granted 5-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, 3,318,750 to directors and 6,131,250 to other former holders of the Loan Notes, at an exercise price of 5 pence. 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 or cancelled in the year to 31 December 2018 (2017: none exercised or cancelled).

The total share-based payment charge for the period relating to warrants was US$ nil (2017: US$24k).

The number of shares which would have been in issue at the end of the period, had all options and warrants been exercised, was 176,934,564.

Capital Redemption Reserve
In September 2018, the Company repurchased 117,958,855 Ordinary Shares with a nominal value of 1 penny, translated at an exchange rate of USD/$ 1.64233, being the cumulative historic rate for all share capital previously raised, with the corresponding amount of US$1,937k being charged to the Capital Redemption Reserve.

18. Fair Value Reserve

The fair value reserve relates to the revaluation of a fixed asset investment as set out in note 12.

19. 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 either taking them through to production and cash flow, with partners or by our own means, or selling them on.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade payables	131	103	–	–	–	50	–	–
Totals	**131**	**103**	**–**	**–**	**–**	**50**	**–**	**–**

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$277k at 31 December 2018 (2017: US$2,828k) and financial liabilities of US$78k (2017: US$15k), translated into US Dollars at the closing rate, and split as follows:

	2018			2017		
	Financial Assets $'000	Financial Liabilities $'000	Exposure $'000	Financial Assets $'000	Financial Liabilities $'000	Exposure $'000
EUR	20	26	(6)	4	15	(11)
USD	255	47	208	2,821	–	2,821
YTL	2	5	(3)	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 2018 (2017: 5%), the impact on both the net result and equity would have been as follows:

	2018		2017	
	Net result for year $'000	Equity $'000	Net result for year $'000	Equity $'000
EUR	–	–	(2)	(1)
USD	(75)	(10)	(164)	(135)

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 per cent during the year, the net result for the year would have been increased/reduced by US$3k (2017: US$3k). 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 with the exception of the financial asset investment in the shares of Moxico Resources plc, where the fair value is £1,500k (US$1,904k) compared to its initial cost at recognition of £750k (US$1,012k).

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.

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

2018	Weighted Average Effective Interest Rate	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non-interest bearing $'000	Total $'000
Assets					
Investments		–	–	1,904	1,904
Cash	1.18%	1,960	–	–	1,960
Trade and other receivables		–	–	35	35
Total Financial Assets		**1,960**	**–**	**1,939**	**3,899**
Liabilities					
Trade and other payables		–	–	(131)	(131)
Total Financial Liabilities		**–**	**–**	**(131)**	**(131)**
Net Financial Assets		**1,960**	**–**	**1,808**	**3,768**

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**

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

2018	Cash $'000	Loans & Receivables $'000	Available for Sale $'000	Amortised Cost $'000	Total $'000
Assets					
Investments	–	–	1,904	–	1,904
Cash	1,960	–	–	–	1,960
Trade and other receivables	–	35	–	–	35
Total Financial Assets	**1,960**	**35**	**1,904**	**–**	**3,899**
Liabilities					
Trade and other payables	–	–	–	(131)	(131)
Total Financial Liabilities	**–**	**–**	**–**	**(131)**	**(131)**
Net Financial Assets/(Liabilities)	**1,960**	**35**	**1,904**	**(131)**	**3,768**

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**

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

20. Post Balance Sheet Events

On 28 March 2019, ZincOx Spain Sociedad Limitada, a wholly owned subsidiary of the Company, was incorporated with a share capital of 3,000 Euro's, to facilitate the acquisition of a project site in Spain and eventual development of the Spanish Full Cycle ("SFC") project. It was formally registered in the Mercantile Register on 25 April 2019.

On 2 April 2019 Gautam Dalal exercised 1,500,000 warrants at a strike price of 1 penny.

21. Segmental Analysis

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.

There was no revenue from the Group's continuing operations, in the year. Revenue of US$0.6 million for 2017 was generated by ZincOx Resources Ltd and was entirely attributable to Zinc Oxide Corporation Vietnam ("ZOCV").

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

	2018 $'000	2017 $'000
United Kingdom	2,130	1,014
Spain	89	–
Japan	285	–
	2,504	**1,014**

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 2018 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).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

Use of our report

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.

Richard Baker
Senior Statutory Auditor
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Reading

23 May 2019

Company Balance Sheet

As at 31 December 2018

	Notes	2018 $'000	2017 $'000
Fixed Assets			
Intangible assets	C4	599	–
Tangible assets	C5	1	2
Investments	C6	1,954	2,344
		2,554	**2,346**
Current Assets			
Debtors due within one year	C7	34	176
Cash at bank and in hand		1,803	4,405
		1,837	4,581
Creditors – amounts falling due within one year	C8	(129)	(82)
Net Current Assets		**1,708**	**4,499**
Total Assets less Current Liabilities		**4,262**	**6,845**
Creditors – amounts falling due after one year	C8	(55)	(58)
Net Assets		**4,207**	**6,787**
Capital and Reserves			
Share capital	17	2,011	3,948
Share premium	17	–	185,564
Capital redemption reserve	17	1,937	43,461
Fair value reserve	18	952	–
Profit and loss account		690	(183,992)
Foreign currency reserve		(1,383)	(42,194)
Equity Shareholders' Funds		**4,207**	**6,787**

The Company reports a profit of US$578k (2017: US$2,767k) for the financial year.

Approved by the directors on 23 May 2019.

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 2018

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Fair value reserve $'000	Foreign exchange reserve $'000	Retained losses $'000	Total equity $'000
Balance at 1 January 2017	**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**
Share-based payments	–	–	–	–	–	16	16
Capital restructure	–	(185,564)	(43,461)	–	41,096	187,929	–
Buy back of share capital	(1,937)	–	1,937	–	–	(3,841)	(3,841)
Transactions with owners	**(1,937)**	**(185,564)**	**(41,524)**	**–**	**41,096**	**184,104**	**(3,825)**
Profit for the year	–	–	–	–	–	578	578
Gain on revaluation of financial asset investments	–	–	–	952	–	–	952
Other comprehensive income/(expense) items that will be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations	–	–	–	–	(285)	–	(285)
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**952**	**(285)**	**578**	**1,245**
Balance at 31 December 2018	**2,011**	**–**	**1,937**	**952**	**(1,383)**	**690**	**4,207**

The share capital and share premium account have been translated at historic US$/£ exchange rates at the point where shares were issued in the Company. The capital redemption reserve has been translated at the cumulative historic rate for all share capital previously raised. The fair value reserve has been translated at the exchange rate for the year end. The profit and loss result for the year and share-based payment expense have been translated at the average monthly US$/£ 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) Inter-company loans.

With the exception of item (iv) above, which is carried at amortised cost, 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 the ability to source 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 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$578k translated at an average monthly rate for the year of 1.33473 US$/£ (2017: US$2,767k translated at an average monthly rate for the year of 1.28924 US$/£).

The average monthly number of employees of the Company (including directors) during the year was 5 (2017: 5) and their aggregate remuneration comprised:

	2018 $'000	2017 $'000
Wages and salaries	463	391
Social security costs	49	39
Other pension costs	4	4
	516	**434**

C3. Operating Profit

The auditors' remuneration for audit services to the Company was US$10,000 translated at an average monthly rate for the year of 1.33473 US$/£ (2017: US$10,000 translated at an average monthly rate for the year of 1.28924 US$/£).

C4. Intangible Assets

	Deferred Development $'000	Total $'000
Cost		
At 1 January 2017 and 2018	–	–
Additions	599	599
At 31 December 2018	**599**	**599**
Accumulated Amortisation		
At 1 January 2017 and 2018	–	–
Charge for the year	–	–
At 31 December 2018	**–**	**–**
Net Book Value		
At 31 December 2018	**599**	**599**
At 31 December 2017	–	–

C5. Tangible Assets

	Computer Equipment $'000	Total $'000
Cost		
At 1 January 2017	3	3
Additions	1	1
At 1 January 2018	4	4
Additions	–	1
At 31 December 2018	**4**	**5**
Depreciation		
At 1 January 2017	1	1
Charge for the year	1	1
At 1 January 2018	2	2
Charge for the year	1	2
At 31 December 2018	**3**	**4**
Net Book Value		
At 31 December 2018	**1**	**1**
At 31 December 2017	2	2

C6. Investments

The following table summarises the Company's investments.

	Financial assets $'000	Associates $'000	Joint operation $'000	Subsidiaries $'000	Total $'000
Cost					
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 1 January 2018	1,012	1,243	87	89	2,431
Disposals	–	(1,218)	(81)	(34)	(1,333)
Fair value revaluation	952	–	–	–	952
Foreign exchange	(60)	(25)	(6)	(5)	(96)
At 31 December 2018	**1,904**	**–**	**–**	**50**	**1,954**
Impairment Provisions					
At 1 January 2017	–	–	79	–	79
Foreign exchange	–	–	8	–	8
At 1 January 2018	–	–	87	–	87
Released on disposals	–	–	(81)	–	(81)
Foreign exchange			(6)		(6)
At 31 December 2018	**–**	**–**	**–**	**–**	**–**
Net Book Value					
At 31 December 2018	**1,904**	**–**	**–**	**50**	**1,954**
At 31 December 2017	1,012	1,243	–	89	2,344

Financial Assets

The Company has used the same accounting policy as the Group and has fair valued its equity investment in Moxico Resources plc (see note 12).

Associates

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").

Whilst the Company 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 remained 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.

On 16 April 2018, the Company disposed of its shares in ZOCV, for a consideration of US$1.25 million, by entering into a Sale and Purchase Agreement ("SPA") with Korea Zinc Company ("KZC"). Further sums of US$1.61 million were received in respect of past technical assistance under a Technical Assistance and Marketing Support Agreement ("TAMSA"). In total, a consideration of US$2.86 million was received for the disposal of the VRUP.

Joint operation

The Company is no longer pursuing its' previously written down investment with Ural Recycling Ltd, an unincorporated joint operation, and has formally disposed of it in the year for nil consideration.

Interest in Subsidiary Undertakings

On 22 December 2018, the Company assigned its interest in the shares of ZincOx Thailand Company Ltd, a wholly owned subsidiary, to Mr Chakrit Sakunkrit, for a consideration of US$1. A loss of US$35k on disposal was charged to the Company income statement in the year.

The Company had an interest in the following subsidiary undertakings during the year ending 31 December 2018, 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	Address	Country of Incorporation and Registration	Principal Activities	Proportion owned by Company/ Group
Zinc Corporation of Kazakhstan Ltd	2nd Floor Palm Grove House, Wickhams Cay, PO Box 3340, Road Town, Tortola	British Virgin Islands	Holding company	100%
ZincOx Anadolu Cinko SVTAS	Barbaros Mahellesi Ihlamur, Sokak, Ağaoğlu My Prestige, Kat 6, Daire 43, Ataşehir, İstanbul	Turkey	Zinc processing	100%
ZincOx Resources (USA) Ltd	Suite 4, Crown House, High Street, Harley Wintney, Hampshire, RG27 8NW	UK	Holding company	100%
Big River Zinc Corporation*	2401 Mississippi Avenue, Sauget, Illinois 62201	USA	Zinc processing	100%
ZincOx USA (Recycling) Inc.*	2401 Mississippi Avenue, Sauget, Illinois 62201	USA	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.

C7. Debtors

	2018 $'000	2017 $'000
Due within one year		
Trade debtors	–	49
Deposits	7	7
VAT	10	17
Other debtors	1	89
Prepayments	16	14
	34	**176**

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 2018 impairment provisions stood at US$5.4 million (2017: US$4.3 million)

C8. Creditors

	2018 $'000	2017 $'000
Amounts falling due within one year		
Trade creditors	52	7
Taxation and social security	13	22
Accruals	59	53
Other creditors	5	–
	129	**82**
Amounts falling due after one year		
Amounts owed to Group undertaking	55	58
	55	**58**

Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of ZincOx Resources Limited (the "**Company**") will be held in the Fairfax Suite of the Washington Mayfair Hotel, 5 Curzon Street, Mayfair, London, W1J 5HE at 12.30pm on Tuesday 25 June 2019, 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 2018 together with the Auditors' Report.
2. To re-elect Rod Beddows as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association.
3. To re-elect Donald McAlister as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association.
4. To appoint Crowe U.K. 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 £413,182 representing a number of ordinary shares of 1 penny each (the "Shares") equivalent to approximately one third of the issued share capital of the Company at the date of this notice.

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

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

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

   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 £123,955 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."

Registered Office:
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RG27 8NW

By Order of the Board

Wynter Bee Consulting Ltd
Corporate Company Secretary

23 May 2019

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 21 June 2019, 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 12.30 pm on 21 June 2019. 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 21 June 2019 (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 23 May 2019, the last practicable day before distributing this document, was 123,954,564 Ordinary Shares and the total level of voting rights was 123,954,564, none of which were attached to Shares held in treasury by the Company.

Annual General Meeting (continued)

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 28 June 2018. 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 £413,182, 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 2020 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 £123,955 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 2020 and (ii) 15 months from the date of Resolution 6 being passed.

Forward Looking Statements

The Chairman’s Statement, the 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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