**ZincOx Resources plc**
**Preliminary Results - Year Ended 31 December 2003**

ZincOx Resources plc, a world leader in the design of processes to treat zinc oxide material, today announced 12-month results for the year ended 31 December 2003.

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

The directors of ZincOx are pleased to present the complete set of preliminary results in the attached document.

Commenting on the results, Noël Masson, Chairman, said: "The sale of Shaimerden has secured the short and medium term future of the company without recourse to shareholders."

## Operational Highlights

- Sale of Shaimerden Deposit at considerable profit
- Pursuit of focused recycling strategy
- Earnings per share of 8.24 pence (diluted: 8.05 pence)
- Jabali – Yemen feasibility study to be completed in early 2005

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**ZincOx Resources plc**
**Preliminary Results for the year ended 31 December 2003**

**Chairman's Statement**

The highlight for 2003 was the sale of the Shaimerden zinc oxide deposit in Kazakhstan for a substantial profit. The transaction provided a significant initial receipt with further upside through deferred consideration that relate to future production and the price of zinc. As a result, the company made an after tax profit for the year of £1,818,787 (2002: loss £1,082,350). Earnings were 8p per share (2002: loss 6p per share).

Our plans to build up a major business recovering zinc from secondary and waste materials has been advanced significantly during the year, by the ongoing development of new technology and the formulation of regionally focused strategies. We expect to be able to announce specific recycling projects through the course of 2004.

Over the past few years the zinc price has been at very depressed levels, about 30%, or US$400 per tonne, lower than the long-term average price. While we expect zinc prices over the long term to remain close to the historical average, the purchaser of the Shaimerden deposit, JSC Kazzinc, was concerned that low prices may continue for sometime. We therefore formulated a structure for the sale that allows us to benefit from the actual zinc price over the medium term rather than the current depressed levels.

By structuring the transaction in this way we received US$7.5 million in March 2004, and, provided the zinc price returns to its long term average, we can expect to receive a further US$12-15 million spread over four years commencing in 2007. This is effectively the equivalent of a cash flow from a small mining operation. We have, therefore, secured the medium term future of the company and this has been achieved without dilution of shareholders' interests.

We should remember, too, that the Shaimerden deposit was purchased only in October 2002 for a consideration of US$200,000 mainly paid in ZincOx shares. Over the following 18 months we spent about US$1.5 million on the project. To have sold it as we have, represents an excellent return on our investment.

At our Jabali project, in Yemen, our partners have granted us an extension to the deadline for the completion of the feasibility study that defines our 60% earn-in to the project. The final part of the study has now commenced and the various contractors involved in the multi-disciplinary team that is undertaking the workare being appointed. We are aiming to have the study completed in early 2005.

The recovery of zinc by leaching, i.e. dissolution in dilute acid, followed by solvent extraction and electrowinning (SX-EW) formed the primary technology of the company. This technology was first applied to a primary zinc oxide deposit at Skorpion, in Namibia, when ZincOx's executive team managed Reunion Mining, the operator of the project. The Skorpion mine and refinery produced its first zinc in May 2003 and is steadily increasing production. Anglo American plc, owner of the deposit, is delighted with the technology and has publicly endorsed the process. The technology that we developed for Skorpion, the cornerstone of ZincOx's strategy, can now be said to have

come of age, and this will facilitate our efforts to raise project finance for projects using this technology.

Our leaching SX-EW technology is suitable for primary oxide deposits that have both low grade and high impurity levels and which cannot therefore be treated economically using conventional processes. A number of industrial processes produce waste products that contain significant amounts of zinc albeit with a low grade and with high impurity levels when compared to zinc concentrates. Such waste is similar in many respects to the primary oxides we have been targeting over the past six years. It is these waste materials that are forming the focus of our recycling strategy, and it is therefore a natural extension of the strategy we have been pursuing to date.

Our recycling strategy is concentrating on two types of waste, slags from lead smelters and dust produced from the recycling of steel scrap in electric arc furnaces, Electric Arc Furnace Dust (EAFD). The former contains 10%-14% zinc while the latter contains 15%-25% zinc, this compares to a grade of 7% zinc for a typical zinc sulphide deposit. Given that the waste is free or subsidised, and that zinc concentrate production typically accounts for over 50 % of the cost of producing zinc in a conventional smelter, if the right technology can be found, the rewards could be substantial.

It is not possible to recover directly zinc contained in the lead slag by the leaching SX-EW process. The zinc can however be concentrated using the well established pyrometallurgical fuming process. The leaching SX-EW process can then be used to produce zinc from this concentrate. The pyrometallurgical fuming process can be undertaken with a variety of equipment and we have examined several options. While the process works well, the high cost of energy and large capital cost of conventional equipment generally makes the process uneconomic. However, last year we became aware of a new type of equipment (Polykiln) that has the potential to effect the same process, but very much more rapidly and with far greater efficiency. The former leads to smaller, and therefore cheaper, equipment and the latter improves energy consumption. The reduced costs will, we believe, allow the economic recovery of zinc from higher grade, or already molten, slags.

Discussions regarding the acquisition of slag dumps or for joint ventures with existing smelters is underway but further progress is awaiting the confirmation of cost estimates in a pilot plant we have recently finished refurbishing in Kazakhstan. Test runs are expected to start shortly.

The Polykiln process could also provide the best technology for the Tsumeb slag project in Namibia, but since our option agreement to purchase the slags expired before the pilot plant was operational and in view of the current low price of germanium, we decided to let the option lapse. Our relations with the owners of the Tsumeb slags remain excellent and we are hopeful that a new option may be agreed after we have tested the material in the Polykiln pilot plant.

Our leaching SX-EW technology can recover zinc from EAFD and we have confirmed this in a number of tests on material gathered from around the world over the past year. At the same time we have been developing a different leaching approach (MT Leach) that uses hydrochloric, rather than sulphuric, acid. The MT Leach has the advantage that it can recover lead as well as zinc, but the capital cost is greater than for the leaching SX-

EW process. Our work on the MT Leach culminated at the end of the year in the application for a patent to cover the process. We now have two important leaching processes and we are formulating strategies specifically designed for different regions of the world.

Our regional strategy is most advanced in the Eastern Mediterranean where we are considering a project to build a new zinc plant to treat EAFD, in Turkey. Turkey is the 15th largest producer of steel in the world, all of which comes from the recycling of largely imported steel scrap. These recycling activities produce significant quantities of EAFD. We are receiving considerable support from both government and the steel producers for our plans and we expect to be able to announce a specific project proposal before the end of the year.

In addition to the treatment of slag, the Polykiln also has the potential to recover a high-grade lead and zinc concentrate from EAFD. Such a concentrate would be an ideal feed for the MT Leach so that both lead and zinc metal could be recovered. We hope to test EAFD in the Polykiln during 2004.

While we see recycling as the greatest area of growth for the company, we continue to press ahead with our search for and investigations of primary zinc oxide deposits. However as a result of the Shaimerden sale, we have reviewed our target size and decided that our time is best spent on focusing on larger potential operations rather than smaller projects. The smaller targets have the attraction of potentially providing a modest near term cash flow but the attractiveness of this has now been reduced since we expect further revenue from Shaimerden over the coming years. As a consequence of this together with the disappointing exploration results, we have decided to withdraw from the Las Damas project in Mexico.

During 2004 we have seen a significant rise in the zinc price in US dollar terms, however the rise is very much more modest when the price is expressed in almost any other currency. The short term outlook for zinc remains uncertain but we are still optimistic regarding the medium and long term price of the metal as several zinc plants have closed in the past few years. On the supply side there seems to be a genuine shortage of new projects that can keep pace with exhaustion of older mines, and demand led by China's meteoric economic growth.

While Shaimerden has dominated our news in 2003, I am confident that the hard work on recycling technology undertaken over the past few years is finally coming to fruition and that we will be in a position to share these strategies with shareholders over the coming months. I should like to thank all our staff and my colleagues on the Board for their hard work over the past year and I am confident that this will be rewarded by the development of new projects over the coming year. I would specifically like to thank Bryan Morris for his service to the company who retired during the year at the same time as he retired from Teck Cominco Ltd.

N.J.J.Masson 21 June 2004
Chairman

## Primary Depsoits
## Jabali, Yemen

The Jabali deposit contains zinc, lead and silver. It is located some 100km north east of Sana'a, the capital of Yemen, in an unpopulated region of desert mountain terrain. The deposit lies in a Mineral Exploration Licence (MEL) covering 703km$^2$.

The MEL is owned jointly by ZincOx, Anglo American plc and Ansan Wikfs (Hadramaut) Ltd. ZincOx is the manager of the project and is currently increasing its interest from 20% to 60% by completing, at its sole cost, a feasibility study for the development of a mining operation.

During the course of 2003, SRK Consulting completed, on behalf of the company, the geological modelling and resource estimations for the deposit to a level that should satisfy potential providers of finance for development of the deposit. SRK have derived a Measured and Indicated Resource estimate, as defined by the JORC code, of 10.8 million tonnes with mean grades of 8.7% zinc, 1.2% lead and 68g/t silver. This represents 84% of the total resource, which now amounts to 12.6 million tonnes at 8.9% zinc, 1.2% lead and 68g/t silver. Further work by SRK concluded, as part of a geo-technical report, that overall rock conditions were favourable for the development of an open pit. A preliminary mine design has been developed and a mining schedule for a production rate of 800,000 tonnes per annum of ore, at a waste to ore ratio over the life of the mine of 2:1 has been produced. Work will now focus on optimising the open pit design and costing of the mining fleet.

It is planned to crush and mill the mined ore, followed by flotation. A high grade lead and silver flotation concentrate will be produced for export to lead smelters. However, due to the oxide nature of the ore, the zinc concentrate produced by flotation is relatively low grade and will require further upgrading by fuming in a waelz kiln before it can be exported to zinc smelters.

MDM, a well known South African firm of mineral processing engineers, has been appointed to carry out the feasibility study, on behalf of the company. SRK will complete the geology, resource calculations, geotechnical and mining sections of the study under the umbrella of MDM. This will allow MDM to focus on the process plant design and engineering, the capital and operating cost estimates, and the infrastructure requirements of the project. Waste rock and tailings disposal and environmental consultants will be appointed shortly. The feasibility study is scheduled for completion at the beginning of 2005.

Piloting of the flotation process has recently been carried out by Lakefield Research Laboratories in Toronto and results are being analysed. It is planned to pilot the fuming process at Fullers in Pennsylvania, United States, before finalising the design of the process treatment.

In parallel to the feasibility study, negotiations with the Yemen Government with respect to a Mining Agreement have commenced.

## Shaimerden, Kazakhstan

The Shaimerden zinc oxide deposit is situated in northern Kazakhstan, some 300km south west of the city of Kostanai. ZincOx sold its 95% interest in the deposit in December 2003 to JSC Kazzinc, Kazakhstan's largest producer of zinc. The net consideration for the sale was US$7.5 million in cash and deferred consideration, details of which are set out below.

The deferred consideration is payable on the first 200,000 tonnes of zinc contained in ore mined from the deposit, at a rate equivalent to $0.2375 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 consideration is receivable, regardless of whether Kazzinc commences mining or not. The payment schedule is based on Kazzinc guaranteeing minimum and maximum production rates of 40,000 and 60,000 tonnes per annum of zinc contained in ore, respectively, commencing at the start up of production or September 2006, whichever is the earlier.

Under certain conditions the deferred consideration may be suspended by Kazzinc. Firstly, if the in-situ resource at a 5% cut-off 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 from mining the deposit.

Assuming that the zinc price stays at the current level of approximately $1,050 per tonne during the mining of the first 200,000 tonnes of zinc, the deferred consideration would be worth US$11.88 million to ZincOx, receivable between 2007 and 2011.

Kazzinc is moving ahead with the development of the Shaimerden open pit mine. The plan is to transport crushed ore from Shaimerden to Kazzinc's processing facilities at Ust-Kamenogorsk in the east of the country, where it will be treated in waelz kilns and by electrolysis for the production of zinc metal.

## Recycling
## Potential Feed Material

Since its formation in 1997, the company has evaluated several processing technologies that have potential application to "oxide" (non-sulphide) zinc bearing ores and concentrates. The company now has various processes that can be applied alone, or in combination to recover zinc from a broad spectrum of zinc bearing materials. In recent years we have also examined the potential to use these technologies to recover zinc from waste products and secondary materials.

Secondary materials such as zinc dross and ashes from galvanising, are being recycled already but lower grade material trades at a discount to the price paid for each unit of zinc when compared to zinc in primary concentrate, and as such it represents an interesting source of feed material. However there is an established market for this material and market share would need to be won against competitors who have the likely advantage that they would have already paid back the capital cost of their plant.

Waste materials by definition have no market and there is frequently a cost to their disposal and storage. Waste materials are usually very dispersed and collection is difficult and expensive. There are, however, two notable exceptions. Lead smelter slags containing zinc, and dust from steel recycling in electric arc furnaces. Our interest in recycling has focused on these two materials.

**Electric Arc Furnace Dust (EAFD)**

Recycling of steel scrap accounts for about 50% of global steel production. Scrap is internationally traded and generally recycled in electric arc furnaces, or mini-mills as they are called in the United States. While steel production from primary iron ores is becoming increasingly unattractive in the more developed parts of the world, scrap recycling is increasing, not least due to the proximity of the feed material.

Scrap remelting and charging of the electric arc furnaces is a violent reaction requiring major ventilation. Small particles of iron are drawn into the flues together with elements volatilised by the process. The latter are oxidised by the injection of air into the flues and form oxides that precipitate as fine particles. These particles together with the fine iron are captured in filters and bagged as EAFD. Every tonne of recycled galvanised steel produces about 12kg to 18kg of EAFD.

Steel scrap generally contains a significant proportion of galvanised material and the zinc in this is volatilised and collected in the EAFD. The zinc grade in scrap varies between about 12% and 30%.

There are approximately 3.2 million tonnes of EAFD produced throughout the world every year and this contains about 700,000 tonnes of zinc, which is about 7% of global demand.

EAFD is not amenable to treatment in existing zinc smelters and because it contains deleterious elements that are water soluble, it is regarded as a hazardous waste. EAFD is either sent to landfill or reprocessed to give a zinc oxide concentrate. Due to its hazardous nature landfill sites need to be specially constructed and landfill is quite costly so that steel mills pay a "Tipping Fee" for the disposal of each tonne of dust. EAFD re-processors take the dust and the Tipping Fee and use energy intensive fuming techniques to produce a concentrate from which halides need to be removed by washing, prior to sale to conventional smelters. Without the Tipping Fee these operations would not be viable.

Testwork by ZincOx on various EAFD samples from around the world has shown that much of the zinc can be recovered by leaching in sulphuric acid, followed by purification using solvent extraction, and metal production by electrowinning. This is essentially the same process that is being used at the Skorpion zinc operation, in Namibia.

Zinc production from EAFD still produces large quantities of residue and this will be costly to dispose of. Having said that, the company believes that the direct leaching of EAFD to recover zinc represents a viable and exciting business.

EAFD is a potential feed material for the Polykiln process more fully described below. Piloting is expected to be carried out before the end of the year. The Polykiln process is

designed to produce a high grade zinc and lead concentrate more cheaply than traditional fuming techniques, and an inert slag suitable for construction purposes.

Of the EAFD producing areas of the world, two of the highest concentrations of plants are in the Istanbul area and near Izmir. Turkey is the 15th largest producer of steel in the world and produces over 200,000 tonnes of EAFD per annum. None of the EAFD is currently reprocessed. ZincOx is considering the construction of a plant to recycle Turkey's EAFD. Discussions have been held with almost all the major steel mills and they are strongly supportive of our plans, as are various government agencies. Discussions with relevant government departments are ongoing and SRK Consulting, in Turkey, have been retained to examine environmental aspects.

The halide rich concentrate produced by Polykiln and existing EAFD re-processors would be sufficiently valuable to be transported considerable distances. So, although not in an EAFD producing region, one of the potential sites being examined for a plant to treat these concentrates is Yanbu, in Saudi Arabia. Considerable progress was made at Yanbu when it was being considered as a site for the treatment of Jabali concentrate. ZincOx has Saudi Arabian Investment Authority approval for a zinc plant in the Industrial Zone at Yanbu and sites have been allocated for both the plant and residue storage. The company also has an allocation of natural gas that would allow the generation of extremely cheap power. It is the cheapness of power, traditionally the largest single component of zinc production operating costs, that makes Yanbu such an attractive location.

**Slags**

Lead deposits always contain some zinc. As a result lead concentrates contain varying proportions of zinc. During smelting, zinc is rarely recovered and reports to the slag.

Slags have, in many parts of the world, been used in construction. Elsewhere, especially in more remote locations, the slags are found as unsightly dumps at the lead smelters and remain as an environmental liability even after the smelter has closed. While most slag dumps are too small to merit consideration for re-processing there are some large dumps that can be considered.

Zinc occurs as oxide in lead slags but is not amenable to simple acid leaching as it is tightly held in the matrix of the slag and not available for dissolution. Zinc has for many years been recovered from slags and other materials by fuming. In fuming, slag is heated to over 1,100$^{o}$C and reduced with coke. Zinc metal forms but immediately volatilises, and is drawn onto the off gas where air is injected. The zinc re-oxidises in the air, forms particles that can be caught on filters from which it is recovered as zinc oxide.

Several fuming technologies have been evaluated but none provides sufficiently attractive returns to warrant development. Early in the year the company became aware of a new type of fuming equipment that had not been fully commercialised, the Polykiln process. This has the potential to critically improve the economics of fuming.

The option agreement held by the company for the purchase of 50.1% of the Tsumeb slag in Namibia could not be exercised as planned since the amenability of its treatment using the Polykiln process had not at the time been confirmed, and hence the option was

allowed to lapse. However we have an excellent relationship with Tsumeb's management and a new purchase option agreement timed to match the Polykiln testwork is being considered.

The company is now actively pursuing acquisitions of or joint ventures, over larger slag dumps. Negotiations are progressing steadily but agreements are unlikely to be concluded until the completion of the Polykiln pilot programme.

## TECHNOLOGY

The company now has a variety of processes at its disposal and the optimum application of these processes is being determined for each of the major EAFD producing regions of the world and for the reprocessing of existing lead slags.

### Leaching

The company's basic flowsheet involves leaching of the feed in dilute sulphuric acid followed by filtration, solvent extraction of the zinc into a solution suitable for electrowinning. This is essentially the same flowsheet as that used in the Skorpion Project, in Namibia. In materials, where zinc cannot be extracted by leaching, the company is examining ways in which it may be concentrated into a form that will be leachable, see Polykiln below.

Concentrates from EAFD fuming still contain high levels of halides that would require washing out before the fume would be saleable to conventional zinc plants. However the leaching SX-EW process could treat such concentrate without halide washing thus significantly improving the economics of zinc production.

Towards the end of the year a patent was applied for on a new hydrochloric acid leaching process that will recover both zinc and lead. While capital costs may preclude economic treatment of EAFD, the process could be a very attractive way of treating halide rich zinc-lead oxide concentrates such as the Polykiln process produces. Work on this technology is continuing.

### Polykiln

The Polykiln process was invented in Kazakhstan at the end of the 1980's, and the development of a commercial design was undertaken up until 1992 at which point central government funding ceased.

ZincOx has formed a new Kazakh company, RIF Zinc LLP with two of the scientists previously involved with the development of the process. RIF will initially design commercial process equipment and this phase is being funded entirely by ZincOx.

The Polykiln technology involves the fuming of zinc bearing slags using gas as the reducing agent rather than coke or coal. Capital and operating costs are expected to be significantly lower than traditional fuming technologies, such as the Waelz kiln. The fuming produces zinc and lead in an oxide concentrate that would be a very desirable feed for conventional zinc plants. In addition the process produces a stable vitreous slag in which the lead should be at levels that do not preclude its use for road base or other construction uses. This would, therefore, allow complete recycling of the slag.

The technology has been tested both in the laboratory and at a small commercial scale. While these proved the success of the process, the small commercial plant was limited by mechanical and design shortcomings. A pilot plant was constructed in 1992 to refine the design of this equipment but operations were suspended due to a lack of finance. ZincOx is completing the refurbishment of this pilot plant and tests are soon to begin on zinc bearing slags. Successful testing in the pilot plant will lead to the application for a number of patents.

ZincOx management believes the Polykiln process is applicable to zinc bearing materials other than slag, such as ore, concentrate and EAFD. However the potential to sell concentrates produced from these other feeds will depend on the concentration of minor impurities, such as halides. So, for example, in the case of concentrate produced from EAFD the high halide levels would severely reduce the value of the concentrate unless washing was performed. However, such impurities would not significantly affect the treatment of this concentrate in a plant using our leaching SX-EW technology.

Polykiln uses natural gas, this is a critical problem in areas where there is no gas supply, such as the Tsumeb project that we previously looked at. There is potential for the equipment to be modified to run on coke for such projects but this needs to be tested in the pilot plant. At Tsumeb the recovery of germanium is important to the economics of that project and this would also need to be tested by piloting.

**ZincOx Resources plc**
**Consolidated Profit and Loss Account**
**for the year ended 31st December 2003**

| | **31st December 2003** | 31st December 2002 |
|---|---|---|
| | **£** | £ |
| Turnover | - | - |
| Cost of Sales | - | - |
| **Gross Profit** | - | - |
| Exploration Costs | (231,458) | (630,423) |
| Administrative Expenses | (650,876) | (439,713) |
| **Operating Loss** | (882,334) | (1,070,136) |
| Exceptional item | | |
| Profit/(Loss) on disposal of fixed assets | 2,975,522 | (61,329) |
| **Profit/(Loss) on Ordinary Activities before Interest** | 2,093,188 | (1.131,465) |
| Net Interest receivable and Similar income | 9,741 | 49,115 |
| Amounts written off investments | (280,000) | - |
| **Profit/(Loss) on Ordinary Activities before Tax** | 1,822,929 | (1.082,350) |
| Taxation | (4,142) | - |
| **Profit/(Loss)Loss for the year taken to Reserves** | 1,818,787 | (1.082,350) |
| Earnings/(Loss) per ordinary share (Basic and diluted) | £ 0.08. | £ (0.06). |

All operations are continuing.

**ZincOx Resources plc**
**Consolidated Balance Sheet**
**as at 31st December 2003**

| | **31st December 2003** | 31st December 2002 |
|---|---|---|
| | **£** | £ |
| **FIXED ASSETS** | | |
| Intangible Assets | 3,002,179 | 4,518,576 |
| Negative Goodwill | - | (1,643,466) |
| Tangible Assets | 16,465 | 34,339 |
| Investments | 1,423,104 | 1,703,104 |
| | 4,441,748 | 4,612,553 |
| **CURRENT ASSETS** | | |
| Debtors due within one year | 4,210,585 | 117,879 |
| Cash at Bank and in Hand | 105,172 | 305,669 |
| | 4,315,757 | 423,548 |
| Creditors – amounts falling due within one year | (353,876) | (259,742) |
| **NET CURRENT ASSETS** | 3,961,881 | 163,806 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | 8,403,629 | 4,776,359 |
| **CAPITAL AND RESERVES** | | |
| Called up Share Capital | 5,906,943 | 4,909,081 |
| Share Premium | 5,188,848 | 4,378,989 |
| Other Reserves | (1,004,582) | (1,005,512) |
| Profit and Loss Account | (1,687,580) | (3,506,367) |
| **EQUITY SHAREHOLDERS' FUNDS** | 8,403,629 | 4,776,359 |
| Minority Interest - equity | - | 168 |
| **TOTAL CAPITAL & RESERVES** | 8,403,629 | 4,776,191 |

**ZincOx Resources plc**
**Consolidated Cash Flow Statement**
**for the year ended 31st December 2003**

| | **31st December 2003** | 31st December 2002 |
|---|---|---|
| | **£** | £ |
| **NET CASH OUTFLOW FROM OPERATING ACTIVITIES** | (523,257) | (498,927) |
| **RETURNS ON INVESTMENTS AND SERVICING ON FINANCE** | | |
| Interest received | 9,741 | 49,115 |
| Net Cash Inflow from Returns on Investments and Servicing of Finance | 9,741 | 49,115 |
| **CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT** | | |
| Purchase of Intangible Fixed Assets | (1,401,716) | (1,546,987) |
| Purchase of Tangible Fixed Assets | (3,140) | (12,032) |
| Purchase of investments | - | (74,934) |
| Net cash outflow from Capital Expenditure and Financial Investment | (1,404,856) | (1,633,953) |
| **ACQUISITION AND DISPOSALS** | | |
| Acquisition of Subsidiary | - | (32,171) |
| Net cash outflow from Acquisitions | - | (32,171) |
| **MANAGEMENT OF LIQUID RESOURCES** | | |
| Sale of Short Term Deposits | 200,000 | 2,160,000 |
| Net Cash Inflow from management of Liquid Resources | 200,000 | 2,160,000 |
| **FINANCING** | | |
| Issue of Shares for cash | 1,742,500 | 24,000 |
| Expenses paid in connection with share issue | (24,625) | - |
| Net cash inflow from financing | 1,717,875 | 24,000 |
| **(DECREASE )/ INCREASE IN CASH** | (497) | 68,064 |

**ZincOx Resources plc**

**Consolidated Statement of Total Recognised Gains And Losses**
**for the year ended 31st December 2003**

| | **31st December 2003** | 31st December 2002 |
|---|---|---|
| | **£** | £ |
| Profit/(Loss) for the period taken to reserves | 1,818,787 | (1,082,350) |
| Differences on foreign currency net investments | 930 | (109,329) |
| Total Recognised Gains and (Losses) for the Year | 1,819,717 | (1,191,679) |

**Reconciliation of Movements in Consolidated Shareholders' Funds**
**for the year ended 31st December 2003**

| | **31st December 2003** | 31st December 2002 |
|---|---|---|
| | £ | £ |
| Profit/(Loss) for the Period | 1,818,787 | (1,082,350) |
| Other Recognised Gains and losses | 930 | (109,329) |
| New Share Capital and Related Share Premium | 1,807,721 | 1,438,999 |
| Net Movement in Shareholders' Funds | 3,627,438 | 247,320 |
| Opening Shareholders' Funds | 4,776,191 | 4,528,871 |
| Closing Shareholders' Funds | 8,403,629 | 4,776,191 |

**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 31 December 2003 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 2003 statutory financial statements upon which the auditors' opinion is unqualified.

**2. Earnings/(Loss) per Share**

| | **31st December 2003** | | | 31st December 2002 | | |
|---|---|---|---|---|---|---|
| | **Earnings** | **Weighted average number of shares** | **Per share amount pence** | Loss | Weighted average number of shares | Per share amount pence |
| | **£** | | | £ | | |
| **Basic earnings** | | | | | | |
| Earnings attributable to ordinary shareholders | 1,818,787 | 22,084,153 | 8.24 | (1,082,350) | 17,107,083 | (6.33) |
| **Dilutive effect of securities** | | | | | | |
| Options | | 512,053 | | | | |
| **Diluted Earnings** | 1,818,787 | 22,596,806 | 8.05 | | | |

**3. Net Cash Flow From Operating Activities**

| | **31st December 2003** | 31st December 2002 |
|---|---|---|
| | £ | £ |
| Operating Loss | (882,334) | (1,070,136) |
| Depreciation less costs of disposal of fixed assets | 11,680 | 12,894 |
| Deferred Exploration costs written-off | 231,458 | 695,260 |
| Losses on foreign exchange translations | (2,746) | (109,329) |
| Increase in Debtors | 45,613 | (21,628) |
| Increase/(Decrease) in Creditors | 73,072 | (5,988) |
| Net Cash outflow from operating activities | (523,257) | (498,927) |

**Reconciliation of Net Cash Flow to Movement in Funds**

| | **31st December 2003** | 31st December 2002 |
|---|---|---|
| | £ | £ |
| (Decrease)/Increase in cash in the year | (497) | 68,064 |
| Cash inflow from reduction in liquid resources | (200,000) | (2,160,000) |
| Movement in net funds in the period | (200,497) | (2,091,963) |
| Opening net funds | 305,669 | 2,397,605 |
| Closing Net Funds | 105,172 | 305,669 |

**Analysis of changes in net Funds**

| | At 1st January 2003 | Cashflow | Purchase of short term deposits | At 31st December 2003 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash in hand & at bank | 105,669 | (497) | - | 105,172 |
| Short term deposits | 200,000 | - | (200,000) | - |
| | 305,669 | (497) | (200,000) | 105,172 |

## 4. Preliminary statement

Copies of this preliminary statement will be sent to shareholders in due course and will be available from the company at 7 Tanners Yard, London Road, Bagshot, Surrey GU19 5HD and Numis Securities Limited at Cheapside House, London, EC2V 6LH for a period of 14 days from the date of this announcement.