3800208

ZincOx Resources plc

Financial Statements
For the Year Ending 31 December 2011

MONDAY
LD6 *L1BTIORE* 25/06/2012 COMPANIES HOUSE #60

ZincOx Resources plc
Annual Report 2011

CHAIRMAN'S STATEMENT

2011 has seen a huge transformation in the Company's fortunes and we are well on our way to realising our ambition of becoming a major zinc recycling company At the start of the year we had not yet started site work on the land we had agreed to rent for the development of our first recycling plant in South Korea, by the end of the year the US$110 million project was almost complete, and I am delighted to report that we have now commenced production and we will gradually build up to full capacity over the next few months

The development of the first phase of the Korean Recycling Plant ("KRP1"), which is designed to process 200,000 tonnes per annum of Electric Arc Furnace Dust ("EAFD"), will make it the largest EAFD recycling facility in Asia The development of the second phase ("KRP2"), a further 200,000 tonnes of EAFD per annum, will make ZincOx the third largest recycler of this material in the world When in full production, KRP(1&2) will produce 92,000 tonnes of zinc per annum in a high grade concentrate which, if it were a zinc mine, would make it one of the largest zinc mines in the region Unlike a zinc mine, however, we are not relying on a finite reserve of limited life, but rather on EAFD supply contracts with major steel companies where we are providing an essential service that will be required for as long as iron and steel scrap is being recycled

It also gives me great pleasure to inform you that the plant was completed without so much as a single lost time injury After 500,000 man hours and fast track development with, at times, numerous concurrent activities in a small working area, this is an outstanding performance Safety, whether during construction or production, is of paramount importance to the Group and this will continue to be instilled in our new production team in Korea so as to maintain the same vigilance during their daily work

The Rotary Hearth Furnace is at the core of the process employed at KRP While it has been used to treat waste dusts from integrated steel works for about a dozen years, previous attempts to use the technology to recover zinc from dusts generated by Electric Arc Furnaces recycling carbon steel, had been spectacularly unsuccessful However, with the benefit of an exceptional technical team and a focused strategy, we have been able to overcome the previous challenges presented by this feedstock The entire process flowsheet, including feed preparation and gas handling, was stripped back to basics and redesigned with a view to optimising zinc and iron recovery and reducing energy consumption It is still early days and we are still ramping up to full capacity, targeted recovery and product quality However, several of the features of the process that many in the industry thought impossible have now been demonstrated, for example, the integrity of the briquettes, the efficiency of the feeding and discharging, a novel heat exchange system and high energy efficiency, all of which lead to the high zinc recovery and iron metallisation required for production of saleable products With these important challenges overcome we are confident that the plant can operate as anticipated

The schedule for the development was maintained very strictly throughout the year, notwithstanding changes to certain regulations that were unforeseen during the initial planning stages Similarly, the budget was carefully controlled, and while there were a number of unforeseen additional expenses, these were largely offset by savings elsewhere in the budget While it will still be a few months before the final cost will be known, if there is an overrun it should not be too significant Indeed the single greatest additional cost was due to exchange rate fluctuations involving a period of exceptional strength of the Korean Won in the middle of the year Were it not for this, expenditure would have been under budget I am sure shareholders would like to join me and my fellow directors in thanking the development team for their excellent work

Financing for the project was through a combination of ZincOx's equity and two loans provided by Korea Zinc, one of the world's largest zinc metal producers During the course of the year we drew down the Offtake Loan in three tranches as planned, with the second loan, the Development Loan, being drawn down during 2012 Towards the end of the year, although we were confident that the project would be completed within budget, we decided to raise some additional finance by the placing of £6 25 million of new shares at 56p, the then market mid price These funds give us an extra contingency provision in the event of a slower than expected ramp up and provide us with resources to pursue both the expansion of KRP and the pursuit of recycling projects elsewhere in the world

The placing gave us an opportunity to bring two new large institutional investors onto our register, which together with our other institutional shareholders, constitute about 70% of the ownership of the Company Institutional shareholders are certainly an important element in any fundraising and I am greatly indebted to a number of them for their loyal support over the past few years, many of which have been extremely frustrating and challenging

While institutional shareholders are critical, so too are individual private shareholders For a small company such as ZincOx, day to day share trading is vital to maintaining real liquidity, i e a continuous market, in our shares, and this is down to private investors In order to try to service these shareholders as efficiently as possible, in September we appointed finnCap as joint brokers to the Company It has strong relationships with most of the larger private client brokers, and we look forward to their continuing support to broaden our shareholder base

The appointment of finnCap led us to carry out a review of our broking requirements, as a result of which, we decided to appoint Peel Hunt as our main brokers Peel Hunt are one of the most highly rated brokers to small and mid-cap companies and its very strong "Clean Tech" research capability will, I am sure, become increasingly relevant for us in the months and years ahead

In the middle of the year we came out with a revised cost estimate, US$100 million, for KRP2, for the doubling of the existing plant's capacity At the beginning of 2012 we started to work on the basic engineering for KRP2 An engineering and costing study by Xmetech is nearing completion, and that will enable us to put together a feasibility study of sufficient detail for us to raise commercial debt We have been working with a bank on a suitable project finance structure for KRP2 for a number of months

It is likely that any chosen bank would require a significant proportion of our zinc sales to be hedged and hence the exact amount of the loan is not known at this time Together, with our existing equity contribution, it will not, however, be sufficient to cover the full cost of the development of KRP2 It is likely, however, that the shortfall could be provided by a company interested in purchasing our zinc product, in much the same way as Korea Zinc provided loans against their offtake rights for KRP1's zinc concentrate production

Other Recycling Projects

While almost all our staff continue to focus on KRP, we are now very actively pursuing a number of exciting zinc recycling projects elsewhere in the world I hope we may be able to announce progress on some of these well before the end of this year

Mining

The continuing uncertainty of the political and security situation in Yemen has meant that the refinancing of the Jabali project has not been achieved during the year We continue to look at options to realise the value of our past investment

Outlook

In the immediate future, the Company's main focus is to bring KRP1 up to full production At the same time, however, we will be pressing ahead with the engineering design and costing of KRP2 and its financing and commencement of development before the end of the year In addition, I hope to be able to announce plans for developments elsewhere in the world

We are convinced that the process we are using at KRP is a breakthrough that we can replicate around the world and we intend to pursue aggressively these opportunities so that we may make the best of our significant first mover advantage I should like to thank my fellow directors and all our shareholders for their support of the management and their faith in this technology over the past year and I look forward to their sharing in the rewards that will result from expanding our operations around the world

Andrew Woollett
Chairman

21 May 2012

REVIEW OF OPERATIONS

RECYCLING

Korea, Korean Recycling Plant

Significant progress was made with the development of KRP1 during the course of 2011 and the construction was completed in April 2012 The process has now been successfully demonstrated and production is ramping up

At the end of 2009, ZincOx applied for Foreign Investment Zone status for the site and this was granted in May 2010 This grant provides the plant with a number of tax benefits including a tax holiday for seven years It also enabled the government to purchase for US$20 million a site for the plant and in December 2010 a 50 year lease was entered into under which the first five years are rent free

Financing for the project was through a combination of ZincOx's own equity (US$60 million) and loans provided by Korea Zinc (US$50 million), one of the world's largest zinc metal producers Following a memorandum of understanding in December 2010 definitive agreements with Korea Zinc were entered into in April 2011 Under these agreements, Korea Zinc provided development loans for KRP1 and will purchase all the zinc concentrate, at market rates, produced from KRP1 Zinc concentrate produced by KRP2 is not subject to these agreements

The KRP has been designed to treat 400,000 tpa of EAFD The EAFD is being supplied by all Korea's steel recycling companies under 10 year supply agreements A number of sampling campaigns over the past 5 years have demonstrated that the EAFD contains about 23% zinc and 28% iron

KRP is being developed in two equal phases Having completed KRP1, it is intended that the development of KRP2 will commence before the end of 2012 The financing of KRP2 is already being progressed through ongoing discussions with banks When in full production both KRP1 and KRP2 combined are expected to produce 92,000 tonnes of zinc in concentrate per annum and about 100,000 tonnes of iron in ZHBI

Xmetech, a Korean company that was formerly the engineering division of Korea Zinc, was responsible for the construction of KRP1 and has been retained for the development of KRP2 Xmetech are currently undertaking a costing study for KRP2 The previous estimate of the capital cost for KRP2 is about US$100 million and a schedule for the development, about 15 months

The construction of KRP2 will be greatly assisted by the experience acquired through the recent development of KRP1

The KRP site covers 9 2 hectares in the Cheonbuk Industrial Complex, which lies about 10 kilometres south west of Pohang, Korea's largest steel making city Following the signature of the 50 year lease over the site at the end of November 2010, the plant layout was designed for both phases of development and also provides a melting plant for the iron product should this be required

At a zinc metal price of US$2,250 per tonne and using current energy costs, KRP1 when operating at 200,000 tpa of EAFD is expected to generate approximately US$31 2 million of earnings per annum, before interest, tax, depreciation and amortisation

Thailand, South East Asia Recycling Project

ZincOx has been active in Thailand for several years, and the Company has plans for a plant similar in size to KRP1 The recycling plant in Thailand ("SEARP") would treat EAFD generated throughout the South East Asian region The Company has re-engaged with various steel companies for the provision of their EAFD under long term supply agreements Very recently the Company hosted a very successful visit by a delegation of stakeholders from Thailand in order that they could appreciate the significant advantages of the RHF technology

We have obtained strong support from the Thai government and the local steel industry for our plans in Thailand

We have also negotiated the purchase of a site in a newly developed industrial area on which an environmental impact assessment has commenced This will be followed by basic engineering, costing and the production of a full feasibility study that will enable us to raise project finance As an alternative to ZincOx providing the entire equity component for the development, discussions have commenced with potential offtakers and other parties who would be interested to provide finance or act as partners in the project

Turkey, Aliaga Recycling Project

The Company has been active for many years in Turkey, where it has two adjacent sites amounting to 6 4 hectares in the Aliaga Heavy Industrial Zone, near Izmir Turkey is the largest importer of scrap in the world and its growing steel recycling industry produces about 400,000 tonnes of EAFD per annum The Aliaga Heavy Industrial Zone is a major centre of steel production and about 160,000 tonnes of EAFD is produced there annually In line with a request to help rationalise the land ownership in the Industrial Zone, the two sites are being reorganised as a single rectangular plot that will better lend itself to plant development Environmental permitting is due to restart shortly

The plant at Aliaga is planned to treat 200,000 tpa of EAFD and a systematic sampling programme of the EAFD in Turkey undertaken some years ago indicated an average grade of about 24% zinc

USA, Ohio Recycling Project

Before it was decided to make the KRP the Company's first development project, considerable work had been undertaken on the Ohio Recycling Plant ("ORP") The Company owns a six hectare site near Delta, Ohio, which is well serviced by road and rail and is capable of offering competitive EAFD transport costs from numerous mills in northern USA and Canada The environmental permit for the site lapsed in August 2010 but subsequent discussions with the Environmental Protection Agency indicated that it should be possible to obtain the necessary permit again without undue delay

One of the delays in developing this project was the time it was taking to negotiate long term EAFD supply agreements with the steel mills Under the regulations pertaining to the treatment of EAFD in the USA, any unforeseen problems in the operation of the ORP could lead to severe financial liability for the mills supplying the EAFD ZincOx believes that, having demonstrated the efficiency and reliability of the RHF process, its superior environmental characteristics and the production of a valuable iron product, it should be possible to enter into long term EAFD supply contracts

USA, Big River Zinc Smelter

ZincOx owns the Big River Zinc ("BRZ") electro-refinery near St Louis, USA This 100,000 tonnes per annum zinc production facility is currently on care and maintenance but acts as a base for ZincOx operations in North America The BRZ site is permitted for the disposal of halide bearing solutions of the type generated by the upgrading of zinc oxide concentrates derived from EAFD As such, it could be used as the washing site for upgrading zinc oxide concentrate derived from the ORP or other rotary hearth based plants in North America In the meantime it carries out upgrading of zinc oxide concentrates from Waelz kiln operations on behalf of third parties as well as providing sulphuric acid storage and distribution The Company is also looking for other opportunities to utilise the assets at BRZ

MINING

Yemen, Jabali Zinc and Silver Mine

The exploitation and development rights to the Jabali zinc deposit are owned by Jabal Salab Company (Yemen) Limited ("Jabal Salab"), in which ZincOx holds a 52% interest The balance of 48% is held by Ansan Wikfs Investments Limited ("Ansan")

The Jabali deposit contains a mineable reserve of 8 7 million tonnes of ore at an average grade of 9 2% zinc and 68 grams per tonne of silver The development of the mine and processing facilities commenced in 2008 but following the withdrawal of funding by bondholders in 2009, that activity at the site during 2010 and 2011 was much reduced pending the re-financing of the project The development planned to mine the deposit at the rate of 800,000 tonnes per annum by open pit with a strip ratio of 2 1 Ore was to be crushed and calcined prior to milling and leaching using ammonia based solutions Following purification, zinc carbonate would have been precipitated and calcined for the production of 70,000 tonnes per annum of very high quality zinc oxide (>79% zinc) containing approximately 56,000 tonnes of zinc The zinc oxide was to be bagged and shipped in part to customers in the paint and ceramics industries The balance would have been shipped to Jabali's Rubber Grade

Plant ("RGP") in Belgium where it would be further milled to produce a high quality product required by the rubber industry It was planned to extend the plant to treat the silver bearing residue once the zinc oxide operation had reached operational capacity This extension would use conventional processing technology to recover silver in doré bars for the production of 1 4 million ounces of silver per annum

FINANCIAL REVIEW

Results

The Group loss after tax attributable to shareholders of the parent company was £6 1 million compared to a loss of £69 3 million last year The loss in 2010 was largely attributable to the impairment provisions made against the Jabali Mine (Group share of £51 9 million) and the recycling assets held in the USA (£19 5 million) The Group had an underlying operating loss of £5 6 million (2010 loss of £2 6 million) in the year The administrative expenses deducted in arriving at the underlying operating loss in the year amount to £5 3 million (2010 £4 8 million) In addition, an unrealised foreign exchange loss of £0 9 million (2010 gain of £1 2 million) has also been deducted in arriving at the underlying operating loss as a result of non sterling balances being held as cash at the year end and due to the adverse movement in the US dollar and Korean Won ("KRW") exchange rate through 2011 In light of the changing nature of the Group, from a development into a production environment, the Group will look to adopt a presentational currency of US dollars in 2012

Funding

Having received the final Shaimerden payment in January of $3 2 million the focus in the early part of 2011 was to finalise the financing of KRP1 The development cost of $110 million was funded through the use of the Group treasury ($60 million) with the balance being made up of two loans from Korea Zinc ($50 million) Korea Zinc agreed to lend the money by way of a $35 million long term loan and a balance of $15 million as a short term high interest loan in exchange for a 10 year offtake for the HZO product produced by KRP At the end of the year $31 5 million of the long term loan had been drawn down, the balance being drawn in early 2012 Additionally, the $15 million loan was drawn down before the end of February 2012 Interest of £0 4 million ($0 6 million) that was charged on the long term loan in the year has been capitalised to the construction in progress account in accordance with Group policy

The Group completed a fundraising of £6 25 million (before expenses) in December which was raised for the purpose of funding initial development of KRP2 and to enable the roll out of the technology to the USA, Turkey and Thailand as well as the ongoing working capital needs of the Group The shares were issued at a price of 56p This resulted in the number of shares increasing to 89 0 million (2010 78 9 million)

Review

Contained within other gains and losses is £1 million from the disposal of scrap metal, mainly from Big River Zinc

At the end of 2010 the Group impaired the assets of Jabal Salab and also the USA resulting in the loss of £69 3 million last year As part of the ongoing assessment of the projects, the impairment review this year has resulted in a further impairment on the Jabal Salab spend incurred during 2011 of £3 9 million ($6 1 million) and a partial reversal of the impairment last year in relation to the intangible assets of the USA, of £0 4 million ($0 6 million) This impairment assessment has been carried out at the year end, looking at the mining and recycling sides of the business separately and in total, amounts to a charge for the year of £3 5 million (2010 £114 million)

For Jabal Salab, any spend on the project during the year was deemed critical and was therefore funded, through the continued support of our 48% Yemeni partner, in the project company This funding support was provided by them during the year in the form of cash and by securing a loan from a local bank In accordance with Group accounting policy, this critical expenditure was capitalised during the year, reflecting the hope that there would have been a successful outcome to financing during the year However, the impairment review performed at the end of the year has determined that the recoverable amount, at this time, is nil and considers it appropriate to continue to make a full impairment, even of this critical expenditure, in the Group's financial statements at 31 December 2011 For clarification, after impairing the assets of Jabali at a Group level down to nil, the Group balance sheet still includes liabilities relating to Jabali, namely trade and other payables of £8 8 million ($13 6 million) and borrowings of £3 7 million ($5 7 million) These liabilities will remain outstanding until the project is refinanced

After the fundraising in December a refundable deposit of £267k ($412k) was placed on a plot of land in Thailand which will enable the Group to work towards getting a site permitted as we have done in Turkey and USA in previous years

Liquidity

The cash funds of the Group at 31 December 2011 were £11 9 million compared with £38 4 million at the end of 2010 These cash funds were held in a range of currencies at the year end, namely US Dollars ($4 6 million), Korean Won (KRW 3 1bn), Euro (EUR 0 8 million) and Sterling (£6 5 million)

The directors have reviewed the budgets for 2012 and the projections for 2013 developed during the planning cycle The directors have considered a range of different scenarios, with their associated risks and uncertainties centred around modelling any delays to KRP1 ramp up and scheduling other discretionary spend, and the impact of these on the Group's cash balances Further, the directors have assessed the future funding requirements of the Group and compared them with the levels of expected finance available for the Korean project and, based on this work, the directors are satisfied that the Group has adequate resources for at least the next twelve months from the date of signing these financial statements

Principal risks and uncertainties

Throughout its operations, ZincOx faces various risks, both internal and external, which could have a material impact on the Group's performance

The principal risks facing the Group in the current economic climate are those relating to the challenges of ramping KRP1 up to full production which is mitigated by employing quality employees in Korea under the supervision of ZincOx's own technical expertise There is also the risk of delays to or inability to deliver KRP2 from both a financing and construction perspective The process and construction risks are mitigated by employing quality contractors in Korea under the supervision of ZincOx's own technical expertise and regular monitoring through monthly steering committees The financing risk is mitigated by maintaining and assessing as many financing options as are available before a final decision is made Other risks include the risks of competing technologies especially regarding the opportunity for competitors to copy the KRP in other parts of the world and the reliance on the expertise of the key Group personnel The risk of competitors is mitigated by the Group trying to sign up EAFD supply agreements, throughout the rest of the world, before our main competitors

The ongoing risk due to the political uncertainty in Yemen and the wider Middle East, which will continue to influence the recovery of any value from the Yemen project, is being mitigated by continuous monitoring of the ongoing situation

The volatility of the zinc price affects the availability of finance as well as the value of each of the projects within the Group Any such declines in zinc prices will therefore have an adverse impact on the business and profitability of the Group

The Group has exposure to various other risks connected with the uncertainties of the political, fiscal and legal systems, including taxation and currency fluctuations in the territories in which the Group operates

Clearly, these are not the only risks that the Group will face Some risks are not yet known and some that are not currently deemed material could later turn out to be material All of these risks could materially affect the Group, its business, results of future operations or financial condition

FORWARD LOOKING STATEMENTS

The Chairman's Statement, the Review of Operations and the Financial Review all 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

Directors

Andrew Woollett

Executive Chairman. Andrew Woollett is a geologist with over 30 years of international experience in mineral exploration and development He began his career with RTZ in Saudi Arabia and then worked in Greenland for the EU Upon completion of an MSc in mineral exploration from the Royal School of Mines in 1981 he joined Cluff Resources plc and worked in the UK, Eire, Zimbabwe, and Shanghai He was a founder director of Ivernia West plc and in 1989 set up Reunion Mining plc, a multi-commodity African exploration and mining company where he was Executive Chairman until the company was taken over by Anglo American plc In 1996 he set up ZincOx with Noel Masson, joining the company as Managing Director in May 1999 and taking over as Chairman in 2008

Simon Hall

Finance Director. Simon Hall is a Chartered Accountant and engineer with experience of business development across a range of sectors over the last 18 years He was formerly head of finance in BT Consumer Mobile before joining ZincOx Simon was appointed to the Board in January 2006 and is responsible for all financial matters across the Group

Jacques Dewalens

Technical and Production Director Jacques Dewalens is responsible for all process research and development and ultimately for the Group's production operations Jacques joined ZincOx in September 2007 as head of technical services and production manager He has a PhD in Sciences with over 35 years of experience in the zinc industry, mostly spent at Umicore and its precursor zinc subsidiaries Jacques was appointed to the Board in July 2008

Rod Beddows

Non-Executive Director. Rod Beddows, Deputy Chairman, has over 20 years 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 and now holds the position of President 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 in February 2008 and now chairs the Nomination Committee and also sits on the Remuneration Committee

Guy Lafferty

Non-Executive Director. Guy Lafferty is a partner of Höegh Capital Partners Limited, which owns 11 6% of the Company's issued share capital Guy established Höegh Capital Partners in 1990 as a specialist corporate finance company and has been advising Höegh family on its oil, gas and other direct investments since then Guy was appointed to the Board in May 2009, is Chairman of the Remuneration Committee and also sits on the Audit Committee

Gautam Dalal

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

Ian Halliwell

Company Secretary. Ian Halliwell qualified as an accountant in 1994 and has over 20 years experience in the energy sector His early experience was working on large oil and gas construction projects in the North Sea From 1998, Ian has worked specifically for mining companies and prior to joining ZincOx in 2009, held the role of Group Financial Controller at both Reunion Mining plc and Ridge Mining plc

Directors' Report
For the Year Ended 31 December 2011

The directors submit their report and the audited financial statements of the Company and Group for the year ended 31 December 2011

Registration

ZincOx Resources plc is a public limited company registered in England and Wales with registered number 3800208

Principal Activities and Business Review

The principal activity of the Group is the evaluation of and production from, zinc bearing material The Company acts as a recycling, development and holding company A detailed review of the business and future developments is included in the Chairman's Statement and the Review of Operations

Results and Dividends

The Group made a consolidated loss after tax attributable to shareholders of £6,073,000 for the year ended 31 December 2011 (year to 31 December 2010 loss of £69,323,000) The directors do not recommend the payment of a dividend, and the loss for the period will be transferred to the accumulated retained losses in the financial statements

Key Performance Indicators

The success of Group activities and projects are closely linked to the zinc price and as a result, the directors closely monitor the zinc price, which had an average during the year of $2,191 per tonne In addition, bearing in mind the fluctuation in exchange rates and the fact that its expenditures are made in US Dollars, Euros, Korean Won, Sterling and various other currencies, the directors closely monitor a basket of exchange rates As the Group continues to be in a development phase the directors also monitor the cash requirements of the business when compared to the development progress on the various projects and any financing opportunities which need to be pursued

Development projects are reviewed monthly by the steering committee where, amongst other things, key project milestones are tracked against an agreed schedule and costs and commitments are measured against a budgeted forecast Additionally, the directors review accidents and incidents as part of the ongoing environmental health and safety tracking During the year the total number of man hours worked was six hundred and ninety-three thousand with no lost time incidents

Directors and their Interests

In accordance with the Company's Articles of Association, Simon Hall and Guy Lafferty retire at the Annual General Meeting and, being eligible, offer themselves for re-election Simon Hall entered into a service agreement with the Company on 5 January 2006 Guy Lafferty entered into a service agreement with the Company on 6 May 2009 These agreements can be terminated on 12 months' notice The directors in office as at the end of the year and their shareholdings were as follows

	31 December 2011		1 January 2011 or subsequent date of appointment	
	Ordinary Shares at £0.25	**Options**	Ordinary Shares at £0 25	Options
Andrew Woollett	* 2,304,182	1,052,472	2,090,408	1,064,925
Simon Hall	20,000	592,440	10,000	523,898
Jacques Dewalens	2,000	339,732	2,000	279,758
Rod Beddows	122,500	-	122,500	-
Guy Lafferty	-	-	-	-
Gautam Dalal	** 400,000	-	-	-
Total	**2,848,682**	**1,984,644**	**2,224,908**	**1,868,581**

* 800,000 of the shares of Andrew Woollett are registered in the name of EFG Trust Company Limited and a further 279,207 are held in the name of his children

**Gautam Dalal is the registered shareholder of 400,000 shares and not 375,000 as previously announced

Related Party Transactions

Details of Related Party Transactions in the year are disclosed in note 3(c) to the financial statements

Substantial Shareholdings

As at 30 April 2012, 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
Hoegh Capital Partners Ltd	10,368,875	11 6
Sloane Robinson Global Fund	8,482,963	9 5
M&G Securities Ltd	6,705,931	7 5
Teck Resources Ltd	5,520,491	6 2
Standard Life	3,802,555	4 3
JP Morgan	3,431,146	3 9
Sisu Master Fund	3,318,333	3 7
Majedie Asset Management	3,242,110	3 6

Directors' Responsibilities Statement

The directors are responsible for preparing 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 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 (United Kingdom Generally Accepted Accounting Practice or UK GAAP) 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 UK GAAP 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 which 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 and Article 4 of the IAS Regulation 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 auditors are unaware, and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

Corporate Governance

General

The maintenance of effective corporate governance remains a key priority for the Board of ZincOx The Company has followed the Principles of Corporate Governance set out in the QCA (Quoted Companies Alliance) guidelines for an AIM Company ("Guidelines")

The Board of Directors

During the year, the Board comprised three executive directors and three non-executive directors The details of those directors are set out on pages 9 and 10 Gautam Dalal and Rod Beddows are considered independent with Rod Beddows being Deputy Chairman

The Board meets at least five times a year and in 2011 met six times A summary of matters requiring action/approval by the Board is compliant with Appendix A of the Guidelines and includes determination and approval of the corporate strategy, approval of interim and full year financial statements and reports, ensuring processes are in place to manage major risks, corporate governance and reporting to shareholders The executive management team make day-to-day operating decisions to ensure proper management of the Company's business and for implementing the Board's approved strategy

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

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

Performance Evaluation

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

Internal Control

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

Full Board meetings are held at least five times a year to review Group strategy, direction and financial performance The executive directors meet monthly 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 project 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 risk 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 2011 to the date of this report

Report of the Audit Committee

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

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

During the year, the membership of the Audit Committee comprised two non-executive directors, Gautam Dalal (Chairman) and Guy Lafferty, with the Finance Director in attendance The Executive Chairman is not a member, but may be invited to attend meetings of the Committee The external auditors also attend for part of three meetings per annum and they have direct access to the members of the Committee without the presence of the executive directors for independent discussions The Audit Committee met three times during 2011

Report of the Remuneration Committee

During the year, the membership of the Remuneration Committee comprised Guy Lafferty (Chairman) and Rod Beddows It determines the policy of the overall annual remuneration of the executive directors in consultation with the Executive Chairman 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 two meetings in 2011

Remuneration Policy

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

Share Option and Incentive Plans

The Company has the following share incentive schemes in operation

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

- A performance share plan offering shares for no consideration for incentivising directors and senior management (Performance Share Plan)

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

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

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 Executive Chairman is not a member, but may be invited to attend meetings of the Committee The Committee is formally constituted with written terms of reference The purpose of the Nomination Committee is to lead the process for Board appointments and to make recommendations to the Board The Committee met once in 2011

Environment, Health, Safety and Quality

The Group is determined to demonstrate that what is good for the planet is good for business as well as good for the communities in which ZincOx operates There is an overriding commitment to Sustainable Development which is pursued through the effective management of Environment, Health, Safety and Quality ("EHSQ") with a 'fully Integrated Management System' (the ZincOx IMS) for the Group This system builds on best practices from ZincOx and other third parties, and as of December 2011, ZincOx is fully certified to the international standards ISO 9001, ISO 14001 and OHSAS 18001 The ZincOx IMS provides the foundation for achieving the Company's objectives and indeed to identify opportunities for sustainable value creation

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

During 2011, some six hundred and ninety-three thousand man hours were worked on ZincOx projects worldwide and there were no serious accidents or significant environmental incidents ZincOx's management believes that all incidents and injuries are preventable and strives to create a workplace culture where all employees and contractors share these beliefs

Going Concern

The Group has considerable financial resources and as a consequence the directors believe that the Group is well placed to manage its business risk successfully The directors have reviewed future forecasts and commitments on projects, which when compared to the cash available, lead the directors to have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the next twelve months The directors have made this assessment by continuing to keep under review the availability of funds and the project developments and maintaining key decision points in the development timelines For this reason, they continue to adopt the going concern basis in preparing the financial statements and although the Groups' current liabilities exceed its current assets as at 31 December 2011, it should be noted from the Financial Review on page 7 that £8 8m (trade and other payables) and £3 7m (borrowings) will not be repaid until the Jabali project is refinanced

In addition, note 17 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to foreign exchange risk, interest rate risk, credit risk and liquidity risk

Principal Risks and Uncertainties

These are disclosed in the Financial Review Policies relating to financial risk management are set out in note 17 to the financial statements

Post Balance Sheet Events

The post balance sheet events are covered in detail in note 19 to the financial statements

Creditor Payment Terms

The Group had trade payables of £11,920,000 at 31 December 2011 (2010 £9,827,000 2009 £9,450,000), and generally settles within 30 days It is the Group and the Company's policy to settle balances with creditors in accordance with agreed terms of supply and with market practice in the relevant country Trade creditors for the Group at the balance sheet date represent 71 days of average supplies for the period and is higher than would be normal due to the creditors of the subsidiary company Jabal Salab, where there are still delays in refinancing the Jabali project and consequently a delay in paying outstanding creditors quickly Trade creditors for the Company at the balance sheet date represent 38 days of average supplies for the period

Auditor

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

On behalf of the Board

Ian Halliwell
Company Secretary

21 May 2012

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

We have audited the Group financial statements of ZincOx Resources plc for the year ended 31 December 2011 which comprise of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter
We have reported separately on the parent company financial statements of ZincOx Resources plc for the year ended 31 December 2011

Grant Thornton UK LLP

David Miller
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

21 May 2012

ZINCOX RESOURCES PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Revenue	1(d)	1,648	1,926
Cost of sales		(958)	(951)
Gross profit		690	975
Administrative expenses		(5,332)	(4,762)
Foreign exchange (loss) / gain		(922)	1,150
Total Administrative Expenses		(6,254)	(3,612)
Underlying Operating Loss	3(a)	(5,564)	(2,637)
Other gains and losses	4	1,013	5,473
Impairment provisions	2(a)	(3,542)	(114,138)
Operating Loss		(8,093)	(111,302)
Finance income	5	48	141
Finance costs	5	(3)	(7)
Loss before tax		(8,048)	(111,168)
Taxation	6	(45)	(570)
Net Loss		**(8,093)**	**(111,738)**
Attributable to			
Equity holders of the parent		(6,073)	(69,323)
Non-controlling interest		(2,020)	(42,415)
		(8,093)	**(111,738)**
Basic and diluted loss per ordinary share	7	(7 72p)	(89 03p)

The notes on pages 23 to 44 form an integral part of these financial statements

ZINCOX RESOURCES PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £'000	2010 £'000
Loss for the period	(8,093)	(111,738)
Other comprehensive income		
Exchange differences on translating foreign operations	(901)	2,869
Total comprehensive income for the period	**(8,994)**	**(108,869)**
Attributable to		
Equity holders of the parent	(7,010)	(67,415)
Non-controlling interest	(1,984)	(41,454)
	(8,994)	**(108,869)**

The notes on pages 23 to 44 form an integral part of these financial statements

ZINCOX RESOURCES PLC
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000	2009 £'000
Assets				
Non-Current Assets				
Intangible assets	8	9,062	8,709	20,708
Property, plant & equipment	9	70,425	19,448	97,835
Trade and other receivables	11	655	-	227
		80,142	28,157	118,770
Current Assets				
Inventories		379	406	420
Trade and other receivables	11	2,003	4,037	10,732
Restricted cash	12	14	-	169
Cash and cash equivalents		11,878	38,381	46,929
		14,274	42,824	58,250
Total Assets		**94,416**	**70,981**	**177,020**
Liabilities				
Current Liabilities				
Trade and other payables	13	(13,389)	(12,671)	(15,075)
Borrowings	14	(3,698)	-	-
		(17,087)	(12,671)	(15,075)
Non-Current Liabilities				
Trade and other payables	13	(1,175)	(624)	(632)
Borrowings	14	(20,687)	-	-
		(21,862)	(624)	(632)
Total Liabilities		**(38,949)**	**(13,295)**	**(15,707)**
Net Assets		**55,467**	**57,686**	**161,313**
Equity				
Share capital	15	22,255	19,465	19,465
Share premium		88,493	85,336	85,336
Retained (losses) / earnings		(60,129)	(54,203)	15,083
Foreign currency reserve		10,447	11,384	9,476
Equity attributable to equity holders of the parent		**61,066**	**61,982**	**129,360**
Non-controlling interest		(5,599)	(4,296)	31,953
Total Equity		**55,467**	**57,686**	**161,313**

Approved by the directors on 21 May 2012

COMPANY NUMBER: 3800208

Simon Hall
Director

The notes on pages 23 to 44 form an integral part of these financial statements

ZINCOX RESOURCES PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Loss before taxation		(8,048)	(111,168)
Adjustments for			
Depreciation and amortisation		1,137	1,275
Interest received		(48)	(141)
Interest expense		3	7
(Reversal) / impairment of intangible assets	8	(402)	16,019
Impairment of property, plant and equipment	9	3,961	97,132
(Reversal) / impairment of trade and other receivables	11	(17)	988
(Gain) / loss on disposal of property, plant and equipment		(347)	6
Share based payments	21	147	37
Increase / (decrease) in trade and other payables		769	(2,159)
Increase in trade and other receivables		(762)	(97)
Decrease in inventories		27	14
Other gains and losses		(1,013)	(5,473)
Cash utilised in operations		(4,593)	(3,560)
Interest paid		(3)	(7)
Taxation		(27)	(51)
Net cash flow from operating activities		**(4,623)**	**(3,618)**
Investing activities			
Net proceeds from disposal of assets		2,592	7,803
Net proceeds from disposal of scrapped assets		1,013	3,018
Proceeds from disposal of subsidiary		-	27
Purchase of intangible assets		(601)	(3,846)
Purchases of property, plant and equipment		(55,599)	(17,475)
Dividends received		-	3
Interest received		48	141
Net cash used in investing activities		**(52,547)**	**(10,329)**
Financing activities			
Proceeds from borrowings		24,089	-
Release of restricted cash		-	169
Investment from non-controlling interest		681	5,205
Restriction of non-controlling interest's investment		(14)	-
Net proceeds from issue of ordinary shares		5,947	-
Net cash received from financing activities		**30,703**	**5,374**
Net decrease in cash and cash equivalents		**(26,467)**	**(8,573)**
Cash and cash equivalents at start of year		38,381	46,929
Exchange differences on cash and cash equivalents		(36)	25
Cash and cash equivalents at end of year		**11,878**	**38,381**

The notes on pages 23 to 44 form an integral part of these financial statements

ZINCOX RESOURCES PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	FX reserve	Retained earnings	Total attributable to equity holders of parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	**19,394**	**85,336**	**13,909**	**17,053**	**135,692**	**20,838**	**156,530**
Share based payments	-	-	-	663	663	-	663
Issue of share capital	71	-	-	-	71	-	71
Capital increase from non-controlling interest	-	-	-	-	-	12,433	12,433
Transactions with owners	**71**	**-**	**-**	**663**	**734**	**12,433**	**13,167**
Loss for the year	-	-	-	(2,633)	(2,633)	671	(1,962)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	(4,433)	-	(4,433)	(1,989)	(6,422)
Total comprehensive income for the period	**-**	**-**	**(4,433)**	**(2,633)**	**(7,066)**	**(1,318)**	**(8,384)**
Balance at 31 December 2009	**19,465**	**85,336**	**9,476**	**15,083**	**129,360**	**31,953**	**161,313**
Share based payments	-	-	-	37	37	-	37
Capital increase from non-controlling interest	-	-	-	-	-	5,205	5,205
Transactions with owners	**-**	**-**	**-**	**37**	**37**	**5,205**	**5,242**
Loss for the year	-	-	-	(69,323)	(69,323)	(42,415)	(111,738)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	1,908	-	1,908	961	2,869
Total comprehensive income for the period	**-**	**-**	**1,908**	**(69,323)**	**(67,415)**	**(41,454)**	**(108,869)**
Balance at 31 December 2010	**19,465**	**85,336**	**11,384**	**(54,203)**	**61,982**	**(4,296)**	**57,686**
Share based payments	-	-	-	147	147	-	147
Issue of share capital	2,790	3,157	-	-	5,947	-	5,947
Capital increase from non-controlling interest	-	-	-	-	-	681	681
Transactions with owners	**2,790**	**3,157**	**-**	**147**	**6,094**	**681**	**6,775**
Loss for the year	-	-	-	(6,073)	(6,073)	(2,020)	(8,093)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	(937)	-	(937)	36	(901)
Total comprehensive income for the period	**-**	**-**	**(937)**	**(6,073)**	**(7,010)**	**(1,984)**	**(8,994)**
Balance at 31 December 2011	**22,255**	**88,493**	**10,447**	**(60,129)**	**61,066**	**(5,599)**	**55,467**

The notes on pages 23 to 44 form an integral part of these financial statements

1. Accounting Policies

(a) Accounting Convention and Basis of Preparation of Financial Statements

The Company is a public limited liability company incorporated in the United Kingdom The principal accounting policies applied in the preparation of these consolidated financial statements are set out below These policies have been applied consistently to all the years presented, unless otherwise stated

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

Changes in accounting policies and disclosures

No material changes to accounting policies arose as a result of new and amended standards adopted by the Group

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but the Group has not early adopted them

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2011)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Government Loans - Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

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

(b) Basis of Consolidation and Presentation of Financial Information

With the exception of certain items noted below, which are carried at fair value, the consolidated financial statements have been prepared under the historical cost convention

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) These subsidiaries are all entities in which the Company retains the control of more than half the voting rights and can determine the financial and operating policies of the enterprises The results of any subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group All intra Group transactions, balances, income and expenses are eliminated on consolidation

(c) Segmental Reporting

Operating segments are those components of the business where results are regularly reviewed by the Board to assess their performance and to make resource allocation decisions The operating segments are identified by either recycling or mining activity and the similarity of their economic characteristics and not by their geographical area of operation

(d) Revenue

The Group recognises revenue when title has passed to its customers, measured at the fair value of the consideration received or receivable, net of applicable sales taxes

When the transactions involve the rendering of services, the revenue associated with the transaction is recognised in accordance with contractually agreed terms and takes into account the probability that economic benefits associated with the transaction will flow to the entity

(e) 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 its useful life The major categories of property, plant and equipment which are depreciated on a straight-line basis down to their residual values are as follows

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

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

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

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

The value of land is only tested when there is an indication of impairment

The carrying values of depreciated property, plant and equipment are assessed for impairment when indicators of impairment arise with any impairment charged to the profit and loss

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

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

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

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

(g) Inventories

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

(h) Foreign Currency

The functional currency of the parent company is pounds sterling

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

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

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date The exchange differences arising from the re-translation of the net investment in subsidiaries, and those arising on intra-group balances, which are in substance part of the net investment, are recognised in other comprehensive income and accumulated in the foreign currency reserve in equity

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

(i) Intangible Assets

i) Computer Software

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

ii) Deferred Exploration Intangible Assets

Deferred exploration costs include the Group's contribution to costs, of exploring for, and exploiting mineral resources These include acquisition costs, geological and geophysical costs, costs of drilling, piloting and related overheads

All exploration project costs will be transferred to property, plant and equipment after technical and commercial viability is confirmed or the commencement of production, whichever is sooner These costs will then be amortised over the estimated useful life of this project or the mine life, whichever is sooner

iii) Development of Metallurgical Processes and Related Overheads

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

(j) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax

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

Deferred tax is recognised on the difference between carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised

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

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation Deferred tax is charged or credited to the profit and loss, except when it relates to items charged directly to equity, in which case the deferred tax is also dealt with in equity Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income

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

(k) Pensions

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

(l) Leased Assets

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

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

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

(m) Financial Assets

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

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

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

(n) Financial Liabilities

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

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

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and are classified as at fair value through profit and loss

(o) Share Based Payments

All share based payment arrangements granted after 7 November 2002 are recognised in the financial statements

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

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

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium

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

(p) Borrowing Costs

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

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

(q) Restricted Cash

Certain borrowings are specific in nature to the construction of specific qualifying assets and any cash balances as a result of those borrowings are carried as restricted cash The restricted cash is excluded from cash and cash equivalents

The restricted cash is described as current where it is planned to use the cash in the next 12 months and is non-current for the remaining balance

(r) Underlying Operating Loss

This is a key measure to assess the underlying financial performance of the operating divisions and the Group as a whole

2 Critical Accounting Estimates and Judgements

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

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

(a) Impairment Reviews

In accordance with the accounting policy stated above, the Group performs an assessment of the recoverability of intangible assets to see whether any of the exploration or pre-development projects have suffered impairment This assessment is dependent on the future viability of the relevant products and processes and the methodology followed in order to assess the recoverable amount of an individual cash-generating project is to consider a cash flow model over 20 years or the life of mine, whichever is shorter, and with appropriate assumptions for zinc price, operating and capital development costs In performing any cash flow analysis the Group uses risk adjusted discount rates based on support from third parties An impairment of £8k has been made in 2011 (2010 £25k) in relation to specific small projects not considered viable for bringing through to production or re-sale

The Group also performs impairment tests on assets under the course of development by estimating the recoverable amount of the cash-generating project to which it has been allocated This recoverable amount is estimated by either discounting future cashflows (value in use) or by considering the fair value less costs to sell of the assets It should be noted that, where discounting is used, the zinc price and the discount rate have the most significant impact on the value in use calculations

Following the impairment in the USA at the end of 2010, the Rotary Hearth Furnace from the USA has since been moved to Korea for use in the KRP and this has resulted in a partial reversal in the year of $0 6m (£0 4m) against intangible assets

Jabal Salab continues to pay for all critical expenditure that is required to maintain the project in Yemen and this expenditure has been capitalised as construction in progress during the year An assessment has now been made at the end of 2011, consistent with that done at the end of 2010 and at the half year for 2011, to review the treatment of this spend The assessment led us to impair this ongoing critical spend as the political situation in Yemen continues to create uncertainty about the timing of when it will be possible to finalise the financing of the project in Yemen The amount of this additional impairment is $6 1m (£4 0m) and was made against property, plant and equipment

The table below summarises the impairment provisions and reversals made in the year and included in the Group income statement

Impact on Group balance sheet	Notes	Jabali Mining £'000	USA Recycling £'000	Other Minor Projects £'000	Total Impairment £'000
Intangible assets	8	-	(410)	8	(402)
Property, plant and equipment	9	3,961	-	-	3,961
Trade and other receivables	11	(17)	-	-	(17)
Total impairment provision / (reversal) in 2011		**3,944**	**(410)**	**8**	**3,542**
Group's share		**1,996**	**(410)**	**8**	**1,594**
Total impairment provision in 2010		**94,564**	**19,549**	**25**	**114,138**
Group's share		**51,927**	**19,549**	**25**	**71,501**

(b) Share Based Compensation

In order to calculate the charge for share based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 21 The charge made in the year is £147,000 (2010 £37,000)

(c) Going Concern

As stated in the Directors' Report on page 15, the directors have reviewed future forecasts and commitments, which when compared to the current cash available, lead the directors to have reasonable expectation that the Group has adequate financial resources to continue in operational existence for the next 12 months They also note that the Groups' shortfall of current assets compared to current liabilities is due to there being liabilities against the Jabali project that will only be repaid once the project is refinanced For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements

3. (a) Underlying Operating Loss

	2011 £'000	2010 £'000
Underlying operating loss is stated after charging		
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Group accounts	59	60
Fees payable to the Company's auditors for the audit of subsidiary accounts	18	-
Fees payable to the Company's auditors for other services	8	8
Tax services	44	44
Fees payable to the external auditors for the audit of subsidiary accounts	8	22
Foreign exchange loss on monetary assets	922	-
Depreciation of owned property, plant and equipment	1,053	1,174
Depreciation of leased property, plant and equipment	20	19
Amortisation of intangible assets	64	82
Operating leases	79	80
And after crediting		
Foreign exchange gain on monetary assets	-	1,150

In addition to the depreciation shown above, a further £538,000 (2010 £539,000, 2009 £432,000) of depreciation was capitalised as property, plant and equipment

3. (b) Directors and Employees

	2011 £'000	2010 £'000
The monthly average number of persons employed by the Group (including Directors) during the year was 158 (2010 171)		
Wages and salaries	3,699	4,993
Social security costs	411	529
Pensions	149	246
Share based payments (note 21)	147	37
	4,406	**5,805**

Directors and key management personnel

The directors, which include both executive and non-executive directors, are the key management personnel of the Group An amount of £112,000 (2010 £120,000) for employers' national insurance was incurred by the Group in respect of the key management personnel

	Salary £'000	Other Benefits £'000	Total Emoluments £'000	Pension £'000	2011 Total Remuneration £'000	2010 Total Remuneration £'000
Andrew Woollett	315	4	319	21	340	309
Peter Wynter Bee (to 09/05/11)	170	1	171	8	179	279
Simon Hall	220	3	223	16	239	215
Simon Mulholland (to 09/05/11)	99	1	100	6	106	166
Jacques Dewalens #	304	-	304	-	304	298
Rod Beddows	40	-	40	-	40	30
Jeff Hewitt (to 10/01/11)	1	-	1	-	1	40
Jerry Saville (to 09/05/11)	13	-	13	-	13	30
Gilles Masson (to 09/05/11)	10	-	10	-	10	25
Guy Lafferty	-	-	-	-	-	-
Gautam Dalal (from 10/01/11)	32	-	32	-	32	-
Totals	**1,204**	**9**	**1,213**	**51**	**1,264**	**1,392**

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

Full details of director's share options are included on page 11 of the Directors' Report

An amount of £51,000 has been charged to profit and loss for the year (2010 £18,000) in respect of share based payments for directors

In aggregate, the amount of gains made by the directors on the exercise of share options was £nil (2010 £nil)

The number of directors who participated in defined contribution pension schemes was four (2010 four)

3 (c) Related Party Transactions

During the year ended 31 December 2011 the Group paid €362,560 (2010 €347,890) for technical consultancy services to Dew Consultancy bvba, a company in which Jacques Dewalens, ZincOx Resources plc's Technical and Production Director, has an interest

4 Other Gains and Losses

	2011 £'000	2010 £'000
Deferred consideration on disposal of subsidiary	-	2,462
Gain on disposal of scrap equipment	1,013	3,018
Loss on disposal of property, plant and equipment	-	(10)
Final distribution received from previous investment	-	3
	1 103	**5,473**

The gain on disposal of scrap equipment relates to the sales of anodes and cathodes made in the year from Big River Zinc (£919,000) and sales of the residual WORF equipment that was not sold to ZincOx (Korea) Ltd (£94,000)

The deferred consideration on disposal of subsidiary relates to the deferred consideration due to the Group's subsidiary, Zinc Corporation of Kazakhstan, following the sale of its subsidiary, Shaimerden Joint Stock Company on 12 December 2003 The deferred consideration is based on the production during 2010 representing 9,826 tonnes and has been grossed up for withholding tax deducted at source The deferred consideration for 2010 represented the final payment in relation to the disposal

5. Finance Income / (Costs)

	2011 £'000	2010 £'000
Interest received	48	141
Interest paid	(3)	(7)
	45	**134**

Details of interest capitalised in the year is shown in note 9

6. Taxation

	2011 £'000	2010 £'000
Taxation on loss for the year		
Overseas taxation	45	570
Total current tax	**45**	**570**

The tax assessed for the year is lower than the standard rate of tax in the UK of 26% (2010 28%) The differences are explained as follows

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	(8,048)	(111,168)
Loss on ordinary activities multiplied by weighted standard rate of corporation tax in the UK of 26 5% (2010 28%)	(2,132)	(31,127)
Effect of		
Disallowed expenses	(259)	(328)
Foreign tax credit	-	393
Deferred tax not recognised	2,436	31,632
Current tax charge for year	**45**	**570**

	2011 £'000	2010 £'000
Deferred Tax		
Deferred Tax Lιabιlιty		
Accelerated tax depreciatιon	(10,843)	(11,003)
Deferred Tax Assets		
Tax losses carrιed forward	15,611	15,057
Accelerated US tax depreciatιon ımpairment	13,483	13,797
Other tımıng dıfferences	2,166	2,343
Total net unrecognised deferred tax asset	**20,417**	**20,194**

For the US subsıdıarıes, deferred tax lıabılıtıes were provıded but were offset by suffıcıent deferred tax assets, avaılable ın the same jurısdıctıon

The Group has an open tax enquıry ın relatıon to the deferred capıtal receıpts followıng the sale of Shaımerden The nature of the enquıry relates to the value of receıpts that were expected and the wıthholdıng tax deductıons that the Group can make use of The dırectors have sought extensıve tax advıce from leadıng tax counsel on the specıfıc ıssues and, as a result, have reached the conclusıon that no provısıon ıs required

7. Loss Per Share

The calculatıon of the loss per share ıs based on the loss attrıbutable to ordınary shareholders of £6,073,000 (2010 £69,323,000) dıvıded by the weıghted average number of shares ın ıssue durıng the year of 78,686,207 (2010 77,860,620)

There ıs no dılutıve effect of the share optıons ın ıssue durıng 2011 and 2010

8. Intangible Assets

	Deferred Costs					
	Group Exploration £'000	Group Development £'000	Deferred Costs Total £'000	Computer Software £'000	Formation Costs £'000	Total Intangible Assets £'000
Cost						
At 1 January 2009	9,822	9,413	19,235	328	-	19,563
Additions	-	3,174	3,174	7	-	3,181
Foreign exchange	(636)	(509)	(1,145)	(2)	-	(1,147)
Impairment provisions	-	(701)	(701)	-	-	(701)
At 1 January 2010	9,186	11,377	20,563	333	-	20,896
Additions	-	5,486	5,486	9	-	5,495
Reclassifications	-	(1,756)	(1,756)	3	-	(1,753)
Foreign exchange	189	172	361	-	-	361
Impairment provisions	(9,375)	(6,644)	(16,019)	-	-	(16,019)
At 1 January 2011	-	8,635	8,635	345	-	8,980
Additions	-	418	418	1	182	601
Reclassifications	-	(586)	(586)	-	-	(586)
Foreign exchange	-	(1)	(1)	-	-	(1)
Impairment reversals	-	402	402	-	-	402
At 31 December 2011	**-**	**8,868**	**8,868**	**346**	**182**	**9,396**
Accumulated Amortisation						
At 1 January 2009	-	-	-	105	-	105
Charge for the year	-	-	-	83	-	83
At 1 January 2010	-	-	-	188	-	188
Charge for the year	-	-	-	82	-	82
Reclassifications	-	-	-	1	-	1
At 1 January 2011	-	-	-	271	-	271
Charge for the year	-	-	-	63	-	63
At 31 December 2011	**-**	**-**	**-**	**334**	**-**	**334**
Net Book Value						
At 31 December 2011	**-**	**8,868**	**8,868**	**12**	**182**	**9,062**
At 31 December 2010	-	8,635	8,635	74	-	8,709
At 31 December 2009	9,186	11,377	20,563	145	-	20,708

Under Group Development, a large impairment in relation to the USA assets was made in 2010 as a result of the strategic change to the cash-generating unit for the first recycling project now being in Korea and not in the USA A specific impairment, made in the US in 2010, relating to the WORF, was partially reversed in the year (£410k) As a result of impairment reviews performed on the other smaller projects at the year end, impairment provisions have been made on the carrying value of deferred development costs of £8k All deferred development costs that have been written off in the year are included in profit and loss in arriving at an operating loss

Under Group Exploration, the Jabali project had been fully impaired at December 2010 As a result of a full impairment being followed no further disclosure of assumptions under IAS 36 is required

9. Property Plant & Equipment

Property Plant & Equipment	Land & Buildings £'000	Plant & Machinery £'000	Construction in Progress £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost							
At 1 January 2009	5,990	9,380	49,495	115	306	176	65,462
Additions	52	4,717	54,543	11	61	615	59,999
Disposals	-	(1)	-	(1)	(8)	-	(10)
Foreign exchange	(498)	(796)	(4,499)	(4)	(11)	(14)	(5,822)
At 1 January 2010	5,544	13,300	99,539	121	348	777	119,629
Additions	347	157	15,782	6	26	46	16,364
Disposals	-	-	(8)	-	(5)	(75)	(88)
Reclassifications	-	-	1,756	-	(2)	-	1,754
Foreign exchange	29	322	2,615	(1)	(2)	9	2,972
At 1 January 2011	5,920	13,779	119,684	126	365	757	140,631
Additions	450	13	56,608	-	16	30	57,117
Disposals	(241)	(33)	-	-	(2)	(43)	(319)
Reclassifications	5	(5)	176	-	-	-	176
Foreign exchange	(795)	(5)	(28)	(1)	(2)	(3)	(834)
At 31 December 2011	**5,339**	**13,749**	**176,440**	**125**	**377**	**741**	**196,771**
Depreciation and Impairment							
At 1 January 2009	193	2,418	-	57	141	94	2,903
Charge for the year	(34)	1,307	-	22	71	168	1,534
Impairment provisions	-	-	17,579	-	-	-	17,579
Released on disposals	-	(1)	-	(1)	(6)	-	(8)
Foreign exchange	(13)	(188)	-	(1)	(5)	(7)	(214)
At 1 January 2010	146	3,536	17,579	77	201	255	21,794
Charge for the year	59	1,444	-	17	67	145	1,732
Impairment provisions	-	4,096	92,649	13	27	347	97,132
Released on disposals	-	-	-	-	(4)	(60)	(64)
Reclassifications	-	-	-	-	(1)	-	(1)
Foreign exchange	1	70	523	-	(2)	(2)	590
At 1 January 2011	206	9,146	110,751	107	288	685	121,183
Charge for the year	42	1,367	-	9	48	145	1,611
Impairment provisions / (reversals)	-	(399)	4,497	(5)	(9)	(123)	3,961
Released on disposals	-	(9)	-	(1)	-	(21)	(31)
Reclassifications	-	-	(410)	-	-	-	(410)
Foreign exchange	(1)	(2)	39	(1)	(2)	(1)	32
At 31 December 2011	**247**	**10,103**	**114,877**	**109**	**325**	**685**	**126,346**
Net Book Value							
At 31 December 2011	**5,092**	**3,646**	**61,563**	**16**	**52**	**56**	**70,425**
At 31 December 2010	5,714	4,633	8,933	19	77	72	19,448
At 31 December 2009	5,398	9,764	81,960	44	147	522	97,835

An amount of £538k (2010 £539k, 2009 £432k), representing capitalised depreciation, is included within the property, plant and equipment additions (Construction in Progress) for the year

The Construction in Progress amounts shown above also include capitalised interest during the construction period as follows

- Interest paid and payable on borrowings of £0 4m (2010 £nil, 2009 £18 7m)
- Interest received on the investment of above borrowings £46k (2010 £nil, 2009 $3 1m)

The property, plant and equipment assets relating to the Jabali project were fully impaired at the end of 2010 due to the uncertainties which existed surrounding the political situation in Yemen and the effect that this had on the ability to refinance the project in a timely way The situation throughout 2011 and at the year end has not changed in either respect A further impairment of £4 0m ($6 1m) relating to the ongoing holding cost in Yemen, that had been capitalised on the project, was made in the year and has been charged to the profit and loss in arriving at the operating loss

10. Finance Lease Liabilities

	Minimum Lease Payments 2011 £'000	Interest 2011 £'000	Principal 2011 £'000	Minimum Lease Payments 2010 £'000	Interest 2010 £'000	Principal 2010 £'000	Minimum Lease Payments 2009 £'000	Interest 2009 £'000	Principal 2009 £'000
Finance lease liabilities are payable as follows:									
Less than one year	25	2	23	27	3	24	43	6	37
Between one and five years	29	2	27	51	3	48	38	3	35
	54	**4**	**50**	**78**	**6**	**72**	**81**	**9**	**72**

Assets held within the Group under finance leases had a net book value at 31 December 2011 of £48,000 (2010 £71,000, 2009 £66,000)

11. Trade and Other Receivables

	2011 £'000	2010 £'000	2009 £'000
Current			
Deposits	35	34	38
Other debtors	1,804	3,819	8,817
Prepayments	164	184	1,877
	2,003	**4,037**	**10,732**
Non-Current			
Deposits	655	-	227
	655	**-**	**227**

A partial reversal of an impairment provision, made in 2010, against Jabal Salab's trade and other receivables was made in the year of £17k ($26k)

12. Restricted Cash

	2011 £'000	2010 £'000	2009 £'000
Current			
Jabal Salab project	14	-	169
	14	**-**	**169**

The restricted cash balance at the year end of the year relates to cash that was sent in December by our Yemeni partner to Jabal Salab and which was earmarked for specific payments and only after their approval had been given

13. Trade and Other Payables

	2011 £'000	2010 £'000	2009 £'000
Current			
Trade payables	11,920	9,827	9,450
Taxation and social security	131	76	86
Accruals	925	2,109	1,476
Other payables	390	632	4,020
Finance lease obligations	23	27	43
	13,389	**12,671**	**15,075**
Non-Current			
Accruals	590	-	-
Employee benefits	203	221	234
Other payables	355	352	360
Finance lease obligations	27	51	38
	1,175	**624**	**632**

A non-current rent accrual of £590k was made for the lease of the land from the Korean government authorities in relation to the Korean Recycling Plant This assumes an initial rent-free period of five years

Trade and other payables at the end of the year include an amount of £8 8m in respect of Jabal Salab, a company in which the Group has a 52% interest They will remain outstanding until the project is refinanced (see Financial Review on page 7)

14. Borrowings

	2011 £'000	2010 £'000	2009 £'000
Current			
International Bank of Yemen unsecured loan	3,667	-	-
Other bank borrowings	31	-	-
	3,698	-	-
Non-Current			
Korea Zinc Company Limited secured loans	20,687	-	-
	20,687	-	-

An unsecured loan was taken out with the International Bank of Yemen by Jabal Salab Company (Yemen) Ltd on 12 March 2011 The facility is for $5 5m at an interest rate of 6% and has been extended into 2012, but will remain outstanding until the project is refinanced (see Financial Review on page 7)

Two separate loans were taken out with Korea Zinc Company Limited ("Korea Zinc") by ZincOx (Korea) Ltd to provide $50m of the required $110m funding for the development of KRP1 in Korea A long term 'Offtake Loan' was agreed for $35m and is repayable on 30 June 2022 Interest is chargeable at USD 6 month LIBOR plus a 5% margin and becomes payable from June 2013, two years from first drawdown A shorter term 'Development Loan' was agreed for $15m and is repayable three years from first drawdown being February 2015 Interest is chargeable at 15% and becomes payable immediately from first drawdown in line with the agreed interest periods Both loans with Korea Zinc are secured by a debenture over the assets of KRP1 only

Other bank borrowings represent two unsecured facilities taken out by ZincOx Resources Belgium sprl to fund short-term working capital requirements

15. Share Capital

	2011 £'000	2010 £'000	2009 £'000
Authorised			
120,000,000 ordinary shares of £0 25 each (2010 120,000,000, 2009 120,000,000)	30,000	30,000	30,000
Allotted, issued and fully paid			
89,021,335 ordinary shares of £0 25 each (2010 77,860,620, 2009 77,860,620)	22,255	19,465	19,465

At 31 December 2011 there were options available over 6,590,006 ordinary shares in the Company, 1,984,644 available to directors (see Directors' Report) and 4,605,362 to eligible persons The exercise price of each option is between £0 00 and £2 625 Options granted before 2009 cannot be exercised for two years (three years for those granted from 2009) from the date they were granted, and must be exercised within 10 years from that date The number of shares which would have been in issue at the end of the financial year, had all options and warrants been exercised, would have been 95,611,341

The highest and lowest prices of the Company's shares during the year were 80p and 47 5p respectively, and the share price at the end of the year was 52 85p

No share options were exercised in the year and, as a result, no shares were issued

In January 2012, the Company granted 1,885,814 options at a subscription price of 56p and a further 788,021 options under its Performance Share Plan at a zero subscription price At the same time, 1,029,500 options that were granted in 2009 were cancelled (see note 21 for details)

Details of the Company Share Options

Date of Issue	At 31 December 2011 *Number*	Exercise Price £	Date from which exercisable	Expiry Date
30 September 2002	95,238	0 45	30 September 2004	30 September 2012
01 August 2003	352,704	0 54	01 August 2005	01 August 2013
04 May 2005	334,323	1 295	04 May 2007	04 May 2015
05 January 2006	787,240	1 50	05 January 2008	05 January 2016
27 June 2006	600,033	2 075	27 June 2008	27 June 2016
16 January 2007	902,237	2 625	16 January 2009	16 January 2017
29 February 2008	565,700	2 60	28 February 2010	28 February 2018
21 January 2009	97,000	0 00	21 January 2012	21 January 2019
21 January 2009	932,500	0 335	21 January 2012	21 January 2019
26 January 2010	481,052	0 00	26 January 2013	26 January 2020
26 January 2010	653,743	0 5025	26 January 2013	26 January 2020
10 May 2011	201,387	0 00	10 May 2014	10 May 2021
10 May 2011	586,849	0 51	10 May 2014	10 May 2021
	6,590,006			

16. Operating Leases

Non-cancellable operating lease rentals are payable as follows

	2011 £'000	2010 £'000	2009 £'000
Less than 1 year	91	95	99
Between 1 and 5 years	755	250	387
More than 5 years	2,412	3,092	-
	3,258	**3,437**	**486**

ZincOx (Korea) Limited signed a 50 year lease in December 2010, renewable every 10 years at no additional cost, for the site of its Korean Recycling Plant The lease provides for a minimum rent-free period of five years provided that ZincOx completes the development of KRP1 within two years and the development of KRP2 within four years

17. Financial Instruments

Capital Management Policies and Procedures

The Group's capital management objectives are

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

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

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

The Group sets the amount of capital in proportion to its overall financing structure, i e equity and financial liabilities The Group manages the capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of the underlying assets

Capital for the reporting periods under review is summarised as follows -

	2011 £'000	2010 £'000	2009 £'000
Total equity	55,467	57,686	161,313
Less cash and cash equivalents	(11,878)	(38,381)	(46,929)
Capital	**43,589**	**19,305**	**114,384**

Total equity	55,467	57,686	161,313
Borrowings	24,385	-	-
Overall financing	**79,852**	**57,686**	**161,313**

Capital to overall financing ratio	**0.55**	**0.33**	**0.71**

The Group has no covenant obligations

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

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		
	2011 £'000	2010 £'000	2009 £'000	2011 £'000	2010 £'000	2009 £'000	2011 £'000	2010 £'000	2009 £'000	2011 £'000	2010 £'000	2009 £'000
Trade payables	13,389	12,671	15,075	-	-	-	1,175	624	632	-	-	-
Borrowings	3,698	-	-	-	-	-	-	-	-	20,687	-	-
Totals	17,087	12,671	15,075	-	-	-	1,175	624	632	20,687	-	-

It should be noted that the total financial obligations falling due within 6 months include the full amount of those balances in Jabal Salab amounting to £8 8m (trade payables) and £3 7m (borrowings) These will, however, only be repaid upon any refinancing as described in the Financial Review on page 7

Credit Risk

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

The Group's credit risk is primarily attributable to its other receivables It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment Doubtful receivables of $26k, relating to Big River Zinc, have been allowed at the balance sheet date In addition, an impairment of $1,502k (£972k) remains against the Jabali project in respect of trade and other debtors following the decision to fully impair the assets of Jabal Salab (Yemen) Ltd at the end of 2010

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

Foreign Exchange Risk

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

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

	2011			2010			2009		
	Financial Assets £'000	Financial Liabilities £'000	Exposure £'000	Financial Assets £'000	Financial Liabilities £'000	Exposure £'000	Financial Assets £'000	Financial Liabilities £'000	Exposure £'000
GBP	28	88	(60)	-	120	(120)	-	17	(17)
YER	1	2,196	(2,195)	1	7	(6)	5	20	(15)
ZAR	-	15	(15)	-	22	(22)	-	88	(88)
EURO	617	5,483	(4,866)	14	5,431	(5,417)	111	5,626	(5,515)
USD	3,056	20,970	(17,914)	34,706	719	33,987	40,698	3,278	37,420

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities for the Sterling-Yemeni Rial, Sterling-Rand, Sterling-Euro and Sterling-US Dollar

It assumes a +/-10% change of the Sterling-Yemeni Rial, Sterling-Rand, Sterling–Euro and Sterling-US Dollar for the year ended 31 December 2011 (2010 10%, 2009 10%) The sensitivity analysis is applied to the Group's foreign currency financial instruments held at balance sheet date

If Sterling had weakened against the Yemeni Rial, Rand, Euro, and US Dollar by 10% this would have had the following impact

	2011		2010		2009	
	Net result for year £'000	**Equity £'000**	**Net result for year £'000**	**Equity £'000**	**Net result for year £'000**	**Equity £'000**
GBP	-	5	2	11	2	2
YER	-	200	-	1	-	1
ZAR	-	1	-	2	-	8
EURO	123	442	177	492	244	501
USD	(11)	1,629	(799)	(2,595)	(513)	(3,402)

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

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

Interest Rate Risk

The Group is exposed to interest rate risk in respect of the cash balances held with banks and other highly rated counterparties If the interest rate the Group received had increased/decreased by half a percent during the year, the net result for the year would have been increased/reduced by £127,000 (2010 £222,000, 2009 £361,000) There would have been no impact on other equity

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

2011	Weighted Average Effective Interest Rate	Variable Interest Rate £'000	Fixed Interest Rate £'000	Non-interest bearing £'000	Total £'000
Assets					
Cash	0 19%	11,878	-	-	11,878
Restricted cash		-	-	14	14
Trade and other receivables		-	-	2,658	2,658
Total Financial Assets		**11,878**	**-**	**2,672**	**14,550**
Liabilities					
Trade and other payables		-	(23)	(13,366)	(13,389)
Borrowings - current		-	(3,698)	-	(3,698)
Borowings – non-current		(20,687)	-	-	(20,687)
Other non-current liabilities		-	(27)	-	(27)
Total Financial Liabilities		**(20,687)**	**(3,748)**	**(13,366)**	**(37,801)**
Net Financial Assets / (Liabilities)		**(8,809)**	**(3,748)**	**(10,694)**	**(23,251)**

2010	Weighted Average Effective Interest Rate	Variable Interest Rate £'000	Fixed Interest Rate £'000	Non-interest bearing £'000	Total £'000
Assets					
Cash	0 31%	38,381	-	-	38,381
Trade and other receivables		-	-	4,037	4,037
Total Financial Assets		**38,381**	**-**	**4,037**	**42,418**
Liabilities					
Trade and other payables		-	-	(12,671)	(12,671)
Non-current liabilities		-	-	(51)	(51)
Total Financial Liabilities		**-**	**-**	**(12,722)**	**(12,722)**
Net Financial Assets / (Liabilities)		**38,381**	**-**	**(8,685)**	**29,696**

2009	Weighted Average Effective Interest Rate	Variable Interest Rate £'000	Fixed Interest Rate £'000	Non-interest bearing £'000	Total £'000
Assets					
Cash	0 35%	46,929	-	-	46,929
Trade and other receivables		-	-	10,732	10,732
Total Financial Assets		**46,929**	**-**	**10,732**	**57,661**
Liabilities					
Trade and other payables		-	-	(15,075)	(15,075)
Non-current liabilities		-	-	(38)	(38)
Total Financial Liabilities		**-**	**-**	**(15,113)**	**(15,113)**
Net Financial Assets / (Liabilities)		**46,929**	**-**	**(4,381)**	**42,548**

Financial Assets

The Group held the following financial assets

	2011 £'000	2010 £'000	2009 £'000
Cash and cash equivalents	11,878	38,381	46,929
Restricted cash	14	-	-
Trade and other receivables	2,658	4,037	10,732
	14,550	**42,418**	**57,661**

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

18. Capital Commitments

At 31 December 2011, the Group had outstanding purchase orders in respect of These amounts totalled KRW 18 3bn ($15 8m) (2010 and 2009 $nil)

19. Post Balance Sheet Events

On 18 January 2012, the Company granted 1,885,814 options over its ordinary shares at a subscription price of 56 pence per ordinary share and issued a further 788,021 options under its Performance Share Plan at a zero subscription price At the same time, the Company cancelled 1,029,500 options over its ordinary shares that had been granted in 2009 (see note 21 for details)

By the end of January 2012, ZincOx (Korea) Ltd had drawn down the remaining amount ($3 5m) from the original $35m Offtake Loan facility and by the end of February 2012 the whole of the $15m Development Loan facility had been utilised

On 30 April 2012, a start-up permit was granted to ZincOx (Korea) Ltd, allowing it to receive EAFD on site Prior to receiving this permit, ZincOx (Korea) Limited was not able to start production

20 Segmental Analysis

The Group considers that its activities are split into two key areas its recycling activity, which is the main activity, and its mining activity An operating segment is a component of the Group engaged in recycling or mining activity In relation to recycling activity, each operating segment is usually signified by a separate geographical location for the purposes of making economic decisions as shown in the Review of Operations where Korea, Thailand, USA and Turkey will be the future recycling operation for the Group

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

The following table analyses the sector revenue and result and reconciles the sector result to the loss after tax

	Revenue		**Sector result**	
	2011	**2010**	**2011**	**2010**
	£'000	£'000	£'000	£'000
Mining	-	-	(4,237)	(89,808)
Recycling	1,648	1,926	(1,179)	(19,628)
Sector total	**1,648**	**1,926**	**(5,416)**	**(109,436)**
UK Head Office			(2,677)	(1,866)
Operating loss			**(8,093)**	**(111,302)**
Finance income			48	141
Finance costs			(3)	(7)
Loss before tax			**(8,048)**	**(111,168)**
Taxation			(45)	(570)
Loss after tax			**(8,093)**	**(111,738)**

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

	Assets			Liabilities			Net assets		
	2011 £'000	**2010 £'000**	**2009 £'000**	**2011 £'000**	**2010 £'000**	**2009 £'000**	**2011 £'000**	**2010 £'000**	**2009 £'000**
Mining	15	2,178	88,676	12,458	9,597	8,662	(12,443)	(7,419)	80,014
Recycling	86,310	54,269	41,495	26,003	3,281	3,190	60,307	50,988	38,305
Sector total	**86,325**	**56,447**	**130,171**	**38,461**	**12,878**	**11,852**	**47,684**	**43,569**	**118,319**
UK Head Office – unallocated	8,091	14,534	46,849	488	417	3,855	7,603	14,117	42,994
Total	**94,416**	**70,981**	**177,020**	**38,949**	**13,295**	**15,707**	**55,467**	**57,686**	**161,313**

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

	Capital additions			Depreciation, impairment and amortisation		
	2011 £'000	**2010 £'000**	**2009 £'000**	**2011 £'000**	**2010 £'000**	**2009 £'000**
Mining	4,629	10,612	53,851	4,093	92,184	17,993
Recycling	52,989	11,200	9,320	501	23,561	1,652
Sector total	**57,618**	**21,812**	**63,171**	**4,594**	**115,745**	**19,645**
UK Head Office – unallocated	88	47	9	102	207	251
Total	**57,706**	**21,859**	**63,180**	**4,696**	**115,952**	**19,896**

Geographic information

The Group also has a global geographical presence which is reflected in the segmental analysis As the Group shifts its focus to become a recycling business only, then each plant that is subsequently developed will become a significant segment in its own right and a geographical analysis will become more appropriate as the primary activity

Revenue for the Group is all generated by Big River Zinc Corporation within the USA

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

	2011 £'000	**2010 £'000**	**2009 £'000**
United Kingdom	1,483	1,541	1,111
Yemen	(12)	-	78,566
Rest of Europe (#1)	6,383	7,342	9,376
USA	12,057	15,724	28,475
Korea	59,253	2,946	650
Other Asia (#2)	978	604	592
Total	**80,142**	**28,157**	**118,770**

(#1) Rest of Europe includes Belgium and Turkey, (#2) Other Asia includes Thailand and Malaysia

21. Employee Related Share Based Payments

Share options to employees are granted on a discretionary basis The exercise price of the granted options is equal to the market price of the shares on the date of the grant Movements in the number of employee share options outstanding and their related weighted average exercise prices are as follows

	2011		2010		2009	
	Weighted Average Exercise Price (£ per share)	**Outstanding Options (thousands)**	**Weighted Average Exercise Price (£ per share)**	**Outstanding Options (thousands)**	**Weighted Average Exercise Price (£ per share)**	**Outstanding Options (thousands)**
At 1 Jan 2011	1 30	6,324	1 54	5,870	1 82	4,827
Granted	0 38	788	0 31	1,381	0 31	1,367
Exercised	-	-	-	-	0 25	(284)
Lapsed	1 20	(522)	1 37	(927)	2 62	(40)
At 31 Dec 2011	**1 19**	**6,590**	**1.30**	**6,324**	**1 54**	**5,870**

No options were exercised in either of the years to 31 December 2011 or 31 December 2010 In the year to 31 December 2009, the weighted average share price, at the date of exercise, of options exercised during the year was £0 66 The weighted average assumptions made in applying the Black-Scholes model to option grants made in the period are set out below

Weighted average fair value of share options and input assumptions	**2011 options granted**	**2010 options granted**	**2009 options granted**
Share price at grant	£0 515	£0 503	£0 335
Exercise price	£0 383	£0 311	£0 311
Shares under option	788,236	1,380,987	1,367,500
Expected volatility	57%	61%	52%
Option life (Years)	5	5	5
Risk free interest rate	2 29%	2 78%	1 88%
Fair value per option	£0 45	£0 19	£0 07
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes

The total charge for the period relating to employee share based payment plans was £147,000 (2010 £37,000, 2009 £395,000) The vesting period for the options granted was three years (2010 and 2009 three years) The only other vesting conditions that exist are as follows -

(a) For the 2011 options, the award of options is conditional on an 'Award Production' linked to the production capacity at KRP1 where 75% of the options can be exercised at 75% capacity of KRP1 increasing to 100% of the options being exercised at full production subject to certain time limits

(b) For the 2010 options, 25% of the options can be exercised when the share price reaches a "lower target" of £0 75 (2009 options £0 60) and 100% of the options can be exercised at a "higher target" of £1 85 (2009 options £1 75)

The volatility calculation was based on the Company's share price performance for the five years ended 10 May 2011 No dividend is assumed in the calculation (2010 and 2009 nil) of the option fair values

Since the year end, the Company has granted a further 2,673,835 options (see note 19), the award of the which is conditional on an 'Award Production' linked to the production capacity at KRP1 where 75% of the options can be exercised at 75% capacity of KRP1 increasing to 100% of the options being exercised at full production, subject to certain time limits At the same time, the Company cancelled 1,029,500 options that were originally granted in 2009 The vesting period for these options was three years from date of grant with the other vesting conditions given above

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

We have audited the parent company financial statements of ZincOx Resources plc for the year ended 31 December 2011 which comprise of the parent company balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the parent company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Other matter
We have reported separately on the Group financial statements of ZincOx Resources plc for the year ended 31 December 2011

Grant Thornton UK LLP

David Miller
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

21 May 2012

ZINCOX RESOURCES PLC
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 £000	2010 £000
Fixed Assets			
Intangible assets	26	8,290	8,056
Tangible assets	27	54	154
Investments	28	37,967	19,302
		46,311	**27,512**
Current Assets			
Debtors due within one year	29	464	201
Debtors due after one year	29	13,413	21,282
Cash at bank and in hand		7,816	14,196
		21,693	**35,679**
Creditors – amounts falling due within one year	30	(759)	(670)
Net Current Assets		**20,934**	**35,009**
Creditors – amounts falling due after one year	30	(43)	-
Net Assets		**67,202**	**62,521**
Capital and Reserves			
Share capital	31	22,255	19,465
Share premium	32	88,493	85,336
Profit and loss account	32	(43,546)	(42,280)
Equity Shareholders' Funds	33	**67,202**	**62,521**

Approved by the directors on 21 May 2012

COMPANY NUMBER:
3800208

Simon Hall
Director

The notes on pages 47 to 52 form an integral part of these financial statements

22. Significant Accounting Policies

The separate financial statements of the Company are presented as required by the Companies Act 2006 As permitted by that Act, the separate financial statements have been prepared in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The principal accounting policies which differ to those set out in note 1 to the consolidated financial statements are noted below

The financial statements have been prepared on the historical cost basis

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

(ii) The requirements of FRS 20, share based payments, are the same as those set out in note 1 to the consolidated financial statements

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

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

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

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

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

(v) The directors continue to adopt the going concern basis in preparing the Company's financial statements As stated in the Directors' Report on page 15, and per the Group accounting policies note 2(c), 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 Company has adequate financial resources to continue in operational existence for the next 12 months

23. Impairment Provisions

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

24. Loss for the Financial Year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements The loss for the Company was £1,413,000 (2010 £53,488,000)

The average monthly number of employees of the Company (including directors) during the year was 15 (2010 21) and their aggregate remuneration comprised

	2011 £'000	2010 £'000
Wages and salaries	1,441	1,998
Social security costs	167	212
Other pension costs	83	133
	1,691	**2,343**

25. Operating Loss

The auditors' remuneration for audit services to the Company was £19,000 (2010 £20,000)

26. Intangible Assets – Deferred Costs

	Company Exploration £'000	Company Development £'000	Company Total £'000
At 1 January 2010	2,818	5,640	8,458
Additions	-	2,441	2,441
Amounts written off	-	(25)	(25)
At 1 January 2011	2,818	8,056	10,874
Additions	-	430	430
Reclassifications	-	(188)	(188)
Amounts written off	-	-	-
At 31 December 2011	**2,818**	**8,298**	**11,116**
Impairment Provisions			
At 1 January 2010	-	-	-
Charge for the year	2,818	-	2,818
At 1 January 2011	2,818	-	2,818
Charge for the year	-	8	8
At 31 December 2011	**2,818**	**8**	**2,826**
Net Book Value			
At 31 December 2011	-	**8,290**	**8,290**
At 31 December 2010	-	8,056	8,056

Under Company Exploration, the Jabali project was fully impaired at the end of 2010

27 Tangible Fixed Assets

	Land & Buildings £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2010	108	520	68	457	1,153
Additions	-	-	-	30	30
Disposals	-	-	-	(2)	(2)
At 1 January 2011	108	520	68	485	1,181
Additions	-	1	-	1	2
Disposals	-	-	(1)	(1)	(2)
At 31 December 2011	**108**	**521**	**67**	**485**	**1,181**
Depreciation					
At 1 January 2010	54	454	59	263	830
Charge for the year	15	66	9	109	199
Released on disposals	-	-	-	(2)	(2)
At 1 January 2011	69	520	68	370	1,027
Charge for the year	17	1	-	83	101
Released on disposals	-	-	(1)	-	(1)
At 31 December 2011	**86**	**521**	**67**	**453**	**1,127**
Net Book Value					
At 31 December 2011	**22**	**-**	**-**	**32**	**54**
At 31 December 2010	39	-	-	115	154

28. Investments

	Subsidiaries £'000	Total £'000
Cost		
At 1 January 2010	85	85
Additions	19,331	19,331
Disposals	(21)	(21)
At 1 January 2011	19,395	19,395
Additions	18,572	18,572
At 31 December 2011	**37,967**	**37,967**
Impairment Provisions		
At 1 January 2010	-	-
Charge for year	(93)	(93)
Disposals	-	-
At 1 January 2011	(93)	(93)
Reversal of impairment provision	93	93
Disposals	-	-
At 31 December 2011	**-**	**-**
Net Book Value		
at 31 December 2011	**37,967**	**37,967**
at 31 December 2010	19,302	19,302

An impairment provision of £93,000 made in 2010 against the Company's investment in ZincOx (Korea) Ltd has been reversed in 2011 This is due to a change in the way the share registration tax in the Korean subsidiary has been accounted for

Interest in Subsidiary Undertakings

The subsidiary undertakings at 31 December 2011, all of which are included in the consolidated financial statements, are shown below

Name of Undertaking	Country of Incorporation / Registration and Operation	Principal Activities	Proportion of, and Voting Rights held by the Company and the Group
ZincOx Belgium Sprl	Belgium	Metallurgical Research	99 99%
Pearl Zinc SA*	Belgium	Zinc Marketing	99 99%
Zinc Corporation of Kazakhstan Ltd	British Virgin Islands	Holding	100%
Jabal Salab Company (Yemen) Ltd*	Cayman Islands	Metallurgical Processing	52%
ZincOx Anadolu Cinko SVTAS	Turkey	Zinc Extraction	100%
ZincOx Resources (USA) Ltd	UK	Zinc Extraction	100%
ZincOx Resources (Yemen) Ltd	UK	Holding	100%
Big River Zinc Corporation*	USA	Zinc Processing	100%
Zinc and Iron Recycling of Ohio, Inc *	USA	Zinc Processing	100%
Zinc and Iron Recycling of Michigan Inc *	USA	Zinc Processing	100%
ZincOx (USA) Recycling, Inc *	USA	Holding	100%
ZincOx Thailand Company Ltd	Thailand	Zinc Extraction	100%
ZincOx Malaysia Sdn Bhd	Malaysia	Holding	100%
ZincOx Resources (Korea) Ltd	UK	Zinc Processing	100%
ZincOx (Korea) Ltd	Korea	Zinc Extraction	100%

With the exception of those holdings marked with an asterisk, all shareholdings are held directly by the Company

The Company invested £18 6m ($30m or KRW 33bn) in ZincOx (Korea) Ltd during the year

29. Debtors

	2011 £'000	2010 £'000
Due within one year		
Deposits	30	30
Other debtors	54	44
Prepayments	111	111
Amounts owed by Group undertakings	269	16
	464	**201**
Due after one year		
Amounts owed by Group undertakings	13,413	21,282
	13,413	**21,282**

Amounts owed by Group undertakings due within one year are stated after allowing for any impairment provision At 31 December 2011 the impairment provision stood at £2 2m (at 31 December 2010 £1 8m) in respect of the Jabali project

Amounts owed by Group undertakings due after one year are stated after allowing for any impairment provision At 31 December 2011 impairment provisions stood at £34 5m (at 31 December 2010 £34 4m) against ZincOx Resources (Yemen) Ltd in respect of the assets held in Jabal Salab Company (Yemen) Ltd, £2 7m (at 31 December 2010 £2 9m) against ZincOx Belgium Sprl in respect of the Rubber Grade Plant asset and £19 1m (at 31 December 2010 £19 5m) against ZincOx Resources (USA) Ltd in respect of the recycling assets at BRZ and in the USA

30. Creditors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Trade creditors	603	182
Taxation and social security	34	51
Accruals	88	183
Other creditors	-	1
Amounts owed to Group undertaking	34	253
	759	**670**
Amounts falling due after one year		
Amounts owed to Group undertaking	43	-
	43	-

31. Share Capital

	2011 £'000	2010 £'000
Authorised		
120,000,000 ordinary shares of £0 25 each (2010 120,000,000, 2009 120,000,000)	30,000	30,000
Allotted, issued and fully paid		
89,021,335 ordinary shares of £0 25 each (2010 77,860,620, 2009 77,860,620)	22,255	19,465

At 31 December 2011 there were options available over 6,590,006 ordinary shares in the Company, 1,984,644 available to directors (see Directors' Report) and 4,605,362 to eligible persons The exercise price of each option is between £0 00 and £2 625 Options granted before 2009 cannot be exercised for two years (three years for those granted from 2009) from the date they were granted, and must be exercised within ten years from that date The number of shares which would have been in issue at the end of the financial year, had all options and warrants been exercised, would have been 95,611,341

The highest and lowest prices of the Company's shares during the year were 80p and 47 5p respectively, and the share price at the end of the year was 52 85p

No share options were exercised in the year and, as a result, no shares were issued Details of share options are shown in note 15

32. Reserves

	Share Premium Account £'000	Profit and Loss Account £'000
At 1 January 2011	85,336	(42,280)
Issue of shares	3,157	-
Loss for the financial year	-	(1,413)
Share based payments expense	-	147
At 31 December 2011	**88,493**	**(43,546)**

33. Reconciliation of Movements in Shareholders' Funds

	2011 £'000	2010 £'000
Loss for the financial year	(1,413)	(53,488)
Issue of shares	5,947	-
Share based payments expense	147	37
Net increase / (reduction) to shareholders' funds	4,681	(53,451)
At beginning of year	62,521	115,972
At end of year	**67,202**	**62,521**

34. Financial Commitments

At 31 December 2011 the commitment under operating leases for land and buildings was £80k over the remaining one and a half years (2010 £131,000 over the remaining two and a half years)

35. Related Party Transactions

In the year, the Company recharged expenses and management fees of £419k (2010 £1,119k) to Jabal Salab Company (Yemen) Ltd, a 52% owned subsidiary

An amount of £2,246k (2010 £1,843k) was due from Jabal Salab Company (Yemen) Ltd at 31 December 2011 This balance has been fully provided for as a doubtful debt at the year end and is disclosed in note 29 above

36. Post Balance Sheet Events

On 18 January 2012, the Company granted 1,885,814 options over its ordinary shares at a subscription price of 56 pence per ordinary share and issued a further 788,021 options under its Performance Share Plan at a zero subscription price At the same time, the Company cancelled 1,029,500 options over its ordinary shares that had been granted in 2009 (see note 21 for details)

ZINCOX RESOURCES PLC
(the "Company")
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meetіng of ZincOx Resources plc will be held at the offices of Peel Hunt, Moor House, 120 London Wall, London, EC2Y 5ET on 26 June 2012 at 12 30pm for the purpose of transacting the following business

ORDINARY BUSINESS

1) To receive and adopt the Directors' Report and financial statements for the financial year ended 31 December 2011 together with the auditors' report

2) To re-elect Simon Hall 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 Guy Lafferty as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association

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

SPECIAL BUSINESS

5) To consider, and if thought fit, pass the following resolution which will be proposed as an ordinary resolution

"**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 £7,418,444 representing a number of ordinary shares of 25 pence each (the "Shares") equivalent to approximately one third of the issued share capital of the Company at the date of this notice

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

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

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

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

(b) (otherwise than pursuant to sub–paragraph (a) of this Resolution 6) up to an aggregate nominal amount of £2,225,533 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:
Knightway House
Park Street
Bagshot
Surrey
GU19 5AQ

BY ORDER OF THE BOARD
Ian Halliwell
Secretary

1 June 2012

Notes.

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

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

3 The right of members to vote at the meeting is determined by reference to the register of members As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders (including those who hold Shares in uncertificated form) must be entered on the Company's share register at 18 00 on 22 June in order to be entitled to attend and vote at the AGM Such shareholders may only cast votes in respect of Shares held at such time Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting

4 The total number of Shares in issue as at 1 June 2012, the last practicable day before printing this document was 89,021,335 Shares and the total level of voting rights was 89,021,335 none of which were attached to Shares held in treasury by the Company

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

6 Biographical details of each director who is being proposed for appointment or re-election by shareholders, including their membership of Board committees, are set out on pages 9 and 10

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 30 June 2011 Such authority and power are normally given on an annual basis to the directors of a company that has its shares traded on the Alternative Investment Market The Act provides that the directors may not issue new shares unless authorised to do so by the shareholders In Resolution 5 an authority is being sought to issue new Shares up to a maximum aggregate nominal amount of £7,418,444, 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 2013 and (ii) 15 months from the date of Resolution 5 being passed

The granting of this authority 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 this 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 £2,225,533 which represents a number of Shares approximately equal to 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 2013 and (ii) 15 months from the date of Resolution 6 being passed

ADVISERS

Registered Number	3800208
Registered Office	Knightway House Park Street Bagshot Surrey GU19 5AQ
Nominated Adviser and Joint Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Joint Broker	finnCap 60 New Broad Street London EC2M 1JJ
Bankers	HSBC Bank plc Apex Plaza Reading Berkshire RG1 1YE
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
Investor Relations	Tavistock Communications 131 Finsbury Pavement London EC2A 1NT
Solicitors	Eversheds LLP One Wood Street London EC2V 7WS
Registrars	Capita Registrars The Registry 34, Beckenham Road Beckenham Kent BR3 4TU