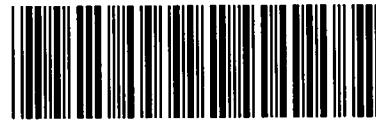


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Vision

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

In South Korea the Company owns and operates one of the world's largest zinc recycling facilities. It plans to roll this technology out around the world so as to create a network of recycling plants.

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Highlights

- Production of 24,577 tonnes of zinc in concentrate in 2013
- Consistently high quality zinc concentrate
- International Finance Corporation becomes a major shareholder
- Inner tubes of heat exchangers replaced
- Recovery and availability close to target levels
- May 2014 a record month: 3,406 tonnes of zinc in concentrate, 9% increase on previous best month

Chairman's Statement

“We have demonstrated that the metallurgical process has worked well.”

The development of new breakthrough technology is never easy and 2013 demonstrated this very clearly. However, during the year our flagship development in South Korea produced 24,577 tonnes of zinc contained in an oxide concentrate resulting in revenues for 2013 of US\$27.1 million. The ramp-up is making great progress and a new record for output was set in May 2014, with the production of 3,406 tonnes of zinc in concentrate, representing a 9% increase from the previous best month.

At the Korean Recycling Plant (“KRP”) we have demonstrated that the metallurgical process has worked well but we were beset by a number of operational and mechanical issues which led to stoppages that required production to be suspended for several days on each occasion. As a consequence, in most months, the plant was operating for less than two thirds of the time and so recorded a loss. In order to support the Company, new debt and equity was raised during the course of the year and again in April 2014. In one such funding in November 2013, the International Finance Corporation (“IFC”), the private sector arm of the World Bank Group, became our second largest shareholder. We are delighted to have attracted a shareholder of such high calibre and its investment is a clear endorsement not only of our technology but also of our plan to roll this concept out around the world.

The problems that caused the long stoppages last year have been addressed and we are now looking forward to a more continuous operation over the coming months. At current output levels the operation is generating a positive EBITDA and we expect production to increase steadily to full capacity in the autumn of 2014.

Korean Recycling Plant (“KRP”)

2013 started well at KRP with a new output level in January continuing the upward trend seen in 2012. In March 2013, however, we experienced the first major air leakages in the inner tubes of the heat exchangers. The leakages were the result of corrosion due to poor manufacture and a minor design fault which required the full closure of the plant for repair. These holes were patched with metal plates and production resumed. While the repair itself took only about four days, repairs to this part of the plant or to the rotary hearth furnace requires three days of cooling before work can commence and another two days of heating after the repair to bring the furnace up to its operating temperature. Thus even quick repairs involve suspension of production for significant periods which have a dramatic impact on operation and cashflow.

Throughout the course of 2013, because of the further leakage, we had to make several repairs to the heat exchangers, each of which required a major stoppage. In November we decided that repairs on this equipment were too unreliable and that the four inner tubes of the heat exchangers should be completely replaced. These replacements were carried out at the end of the year and in February and March/April 2014.

In April 2013, a major blockage of direct reduced iron ("DRI") in the furnace caused the hearth to jam and took several days to clear. This phenomenon has not, to our knowledge, previously been experienced in any rotary hearth furnace. A repeat of such a blockage has been avoided by carefully monitoring the power being drawn by the motors rotating the hearth and by a radar sensor continuously checking the end wall of the furnace.

In September and December 2013 and in February 2014, there were small failures in some of the refractory lining to the furnace and offtake area. These areas were rebuilt but required long production stoppages that had a severe impact on our cashflow.

Following the replacement of the last heat exchanger's inner tube, production recommenced on 12 April 2014 and we do not anticipate any major stoppages until the planned inspection and maintenance closure in August 2014.

Since 12 April 2014, the plant has settled into a steady ramp-up and we expect this trend to continue over the coming months as the optimisation and debottlenecking continues. The plant should be in full production by November, generating about 141 tonnes of zinc in concentrate per day, so that about 40,000 tonnes of zinc in concentrate should be produced for 2014.

While, as a result of the numerous stoppages, the monthly production at KRP has failed to show a steadily rising trend over the past year, when the production is viewed on a weekly basis, excluding its significant stoppage periods, the underlying progress of the ramp-up is very evident. Provided there are no significant stoppages over the coming months, we believe the plant will continue to increase production.

Notwithstanding this progress the Company is reporting a loss of US\$26.3 million for 2013. The main reasons for the losses were due to the cost of the remediation work, and increased unit operating cost as a result of the reduced throughput at KRP.

The Company is supplied with dust under long term supply agreements with all Korea's main steel mills, thereby guaranteeing sufficient electric arc furnace dust ("EAFD") for many years to come. Under these exclusive EAFD supply agreements at lower throughputs, the Company is required to cover the cost of landfilling EAFD that is in excess to requirements and this led to US\$1.8 million in exceptional costs that would not be incurred when at full production.

Chairman's Statement Continued

“It is our belief that we can still offer the Korean steel mills the most attractive medium and long term option for disposal of their EAFD.”

The iron product generated at KRP is unconventional, having a high proportion of inert slag. During 2013, zinc recovery ran at about 90% of the target level (95%), which although quite acceptable for this stage of the ramp up, led to more volatile elements remaining in the iron product, and in addition reduced metallisation of the iron. Both these factors reduced its quality to levels which made it unattractive to the steel mills, and so it was sent to landfill, further contributing about US\$1.7 million to the loss for the year. We have recently run the plant so as to generate an iron product in line with the target quality and over the next few months we will be marketing this to various steel mills in Korea and elsewhere.

Since April 2014, when the problems caused by the heat exchanger corrosion and refractory failures were addressed, our staff at KRP have been able to concentrate on improving throughput, reliability and zinc recovery and already great progress has been made. Everyone on site is focused on getting the plant up and running as quickly as possible but without ever compromising safety.

KRP was conceived as a two phase development and the second phase was to have commenced operations in October 2013. Unfortunately the delay in ramping up the first phase to full production meant that the Company was not in a position to take EAFD from the steel companies for the second phase on the timescale originally envisaged.

Under the EAFD supply agreements for the second phase, if ZincOx was unable to treat the EAFD, it would have been obliged to cover the cost of the EAFD disposal. The phase two contracts with the mills, were terminated in September 2013, and there is now no liability for disposal of the EAFD under these phase two contracts. It is our belief that we can still offer the Korean steel mills the most attractive medium and long-term option for disposal of their EAFD and the Company will re-open discussions with mills once it has demonstrated that the first phase at KRP is working at its full capacity.

“The safety of our staff remains at the forefront of our operating philosophy.”

Other Activities

The principal efforts of the executives and staff remain focused substantially on getting KRP in to full production, however, other activities are being undertaken.

After two years of operation, we are very confident as to the exceptional quality and consistency of our zinc product. During the year we successfully completed testwork which demonstrated that, unlike zinc concentrates produced from EAFD by other processes, it can be simply and cheaply upgraded to a zinc oxide chemical of industrial purity. This material would enjoy end markets significantly more valuable than its sale to smelters which treat it as an intermediate feed for the production of metal. The production of this chemical will not be possible from KRP in the short or medium term since its output is already contracted to Korea Zinc as part of the development loan financing for the plant. Our plans for projects in other parts of the world can, however, now include this upgrading, thereby adding substantially to potential revenue and profits.

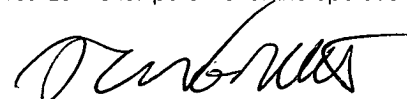
The upgrading process results in the production of a clean brine suitable for marine discharge, so plants will need to be situated at the coast. In Thailand, therefore, a new site has been reserved at a coastal industrial estate and environmental permitting will commence later this year. In Turkey the reorganization and re-zoning of our land was completed in October and environmental permitting, the cost of which will be covered by one of the steel mills, will commence shortly. Our joint venture with the Magnezit group is making good progress evaluating the availability and quality of EAFD throughout Russia.

Safety

The safety of our staff remains at the forefront of our operating philosophy. As a result of the innovative nature of our plant and the risks involved with any high temperature process, we have carried out an intensive programme to promote a strong safety culture.

Outlook

2013 has severely tested our staff and shareholders and I would like to thank them for their support during this difficult time. While there have been numerous challenges that have disrupted cashflow, shareholders should draw considerable comfort from the fact that these challenges have been overcome and the production at KRP continues to increase. We are looking forward to a continuous operation over the coming months so that we can optimise the plant and realize the full potential of the operation.



Andrew Woollett

Chairman

2 June 2014

Strategic Report

“The principal activity of the Group is the production of high grade zinc concentrate by the recycling of electric arc furnace dust (“EAFD”).”

The Directors of the Company and its subsidiary undertakings (which together comprise “the Group”) present their Strategic Report for the year ended 31 December 2013.

The Strategic Report is a new statutory requirement under the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 and is intended to provide fair and balanced information that enables the Directors to be satisfied that they have complied with s172 of the Companies Act 2006 which sets out the Directors’ duty to promote the success of the Company.

Principal Activities

The principal activity of the Group is the production of high grade zinc concentrate by the recycling of electric arc furnace dust (“EAFD”). 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 (pages 2-5) and the Operational Review section of the Strategic Report (pages 7-8).

Business Model

EAFD is probably the world’s largest inorganic hazardous waste. EAFD is generated by the recycling of steel scrap in electric arc furnaces. When the scrap is melted the volatile constituents are driven off and form fine particles that need to be filtered from the flue gases. Steel is increasingly protected from corrosion by galvanising, a process whereby a thin coating of zinc is applied to the surface of the steel. This coating insulates the steel from reaction with air and so prevents corrosion. Steel scrap is, therefore, increasingly galvanised, and since zinc is a volatile element it constitutes part of the EAFD. The zinc content of the EAFD is generally between 20% and 25%, and it also contains 25%-30% iron, both of which occur largely as oxides. In addition the EAFD contains lead, cadmium and arsenic, all these toxic elements are to some extent soluble in water, which therefore makes EAFD a hazardous waste.

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

The new technology used by ZincOx recovers the zinc using a rotary hearth furnace. The zinc forms a unique high quality zinc oxide concentrate, an iron intermediate product that can be further processed into pig iron and a clean slag that can be used by the cement industry. This means that there will be no waste.

It has recently been demonstrated that the exceptional quality of the zinc oxide concentrate should enable it to be upgraded to a zinc oxide chemical suitable for various industrial applications. The upgrading would greatly enhance revenue and profitability when developed with the rotary hearth furnace as an integrated operation.

Following the resolution of a number of teething problems, ZincOx’s Korean Recycling Plant (“KRP”) is ramping up to full production. Once this has been achieved, ZincOx will roll out the technology around the world and preliminary work in a number of countries is well underway. The development of additional plants should enable ZincOx to realize its ambition of becoming one of the world’s largest zinc recycling companies.

“Production has been steadily rising and the underlying progress of the ramp up is very evident.”

Operational Review

Korean Recycling Plant (KRP)

Since the first production in April 2012, there has been a steady increase in production. 2013 started with an output in January of 2,603 tonnes of zinc in concentrate ("ZiC"), representing about 60% of target production.

In February 2013 there was some exceptionally cold weather which revealed a requirement for additional insulation for some water lines and pumps required for cooling. This was easily and quickly installed but caused some delays due to safety and reheating procedures.

In March 2013, there were major air leakages in the heat exchangers caused by corrosion particularly where there had been the faulty manufacturing. These holes were patched using new internal plates and production resumed.

In April 2013 there was a major blockage of DRI in the furnace which caused the hearth to jam. In order to remove the blockage the furnace had to be cooled and the solid lump of welded iron and slag removed by cutting it into smaller pieces that could be manhandled out of a furnace side door.

During May and June 2013, the previously patched areas of the heat exchangers failed and new holes appeared. Sections of the heat exchangers were replaced by cutting out small areas and fitting new sections. At the end of June 2013, it became clear that even these sections were unreliable and it was decided to replace entirely the upper sections of the most corroded units. Following this work the plant ran almost continuously for the next sixty days, with August 2013 being a record month (2,688t ZiC).

In mid-September 2013, the refractory lining the end wall of the furnace partially failed. This was probably due to the impact of the April blockage pressing against the refractory. The refractory was repaired and the furnace restarted with a consequent increased production, so that October 2013 set a new record (2,963t ZiC).

Towards the end of the year, it became apparent that the heat exchangers had been so badly affected by the corrosion caused by air leakage that the partial replacements and repairs were not going to provide the necessary reliability. It was decided to replace all the inner shells with new metal; recognising that the inner tubes of the heat exchangers have a finite life, the inner tubes are now considered to be a consumable item. Spare heat exchangers can be fabricated so that the replacement of any corroded inner tube could be undertaken offsite, and the new units could then be installed immediately with the minimum of production downtime. Having successfully replaced the most corroded of the heat exchanger inner shells in November 2013, there was a plan to replace the others in April 2014 and August 2014.

In December 2013, there were refractory failures in three areas and most of the month was required to rebuild these sections.

2014 started well with another record month in January (3,131t ZiC). In February, however, there were further refractory failures, and while repairs were being undertaken, the heat exchangers were inspected and found to have deteriorated more rapidly than expected. As the refractory repair was being undertaken, it was decided to bring forward the replacement of another heat exchanger inner shell and to schedule the replacement of the other inner shells as soon as special quality steel ordered in November 2013, had arrived on site. The plant was restarted in early March 2014 but closed later in the month to make these replacements.

Production is expected to continue without any major stoppages until the planned inspection and maintenance closure in Q3 2014.

On a weekly basis, ignoring the periods when production was suspended for repair work, the production has been steadily rising and the underlying progress of the ramp-up is very evident.

The production is a function of four factors: the grade of the feed (zinc percentage), the plant running time (hours per week), the zinc recovery of the process (percentage of zinc recovered into the final product) and the hourly feed rate (tonnes of EAFD per hour when running). The grade of the feed has been slightly higher than expected, the running time of the plant has been at or close to target, and the recovery is at about 90% of the targeted 95% recovery. The feed rate, however, has been lower than expected mainly due to the underperformance of the baghouse. This problem is being largely overcome by enriching the oxygen content of the combustion air and so reducing the air required for combustion.

Strategic Report

Continued

The iron product generated at KRP is unconventional, having a high proportion of inert slag. This slag is costly to melt and steel mills are wary of using this as a scrap substitute. In recognition of this, it is being offered to mills at a price that fully recognises the cost of melting the contained slag. While the zinc recovery is less than the targeted level, there will be more unfumed elements in the iron product and these will effectively dilute the grade of the iron. Recently the plant has been run at lower capacity and higher recovery so as to generate iron product in line with our target. Over the next few months, we will be marketing this material to various steel mills in Korea and elsewhere.

Technology

The zinc oxide concentrate produced by KRP ("HZO") is of exceptional quality, having very low iron (<0.03%) and halides which are easily removed by washing.

Testwork has demonstrated that there are two routes by which HZO can be upgraded to a zinc oxide chemical of industrial quality. One of these routes removes chlorides and other soluble impurities by water washing, and this creates a brine effluent. After suitable treatment this effluent may be safely discharged into the sea.

Preliminary economic evaluation of the processes indicate that the upgrading can be undertaken relatively inexpensively. Since a large proportion of zinc oxide is made by burning zinc metal, the price of zinc oxide exceeds that of zinc metal per tonne of zinc contained. Consequently, upgrading has the potential to double the revenue per tonne of zinc produced. The relatively low cost of upgrading and the significant increase in revenue should make it more profitable than the operation of the rotary hearth furnace alone. A fully integrated rotary hearth furnace and upgrading operation has the potential to have a significantly enhanced rate of return.

Commercial scale testwork of the upgrading using HZO from KRP is scheduled for the latter half of 2014.

New Projects

In Thailand, a new potential plant site has been identified on the south eastern seaboard about 2 km from the coast. Discussions concerning the supply of EAFD from the mills in Thailand and elsewhere are underway and environmental permitting will commence shortly.

In Turkey, the Company owns a 4.5 hectare site in the Aliaga Heavy Industrial Zone which is among the most concentrated areas of scrap recycling in the world. The site lies less than 1.5 km from the coast and within 3 km of five steel recycling companies. About two years ago, ZincOx was asked to consider changing the position of its land slightly to accommodate the rationalisation of small plots in the Zone. The reorganization and re-zoning of the land was completed in October 2013. Outside the Heavy Industrial Zone, there is further land owned by the subsidiary company and this has been subdivided and is being gradually sold off for light industrial usage. Environmental permitting, the cost of which will be covered by one of the steel mills, will commence shortly.

Our joint venture with the Magnezit group is making good progress evaluating the availability and quality of EAFD throughout Russia.

Other

In the USA the Company's Big River Zinc facility continues to provide services to third parties distributing sulphuric acid and diesel emission fluid and it is planned to use the washing plant for testwork on the upgrading of the HZO produced by KRP.

As reported in last year's annual report, in March 2013, the 52% interest in the Jabali deposit, in Yemen, was sold to our joint venture partners. Rather than burden our partners with a significant upfront payment, the disposal was structured along the lines of that successfully used for the Shaimerden deposit, in Kazakhstan, which consisted of a series of deferred payments to be made once production is underway.

“With its first full year of operations the Group produced 24,577 tonnes of zinc contained in concentrate and as a result has now moved from a development company to a production company.”

Performance Review

Financial

Group Results

The result for the year attributable to shareholders of the parent company was a loss of US\$26.3 million compared to a loss of US\$9.4 million last year.

The Group has an underlying operating loss of US\$22.3 million compared to an underlying loss of US\$17.7 million in 2012. Administrative costs deducted in arriving at the underlying operating loss in the year amount to US\$10.2 million (2012: US\$10.0 million). In addition, a foreign exchange gain of US\$0.7 million (2012: gain of US\$3.2 million) has also been included in arriving at the underlying operating loss.

This Group made an EBITDA loss of US\$15.3 million for the year to 31 December 2013 (2012: EBITDA loss of US\$3.4 million). The result for the Group was affected throughout the year by the various closures at KRP required to remediate the plant. Every time the plant closed it had a twofold negative effect on the financial result in terms of unbudgeted remediation costs and suspension of production, leading to a reduced contribution.

Key Performance Indicators

With its first full year of operations the Group produced 24,577 tonnes of zinc contained in concentrate (2012: 8,489 tonnes) and as a result has now moved from a development company to a production company. This has resulted in the continued development of the management information and key performance indicators ("KPI's") required to manage KRP.

	2013	2012 8 months
Zinc in concentrate sold (tonnes)	24,577	8,489
Average zinc price (US\$/tonne)	1,910	1,945
Zinc revenue billed (US\$ millions)	27.1	9.8
Underlying EBITDA loss (US\$ millions)*	9.2	9.3
EAFD processed (tonnes)	103,420	43,656

* before any foreign exchange impact

The directors monitor any hazards that are reported on operational sites and review any accidents and incidents as part of the ongoing environmental health and safety tracking. During the year, the total number of man hours worked across the Group was two hundred and eight thousand, with one lost time incident. The lost time incident related to an acid burn to the leg of one of our employees at BRZ.

At the Group level, until a steady state production is achieved in Korea, the directors continue to monitor the cash requirements of the business when compared to cash requirements to maintain development progress on the various projects and any financing opportunities which need to be pursued.

Funding

The initial development of KRP was funded through equity from the Group and two external loans from Korea Zinc. At the end of 2013, the Korea Zinc Offtake Loan, which had an initial value of US\$35 million, had increased to US\$37.8 million as a result of the "payment in kind" interest which was rolled into the loan up until June 2013, after which interest became payable at a rate of USD 6 month LIBOR +5%. The Development Loan has an outstanding balance of US\$15 million at an interest rate of 15%, which was payable throughout the duration of 2013.

Interest charges for the year, in relation to the Offtake Loan, were US\$2.1 million (8 months to 31 December 2012: US\$1.4 million) and in relation to the Development Loan were US\$2.3 million (8 months to 31 December 2012: US\$1.5 million). Although this total interest of US\$4.4 million has been charged as an expense to the income statement in accordance with Group policy, the actual interest paid in 2013 on both Korea Zinc loans was US\$3.4 million.

The Korea Zinc development debt of US\$15 million will fall due in February 2015. Based on the current management projections for throughput at KRP and zinc price of US\$2,000 per tonne, insufficient cash will be generated to repay the loan and the directors are pursuing options to make up the shortfall or refinance the debt as is appropriate. Refinancing options range from a renegotiation for the date of repayment on the US\$15 million debt facility, to a full refinancing of all KRP debt with a project finance bank or other such institution.

“The zinc oxide concentrate produced by KRP (“HZO”) is of exceptional quality, having very low iron (<0.03%) and halides which are easily removed by washing.”

In Korea, the Group makes use of a “receivables purchase agreement” with Standard Chartered Bank Korea (“SCBK”), whereby it can receive funds in between the monthly receipts that are made by Korea Zinc.

In August 2013, the Group completed a loan of £4.2 million which is borrowed using the land assets held in Turkey as collateral. The income from the land outside the heavy industrial zone, which has been parcelled and is being gradually sold off, is being used to fund the interest on the loan, and these funds are held in escrow for the loan subscribers. At the end of December the balance in the escrow account was £404k. The land inside the heavy industrial zone is being used as collateral to cover the capital for the loan. The loan has an interest rate of 10% and a repayment date of July 2015.

The Group completed a fundraising of £4.5 million (equivalent to US\$7.5 million) after expenses in December 2013, which was principally raised for the purpose of funding additional working capital, and the Company used this opportunity to bring the International Finance Corporation (“IFC”) onto the Company’s share register. This is particularly encouraging as we look to our new recycling projects in parts of the developing world. The shares were issued at a price of 15.5p and resulted in the number of issued voting shares after the fundraising increasing to 136 million (2012: 103 million). Following the operational difficulties in December 2013 and February 2014, a further fundraising was completed in April 2014 for an amount of £3.0 million after expenses for the purpose of giving the Group the additional funding expected to be required to complete the ramp up (note 19).

Liquidity

The cash funds of the Group at 31 December 2013 were US\$4.8 million (2012: US\$10.6 million). These cash funds were held in a range of currencies at the year end, the most significant of which were US Dollars 3.4 million (2012: US\$2.1 million), Euro 0.2 million (2012: €2.6 million) and Pounds Sterling 0.7 million (2012: £2.7 million).

Going Concern

The directors have considered scenarios in reviewing the budgets and projections for 2014. These scenarios are centred on the financial modelling of a ramp-up for KRP over the next twelve months including (but not limited to) sensitivity to the zinc price, recovery of zinc from EAFD, tonnes of zinc sold and key operating costs.

The zinc price assumption started with a review of the actual price since the start of 2014 and adopted a price below this for the remainder of the year. The market predictions for zinc price are upward in the second half of 2014 and, as such, the directors have assumed a conservative price assumption of US\$2,000 per tonne in all projections. The ramp-up profile is expected to achieve target production by the end of 2014 taking into account the requirement for a key planned maintenance period in Q3 2014 which will reduce throughput in that quarter. The zinc tonnes sold assume a rising zinc recovery up to target levels through the remainder of 2014. As throughput rises, so the operating cost metrics (i.e. measured in consumptions per tonne of EAFD), are expected to fall through the remainder of the year.

The directors have also considered the requirement to repay the Korea Zinc development loan of US\$15 million in February 2015 and are pursuing options for the refinance of this debt if available cash generated from KRP is insufficient. The options include, a rescheduling of the current due date, traditional debt through both a traditional bank or the bond market and monetising a proportion of future zinc production in exchange for upfront payments. The exact amount of any shortfall will depend on the zinc price and the ramp-up progress in the run up to the repayment date. Other discretionary spend has been scrutinised and scheduled accordingly in this important period where the continuing ramp up of KRP is the critical factor in the future success of the Group.

The directors have assessed the material uncertainties concerning the future funding requirements of the Group on this basis, compared them with the levels of expected finance available at a corporate and project level and, subject to the successful refinancing of this debt, and in consideration of the expected ramp up, have a reasonable expectation that the Group has adequate financial resources to manage its business risks and continue in operational existence for the next twelve months.

“The analysts and forecasters who watch the zinc market suggest that as certain key mines go offline over the next 15-18 months then the zinc market will go into a deficit on the supply side which is expected to have a positive impact on the zinc price.”

Financial Review of Operations

Korean Recycling Plant ("KRP")

KRP made its first sale of commercial HZO product at the end of May 2012 and, in the year to 31 December 2013, a total of 24,577 tonnes of zinc in concentrate was sold to Korea Zinc. (8 months to 31 December 2012: 8,489 tonnes). All of the material was sold to Korea Zinc under the offtake agreement which had been signed in April 2011 as part of the financing of the project. This resulted in revenues of US\$27.1 million (8 months to 31 December 2012: US\$9.8 million). The quality of the product was higher during 2013 with an average zinc grade of 65.0% compared to 63.2% during 2012.

The product sold by KRP is a zinc oxide concentrate sold under an international formula and as a result, the monthly revenues are always dependent on the LME zinc price. The LME zinc price can be volatile and during the year had an average of US\$1,910 per tonne, with a maximum over the same period of US\$2,187 per tonne and a minimum of US\$1,784 per tonne.

The sales of zinc concentrate are made in US Dollars and the majority of costs incurred at KRP are incurred in KRW. The high point for this exchange rate in the year was 1,170 KRW per USD and the low point was 1,054 KRW per USD with an average for the year of 1,101 KRW per USD.

The analysts and forecasters who watch the zinc market suggest that as certain key mines become exhausted over the next 15-18 months then the zinc market will go into a deficit on the supply side which is expected to have a positive impact on the zinc price. One key measure for this is the zinc stocks which were 1,220,000 tonnes at the start of 2013 and dropped by 23% to 933,000 tonnes by the year end. This has continued since the year end such that at the end of May 2014 the stock has fallen by a further 24% to 712,000 tonnes. The zinc price has also strengthened since the end of the year with an average price to the end of May 2014 of US\$2,035 per tonne.

As has been noted, the plant had various stoppages through the year to fix critical equipment. These stoppages meant the ramp up has been drawn out and the plant did not reach its target capacity in 2013. The impact of running the KRP at below its capacity is that certain operating parameters were not yet at the target levels and additional costs were incurred for remediation. This resulted in an underlying EBITDA loss, prior to any foreign exchange movements, of approximately US\$9.2 million relating to KRP during the year (8 months to 31 December 2012: EBITDA loss US\$9.3 million).

The remediation and maintenance costs required to fix the issues amounted to US\$5.4 million, (8 months to 31 December 2012: US\$2.6 million) and were charged to cost of sales during the year. In addition, landfill costs for EAFD not processed in the year during the remediation stoppages, amounting to US\$1.8 million (8 months to 31 December 2012: US\$0.98 million) has been charged to cost of sales. With stop/start production the quality of the DRI produced was extremely variable and the DRI which was produced in the year was landfilled at a cost of US\$1.7 million (8 months to 31 December 2012: US\$0.64 million). The impact of the stoppages at KRP resulted in the operation not achieving target cost levels for utilities and other consumables, notably the gas consumption and associated cost. When the plant is operating at full capacity, however the gas consumption is still expected to be close to planned levels as are other main operating costs.

Interest of US\$4.4 million (8 months to 31 December 2013: US\$2.9 million) on Korean debt facilities has been charged as an expense to the income statement in the year in accordance with Group policy.

A depreciation charge of US\$5.9 million (8 months to 31 December 2012: US\$3.5 million) has been included in cost of sales for KRP, in arriving at the result for the year.

The Group terminated the mandate with Standard Chartered Bank ("SCB") for the financing of the expansion of KRP (KRP2) in September 2013. Part of the condition of the mandate was that KRP was subject to a performance test to demonstrate that the plant was performing consistently and producing regular cashflows. The ongoing delays to ramp up meant that the plant could not commence the test in a timely manner and it was felt the most appropriate route was to cancel the mandate and re-engage with SCB when the plant was performing as planned.

Strategic Report

Continued

“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.”

Other Projects

At the end of 2013 the Group is showing 'assets held for sale' with a net realisable value of US\$1.5 million. This relates to land held in Turkey (US\$1.2 million) and property, plant and equipment relating to the Rubber Grade Plant ("RGP") now transferred from Pearl Zinc SA to ZincOx Belgium Sprl (US\$0.3 million).

Following a rationalisation of the land which ZincOx has purchased in Turkey, the plot of land outside the heavy industrial zone, which ZincOx purchased in 2006 and no longer requires for development of the project, has been split into smaller plots to facilitate sales. These plots have been marketed over the last year or so and this has resulted in the sale of 38 of the plots by the end of 2013 generating total cash of US\$3.2 million (YTL 6.8 million) and a total profit of US\$2.0 million (YTL 3.7 million). The profit generated in the year to 31 December 2013 was US\$1.2 million/YTL 2.2 million (2012: US\$0.4 million/YTL 0.7 million) and is shown in other gains and losses in the Group income statement. In view of the uncertainty over the expected receipts for the remaining 25 plots, the historic cost of US\$1.2 million (YTL 2.6 million) has been applied as being the lower of fair value less cost to sell.

The remaining property, plant and equipment reclassified as asset held for sale consists of two pieces of machinery following the sale of the RGP building in Pearl Zinc SA, which is being actively marketed.

Jabal Salab, the mining project in which ZincOx had a 51% share, was sold to our Yemeni partner on 11 March 2013. Following the sale ZincOx will be eligible to receive certain cash payments when the project goes into production and provided the zinc and silver prices are above certain thresholds (see note 2b).

Environmental, Health, Safety & Quality

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

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

During 2013, some two hundred and eight thousand hours were worked in ZincOx worldwide, including projects, with no significant environmental incidents and only one lost time incident involving one of our employees at BRZ. ZincOx's management believe that all incidents and injuries are preventable and strives to create a workplace culture where all employees and contractors share these beliefs.

Risks

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

Operational risks

- Failure of equipment or third party services,
- Unavailable materials and equipment is managed through regular dialogue with external suppliers and monitoring of equipment on the site by the maintenance team,
- Further remediation at KRP which may lead to delays in ramping up to full production,
- Environmental incidents are managed by routine monitoring and training of staff,
- Health and safety incidents, and nil returns are reported on a monthly basis,
- Single project dependence, and
- Loss of key personnel

Financial risks

- Zinc price movements and its associated volatility will affect the monthly profitability of KRP, as well as the amount of finance which may be available for the development of other projects within the Group. Any decline in zinc prices will therefore have an adverse impact on the business. No hedging is currently undertaken to mitigate this risk,
- Loss of production at KRP will impact timing of cash receipts and payments and further this will impact on generating surplus cash to fund the Group and repay the debts,
- Foreign exchange movements, notably between US Dollars and Korean Won (KRW) has a particular effect on the Group's result as the revenues are received in US Dollars (matching the borrowings of the Group) and the critical costs at KRP are in KRW. This is continuously monitored and no hedging is currently undertaken to mitigate this risk,
- Cost inflation is managed by reviewing alternative suppliers where appropriate,

- Insurances may not cover all liabilities. Insurance policies are held both at the Group level and at the project level, and are reviewed annually,
- Maintaining debt equity ratios in respect of borrowings,
- Negotiation with authorities regarding spend commitment in Korea,
- Realisation of iron revenues,
- Any legal proceedings,
- Repayment or refinance of Development Loan in Korea which is currently being reviewed for potential refinancing before February 2015, and
- Material fall in zinc price

There is still an ongoing political risk associated with the tensions between North Korea and the surrounding region including South Korea where the plant is located.

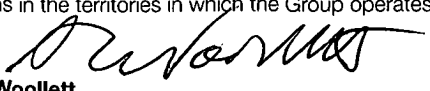
All of these risks could materially affect the Group, its business, results of future operations or financial condition. Policies and impacts relating to financial risk management are set in note 17 to the financial statements.

Uncertainties

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

- Dependence on the EAFD supply contracts, which is why the Group is aiming to sign up long term EAFD agreements with target territories for expansion,
- Availability of capital to fund other recycling projects. The directors continue to maintain a good relationship with prospective suppliers of finance,
- Ensuring intellectual property and know how is protected,
- Competitors signing up EAFD supply agreements in the other targeted territories, and
- Competing technology especially in respect of competitors copying KRP in other parts of the world.

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


Andrew Woollett
 Chairman

2 June 2014

Directors

Andrew Woollett
Executive Chairman

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 1999 he set up ZincOx with Noel Masson, where he was Managing Director, 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 20 years. He was formerly head of finance in BT Consumer Mobile before joining ZincOx. Simon was appointed to the Board in January 2006 and is responsible for all financial matters across the Group.

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, Deputy Chairman

Rod Beddows 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 seven 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, whose clients own 10.01% of the Company's issued share capital. Guy established Höegh Capital Partners in 1990 as a specialist corporate finance company and has been advising the 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.

Group information

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. Ian held the role of Group Financial Controller at both Reunion Mining plc and Ridge Mining plc.

Registered Company 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

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

Corporate Governance

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

The Board of Directors

The Role of the Board

During the year, the Board comprised three executive directors and three non-executive directors. The details of those directors are set out on pages 14 and 15. Gautam Dalal and Rod Beddows are considered independent with Rod Beddows being Deputy Chairman.

The Board meets at least five times a year and in 2013 met seven 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 judgement to bear on issues of strategy, performance, resources and standards of conduct. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. The Chairman ensures that directors have access to independent professional advice as required in order to fulfil their duties. All directors have access to the Company Secretary who is responsible for ensuring the Board procedures are followed and that the Board complies with applicable rules and regulations. Relevant and appropriate training is available to every director.

Performance Evaluation

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

Internal Control

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

Full Board meetings are held frequently to review Group strategy, direction and financial performance. The executive directors meet 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 managers subject to Board control by means of monthly budgetary reports. Internal financial control procedures include:

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

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

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

The Board has reviewed the effectiveness of the system of internal financial control for the period from 1 January 2013 to the date of this report.

Board Committees

Report of the Audit Committee

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

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

Corporate Governance

Continued

	31 December 2013		1 January 2013 or subsequent date of appointment	
	Ordinary Shares at £0.01	Options	Ordinary Shares at £0.25	Options
Andrew Woollett	4,175,596	1,415,854	2,485,399*	1,179,022
Simon Hall	85,000	931,318	20,000	734,653
Jacques Dewalens	71,445	700,000	71,445	464,168
Rod Beddows	522,500	–	122,500	–
Guy Lafferty	–	–	–	–
Gautam Dalal	560,000	–	400,000	–
Total	5,414,541	3,047,172	3,099,344	2,377,843

* 800,000 of the shares of Andrew Woollett are registered in the name of EFG Trust Company Limited, 138,889 are held in his pension fund and a further 281,160 are held in the name of his children.

In addition, 2,193,750 warrants are held by Andrew Woollett as at 31 December 2013 (2012: nil) and 1,125,000 warrants are held by Gautam Dalal as at 31 December 2013 (2012: nil).

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 2013.

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 one meeting in 2013.

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.

Directors and their Interests

In accordance with the Company's Articles of Association, Andrew Woollett and Gautam Dalal retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Andrew Woollett entered into a service agreement with the Company on 5 November 2001. This agreement can be terminated on twelve months' notice. Gautam Dalal entered into a letter of appointment with the Company on 10 January 2011. This appointment can be terminated on three months' notice.

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

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 2013.

Directors' Report

The directors submit their report and the audited financial statements of the Company and Group for the year ended 31 December 2013.

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and parent company financial statements in accordance with United Kingdom Accounting Standards (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 IFRSs 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 that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors confirm that:

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

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

Results and Dividends

The Group's consolidated loss for the year is disclosed in the Performance Review (Financial) section of the Strategic Report on page 9. The directors do not recommend the payment of a dividend, and the consolidated loss for the period will be transferred to the accumulated retained losses in the financial statements.

Principal Risks and Uncertainties

These are disclosed in the Strategic Report on page 13. Policies and impacts relating to financial risk management are set out in note 17 to the financial statements.

Substantial Shareholdings

As at 2 June 2014, the directors, in addition to their own holdings, have been notified of the below substantial interests equal to or greater than 3% of the issued share capital of the Company.

Substantial shareholdings	Number of Ordinary Shares	Percentage of Issued Share Capital
Hoegh Capital Partners Ltd	16,639,375	10.01
IFC	15,963,412	9.60
Sloane Robinson Global Fund	14,074,357	8.46
Majedie Asset Management	10,759,693	6.47
Teck Resources Ltd	5,520,491	3.32
Andrew Woollett	5,387,596	3.24

Going Concern

The Group's business activities, together with any factors which may affect its future development, performance and position have been set out in the Strategic Report (pages 6 to 13). Additionally, the risk factors and uncertainties affecting the future success have been described in the Strategic Report. The directors have a reasonable expectation that the Group has adequate financial resources to manage its business risks and continue in operational existence for the next twelve months. For these reasons they continue to adopt the going concern basis in preparing these financial statements.

Post Balance Sheet Events

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

Auditor

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

On behalf of the Board

Ian Halliwell
Company Secretary

2 June 2014

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 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 2013 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2(d) to the financial statements concerning the Group's ability to continue as a going concern. As explained in note 2(d), a critical risk to the Group's and Company's cash flow is the completion of the ramp up for KRP along with a consistent zinc price in line with management's forecasts. In addition, the Directors have been looking at options for the refinancing of the Korea Zinc development loan of US\$15 million in February should the available cash generated from Korea be insufficient to make the repayment.

As further explained in note 2(d), these conditions, along with the other matters explained in note 2(d) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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:

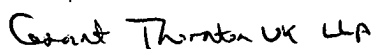
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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 2013. That report includes an Emphasis of Matter in relation to Going Concern.

David Miller



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

2 June 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 \$'000	2012 \$'000
Revenue	20	27,522	10,823
Cost of sales		(40,292)	(21,717)
Gross loss		(12,770)	(10,894)
Administrative expenses (net of gains)		(8,912)	3,697
Operating Loss		(21,682)	(7,197)
Analysed as:			
Gross loss		(12,770)	(10,894)
Administrative costs		(10,219)	(9,991)
Foreign exchange gain		676	3,222
Underlying Operating Loss	3(a)	(22,313)	(17,663)
Gain on loss of control of subsidiary	2(b)	–	10,463
Other gains and losses	4	1,228	3,170
Impairment provisions	2(a)	(597)	(3,167)
Operating Loss		(21,682)	(7,197)
Finance income	5	10	62
Finance costs	5	(4,661)	(2,859)
Loss before tax		(26,333)	(9,994)
Taxation	6	2	(52)
Net Loss		(26,331)	(10,046)
Attributable to:			
Equity holders of the parent		(26,331)	(9,406)
Non-controlling interest		–	(640)
		(26,331)	(10,046)
Basic and diluted loss per ordinary share (cents)	7	(24.75)	(10.38)
Adjusted loss per ordinary share (cents)	7	(24.75)	(21.92)*

* the adjusted loss per share calculation for 2012 excludes the one-off gain of US\$10,463,000 following the loss of control of Jabal Salab at 31 May 2012 and its subsequent deconsolidation from these financial statements.

The notes on pages 26 to 47 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 \$'000	2012 \$'000
Loss for the year	(26,331)	(10,046)
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	(289)	6,743
Total comprehensive income for the year	(26,620)	(3,303)
Attributable to:		
Equity holders of the parent	(26,620)	(2,663)
Non-controlling interest	–	(640)
	(26,620)	(3,303)

The notes on pages 26 to 47 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2013

	Notes	2013 \$'000	2012 \$'000	2011 \$'000
Assets				
Non-Current Assets				
Intangible assets	8	16,352	15,302	14,004
Property, plant and equipment	9	134,078	137,519	108,828
Investments		106	–	–
Trade and other receivables	11	–	–	1,012
		150,536	152,821	123,844
Current Assets				
Inventories		1,403	2,011	586
Trade and other receivables	11	3,540	5,199	3,095
Restricted cash	12	667	–	22
Cash and cash equivalents		4,752	10,617	18,355
		10,362	17,827	22,058
Assets held for sale	22	1,484	3,138	–
Total Assets		162,382	173,786	145,902
Liabilities				
Current Liabilities				
Trade and other payables	13	(13,640)	(15,959)	(20,690)
Loans and borrowings	14	(2,026)	(959)	(5,715)
		(15,666)	(16,918)	(26,405)
Non-Current Liabilities				
Trade and other payables	13	(3,730)	(2,751)	(1,815)
Loans and borrowings	14	(59,664)	(52,035)	(31,968)
		(63,394)	(54,786)	(33,783)
Total Liabilities		(79,060)	(71,704)	(60,188)
Net Assets		83,322	102,082	85,714
Equity				
Share capital	15	45,795	45,271	39,525
Share premium		176,944	169,985	165,850
Retained losses		(120,592)	(94,638)	(85,451)
Foreign currency reserve		(18,825)	(18,536)	(25,279)
Equity attributable to equity holders of the parent		83,322	102,082	94,645
Non-controlling interest		–	–	(8,931)
Total Equity		83,322	102,082	85,714

Approved by the directors on 2 June 2014.

Simon Hall
Director



The notes on pages 26 to 47 form an integral part of these financial statements.

INTRODUCTION

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OTHER INFORMATION

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Notes	2013 \$'000	2012 \$'000
Loss before taxation		(26,333)	(9,994)
Adjustments for:			
Depreciation and amortisation		7,623	5,013
Interest received		(10)	(62)
Interest expense		4,661	2,859
Impairment of intangible assets	8	513	18
Impairment of property, plant and equipment	9	–	2,788
Impairment of trade and other receivables	11	84	361
Loss on disposal of property, plant and equipment		39	2
Share based payments	21	377	219
(Decrease)/increase in trade and other payables		(1,340)	8,661
Decrease/(increase) in trade and other receivables		1,575	(1,453)
Decrease/(increase) in inventories		608	(591)
Gain on loss of control of subsidiary	2(b)	–	(10,463)
Other gains and losses		(1,228)	(3,170)
Cash utilised in operations		(13,431)	(5,812)
Interest paid		(3,932)	(1,086)
Taxation		2	(52)
Net cash flow from operating activities		(17,361)	(6,950)
Investing activities			
Net proceeds from disposal of assets		2,688	3,196
Net proceeds from disposal of scrapped assets		69	2,752
Purchase of intangible assets		(1,694)	(686)
Purchase of property, plant and equipment		(3,233)	(33,921)
Investment in Russian joint venture		(106)	–
Interest received		10	62
Net cash used in investing activities		(2,266)	(28,597)
Financing activities			
Proceeds from borrowings		7,967	18,260
Restriction of cash	12	(667)	–
Investment from non-controlling interest		–	1,333
Release of restricted cash	12	–	22
Net proceeds from issue of ordinary shares		7,483	9,881
Net cash received from financing activities		14,783	29,496
Net decrease in cash and cash equivalents		(4,844)	(6,051)
Cash and cash equivalents at start of year		10,617	18,355
Exchange differences on cash and cash equivalents		(1,021)	(1,687)
Cash and cash equivalents at end of year		4,752	10,617

The notes on pages 26 to 47 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity For the year ended 31 December 2013

	Share capital \$'000	Share premium \$'000	FX reserve \$'000	Retained losses \$'000	Total attributable to equity holders of parent \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 January 2011	35,144	160,894	(24,153)	(75,922)	(95,963)	(6,735)	89,228
Share based payments	–	–	–	236	236	–	236
Issue of share capital	4,381	4,956	–	–	9,337	–	9,337
Capital increase from non-controlling interest	–	–	–	–	–	1,052	1,052
Transactions with owners	4,381	4,956	–	236	9,573	1,052	10,625
Loss for the year	–	–	–	(9,765)	(9,765)	(3,248)	(13,013)
Other comprehensive income							
Items that will be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations	–	–	(1,126)	–	(1,126)	–	(1,126)
Total comprehensive income for the year	–	–	(1,126)	(9,765)	(10,891)	(3,248)	(14,139)
Balance at 31 December 2011	39,525	165,850	(25,279)	(85,451)	94,645	(8,931)	85,714
Share based payments	–	–	–	219	219	–	219
Issue of share capital	5,746	4,135	–	–	9,881	–	9,881
Capital increase from non-controlling interest	–	–	–	–	–	1,333	1,333
Loss of control of subsidiary	–	–	–	–	–	8,238	8,238
Transactions with owners	5,746	4,135	–	219	10,100	9,571	19,671
Loss for the year	–	–	–	(9,406)	(9,406)	(640)	(10,046)
Other comprehensive income							
Items that will be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations	–	–	6,743	–	6,743	–	6,743
Total comprehensive income for the year	–	–	6,743	(9,406)	(2,663)	(640)	(3,303)
Balance at 31 December 2012	45,271	169,985	(18,536)	(94,638)	102,082	–	102,082
Share based payments	–	–	–	377	377	–	377
Issue of share capital	524	6,959	–	–	7,483	–	7,483
Transactions with owners	524	6,959	–	377	7,860	–	7,860
Loss for the year	–	–	–	(26,331)	(26,331)	–	(26,331)
Other comprehensive income							
Items that will be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations	–	–	(289)	–	(289)	–	(289)
Total comprehensive income for the year	–	–	(289)	(26,331)	(26,620)	–	(26,620)
Balance at 31 December 2013	45,795	176,944	(18,825)	(120,592)	83,322	–	83,322

The notes on pages 26 to 47 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

1. Accounting Policies

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

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

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

Changes in accounting policies and disclosures

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

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2013 are:

- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- 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)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)

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

Presentational currency

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

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

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

(b) Basis of Consolidation and Presentation of Financial Information

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

The consolidated financial statements 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

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

(d) Revenue

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

(e) Property, Plant and Equipment

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

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

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

Residual values, useful economic lives and depreciation methods are 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 profit or loss.

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

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

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

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

(g) Inventories

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

(h) Foreign Currency

The functional currency of the parent company is Pounds Sterling. The amounts in the financial statements and accompanying notes for the current year have been translated at 1.64880 US\$/£ year end rate where they relate to the Company or consolidated balance sheet and at 1.56353 US\$/£ average rate for the year where they relate to the Company or consolidated income statement.

The comparative amounts in the financial statements and accompanying notes for 2012 have been translated at 1.61862 US\$/£ year end rate where they relate to the Company or consolidated balance sheet (2011: 1.54531 US\$/£) and at 1.58758 US\$/£ average rate for the year where they relate to the Company or consolidated income statement (2011: 1.60793 US\$/£).

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

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

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

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.

Notes to the Financial Statements

Continued

1. Accounting Policies continued

(i) Intangible Assets

i) Computer Software

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

ii) Deferred Development Costs and Related Overheads

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

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

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

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

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

(k) Pensions

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

(l) Leased Assets

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

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

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

(m) Financial Assets

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

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 or loss.

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

(o) Share Based Payments

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

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

If vesting periods or other non-market performance conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options or warrants expected to vest. Estimates are revised subsequently if there is any indication that the number 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 or warrants that have vested are not exercised.

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

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

(p) Borrowing Costs

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

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

(q) Restricted Cash

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

(r) Underlying Operating Loss

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

Notes to the Financial Statements

Continued

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 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 the plant, 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.

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.

The Group impaired its intangible assets by US\$513k in the year representing group wide costs that were previously held against future development but are now considered to be of no value to the Group. They include a specific provision of US\$288k against the historic costs relating to Malaysia.

In March 2013, the Group sold its interest in Jabal Salab to its JV partner in the Yemen project. At the same time, the Group waived a trade receivable amount of US\$84k that it held with Jabal Salab.

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

Impact on Group	Notes	Jabali Mining \$'000	Pearl Zinc Recycling \$'000	Other minor projects \$'000	Total impairment \$'000
Intangible assets	8	–	–	513	513
Trade and other receivables	11	84	–	–	84
Total impairment provision in 2013		84	–	513	597
Group's share		84	–	513	597
Total impairment provision in 2012		2,076	1,073	18	3,167
Group's share		1,248	1,073	18	2,339

(b) Deferred Consideration for Jabali Project

On 11 March 2013, the Company disposed of its interest in the Jabali project when it sold ZincOx Resources (Yemen) Ltd, a subsidiary undertaking that held a 52% interest in Jabal Salab Company (Yemen) Ltd, to its joint venture partner, Ansan Wikfs (Jabal Salab) Ltd. A nominal consideration of US\$1 was paid with a series of potential deferred payments to come as and when the Jabali deposit is fully developed. It remains undeveloped as of today.

From 31 May 2012, management control of Jabal Salab had effectively passed to our joint venture partner, leading to a change on the accounting treatment of Jabal Salab at this point and a one-off accounting gain to the Group of US\$10.5 million in 2012.

(c) Share Based Payments

In order to calculate the charge for share based payments as required by IFRS2, the Group makes estimates principally relating to the assumptions used in its option or warrant pricing model as set out in note 21. The charge made in the year in respect of options is US\$8k (2012: US\$219k) and for warrants is US\$369k (2012: US\$nil).

(d) Going Concern

The directors have considered scenarios in reviewing the budgets and projections for 2014. These scenarios are centred on the financial modelling of a ramp up for KRP over the next twelve months including (but not limited to) sensitivity to the zinc price, recovery of zinc from EAFD, tonnes of zinc sold and key operating costs.

The zinc price assumption started with a review of the actual price since the start of 2014 and adopted a price below this for the remainder of the year. The market predictions for zinc price are upward in the second half of 2014 and, as such, the directors have assumed a conservative price assumption of US\$2,000 per tonne. The ramp-up profile is expected to achieve target throughput by the end of 2014 taking into account the requirement for a key planned maintenance period in September which will reduce throughput in that month. The zinc tonnes sold assume a rising zinc recovery up to target levels through the remainder of 2014. As throughput rises, so the operating cost metrics (i.e. consumptions per tonne of EAFD), are expected to fall through the remainder of the year.

The directors have also considered the requirement to repay the Korea Zinc development loan of US\$15 million in February 2015 and are pursuing options for the refinance of this debt if available cash generated from KRP is insufficient. The options include, a rescheduling of the current due date, traditional debt through both a traditional bank or the bond market, and monetising a proportion of future zinc production in exchange for upfront payments. The exact amount of any shortfall will depend on the zinc price and the ramp up progress in the run up to the repayment date. Other discretionary spend has been scrutinised and scheduled accordingly in this important period where the continuing ramp-up of KRP is the critical factor in the future success of the Group.

The directors have assessed the material uncertainties concerning the future funding requirements of the Group on this basis, compared them with the levels of expected finance available at a corporate and project level and, subject to the successful refinancing of this debt, and in consideration of the expected ramp up, have a reasonable expectation that the Group has adequate financial resources to manage its business risks and continue in operational existence for the next twelve months.

3.(a) Underlying Operating Loss

	2013 \$'000	2012 \$'000
Underlying operating loss is stated after charging:		
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Group accounts	79	98
Fees payable to the Company's auditors for the audit of subsidiary accounts	30	28
Fees payable to the Company's auditors for other services	13	29
Tax services	17	65
Fees payable to other external auditors for the audit of subsidiary accounts	5	9
Depreciation of owned property, plant and equipment	7,252	4,970
Depreciation of leased property, plant and equipment	17	27
Amortisation of intangible assets	354	16
Operating leases	626	170
And after crediting:		
Foreign exchange gain on monetary assets	676	3,222

No depreciation was capitalised as property, plant and equipment (2012: US\$345k, 2011: US\$831k).

3.(b) Directors and Employees

	2013 \$'000	2012 \$'000
Wages and salaries	5,554	6,461
Social security costs	556	653
Pensions	204	228
Share based payments on options (note 21)	8	219
	6,322	7,561

The monthly average number of persons employed by the Group (including directors) during the year was 87 (2012: 185). The 2012 comparative figures include 97 personnel employed by Jabal Salab Company (Yemen) Limited, a company that was de-consolidated from May 2012.

Notes to the Financial Statements

Continued

3.(b) Directors and Employees continued

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 equivalent to US\$101k (2012: US\$144k) for employers' national insurance was incurred by the Group in respect of the key management personnel.

	Salary \$'000	Bonus \$'000	Other benefits \$'000	Total emoluments \$'000	Pension \$'000	2013 Total remuneration \$'000	2012 Total remuneration \$'000
Andrew Woollett	385	–	9	394	–	394	655
Simon Hall	270	–	5	275	27	302	459
Jacques Dewalens*	353	–	3	356	–	356	548
Rod Beddows	67	–	–	67	–	67	67
Guy Lafferty	–	–	–	–	–	–	–
Gautam Dalal	55	–	–	55	–	55	54
Totals	1,130	–	17	1,147	27	1,174	1,783

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

Full details of directors share options are included under Corporate Governance (see page 18).

An amount of US\$2k has been charged to the income statement for the year (2012: US\$73k) in respect of share based payments on options for directors.

In aggregate, the amount of gains made by the directors on the exercise of share options was £nil (2012: £7,196).

The number of directors who participated in defined contribution pension schemes was one (2012: two).

3.(c) Related Party Transactions

During the year ended 31 December 2013 the Group paid €268k equivalent to US\$356k (2012: €425k equivalent to US\$548k) 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.

During the year ended 31 December 2013, the Group received £975,000 equivalent to US\$1,608k (2012: US\$nil) by way of a loan note from Andrew Woollett, ZincOx Resources plc's Executive Chairman and paid £29,063 equivalent to US\$45k (2012: US\$nil) of interest (net of withholding tax) to the same against the above loan note. The Company also issued 2,193,750 four year warrants at an exercise price of 40p (see note 14), generating a share based payment charge to the income statement of US\$55k for the period (2012: US\$nil).

During the year ended 31 December 2013, the Group received £500,000 equivalent to US\$824k (2012: US\$nil) by way of a loan note from Gautam Dalal, a non-executive director of ZincOx Resources plc and paid £13,589 equivalent to US\$21k (2012: US\$nil) of interest (net of withholding tax) to the same against the above loan note. The Company also issued 1,125,000 four year warrants at an exercise price of 40p (see note 14), generating a share based payment charge to the income statement of US\$28k for the period (2012: US\$nil).

4. Other Gains and Losses

	2013 \$'000	2012 \$'000
Gain on disposal of scrap equipment	69	2,751
Gain on disposal of property, plant and equipment	1,159	419
	1,228	3,170

The gain on disposal of scrap equipment in the year relates to the sale of equipment at Pearl Zinc SA prior to its disposal in December 2013 (2012: gain relates to the sale of busbars and redundant electrical equipment from Big River Zinc Corporation).

The gain on disposal of property, plant and equipment in the year and for the prior year relates to the ongoing sale of land from ZincOx Anadolu Cinko SVTAS in Turkey.

5. Finance Income/(Costs)

	2013 \$'000	2012 \$'000
Interest received	10	62
Interest paid	(4,661)	(2,859)
	(4,651)	(2,797)

Details of interest capitalised in 2013 and 2012 are shown in note 9.

6. Taxation

	2013 \$'000	2012 \$'000
Taxation on loss for the year		
Overseas taxation	(2)	52
Current tax (credit)/charge	(2)	52

The tax assessed for the year is lower than the standard rate of tax in the UK of 23% (2012: 24%). The differences are explained as follows:

	2013 \$'000	2012 \$'000
Loss on ordinary activities before tax	(26,333)	(9,994)
Loss on ordinary activities multiplied by weighted standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(6,122)	(2,448)
Effect of:		
Disallowed expenses	249	(2,247)
Non taxable income	97	-
Deferred tax not recognised	5,774	4,747
Current tax (credit)/charge for year	(2)	52

The Company has deferred tax assets of US\$9.9 million that it doesn't recognise.

The Group has an open tax enquiry in relation to the deferred capital receipts following the sale of Shaimerden. The nature of the enquiry relates to the value of receipts that were expected and the withholding tax deductions that the Group can make use of. The directors have sought extensive tax advice from leading tax counsel on the specific issues and, as a result, have reached the conclusion that no provision is required.

7. Loss Per Share

The calculation of the loss per share is based on the loss attributable to ordinary shareholders of US\$26,331k (2012: US\$9,406k) divided by the weighted average number of shares in issue during the year of 106,370,166 (2012: 90,634,426).

An adjusted loss per ordinary share for 2012 has been presented to exclude the gain of US\$10,463,000 on the loss of control of Jabal Salab at 31 May 2012. It has been calculated based on adjusted loss attributable to ordinary shareholders of US\$19,869,000 divided by the weighted average number of shares in issue during 2012 of 90,634,426.

There is no dilutive effect of the share options in issue during 2013 and 2012.

Notes to the Financial Statements

Continued

8. Intangible Assets

	Deferred Group development costs \$'000	Computer software \$'000	Total intangible assets \$'000
Cost			
At 1 January 2011	13,357	533	13,890
Additions	927	2	929
Reclassification to property, plant and equipment	(906)	–	(906)
Foreign exchange	(10)	(5)	(15)
Impairment reversals	621	–	621
At 1 January 2012	13,989	530	14,519
Additions	679	7	686
Foreign exchange	645	23	668
Impairment provisions	(18)	–	(18)
At 1 January 2013	15,295	560	15,855
Additions	1,966	5	1,971
Disposals	(281)	(33)	(314)
Foreign exchange	242	12	254
Impairment provisions	(513)	–	(513)
At 31 December 2013	16,709	544	17,253
Accumulated Amortisation			
At 1 January 2011	–	419	419
Charge for the year	3	93	96
At 1 January 2012	3	512	515
Charge for the year	1	15	16
Foreign exchange	–	22	22
At 1 January 2013	4	549	553
Charge for the year	347	7	354
Released on disposals	(4)	(33)	(37)
Foreign exchange	19	12	31
At 31 December 2013	366	535	901
Net Book Value			
At 31 December 2013	16,343	9	16,352
At 31 December 2012	15,291	11	15,302
At 31 December 2011	13,986	18	14,004

Following an impairment review at the year end of the deferred development costs carried by ZincOx Resources plc, impairment provisions of US\$513k have been made against their carrying value. All deferred development costs that have been written off in the year are included in profit or loss in arriving at an operating loss.

9. Property, Plant and Equipment

	Land and buildings \$'000	Plant and machinery \$'000	Construction in progress \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost							
At 1 January 2011	9,157	21,313	185,126	195	565	1,171	217,527
Additions	695	20	87,477	–	25	46	88,263
Disposals	(372)	(51)	–	–	(4)	(66)	(493)
Reclassification from intangible assets	8	(8)	906	–	–	–	906
Foreign exchange	(1,238)	(21)	(222)	(1)	(3)	(6)	(1,491)
At 1 January 2012	8,250	21,253	273,287	194	583	1,145	304,712
Additions	346	5,017	31,019	–	30	1	36,413
Transfers	16,906	102,145	(124,830)	–	–	–	(5,779)
Disposals	(802)	(5)	(1,853)	(4)	(91)	–	(2,755)
Reclassify prior year impairment provision	(34)	46	(4,300)	–	(12)	–	(4,300)
Foreign exchange	364	64	7,711	6	17	5	8,167
At 1 January 2013	25,030	128,520	181,034	196	527	1,151	336,458
Additions	7	164	3,028	–	–	34	3,233
Transfers	–	1,204	(1,204)	–	–	–	–
Disposals	(451)	–	–	–	34	(98)	(515)
Reclassifications	(289)	3,209	(2,920)	–	–	–	–
De-consolidate ZincOx Yemen subsidiary	–	(7,395)	(155,998)	(38)	(74)	(949)	(164,454)
Foreign exchange	(209)	1,629	36	4	11	8	1,479
At 31 December 2013	24,088	127,331	23,976	162	498	146	176,201
Depreciation and Impairment Provisions							
At 1 January 2011	319	14,147	171,307	166	446	1,060	187,445
Charge for the year	65	2,112	–	14	74	224	2,489
Impairment provisions/(reversals)	–	(617)	6,950	(8)	(14)	(190)	6,121
Released on disposals	–	(14)	–	(2)	–	(32)	(48)
Foreign exchange	(3)	(9)	(102)	(1)	(4)	(4)	(123)
At 1 January 2012	381	15,619	178,155	169	502	1,058	195,884
Charge for the year	367	4,805	–	8	46	116	5,342
Transfers	–	–	(1,808)	–	–	–	(1,808)
Impairment provisions/(reversals)	–	(257)	3,815	(3)	(6)	(79)	3,470
Released on disposals	–	(4)	–	(4)	(90)	–	(98)
Reclassify prior year impairment provision	–	–	(4,300)	–	–	–	(4,300)
Foreign exchange	28	259	136	6	16	4	449
At 1 January 2013	776	20,422	175,998	176	468	1,099	198,939
Charge for the year	519	6,698	–	5	27	20	7,269
Released on disposals	–	–	–	–	34	(92)	(58)
Reclassifications	–	3,744	(3,744)	–	–	–	–
De-consolidate ZincOx Yemen subsidiary	–	(7,395)	(155,998)	(38)	(74)	(949)	(164,454)
Foreign exchange	34	371	–	4	11	7	427
At 31 December 2013	1,329	23,840	16,256	147	466	85	42,123
Net Book Value							
At 31 December 2013	22,759	103,491	7,720	15	32	61	134,078
At 31 December 2012	24,254	108,098	5,036	20	59	52	137,519
At 31 December 2011	7,869	5,634	95,132	25	81	87	108,828

Notes to the Financial Statements

Continued

9. Property, Plant and Equipment continued

An amount of US\$ nil (2012: US\$345k, 2011: US\$831k), 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 US\$ nil (2012: US\$1.3 million, 2011: US\$0.6 million).
- Interest received on the investment of above borrowings US\$ nil (2012: US\$33k, 2011: US\$71k).

10. Finance Lease Liabilities

	Minimum lease payments 2013 \$'000	Interest 2013 \$'000	Principal 2013 \$'000	Minimum lease payments 2012 \$'000	Interest 2012 \$'000	Principal 2012 \$'000	Minimum lease payments 2011 \$'000	Interest 2011 \$'000	Principal 2011 \$'000
Finance lease liabilities are payable as follows:									
Less than one year	24	2	22	17	2	15	38	3	35
Between one and five years	35	1	34	28	1	27	45	3	42
	59	3	56	45	3	42	83	6	77

Assets held within the Group under finance leases had a net book value at 31 December 2013 of US\$54k (2012: US\$41k, 2011: US\$74k).

11. Trade and Other Receivables

	2013 \$'000	2012 \$'000	2011 \$'000
Current			
Trade receivables	2,479	3,577	–
Deposits	12	55	54
Other debtors	723	1,368	2,788
Prepayments	326	199	253
	3,540	5,199	3,095
Non-Current			
Deposits	–	–	1,012
	–	–	1,012

Impairments of US\$84k against an associate loan to the Jabali project were made in the year (2012: impairment of US\$352k, 2011: reversal of impairment of US\$26k).

None of the current receivables are past due.

12. Restricted Cash

	2013 \$'000	2012 \$'000	2011 \$'000
Current			
Jabali project	–	–	22
Cash held in escrow against loan notes (see note 14)	667	–	–
	667	–	22

13. Trade and Other Payables

	2013 \$'000	2012 \$'000	2011 \$'000
Current			
Trade payables	7,680	8,146	18,420
Taxation and social security	268	246	202
Accruals	5,104	6,616	1,429
Other payables	566	936	603
Finance lease obligations	22	15	36
	13,640	15,959	20,690
Non-Current			
Accruals	2,795	1,880	912
Employee benefits	10	294	313
Other payables	891	549	548
Finance lease obligations	34	28	42
	3,730	2,751	1,815

A non-current rent accrual of US\$2,795k (2012: US\$1,880k, 2011: US\$912k) was made for the lease of the land from the Korean government authorities in relation to the Korean Recycling Plant.

At 31 December 2013, the Group made accruals of KRW 2.7 billion, equivalent to US\$2.6 million (2012: KRW 3.5 billion equivalent to US\$3.3 million). Of these, KRW 2.3 billion, equivalent to US\$2.2 million, is in respect of disputed invoices relating to the KRP construction.

14. Loans and Borrowings

	2013 \$'000	2012 \$'000	2011 \$'000
Current			
Korea Zinc Company Limited secured loans	976	950	–
Standard Chartered Bank Korea Ltd facility	999	–	–
International Bank of Yemen unsecured loan	–	–	5,667
Other bank borrowings	51	9	48
	2,026	959	5,715
Non-Current			
Korea Zinc Company Limited secured loans	52,739	52,035	31,968
Secured loan notes	6,925	–	–
	59,664	52,035	31,968

Korea Zinc loans

In 2011, two separate loans were taken out with Korea Zinc Company Limited ("Korea Zinc") by ZincOx (Korea) Ltd to provide US\$50 million of the required funding for the development of KRP in Korea.

A long term 'Offtake Loan' was agreed for US\$35 million and is repayable on 30 June 2022. Up to June 2013, interest on this loan was rolled into the principal amount and thereafter chargeable at USD 6 month LIBOR plus a 5% margin. A shorter term 'Development Loan' was agreed for US\$15 million and is repayable three years from first drawdown being February 2015. Interest is chargeable at 15% and became payable immediately from first drawdown in line with the agreed interest periods.

Interest on both loans was capitalised up to May 2012, the point at which the plant went into operation. It was capitalised to the construction in progress account in accordance with Group policy. Since then interest has been charged to the Group income statement.

At 31 December 2013 the Offtake Loan balance was US\$37.8 million including rolled up interest (2012: US\$37.0 million) and the Development Loan balance was US\$15.0 million (2012: US\$15.0 million). Both loans with Korea Zinc are secured by a debenture over the assets of KRP only.

Notes to the Financial Statements

Continued

14. Loans and Borrowings continued

Standard Chartered Bank Korea Ltd facility

In April 2013, a US\$5 million Receivables Services facility was taken out by ZincOx (Korea) Ltd with Standard Chartered Bank Korea Ltd ("SCBK"). Interest is chargeable at USD 3 Month LIBOR plus a 4% margin and is payable immediately.

Secured loan notes

In July 2013, the Company issued loan notes to a value of £4.2 million together with four year warrants over 9,450,000 new ordinary shares of the Company at an exercise price of 40 pence per share. Interest is 10%, payable immediately on a monthly basis with repayment due in July 2015.

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

Other loans

An unsecured loan taken with the International Bank of Yemen by Jabal Salab Company (Yemen) Ltd on 12 March 2011 was deconsolidated when there was a loss of control of the subsidiary undertaking.

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

15. Share Capital

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

	Number shares	Share capital \$'000	Share premium \$'000	Total \$'000
In issue 1 January 2011	77,860,620	35,144	160,894	196,038
Ordinary shares issued	11,160,715	4,381	4,956	9,337
In issue 31 December 2011	89,021,335	39,525	165,850	205,375
Ordinary shares issued	14,360,725	5,713	4,109	9,822
Issued options exercised	84,656	33	26	59
In issue 31 December 2012	103,466,716	45,271	169,985	215,256
103,466,716 deferred shares at 24 pence	103,466,716	40,526	–	40,526
103,466,716 ordinary shares at 1 pence	103,466,716	4,745	169,985	174,730
Ordinary shares issued	32,113,913	524	6,959	7,483
In issue 31 December 2013	135,580,629	45,795	176,944	222,739

The share capital reserve at 31 December 2013 stated at its historical value in its nominal currency of GBP, is £26,188k (2012: £25,867k, 2011: £22,255k) which equates to being translated at an average exchange rate of approximately 1.75 US\$/£ (2012: 1.75 US\$/£, 2011: 1.78 US\$/£).

At 31 December 2013, there were options available over 8,733,737 ordinary shares in the Company, 3,047,172 available to directors (see page 18 within Corporate Governance) and 5,686,565 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.

At 31 December 2013, there were warrants available over 9,450,000 ordinary shares in the Company, 3,318,750 available to directors (see page 18 within Corporate Governance) and 6,131,250 to other subscribers of the bond. The warrants have a four year life and can be exercised immediately, with an exercise price of 40p.

The highest and lowest prices of the Company's shares during the year were 40.00p and 14.00p respectively, and the share price at the end of the year was 14.25p.

The number of shares which would have been in issue at the end of the financial year, had all options and warrants been exercised, was 153,764,366. There were no share options or warrants exercised in the year.

Details of the Company Share Options

Date of issue	At 31 December 2013 Number	Exercise price £	Date from which exercisable	Expiry date
4 May 2005	334,323	1.295	4 May 2007	4 May 2015
5 January 2006	787,240	1.50	5 January 2008	5 January 2016
27 June 2006	577,768	2.075	27 June 2008	27 June 2016
16 January 2007	847,555	2.625	16 January 2009	16 January 2017
29 February 2008	536,851	2.60	28 February 2010	28 February 2018
23 January 2013	1,833,331	0.00*	23 January 2016	23 January 2023
23 January 2013	3,816,669	0.45	23 January 2016	23 January 2023
	8,733,737			

* these options were granted under the Performance Share Plan and carry a zero subscription price to option holders upon exercise. The Company is committed to providing ordinary shares to option holders at the point of exercise.

16. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2013 \$'000	2012 \$'000	2011 \$'000
Less than one year	455	514	141
Between one and five years	4,116	3,258	1,167
More than five years	2,706	4,016	3,727
	7,277	7,788	5,035

ZincOx (Korea) Limited signed a 50 year lease in December 2010, renewable every ten years, for the site of its Korean Recycling Plant.

17. Financial Instruments

(a) Capital Management Policies and Procedures

The Group's capital management objectives are:

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

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

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

Notes to the Financial Statements

Continued

17. Financial Instruments continued

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:

	2013 \$'000	2012 \$'000	2011 \$'000
Total equity	83,322	102,082	85,714
Less: cash and cash equivalents	(4,752)	(10,617)	(18,355)
Capital	78,570	91,465	67,359
Total equity	83,322	102,082	85,714
Borrowings	61,690	52,994	37,683
Overall financing	145,012	155,076	123,397
Capital to overall financing ratio	0.54	0.59	0.55

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

(b) 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		
	2013 \$'000	2012 \$'000	2011 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Trade payables	9,765	12,177	20,690	3,875	3,782	–	3,730	2,751	1,815	–	–	–
Borrowings*	2,774	1,389	6,116	880	2,144	235	50,490	39,312	15,370	21,266	27,091	25,514
Totals	12,539	13,566	28,806	4,755	5,926	235	54,220	42,063	17,185	21,266	27,091	25,514

* Assumes Korea Zinc Offtake Loan principal (US\$37.8 million at 31 December 2013) is repaid on a linear basis across the remaining term from 2015 until its maturity in 2022.

(c) Credit Risk

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

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

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

(d) Foreign Exchange Risk

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

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

	2013			2012			2011		
	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	3	4	(1)	70	31	39	43	136	(93)
YER	-	-	-	-	-	-	2	3,394	(3,392)
ZAR	-	-	-	-	-	-	-	23	(23)
EUR	20	1,799	(1,779)	60	2,043	(1,983)	953	8,473	(7,520)
USD	6,143	55,403	(49,260)	5,458	53,508	(48,050)	4,722	32,405	(27,683)

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities that are held in a currency other than the functional currency of the underlying Group entity. The main exposure exists in Korea where the functional currency is Korean Won yet sales revenue is charged in US Dollars, borrowings are held in US Dollars and cash balances are held in a mixture of US Dollars, EURO's and Sterling, as well as in Korean Won itself.

It assumes a +/-5% change of the US Dollar-Sterling, US Dollar-Euro and US Dollar-Korean Won for the year ended 31 December 2013 (2012: 5%, 2011: 10%). The sensitivity analysis is applied to the Group's foreign currency financial instruments held at balance sheet date. If the US Dollar had weakened by 5% against Sterling, Euro, and Korean Won (the other main functional currencies of the Group entities), this would have had the following impact by currency:

	2013		2012		2011	
	Net result for year \$'000	Equity \$'000	Net result for year \$'000	Equity \$'000	Net result for year \$'000	Equity \$'000
GBP	-	-	-	2	-	8
YER	-	-	-	-	-	309
ZAR	-	-	-	-	-	2
EUR	(59)	(89)	(94)	(99)	198	683
USD	(1,043)	2,346	999	2,288	(18)	2,523

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

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

(e) Interest Rate Risk

The Group is exposed to interest rate risk in respect of the cash balances held with banks and other highly rated counterparties. If the interest rate the Group received had increased/decreased by 0.1% during the year, the net result for the year would have been increased/reduced by US\$2k (2012: US\$15k, 2011: US\$204k). 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.

Notes to the Financial Statements

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17. Financial Instruments continued

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

2012	Weighted average effective interest rate	Variable interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Assets					
Cash	0.40%	10,617	–	–	10,617
Trade and other receivables		–	–	5,199	5,199
Total Financial Assets		10,617	–	5,199	15,816
Liabilities					
Trade and other payables		–	(15)	(15,944)	(15,959)
Borrowings – current		(2,044)	(950)	–	(2,994)
Borrowings – non-current		(35,000)	(15,000)	–	(50,000)
Other non-current liabilities		–	(28)	(2,723)	(2,751)
Total Financial Liabilities		(37,044)	(15,993)	(18,667)	(71,704)
Net Financial Assets/(Liabilities)		(26,427)	(15,993)	(13,468)	(55,888)

2011	Weighted average effective interest rate	Variable interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Assets					
Cash	0.19%	18,355	–	–	18,355
Restricted cash		–	–	22	22
Trade and other receivables		–	–	4,107	4,107
Total Financial Assets		18,355	–	4,129	22,484
Liabilities					
Trade and other payables		–	(36)	(20,654)	(20,690)
Borrowings – current		–	(5,715)	–	(5,715)
Borrowings – non-current		(31,968)	–	–	(31,968)
Other non-current liabilities		–	(42)	(1,773)	(1,815)
Total Financial Liabilities		(31,968)	(5,793)	(22,427)	(60,188)
Net Financial Assets/(Liabilities)		(13,613)	(5,793)	(18,298)	(37,704)

(f) Financial Assets

The Group held the following financial assets:

	2013 \$'000	2012 \$'000	2011 \$'000
Cash and cash equivalents	4,752	10,617	18,355
Restricted cash	667	–	22
Trade and other receivables	3,540	5,199	4,107
	8,959	15,816	22,484

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

18. Capital Commitments

At 31 December 2013, the Group had no capital commitments (2012: nil).

19. Post Balance Sheet Events

On 28 January 2014, the Company granted 4,989,760 options over its ordinary shares at a subscription price of 24.5 pence per ordinary share and issued a further 5,410,240 options under its Performance Share Plan at a zero subscription price. At the same time, the Company cancelled all 5,650,000 outstanding options over its ordinary shares that had been granted in 2013 (see note 21 for details).

In March 2014, an agreement was reached with Korea Zinc to defer the interest payments on both loans for a period of twelve months in return for additional offtake material as covered by the separate Offtake Agreement with Korea Zinc.

On 1 April 2014, the Company raised £1.0 million (after deducting expenses) by way of a conditional placing of 10.3 million new ordinary shares at a price of 10 pence per share.

On 24 April 2014, the Company raised a further £1.95 million (after deducting expenses) by way of an open offer through the issuance of 20.4 million new ordinary shares at a price of 10 pence per share.

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20. Segmental Analysis

Up until the end of 2013, the Group considers that its activities are split into the following segments: its' recycling operations (currently the KRP in Korea) which is the main activity and all other segments (mainly recycling development). An operating segment is a component of the Group engaged in one of these activities. In relation to the recycling operations activity, each operating segment is usually signified by a separate geographical location for the purposes of making economic decisions.

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

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

	Revenue		Sector result	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Recycling – operations	27,101	9,830	(14,039)	(9,777)
Other segments	421	993	(3,549)	6,549
Sector total	27,522	10,823	(17,588)	(3,228)
UK Head Office			(4,094)	(3,969)
Operating loss			(21,682)	(7,197)
Finance income			10	62
Finance costs			(4,661)	(2,859)
Loss before tax			(26,333)	(9,994)
Taxation			2	(52)
Loss after tax			(26,331)	(10,046)

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

	Assets			Liabilities			Net assets		
	2013 \$'000	2012 \$'000	2011 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Recycling – operations	128,210	131,551	95,786	69,580	68,437	37,213	58,630	63,114	58,573
Other segments	28,465	35,691	37,613	8,790	2,757	22,221	19,675	32,934	15,392
Sector total	156,675	167,242	133,399	78,370	71,194	59,434	78,305	96,048	73,965
UK Head Office – unallocated	5,707	6,544	12,503	690	510	754	5,017	6,034	11,749
Total	162,382	173,786	145,902	79,060	71,704	60,188	83,322	102,082	85,714

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

	Capital additions			Depreciation, impairment and amortisation		
	2013 \$'000	2012 \$'000	2011 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Recycling – operations	3,192	34,241	78,767	5,896	3,473	3
Other segments	2,012	2,837	10,271	1,694	4,634	7,318
Sector total	5,204	37,078	89,038	7,590	8,107	7,321
UK Head Office – unallocated	–	20	136	630	73	158
Total	5,204	37,098	89,174	8,220	8,180	7,479

Geographic Information

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

Revenue for the Group is generated by ZincOx (Korea) Ltd (2013: US\$27.1 million, 2012: US\$9.8 million) and Big River Zinc Corporation within the USA (2013: US\$0.4 million, 2012: US\$1.0 million).

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:

	2013 \$'000	2012 \$'000	2011 \$'000
United Kingdom	3,635	2,520	2,292
Yemen	–	–	(19)
Rest of Europe*	2,588	3,109	9,864
USA	15,225	17,172	18,632
Korea	128,090	128,338	91,564
Other Asia**	998	1,682	1,511
Total	150,536	152,821	123,844

* Rest of Europe includes Belgium and Turkey ** Other Asia includes Thailand and Malaysia

21. Share Based Payments

Employee Related Share Option Plans

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

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

	2013		2012		2011	
	Weighted average exercise price (£ per share)	Outstanding options (thousands)	Weighted average exercise price (£ per share)	Outstanding options (thousands)	Weighted average exercise price (£ per share)	Outstanding options (thousands)
At 1 January 2013	1.07	7,902	1.19	6,590	1.30	6,324
Granted	0.30	5,650	0.39	2,674	0.38	788
Exercised	–	–	0.45	(85)	–	–
Cancelled	0.37	(4,465)	0.30	(1,029)	–	–
Lapsed	0.54	(353)	1.20	(248)	1.20	(522)
At 31 December 2013	0.93	8,734	1.07	7,902	1.19	6,590

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21. Share Based Payments continued

No options were exercised in either of the years to 31 December 2013 or 31 December 2011. In the year to 31 December 2012, the weighted average share price, at the date of exercise, of options exercised during the year was £0.63. 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	2013 Options granted	2012 Options granted	2011 Options granted
Share price at grant	£0.355	£0.56	£0.515
Exercise price	£0.304	£0.395	£0.383
Shares under option	5,650,000	2,673,835	788,236
Expected volatility	58%	58%	57%
Option life (years)	5	5	5
Risk free interest rate	1.11%	0.99%	2.29%
Fair value per option	£0.22	£0.36	£0.33
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes

The total charge for the period relating to employee share based payment plans was US\$8k (2012: US\$219k, 2011: US\$236k). The vesting period for the options granted was three years (2012 and 2011: three years). Other non-market performance conditions that exist are as follows:

- For the 2013 options, the award of options is conditional on an 'Award Production' linked to a minimum production capacity at KRP where no options can be exercised below an annual production for 2013 of 127,500 tonnes of EAFD, rising to 100% of the options being exercised at 170,000 tonnes of processed EAFD.
- For the 2012 options, the award of options is conditional on an 'Award Production' linked to the production capacity at KRP where 75% of the options can be exercised at 75% capacity of KRP increasing to 100% of the options being exercised at 90% production capacity subject to certain time limits and providing production is at this specified capacity for 30 continuous days.
- For the 2011 options, the award of options is conditional on an 'Award Production' linked to the production capacity at KRP where 75% of the options can be exercised at 75% capacity of KRP increasing to 100% of the options being exercised at 85% production capacity subject to certain time limits and providing production is at this specified capacity for 7 continuous days.

The volatility calculation was based on the Company's share price performance for the five years ended 23 January 2013. No dividend is assumed in the calculation (2012 and 2011: nil) of the option fair values.

Since the year end, the Company has granted a further 10,400,000 options (see note 19), the award of which is conditional on the Company's share price reaching 33 pence during a three year 'Performance Period' ending on 28 January 2017. At the same time, the Company cancelled all 5,650,000 outstanding options that were granted in 2013 as the options no longer held any value due to the performance criteria not being met. The vesting period for the 2014 options is three years from date of grant with the other vesting conditions given above.

Share Warrants

In the year to 31 December 2013, the Company granted four year warrants over 9,450,000 new ordinary shares of the Company (see note 14). There is no vesting period attached to the warrants but none were exercised or cancelled in the year to 31 December 2013 (year to 31 December 2012 and 2011: no warrants in issue).

The warrants were fair valued using the Monte Carlo valuation method. The weighted average assumptions made, in applying the Monte Carlo method to valuing the warrants granted in the period, are set out below.

- Share price at grant was 20.25p,
- Exercise price of 40p (see note 15 for details),
- Expected volatility reducing from 42.3% in Year 1 to 31.5% in Year 4,
- Warrant life of four years,
- Risk free interest rate of 1.74%, and
- Fair value per warrant of 2.5p.

The total share based payment charge for the period was US\$369k (2012 and 2011: US\$nil).

22. Assets Held for Sale

ZincOx owns a plot of land outside the heavy industrial zone in Aliaga, Turkey which was purchased in 2006 and is no longer required for development of that project. It has been split into smaller plots to facilitate its sale. These plots have been marketed over the last year or so and this has resulted in the sale of 38 of the plots by the end of 2013. In view of the uncertainty over the expected receipts for the remaining 25 plots, the historic cost of US\$1.2 million (YTL 2.6 million) has been applied as the realisable value.

Following the decision to sell the Group's mining assets in Yemen and the associated Rubber Grade Plant ("RGP") in Belgium, the remaining property, plant and equipment relating to the RGP have been classified as assets held for sale. The carrying value of these assets has been marked down to a fair value of US\$0.3 million (EUR 0.2 million).

The Turkish land and the remaining property, plant and equipment at ZincOx Belgium Sprl form part of the Group's recycling segment activity and fall within the geographical region called 'Rest of Europe' (see note 20).

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 2013 which comprise 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 19, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2(d) to the financial statements concerning the Company's ability to continue as a going concern. As explained in note 2(d), a critical risk to the Group's and Company's cash flow is the completion of the ramp up for KRP along with a consistent zinc price in line with management's forecasts. In addition, the Directors have been looking at options for the refinancing of the Korea Zinc development loan of US\$15 million in February should the available cash generated from Korea be insufficient to make the repayment.

As further explained in note 2(d), these conditions, along with the other matters explained in note 2(d) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 2013. That report includes an Emphasis of Matter in relation to Going Concern.

David Miller

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

2 June 2014

Grant Thornton UK LLP

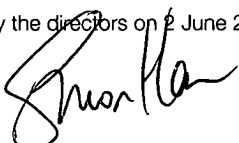
Company Balance Sheet

As at 31 December 2013

	Notes	2013 \$'000	2012 \$'000
Fixed Assets			
Intangible assets	27	15,400	14,079
Tangible assets	28	20	50
Investments	29	65,249	63,931
		80,669	78,060
Current Assets			
Debtors due within one year	30	3,741	3,027
Debtors due after one year	30	33,799	25,302
Restricted cash	31	667	–
Cash at bank and in hand		4,534	6,110
		42,741	34,439
Creditors – amounts falling due within one year	32	(1,278)	(949)
Net Current Assets		41,463	33,490
Total Assets less Current Liabilities		122,132	111,550
Creditors – amounts falling due after one year	32	(6,996)	(70)
Net Assets		115,136	111,480
Capital and Reserves			
Share capital	33, 34	45,795	45,271
Share premium	34	176,944	169,985
Profit and loss account	34	(73,861)	(68,188)
Foreign currency reserve	34	(33,742)	(35,588)
Equity Shareholders' Funds	35	115,136	111,480

Approved by the directors on 2 June 2014.

Simon Hall
Director



The notes on pages 50 to 56 form an integral part of these financial statements.

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23. Significant Accounting Policies

The individual financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the individual 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 19, and per the Group accounting policies note 2(d), 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 twelve months.

Presentational Currency

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

24. Impairment Provisions

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

25. Loss for the Financial Year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Profit and Loss account in these financial statements. The loss for the Company was US\$6,050,000 translated at an average rate for the year of 1.56353 US\$/£ (2012: US\$7,424,000 translated at an average rate for the year of 1.58758 US\$/£).

The average monthly number of employees of the Company (including directors) during the year was 10 (2012: 12) and their aggregate remuneration comprised:

	2013 \$'000	2012 \$'000
Wages and salaries	1,364	1,986
Social security costs	165	231
Other pension costs	69	84
	1,598	2,301

26. Operating Loss

The auditors' remuneration for audit services to the Company was US\$30,000 translated at an average rate for the year of 1.56353 US\$/£ (2012: US\$30,000 translated at an average rate for the year of 1.58758 US\$/£).

27. Intangible Assets – Deferred Costs

	Company development costs \$'000	Company Total \$'000
Cost		
At 1 January 2012	12,811	12,811
Additions	679	679
Impairment provisions	(18)	(18)
Foreign exchange	607	607
At 1 January 2013	14,079	14,079
Additions	1,966	1,966
Impairment provisions	(513)	(513)
Foreign exchange	234	234
At 31 December 2013	15,766	15,766
Amortisation		
At 1 January 2012	–	–
Charge for the year	–	–
Foreign exchange	–	–
At 1 January 2013	–	–
Charge for the year	347	347
Foreign exchange	19	19
At 31 December 2013	366	366
Net Book Value		
At 31 December 2013	15,400	15,400
At 31 December 2012	14,079	14,079

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28. Tangible Fixed Assets

	Land and buildings \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Total \$'000
Cost					
At 1 January 2012	167	805	104	749	1,825
Additions	–	–	–	21	21
Disposals	–	–	(4)	(91)	(95)
Foreign exchange	8	38	4	36	86
At 1 January 2013	175	843	104	715	1,837
Foreign exchange	3	16	2	12	33
At 31 December 2013	178	859	106	727	1,870
Depreciation					
At 1 January 2012	133	805	104	700	1,742
Charge for the year	24	–	–	31	55
Released on disposals	–	–	(4)	(90)	(94)
Foreign exchange	7	38	4	35	84
At 1 January 2013	164	843	104	676	1,787
Charge for the year	11	–	–	18	29
Foreign exchange	3	16	2	13	34
At 31 December 2013	178	859	106	707	1,850
Net Book Value					
At 31 December 2013	–	–	–	20	20
At 31 December 2012	11	–	–	39	50

29. Investments

	Subsidiaries \$'000	Joint venture \$'000	Total \$'000
Cost			
At 1 January 2012	58,671	–	58,671
Additions	8,047	–	8,047
Foreign exchange	3,023	–	3,023
At 1 January 2013	69,741	–	69,741
Additions	22	106	128
Foreign exchange	1,299	–	1,299
At 31 December 2013	71,062	106	71,168
Impairment Provisions			
At 1 January 2012	–	–	–
Impairment provision	5,810	–	5,810
At 1 January 2013	5,810	–	5,810
Foreign exchange	109	–	109
At 31 December 2013	5,919	–	5,919
Net Book Value			
At 31 December 2013	65,143	106	65,249
At 31 December 2012	63,931	–	63,931

Additions in the year represent a cash investment of US\$106k in an unincorporated joint venture with Ural Recycling Limited, in respect of the Russian Recycling Project.

Interest in Subsidiary Undertakings

In March 2013 the Company sold its entire interest in ZincOx Resources (Yemen) Ltd, a subsidiary undertaking that held the Company's retained interest in Jabal Salab Company (Yemen) Ltd.

In December 2013 the Company liquidated its subsidiary undertaking Pearl Zinc SA following the disposal of its Rubber Grade Plant and the transfer of any residual assets to its parent company ZincOx Belgium Sprl.

Since the year end, the Company has liquidated its subsidiary undertaking ZincOx Malaysia Sdn Bhd.

The Company had an interest in the following subsidiary undertakings in the year ending 31 December 2013, all of which are included in the consolidated financial statements. With the exception of those holdings marked with an asterisk, all shareholdings are held directly by the Company.

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

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

The market capitalisation of the Company at the end of the period is less than the net assets of the Company. The Company has carefully assessed the carrying value of its investments using the discounted cashflow forecasts of the Group and a 10% discount rate with a time horizon of 20 years, which takes into account a successful ramp up in Korea as discussed in the Strategic Report. Management have based their assessment of the expected future cashflows on the available data and will revisit these key assumptions and judgements in the cashflow forecasts at each annual reporting date.

The resulting valuation supports the carrying values at 31 December 2013 and therefore no impairment of the investments and intercompany funding of the parent company is made at this time.

Interest in Joint Venture

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

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30. Debtors

	2013 \$'000	2012 \$'000
Due within one year		
Deposits	–	48
Other debtors	311	190
Prepayments	69	145
Amounts owed by Group undertakings	3,361	2,644
	3,741	3,027
Due after one year		
Amounts owed by Group undertakings	33,799	25,302
	33,799	25,302

Other debtors are stated after allowing for any impairment provision. At 31 December 2013 the impairment provision stood at US\$ nil (2012: US\$224k) in respect of the Jabali project as an associate undertaking.

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

Amounts owed by Group undertakings due within one year are stated after allowing for any impairment provision. At 31 December 2013 the impairment provision stood at US\$ nil (2012: US\$3.8 million) 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 2013 impairment provisions stood at US\$ nil (2012: US\$56.2 million) against ZincOx Resources (Yemen) Ltd in respect of the assets held in Jabal Salab Company (Yemen) Ltd and US\$31.6 million (2012: US\$31.0 million) against ZincOx Resources (USA) Ltd in respect of the recycling assets at BRZ and in the USA.

31. Restricted Cash

Restricted cash of £404k, equivalent to US\$667k, existed at 31 December 2013 (2012: US\$ nil). It represents cash generated from land sales at Aliaga in Turkey offset by interest paid to holders of secured loan notes (see note 14). These funds are restricted under the terms of the loan.

32. Creditors

	2013 \$'000	2012 \$'000
Amounts falling due within one year		
Trade creditors	361	299
Taxation and social security	79	61
Accruals	198	149
Amounts owed to Group undertaking	587	440
Loan notes	53	–
	1,278	949
Amounts falling due after one year		
Amounts owed to Group undertaking	71	70
Loan notes	6,925	–
	6,996	70

The Company issued loan notes in the year to a value of £4.2 million (US\$6.9 million) together with four year warrants over 9,450,000 new ordinary shares of the Company at an exercise price of 40 pence per share (see note 14 for details). Amounts falling due within one year comprise outstanding interest accrued of 10% per annum on the loan notes at 31 December 2013.

33. Share Capital

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

	Number shares	Share capital \$'000	Share premium \$'000	Total \$'000
In issue 1 January 2011	77,860,620	35,144	160,894	196,038
Ordinary shares issued	11,160,715	4,381	4,956	9,337
In issue 31 December 2011	89,021,335	39,525	165,850	205,375
Ordinary shares issued	14,360,725	5,713	4,109	9,822
Issued options exercised	84,656	33	26	59
In Issue 31 December 2012	103,466,716	45,271	169,985	215,526
103,466,716 deferred shares at 24 pence	103,466,716	40,526	–	40,526
103,466,716 ordinary shares at 1 pence	103,466,716	4,745	169,985	174,730
Ordinary shares issued	32,113,913	524	6,959	7,483
In Issue 31 December 2013	135,580,629	45,795	176,944	222,739

The share capital reserve at 31 December 2013 stated at its historical value in its nominal currency of GBP, is £26,188k (2012: £25,867k, 2011: £22,255k) which equates to being translated at an average exchange rate of approximately 1.75 US\$/£ (2012: 1.75 US\$/£, 2011: 1.78 US\$/£).

At 31 December 2013 there were options available over 8,733,737 ordinary shares in the Company, 3,047,172 available to directors (see page 17 within Corporate Governance) and 5,686,565 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.

At 31 December 2013, there were warrants available over 9,450,000 ordinary shares in the Company, 3,318,750 available to directors (see page 18 within Corporate Governance) and 6,131,250 to other subscribers of the bond. The warrants have a four year life and can be exercised immediately, with an exercise price of 40p.

The highest and lowest prices of the Company's shares during the year were 40.00p and 14.00p respectively, and the share price at the end of the year was 14.25p.

The number of shares which would have been in issue at the end of the financial year, had all options and warrants been exercised, was 153,764,366. There were no share options or warrants exercised in the year.

34. Reserves

	Share capital account \$'000	Share premium account \$'000	Profit and loss account \$'000	Foreign currency reserve \$'000
At 1 January 2013	45,271	169,985	(68,188)	(35,588)
Issue of shares	524	6,959	–	–
Loss for the financial year	–	–	(6,050)	–
Share based payments expense	–	–	377	–
Movement in foreign currency reserve	–	–	–	1,846
At 31 December 2013	45,795	176,944	(73,861)	(33,742)

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

Notes to the Financial Statements

Continued

35. Reconciliation of Movements in Shareholders' Funds

	2013 \$'000	2012 \$'000
Loss for the financial year	(6,050)	(7,424)
Issue of shares	7,483	9,881
Share based payments expense	377	219
Net increase to shareholders' funds	1,810	2,676
At beginning of year	111,480	103,848
Movement in foreign currency reserve	1,846	4,956
At end of year	115,136	111,480

36. Financial commitments

At 31 December 2013 the commitment under operating leases for land and buildings was US\$12k representing a two month break period on the recently negotiated office lease (2012: US\$48k over the remaining seven months).

37. Related Party Transactions

The Company has taken advantage of the exemptions available under Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with its wholly owned subsidiary undertakings.

In addition to the Group related party transactions stated in note 3(c), the Company, in the year, recharged expenses and management fees of US\$30k (2012: US\$403k) to Jabal Salab Company (Yemen) Ltd, a 52% owned subsidiary up to 31 May 2012 and an associate thereafter. No amounts were due from Jabal Salab Company (Yemen) Ltd at 31 December 2013 (2012: US\$3,807k).

38. Post Balance Sheet Events

On 29 January 2014, the Company granted 4,989,760 options over its ordinary shares at a subscription price of 24.5 pence per ordinary share and issued a further 5,410,240 options under its Performance Share Plan at a zero subscription price. At the same time, the Company cancelled all 5,650,000 outstanding options over its ordinary shares that had been granted in 2013 (see note 21 for details).

On 1 April 2014, the Company raised £1.0 million (after deducting expenses) by way of a conditional placing of 10.3 million new ordinary shares at a price of 10 pence per share.

On 24 April 2014, the Company raised a further £1.95 million (after deducting expenses) by way of an open offer through the issuance of 20.4 million new ordinary shares at a price of 10 pence per share.

Forward Looking Statements

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

INTRODUCTION

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CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of ZincOx Resources plc will be held at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS on 30 June 2014 at 12.30pm for the purpose of transacting the following business:

Ordinary Business

- 1) To receive and adopt the Strategic Report, the Directors' Report and financial statements for the financial year ended 31 December 2013 together with the Auditors' Report.
- 2) To re-elect Andrew Woollett as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association.
- 3) To re-elect Gautam Dalal as a director of the Company, retiring by rotation in accordance with Article 106 of the Company's articles of association.
- 4) To re-appoint Grant Thornton UK LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the directors to determine their remuneration.

Special Business

- 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 £553,798 representing a number of ordinary shares of 1 pence each (the "Shares") equivalent to approximately one third of the issued share capital of the Company at the date of this notice.

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

- 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 7) up to an aggregate nominal amount of £166,306 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
3 June 2014

Notes

- Any member entitled to attend and vote at the annual general meeting ("AGM") convened by the notice above is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
- In order to be valid, any form of proxy and a power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the AGM or of any adjournment of the AGM. Alternatively, members may submit their proxy votes electronically using the Share Portal service at www.capitashareportal.com.
- 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 6pm on 26 June 2014 in order to be entitled to attend and vote at the AGM. Such shareholders may only cast votes in respect of Shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- The total number of Ordinary Shares in issue as at 2 June 2014, the last practicable day before printing this document, was 166,305,778 Ordinary Shares and the total level of voting rights was 166,305,778, none of which were attached to Shares held in treasury by the Company.
- There will be available for inspection at the registered office of the Company, during usual business hours on any weekday (except Saturdays and public holidays) from the date of this notice until the date of the meeting, and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting, copies of the service contracts and letters of appointment of each of the directors.
- Biographical details of each director who is being proposed for appointment or re-election by shareholders, including their membership of Board committees, are set out on pages 14 and 15.

Explanation of Resolution 5

The directors wish to renew at the forthcoming AGM the authority and power which were granted to them at the GM held on 24 April 2014. 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 £553,798, 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 2015 and (ii) 15 months from the date of Resolution 5 being passed.

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

Explanation of Resolution 6

If new Shares are to be allotted for cash, Section 561(1) of the Act requires the new Shares to be offered first to the existing holders of Shares on a proportionate basis. Resolution 6, which will be proposed as a special resolution, is in accordance with normal practice and, if passed, will give the directors the power to allot Shares for cash without first offering those Shares to shareholders. This power will allow the directors to implement rights issues, open offers or other similar such issues of Shares without complying fully with the pre-emption requirements of the Act which can prove unduly burdensome in certain circumstances (for example, in the case of shareholders resident in certain overseas countries). Power is also being sought to enable the directors to issue Shares for cash otherwise than on a pre-emptive basis in relation to outstanding share options and otherwise for new Shares up to an aggregate nominal amount of £166,306 which represents a number of Shares equal to approximately 10% of the Company's issued share capital at the date of this notice. If given, the power contained in this special resolution will (except in relation to commitments which have been made but not fulfilled) lapse on the earlier of (i) the conclusion of the AGM of the Company to be held in 2015 and (ii) 15 months from the date of Resolution 6 being passed.

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