



ZincOx Resources plc
Preliminary Results - Year Ended 31 December 2005

ZincOx Resources plc, a world leader in the design of processes to treat unconventional zinc bearing material, today announced 12 month results for the year ended 31 December 2005.

ZincOx's objective is to become a major producer of zinc oxide, with operating costs among the lowest in the world.

Commenting on the results, Andrew Woollett, Chairman, said: "With the recent acquisition of Big River Zinc and the plans for our other advanced projects we now have a clear timetable for our development into a major zinc recycling company and a leading producer of zinc oxide."

Operational Highlights

- Acquisition of Big River Zinc Corp (USA) completed since the year end
- Jabali deposit (Yemen) - positive feasibility study completed
- Aliaga Recycling Project (Turkey) – positive feasibility study completed

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ZincOx Resources plc
Preliminary Results for the year ended 31 December 2005

Chairman's Statement

The year 2005 was a milestone year in which we have demonstrated the value of two major projects, Jabali and Aliaga. More recently we have acquired the second largest zinc smelter in the USA, with the intention of converting it into a major new central zinc recycling plant for North America. These three projects reflect the dual mining and recycling nature of our strategy, using the two different technologies that form the cornerstones of our growth in the medium term.

At the beginning of 2005, with three major feasibility studies underway, we decided to top up our treasury by undertaking a small private placement. This gave us the opportunity to bring in some new institutional investors in advance of raising development capital for our projects. We placed 4,678,764 new shares at a price of £1 per share, representing a 112% premium on the previous placing undertaken 18 months previously.

The Jabali feasibility study was completed in March 2005. The study, which was carried out by MDM Ferroman, estimated the total capital cost to be US\$75 million (+/- 10%) and a post tax net present value (10% discount rate) of £31.2 million at a zinc price of \$1,000 per tonne. In order to update the capital and operating cost estimates in line with the general increase in costs throughout the industry and the process modifications adopted in the Aliaga plant design, a cost review is underway and its completion is expected within the next three months.

While several foreign owned and managed operations in the oil sector have been established in Yemen for a number of years, there have been no Exploitation Permits awarded for large scale mining. Negotiations regarding the Exploitation Agreement were, understandably, quite protracted. In October 2005, the Ministry of Oil and Minerals approved the Jabali Exploitation Agreement and this has now passed through various Government authorities and is currently awaiting cabinet and parliamentary ratification which we expect within the next few months. In the meantime, we have progressed our discussions with various providers of non-recourse debt finance, and we hope to have this in place before the end of 2006.

Considerable progress has been made at our most advanced recycling project at Aliaga in Turkey (ARP). In October 2005 SNC Lavalin, based in Brussels, completed the design and basic engineering and capital and operating cost estimates for the project. In October, Investec Bank was mandated to arrange project finance for the development.

In order to be able to fast track the development of the project, we decided to raise some equity so that long lead time items that were on the critical path for project completion could be purchased. In January 2006 we placed 8,787,333 million new shares at £1.50 per share to raise £13.2 million, which represented a 50% premium to the price at which shares had been placed at the start of 2005.

The purchase of land for the ARP was completed in February 2006. The site is perfectly suited to the construction of the processing plant and an adjacent landfill. The entire

operation has been the subject of a comprehensive Environmental Impact Assessment involving a number of public meetings and review by various government departments.

In early June 2006 the feasibility study was completed. The study covers the initial phase of development, in which the plant will produce 20,000 tonnes per annum of industrial grade zinc oxide (16,000 tonnes of zinc contained) commencing in the fourth quarter of 2007.

Over the past year, capital and operating costs of the ARP have been affected by a broad and substantial rise in costs that have affected the mining industry around the world. Furthermore, in order to benefit from the economies of scale afforded by a larger project, we decided to increase the sizing for several elements of the initial plant. This will enable a rapid and relatively less expensive expansion from 20,000 tonnes of zinc oxide per annum to 30,000 tonnes per annum. The capital cost of the 20,000 tonnes plant is now estimated to be US\$51 million. Investec has reviewed the revised costs and has indicated that it will increase the amount of debt that it will be prepared to lend to the project. However, some additional equity will also be required.

The preliminary estimate of the additional cost to expand the plant by 50% to 30,000 tonnes per annum, is expected to be a further US\$12 million. Following the commissioning of the plant, we plan to expand the operation to produce 30,000 tonnes per annum of zinc oxide, and this should be operational before the end of 2008.

Zinc oxide has several industrial applications for which there are numerous product specifications. One of the attractions of selling zinc oxide rather than zinc metal is its value. Generally speaking the price of zinc oxide is based on the London Metal Exchange value of the zinc contained plus a premium. It is, therefore, more valuable than zinc metal. As the zinc price may fall in the medium term to levels closer to the long term inflation adjusted average price (US\$1,480 / tonne) the reduction in price will to some extent be offset by our penetration of markets for products having a higher premium.

While zinc has traditionally only been sold forward over 27 months, this has now changed dramatically and it is currently possible to forward sell zinc over seven years and at prices that would have been unthinkable even a year ago. This gives us the possibility of ensuring a strong early cash flow from the project.

Using a zinc price of US\$1,800 for the first four years of production, falling to US\$1,300 per tonne thereafter, the project has a net present value of £22 million and an internal rate of return of 21%. For the expanded operation the net present value increases to £41 million and the internal rate of return to 26%.

Most mineral resource projects are based on finite reserves that have a limited life, consequently projects are traditionally valued on the basis of the cash flow discounted over the life of the project. In the case of Aliaga, however, the raw material is EAFD that is being constantly renewed. There is no finite resource or fixed life for the project. Bearing this in mind, the limited life discounted cash flow basis for its valuation may not be appropriate and an earnings based valuation may better reflect the project's worth. The average annual earnings generated in the first three years of full production for the 20,000 tonnes per annum and 30,000 tonnes per annum capacities would be £5.5 million

and £8 million respectively, although I should point out that if these earnings were to be repatriated to UK, further tax may be payable.

While there are certain advantages to producing zinc oxide rather than zinc metal, metal production may be preferable under certain circumstances. One such circumstance would be acquisition of an existing smelter at a fraction of the cost of its replacement value. The idea of purchasing an existing zinc smelter cheaply and converting it to treat EAFD has been in our mind for some years. The Big River Zinc Smelter (BRZ), in Illinois, precisely fitted our target profile for this concept and when its closure was announced at the end of 2005, we moved quickly to secure the purchase ahead of other parties.

Following a comprehensive due diligence exercise we negotiated the acquisition of BRZ for a total consideration of £8.1 million, in June 2006. The acquisition presented a unique opportunity to establish us rapidly and cost effectively in the USA. BRZ's location adjacent to St Louis on the Mississippi river makes it ideally suited as a central North American recycling facility. The conversion of BRZ will, therefore, replace the Mid-West Recycling Project previously planned to lead ZincOx's recycling strategy in North America.

The acquisition and conversion of BRZ has several advantages, including: substantial capital savings, an experienced management team, existing markets, value added products, and the speed of permitting. Furthermore when the zinc market returns to a more balanced position zinc concentrates should become more attractively priced and the operation of BRZ's conventional zinc recovery circuit in parallel with the new EAFD circuit may present attractive expansion potential.

Initially the modified plant will be designed to produce about 30,000 tonnes of zinc metal per annum and we plan to effect the redevelopment as rapidly as possible. A cost estimate and feasibility study suitable for project finance is expected to be completed in the third quarter of this year, with the intention that production would commence before the end of 2007.

When we sold the Shaimerden zinc deposit in Kazakhstan to Kazzinc in 2003, part of the consideration was a deferred payment related the zinc price at the time of mining. The mining of the first ore, which lies under about 50 metres of overburden, was scheduled for mid 2006. However, in view of the high cost of dewatering the ore compared to the overburden, Kazzinc decided to remove a higher proportion of overburden before commencing mining and little ore will be mined this year. There is, however, a deemed start to mining in October 2006. If the zinc price were to average US\$2,500 per tonne during the final quarter of 2006 the deferred payment would amount to about US\$4.0 million and would be paid in January 2007. Mining is expected to be at full production during 2007 and this would result in 60,000 tonnes of deemed production, which at a zinc price of US\$2,500 per tonne would make the deferred payment for 2007 worth US\$24.0 million.

China and India's high growth continued throughout the period and demand for zinc has remained strong as reflected in the persistent reduction in LME warehouse stocks. The price of zinc strengthened through 2005 and then began to rise strongly through 2006, hitting an all time high of US\$4,000 / tonne in May. Needless to say some of this price increase is due to the activities of investment funds rather than consumers, but the

underlying fundamentals for supply and demand for zinc remain excellent and I believe that barring a significant slow down in Asian growth, zinc will perform well in the short term.

While I was delighted to be taking on the role of Chairman at such an exciting time in the company's development, we will miss Noël Masson's comprehensive knowledge of the zinc industry and the metallurgy of the metal. I am, however, delighted to say that Noël has been kind enough to make himself available as a consultant to the company and we have on several occasions availed ourselves of his assistance. I would like to thank Noël on behalf of my colleagues and all our shareholders for his leadership of the company over the past seven years and we look forward to his continuing advice for many years to come.

Our growth as a company needs to be matched with an appropriate strengthening of our board, management team and senior technical and administrative personnel. At the end of last year we decided that we needed a full time finance director. I would like to thank Peter Fry for so ably managing the finances of the company since we listed on AIM and we are delighted that he has agreed to stay on the board in a non-executive capacity. Simon Hall, our new finance director, comes to us from BT Consumer Mobile. His knowledge of setting up the finances of joint ventures in China and India has prepared him well for our expanding international portfolio of projects. Peter Beck retired from the Board towards the end of last year to sail across the Pacific and I am delighted that he has re-joined the Board. The arrangement of project finance is a critical part of our business, and our Board has been greatly strengthened by Gilles Masson, who is a director of a leading European financial institution, where he is responsible for project and export finance for mining. Finally, Jon Collins has retired from Cominco and resigned from our Board. I would like to thank him for his support over the past three years.

The Jabali deposit has attractive economics due in part to the size of the mineral resource and our ability to take the maximum advantage of economies of scale in both capital and operating costs. Our two recycling projects are smaller operations which could benefit from greater throughputs and both have the potential for rapid expansion particularly at Big River. The great significance of these projects, however, is that they demonstrate the practicality and economics of two different EAFD treatment routes that between them will have implications for EAFD treatment globally. Our strategy is to develop these two operations as rapidly as possible so that they may form the blueprint for similar operations, perhaps of greater size, in other parts of the world. Over the past year we have spent a good deal of time investigating where the next generation of projects may be located and we hope to develop these ideas more publicly over the next year.

The year 2005 was an exciting and challenging period and there are no signs that the current year is any less stimulating. I would like to thank all our staff and my fellow directors for their very hard work over the past year and shareholders may rest assured that their efforts will be no less intense over the coming months.

A C Woollett
Chairman

19 June 2006

Review of Operations

PRIMARY DEPOSITS

Jabali zinc deposit – Yemen

The Jabali zinc deposit is located 110 km north east of Sana'a, the capital of Yemen. It contains a geological resource, calculated in accordance with the JORC code, of 12.6 million tonnes of oxide ore with a zinc grade of 8.9%.

By completing a feasibility study for the development of the deposit in March 2005, ZincOx earned a 60% interest in a joint venture that owns a Mineral Exploration Licence over the deposit. The other parties to the joint venture are Anglo American plc (20%) and Ansan Wikfs (Hadramaut) Limited (20%). ZincOx is the manager of the joint venture.

At the end of October 2005, the joint venture company, Jabal Salab Company (Yemen) Limited, signed an Exploitation Contract with the Ministry of Oil and Minerals in Yemen for the development of the deposit. The Contract is subject to approval by the Yemeni parliament, after which it will be incorporated in law. This is expected to be concluded in the next three months.

The Contract sets out all the terms and conditions for the mining, processing and marketing of the zinc from Jabali over a 20 year term. It includes a six year tax holiday, exoneration from import duty taxes and a 1.5% net smelter return royalty. It also includes the repayment after four years from start up of production of \$5 million of past costs incurred on exploration of the deposit by the local Geological Survey between 1982 and 1995, prior to ZincOx's involvement.

The Government of Yemen is keen to attract foreign investment into its mining sector and diversify its economy away from its dependence on oil exports. Consequently the terms of the Exploitation Contract are attractive but will also ensure long term benefits to the country through employment and the positive impact of the mine's development on local economic activity.

The feasibility study economics are currently being updated to take into account both the worldwide increase in mining costs which have occurred over the last two years, as well as the increase in zinc prices. The deposit will be developed at the rate of 800,000 tonnes of ore per annum. Processing will involve the application of a hydrometallurgical process developed and piloted by ZincOx over the last few years. The final product, 70,000 tonnes per year, will be a high quality zinc oxide which can be sold directly to the ceramics, rubber, and chemical industries. Because most zinc oxide around the world is produced from zinc metal, and therefore sells at a premium to the international zinc price, the Jabali operation will have a very strong cost advantage over its competitors.

Capital costs for the project development were originally estimated at \$75 million. Discussions with international banks that provide traditional non-recourse project finance, as well as banks from the Middle East, are currently underway. It is anticipated that construction will start in 2007, with production scheduled for 2008.

Shaimerden zinc deposit - Kazakhstan

The Shaimerden zinc oxide deposit is located in northern Kazakhstan, 300 km south west of the city of Kostanai. While ZincOx sold its interest in the deposit for \$7.5 million in December 2003 to Kazzinc, a large local zinc producer owned by Glencore, there is a deferred receipt due to ZincOx which is payable annually based on production over the years 2006 to 2010 and is based on the average annual zinc price in each of those years.

At an average zinc price of \$2,500 per tonne over the 4-5 year period, the deferred receipt is worth \$79.9 million to ZincOx.

Details of the payment of the deferred receipt are set out below:

The deferred receipt is receivable on the first 200,000 tonnes of ore mined from the deposit, at a rate of \$0.235 per tonne for every dollar that the LME zinc price is above \$800 per tonne. Provided the zinc price is above \$800 per tonne and certain other conditions are met (see below) the deferred receipt is payable regardless of whether Kazzinc commences mining or not. The payment schedule is based on Kazzinc guaranteeing minimum and maximum rates of 40,000 and 60,000 tonnes per year of zinc contained in ore, respectively, commencing at the start up of production or October 2006, whichever is the earlier.

Under certain conditions, the deferred receipt may be suspended by Kazzinc. Firstly, if the in-situ resource at a 5% zinc cut-off grade is more than 25% below that reported to Kazzinc of 4.55 million tonnes at 21.14% zinc; and secondly, if there are certain events, largely of a force majeure nature, that prevent Kazzinc mining the deposit.

Kazzinc has made good progress over the last two years, accessing the ore body by the removal to date of 45 metres of overburden, amounting to 6.5 million cubic metres of waste material. Kazzinc expects to make a deferred payment to ZincOx based on 10,000 tonnes of ore mined during the last quarter of 2006 (payable January 2007), increasing to 60,000 tonnes of ore mined in 2007 (payable January 2008).

Secondary zinc resources - EAFD

Background

ZincOx has identified two zinc bearing waste materials that present significant tonnages at a grade in excess of the average zinc mine: electric arc furnace dust (EAFD) and lead smelter slag waste.

EAFD is a product of recycling steel in electric arc furnaces, from which the world derives about 35% of its steel and which generates over 3,000,000 tonnes of EAFD per annum. Due to the galvanised nature of much of the scrap, the EAFD typically contains between 15% and 25% zinc. As a result of elements harmful to the environment, EAFD is considered to be a hazardous waste. Generally steel mills pay to have the EAFD removed and disposed of safely.

ZincOx has developed two hydrometallurgical processes for the recovery of zinc from the EAFD: L-SX-EW as employed at the Skorpion zinc mine in Namibia, and the LTC

process, which is to be used at the Jabali zinc mine in Yemen. The L-SX-EW process produces zinc metal and the LTC process produces zinc oxide. The LTC process will be employed at the Aliaga recycling project in Turkey, and the L-SX-EW process will be used in the modified flow sheet at the Big River Zinc plant in the USA.

A number of zinc bearing slag waste dumps have been identified around the world, each with resources in excess of two million tonnes and a grade between 8% and 14% zinc. We have been working for some years to recover the zinc by fuming using a new type of equipment, Polykiln. A Polykiln pilot plant has been running for over a year but to date we have been unable to produce consistent results that would support the operating cost savings that we are seeking. Research work is continuing.

Aliaga zinc recycling project – Turkey

ZincOx owns a 100% interest in the Aliaga zinc recycling project, which is to be located in the Aliaga heavy industrial zone, 60 km north of Izmir in western Turkey. A 25 hectare plot of land on the edge of the Aliaga industrial zone, suitable for the plant and residue disposal, has already been purchased by ZincOx. The project is designed to treat 100,000 tonnes per year of EAFD, containing an average of 22% zinc.

The EAFD is generated from five steel scrap recycling plants located in Aliaga. The ZincOx plant will process the dust and recover 20,000 tonnes per year of high quality zinc oxide, containing 80% zinc, suitable for direct sale to the ceramics and animal feed industries. Small modifications to the plant will enable production of a product suitable for the rubber industry, which generally pays a higher price.

Provided permitting is completed without undue delay the plant is scheduled to be operational in the fourth quarter of 2007. An expansion to 30,000 tonnes of zinc oxide, and modifications required to produce rubber quality zinc oxide, will be financed out of cash flow almost immediately thereafter.

The design and basic engineering of the plant, as well as capital and operating cost estimates, have been carried out by SNC Lavalin (Europe) and a feasibility study has been completed. The study includes a detailed environmental impact assessment (EIA) which has been carried out by SRK Consulting, from its office in Ankara, Turkey.

On approval of the EIA by the Ministry of Environment and Forestry in Ankara, expected shortly, all construction permitting can proceed. This includes approval of an extension to the Aliaga heavy industrial zone by the Greater Izmir Municipality.

The capital cost of the plant is estimated by SNC Lavalin at \$51 million. Investec Bank has been mandated to provide non-recourse debt finance for approximately two thirds of the total cost.

Big River Zinc project, United States

The Big River Zinc plant (BRZ) is the second largest electrolytic zinc refinery in the USA. It occupies a site covering 37 acres on the east side of the Mississippi River, in Sauget, Illinois, about 4 kilometres from the centre of the city of St Louis, Missouri.

Sauget is a community of 250 residents that hosts a number of older heavy industrial plants and more recently a medium sized light industrial park.

Zinc production at BRZ commenced in 1929 with the treatment of zinc calcine generated by Monsanto's adjacent roasting facility. Subsequently the site has gone through various redevelopments and it now has the capacity to produce 100,000 tonnes of zinc per annum using a simple roast, single leach, electrowinning flow sheet, to recover zinc metal of 99.995% quality, suitable for almost all industrial needs.

BRZ was traditionally fed from mines in Missouri, Illinois and Tennessee, which in the first half of the 20th century constituted one of the largest lead and zinc mining areas in the world.

The mines in this region have generally produced concentrates very low in iron. Such concentrates are amenable to treatment in simple flow sheets, as described below. Elsewhere in the world, however, concentrates usually have higher iron content, and a significant proportion of the zinc ends up in ferrite, formed during roasting. In order to maximise the recovery of zinc, electrolytic refineries have a hot acid leach circuit that can break down ferrites and recover the associated zinc. No such circuit exists at BRZ and the plant needs to have low iron concentrates if overall zinc recovery is not to be compromised.

BRZ was purchased by Korea Zinc in 1997 for US\$50 million, since when over \$80 million has been spent on upgrading the plant. This has included a complete refurbishment of the roasters and partial automation of the electrowinning facilities.

Over the past ten years, the marked decline of mining in the region has resulted in the closure of all primary zinc mines and zinc concentrate supply has been limited to the by-products of lead mining. In conventional zinc smelters, iron is a major contributor to residue tonnage, with increasing environmental pressure for smelters to reduce their output of residue. Low iron concentrates have become increasingly in demand.

During 2006 increasing demand for zinc has made zinc concentrates increasingly difficult to source and spot prices have become increasingly expensive when compared to long term contracts. The situation is exacerbated for BRZ by its requirement for low iron concentrates.

Korea Zinc has been unable to source zinc concentrates of the required quality at an attractive price and was consequently unable to run the plant at full capacity. Given the high proportion of fixed costs in smelting activities, it was not possible to operate profitably and, in December 2005, Korea Zinc announced the close of the plant and sought a buyer for BRZ.

ZincOx plans to redevelop the plant to treat EAFD. The future operation will require the construction of a new leach and purification plant. These operations will be essentially the same as those successfully developed by the ZincOx management team, while at Reunion Mining PLC, for the Skorpion electrolytic refinery, in Namibia. Zinc metal will be recovered using BRZ's existing electrolytic cellhouse, melting and casting facilities.

Initially the new plant will be designed to produce about 30,000 tonnes of zinc per annum. The EAFD will be mixed with dilute sulphuric acid, and the zinc will be dissolved in a series of agitated tanks. The pulp will then be partially neutralised so as to precipitate iron and other elements that may interfere with solvent extraction. The partially neutralised pulp is then thickened and filtered so as to separate zinc bearing clarified solution and the leached residue. The residue is physically and chemically stabilised before being transported to one of a number of commercial landfill sites. The zinc rich solution is then fed into BRZ's existing cellhouse for zinc metal recovery ahead of melting and casting into a range of ingot shapes and sizes.

If suitable zinc sulphide concentrates can be sourced, production could be expanded significantly by re-starting the existing conventional roast-leach operation in parallel with the new EAFD based plant.

Certain key members of BRZ staff have been retained by ZincOx. This team will form the nucleus of our staff for the new operation and their experience of the process and local conditions will, we believe, ensure a smooth and rapid start up for the new operation.

BRZ is located in the centre of the USA with excellent road and rail links and close to the Mississippi river. As such it is close to zinc customers and easily accessible to potential suppliers of EAFD, the steel mills. EAFD will be delivered under a supply agreement with Envirosafe Services of Ohio Inc (ESOI), our strategic partners. ESOI is a specialist hazardous waste disposal company with a ten year track record in the sourcing, transport and handling of EAFD. Under the agreement with ESOI, EAFD will be delivered to BRZ, the residue stabilised, removed from site and disposed of, at no cost to BRZ.

ZincOx intends to fast track the redevelopment of BRZ and SNC Lavalin, Montreal, has been appointed as the main engineering contractor for the basic engineering and feasibility study. SNC has already commenced work and an environmental site survey has recently been completed. SNC was the joint lead engineering contractor for the design and construction of the Skorpion project referred to above. A cost estimate and the feasibility study suitable for providers of non-recourse debt finance is expected to be completed in the third quarter of this year, with production commencing in the fourth quarter of 2007.

BRZ represents one of the most important zinc plants in North America and it is ideally suited to be modified as a recycling centre. However, the recent refurbishment of the plant carried out by Korea Zinc will allow conventional zinc production to resume when the concentrate market returns to normality. This will give the advantages of economies of scale by sharing capital and fixed operating costs in a way that would not be possible at a new green field site.

ZincOx Resources plc
Consolidated Profit and Loss Account
for the year ended 31st December 2005

	31st December 2005	31st December 2004
	£	£
Turnover	-	-
Cost of Sales	<u>-</u>	<u>-</u>
Gross Profit	-	-
Exploration Costs	(155,194)	(463,187)
Other Administrative Expenses	<u>(820,357)</u>	<u>(1,148,053)</u>
Total Administrative Expenses and Operating Loss	(975,551)	(1,611,240)
Share of Losses of Associate	(7,775)	(2,623)
Profit on disposal of subsidiary & other assets	<u>-</u>	<u>84,053</u>
(Loss) on Ordinary Activities before Interest	(983,326)	(1,529,810)
Net Interest receivable and similar income	225,965	92,416
Loss on Sale of investments	(34,822)	-
Amounts written off investments	<u>4,058</u>	<u>(136,943)</u>
(Loss) on Ordinary Activities before Tax	(788,125)	(1,574,337)
Taxation	<u>(6,196)</u>	<u>(3,844)</u>
(Loss) for the year taken to Reserves	<u>(794,321)</u>	<u>(1,578,181)</u>
(Loss) per Ordinary Share - Basic	<u>£ (2.74)p</u>	<u>£ (6.68)p</u>

All operations are continuing.

ZincOx Resources plc
Consolidated Balance Sheet
as at 31st December 2005

	31st December 2005	31st December 2004
	£	£
FIXED ASSETS		
Intangible Assets	6,136,310	3,957,997
Tangible Assets	509,956	12,031
Investments	<u>225,737</u>	<u>426,605</u>
	<u>6,872,003</u>	<u>4,396,633</u>
CURRENT ASSETS		
Debtors due within one year	171,341	83,057
Debtors due after one year	196,779	116,098
Cash at bank and in hand	<u>3,935,045</u>	<u>2,524,398</u>
	4,303,165	2,723,553
Creditors – amounts falling due within one year	<u>(438,481)</u>	<u>(294,262)</u>
NET CURRENT ASSETS	<u>3,864,684</u>	<u>2,429,291</u>
NET ASSETS	<u>10,736,687</u>	<u>6,825,924</u>
CAPITAL AND RESERVES		
Called up Share Capital	7,243,522	5,906,943
Share Premium	8,555,221	5,188,848
Other Reserves	(1,001,974)	(1,004,106)
Profit and Loss Account	<u>(4,060,082)</u>	<u>(3,265,761)</u>
<u>EQUITY SHAREHOLDERS' FUNDS</u>	<u>10,736,687</u>	<u>6,825,924</u>

ZincOx Resources plc
Consolidated Cash Flow Statement
for the year ended 31st December 2005

	31 st December 2005	31 st December 2004
	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(824,329)	(1,306,805)
RETURNS ON INVESTMENTS AND SERVICING ON FINANCE		
Interest received	225,965	92,416
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of Intangible Fixed Assets	(2,333,507)	(1,454,429)
Sale of investments	162,329	845,330
Purchase of Tangible Fixed Assets	(522,763)	(5,579)
Investment in Associate	_____ -	_____ (220)
Net cash outflow from Capital Expenditure	<u>(2,693,941)</u>	<u>(614,898)</u>
DISPOSALS		
Sale proceeds on disposal of subsidiary	_____ -	<u>4,249,075</u>
MANAGEMENT OF LIQUID RESOURCES		
(Purchase) of Short Term Deposits	(1,312,923)	(2,258,063)
FINANCING		
Issue of Shares for cash	4,986,665	-
Expenses paid in connection with share issue	<u>(283,713)</u>	_____ -
Net cash inflow from financing	<u>4,702,952</u>	_____ -
INCREASE IN CASH	<u>97,724</u>	<u>161,725</u>

ZincOx Resources plc

	31st December 2005	31 st December 2004
	£	£
Statement of Total Recognised Gains And Losses		
(Loss) for the period taken to reserves	(794,321)	(1,578,181)
Currency translation differences	<u>2,132</u>	<u>476</u>
Total Recognised Gains and (Losses) for the Year	<u>(792,189)</u>	<u>(1,577,705)</u>

Reconciliation of Movements in Consolidated Shareholders' Funds

	31st December 2005	31 st December 2004
	£	£
(Loss) for the Period	(794,321)	(1,578,181)
Other Recognised Gains and Losses	2,132	476
New Share Capital and Related Share Premium	<u>4,702,952</u>	<u>1,807,721</u>
Net Movement in Shareholders' Funds	3,910,763	(1,577,705)
Opening Shareholders' Funds	<u>6,825,924</u>	<u>8,403,629</u>
Closing Shareholders' Funds	<u>10,736,687</u>	<u>6,825,924</u>

Notes:

1. Preparation of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The balance sheet at 31st December 2005 and the profit and loss account, cash flow statement, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds and associated notes for the year then ended have been extracted from the Group's 2005 statutory financial statements upon which the auditors' opinion is unqualified.

2. (Loss) per Share

The calculation of the loss per share is based on the loss attributable to ordinary shareholders of £794,321 (2004: £1,578,181) divided by the weighted average number of shares in issue during the year of 28,313,843 (2004: 23,627,772). There is no dilutive effect of share options.

3. Net Cash Flow From Operating Activities

	31st December 2005	31 st December 2004
	£	£
Operating (Loss)	(955,551)	(1,611,240)
Depreciation	24,838	10,013
Deferred Exploration costs written-off	155,194	463,187
Gains/(Losses) on foreign exchange translations	2,132	476
(Increase)/Decrease in Debtors	(168,965)	(106,085)
(Decrease)/Increase in Creditors	<u>138,023</u>	<u>(63,156)</u>
Net Cash outflow from operating activities	<u>(824,329)</u>	<u>(1,306,805)</u>

Reconciliation of Net Cash Flow to Movement in Funds

	31st December 2005	31 st December 2004
	£	£
Increase/(Decrease) in cash in the year	97,724	161,725
Deconsolidation of RIF Zinc	-	(562)
Cash inflow/(outflow) from reduction in liquid resources	<u>1,312,923</u>	<u>2,258,063</u>
Movement in net funds in the period	1,410,647	2,419,226
Opening net Funds	<u>2,524,398</u>	<u>105,172</u>
Closing net Funds	<u>3,935,045</u>	<u>2,524,398</u>

Analysis of changes in net Funds

	At 1 st January 2005	Cashflow	Purchase of short term deposits	At 31 st December 2005
	£	£	£	£
Cash in hand & at bank	266,335	97,724	-	364,059
Short term deposits	<u>2,258,063</u>	<u>-</u>	<u>1,312,923</u>	<u>3,570,986</u>
	<u>2,524,398</u>	<u>97,724</u>	<u>1,312,923</u>	<u>3,935,045</u>

4. **Preliminary statement**

Copies of the Annual Report will be sent to shareholders shortly and will be available from the company at Knightway House, Park Street, Bagshot, Surrey GU19 5AQ and Numis Securities Limited at Cheapside House, London, EC2V 6LH.