

**ZincOx Resources plc (“ZincOx”) (AIM:ZOX)
Interim Results for the Six Months ended 30th June 2006**

- **Production commences at Kazzinc’s Shaimerden zinc deposit triggering deferred payments and cash flow stream to ZincOx**
- **At current zinc price, payments due in January 2007 and January 2008 would be US\$7.2m and US\$37.5m respectively**
- **Shaimerden payments expected to continue until January 2010**
- **Engineering design work progressing well at Big River Zinc project in USA – operating and capital cost estimates expected by year end**
- **Debt finance mandate awarded for Jabali project in the Yemen**
- **First production from Aliaga project in Turkey, expected in 2008**
- **Electric Arc Furnace Dust supply option agreement signed with two major steel producers in Thailand as part of new project evaluation in that area**

“As part of our global recycling strategy, we have for some time been investigating other EAFD producing countries and are delighted that we have signed up agreements with two major steel producers in Thailand for what amounts to about 35,000 tonnes per annum of EAFD, having an average grade in excess of 20% zinc. We are therefore hopeful that we may soon have enough EAFD under option to be able to consider a new project in Thailand and that this could be the first of a number new locations to be announced over the next year or so” said Chairman Andrew Woollett today.

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Chairman's Statement

I am delighted to report that production commenced at Kazzinc's Shaimerden zinc deposit in Kazakhstan on September 17th, and that we have started to accrue the deferred payments due under the sale agreement. This marks the commencement of a cash flow stream for the Company that is likely to be spread over the next five years. The amount of the deferred payment is based on the amount of zinc mined and the average zinc price for the year, and is payable by the 30th of January of the following year. If the zinc price from the 17th of September through to the end of the year was to average the price today, US\$3,430 per tonne, the first payment, due on 30th January 2007, will be US\$7.2 million dollars, based on 11,507 tonnes of zinc being mined. If the average zinc price were to remain the same for 2007, the payment for next year, payable in January 2008, would be US\$37.5 million.

The deferred payment is due on only the first 200,000 tonnes of zinc mined at the rate of US\$0.2375 for every dollar that the price of zinc is above US\$800 per tonne. The 2006 payment is based on a deemed minimum production of 40,000 tonnes per annum but reduced prorata for the period 17th September to the year end. Independent consulting mining engineers, Orelogy Pty Ltd, have recently carried out a review of Kazzinc's mine plan for Shaimerden. Orelogy have confirmed that the mine plan is reasonable and achievable and that mining of 200,000 tonnes of zinc should be achieved by September 2007. We can, therefore, expect our deferred payments to be based on 60,000 tonnes of zinc per annum for 2007, 2008 and 2009 and 8,493 tonnes for 2010.

The Shaimerden deferred payments create the equivalent of a short term cash flow that would be similar to having a medium sized zinc producer of our own, but without having suffered the dilution in shareholder equity normally associated with the cost of developing a new mine.

Elsewhere the first half of 2006 saw the completion of our acquisition of the Big River zinc smelter, in Illinois, the advancement of the Aliaga recycling project, in Turkey along with solid progress at our Jabali mine project in Yemen.

The acquisition of Big River has been a major leap forward for the company. The Big River smelter has a capacity of 100,000 tonnes of zinc per annum and would cost in the order of £220 million to build today, following what would likely involve several years of environmental permitting. Our purchase cost amounted to £8.1 million and this represents an exceptional opportunity for us to enter the US market both quickly and cost effectively.

By installing new equipment in the first half of the process we will be able to convert the plant to treat EAFD, a waste material produced by the recycling of galvanised scrap. This sort of material is plentiful in the eastern half of the USA and Big River is therefore well placed for sourcing this new feed in stark contrast to the previous operation which relied on local zinc mines that are all now closed and concentrate from Doe Run.

It was the recent mine closures and the limitations on the type of feed that can be treated by the equipment at Big River which forced the smelter to source high purity zinc concentrate on the international spot market at a time when such material was exceptionally expensive. This led to the decision by the previous owners to suspend operations temporarily. ZincOx was keen to restart the operation but the refusal by Doe Run to continue the supply of concentrate on the existing contractual terms meant this was

not possible. However, in the future, we believe the relative price of appropriate concentrates is likely to return to historical levels, and at such a time it may be attractive to restart production based on the existing equipment which would then supplement the feed from the new EAFD operation.

The use of EAFD at Big River is made possible by zinc solvent extraction purification technology, the largest application of which has been the Skorpion project in Namibia. SNC Lavalin, Montreal, the engineering company responsible for the development of the Skorpion project have been appointed as lead engineers for the Big River Zinc redevelopment. Engineering design work is progressing well and operating and capital cost estimates will be completed the before the end of this year with first production expected at the end of 2007.

At Jabali our cost review is ongoing in parallel with the debt financing of the project. In respect of the latter Jabal Salab, our Yemeni resident subsidiary company, has recently mandated Exotix Ltd, a subsidiary of the London based ICAP, to arrange debt finance for the development. Exotix are a specialist bond financing team experienced in emerging markets. We are hoping to have debt finance in place, subject to documentation, by the start of next year.

Progress on the Aliaga Recycling Project has been disappointing due to a delay in the approval for planning permission in respect of the plant and residue disposal site. This now falls on the critical path for the development of the project and the current delays are likely to preclude first production before the end of 2007.

As part of our global recycling strategy, we have for some time been investigating other EAFD producing countries. I am delighted to report that we have signed EAFD supply option agreements with two major steel producers in Thailand for what amounts to about 35,000 tonnes per annum of EAFD, having an average grade in excess of 20% zinc. We are therefore hopeful that we may soon have enough EAFD under option to be able to consider a new project in Thailand and that this could be the first of a number of new locations to be announced over the next year or so.

To date, 2006 has been an intense period of activity for everyone in the company and on behalf of the shareholders I would like to thank all of the staff for their tremendous efforts during this period.

Andrew Woollett
Chairman

26 September 2006

ZINCOX RESOURCES PLC

CONSOLIDATED PROFIT & LOSS ACCOUNT

For the six months ended 30 June 2006

	6 months to 30 June 2006	6 months to 30 June 2005	12 months to 31 December 2005
	unaudited £	unaudited £	audited £
Turnover	-	-	-
Cost of Sales	-	-	-
	<hr/>	<hr/>	<hr/>
Gross Profit	-	-	-
Exploration Costs	(38,476)	-	(155,194)
Administrative Expenses	<u>(876,793)</u>	<u>(325,237)</u>	<u>(820,357)</u>
Operating Loss	(915,269)	(325,237)	(975,551)
Share of Profit / (Losses) of Associate	7,941	(2,973)	(7,775)
Profit on Disposal of Fixed Assets	<u>236</u>	<u>-</u>	<u>-</u>
(Loss) on Ordinary Activities before Interest	(907,092)	(328,210)	(983,326)
Net Interest receivable and similar Income	284,815	111,897	225,965
Loss on sale of Investments	(2,811)		(34,822)
Amounts written off Investments	<u>-</u>	<u>-</u>	<u>4,058.</u>
(Loss) on Ordinary Activities before Tax	(625,088)	(216,313)	(788,125)
Taxation	<u>-</u>	<u>-</u>	<u>(6,196)</u>
(Loss) for the Period taken to Reserves	<u>(625,088)</u>	<u>(216,313)</u>	<u>(794,321)</u>
(Loss) per Ordinary Share - Basic	<u>(1.67)p</u>	<u>(0.78)p</u>	<u>(2.74)p</u>

CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2006

	Note	6 months to 30 June 2006 unaudited £	6 months to 30 June 2005 unaudited £	12 months to 31 December 2005 audited £
FIXED ASSETS				
Intangible assets		7,811,667	4,859,984	6,136,310
Tangible Assets		9,436,791	472,359	509,956
Investments		12,643	423,632	225,737
		<u>17,261,101</u>	<u>5,755,975</u>	<u>6,872,003</u>
CURRENT ASSETS				
Debtors	4	19,958,282	115,463	171,341
Debtors due after one year		221,791	151,091	196,779
Cash at bank and in hand		7,311,883	5,554,672	3,935,045
		<u>27,491,956</u>	<u>5,821,226</u>	<u>4,303,165</u>
Creditors - amounts falling due within one year		(5,674,080)	(265,272)	(438,481)
		<u>21,817,876</u>	<u>5,555,954</u>	<u>3,864,684</u>
NET CURRENT ASSETS				
Creditors - amounts falling due after one year		(759,591)	-	-
		<u>38,319,386</u>	<u>11,311,929</u>	<u>10,736,687</u>
NET ASSETS				
CAPITAL AND RESERVES				
Called up share capital		11,592,204	7,243,522	7,243,522
Share premium		32,325,929	8,555,220	8,555,221
Other reserves		(913,577)	(1,004,740)	(1,001,974)
Profit & loss account		(4,685,170)	(3,482,073)	(4,060,082)
		<u>38,319,386</u>	<u>11,311,929</u>	<u>10,736,687</u>
EQUITY SHAREHOLDERS' FUNDS				
		<u>38,319,386</u>	<u>11,311,929</u>	<u>10,736,687</u>

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	6 months to 30 June 2006 unaudited £	6 months to 30 June 2005 unaudited £	12 months to 31 December 2005 audited £
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	1,079,571	(419,550)	(824,329)
RETURNS ON INVESTMENTS AND SERVICING ON FINANCE			
Interest received	284,565	111,897	225,965
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of Intangible Fixed Assets	(1,713,833)	(901,987)	(2,333,507)
Sale of Investments	218,224	-	162,329
Purchase of Tangible Fixed Assets	(8,961,512)	(463,037)	(522,763)
Net cash outflow from Capital Expenditure and Financial Investment	<u>(10,457,121)</u>	<u>(1,365,024)</u>	<u>(2,693,941)</u>
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of Short Term Deposits	(2,722,323)	(741,937)	(1,312,923)
FINANCING			
Issue of shares paid	13,731,931	4,986,665	4,986,665
Expenses paid in connection with share issue	<u>(1,262,108)</u>	<u>(283,713)</u>	<u>(283,713)</u>
Net cash inflow from financing	<u>12,469,823</u>	<u>4,702,952</u>	<u>4,702,952</u>
INCREASE IN CASH	<u>654,515</u>	<u>2,288,338</u>	<u>97,724</u>

OTHER PRIMARY STATEMENTS

For the six months ended 30 June 2006

Consolidated Statement of Total Recognised Gains and Losses

	6 months to 30 June 2006 unaudited £	6 months to 30 June 2005 unaudited £	12 months to 31 December 2005 audited £
(Loss) for the period taken to reserves	(625,088)	(216,313)	(794,321)
Currency Translation differences	88,397	(634)	2,132
Total Recognised Gains and Losses for the Period	<u>(536,691)</u>	<u>(216,947)</u>	<u>(792,189)</u>

Reconciliation of Movements in Consolidated Shareholders' Funds

	6 months to 30 June 2006 unaudited £	6 months to 30 June 2005 unaudited £	12 months to 31 December 2005 audited £
(Loss) for the Period	(625,088)	(216,313)	(794,321)
Other Recognised Gains/(Losses)	88,397	(634)	2,132
New Share Capital and Related Share Premium receivable	4 15,649,567	-	-
New Share Capital and Related Share Premium received	<u>12,469,823</u>	<u>4,702,952</u>	<u>4,702,952</u>
Net movement in Shareholders' Funds	27,582,699	4,486,005	3,910,763
Opening Shareholders' Funds	10,736,687	6,825,924	6,825,924
Closing Shareholders' Funds	<u>38,319,386</u>	<u>11,311,929</u>	<u>10,736,687</u>

NOTES TO THE ACCOUNTS

For the six months ended 30 June 2006

1 Basis of Preparation of the Financial Statements

The interim information has been prepared on the same basis and using the same accounting policies as were applied in drawing up the financial information contained in the Group Accounts for the year ended 31 December 2005.

The financial information for the six months ended 30 June 2006 is unaudited. In the opinion of the directors, the financial information for these periods presents fairly the financial position, results of operations and cash flows for the period, in conformity with generally accepted accounting principles. The financial information for the 12 months ended 31 December 2005 has been derived from the Group's audited financial statements for that period as filed with the Registrar of Companies and does not constitute the Group's statutory accounts for that period. The auditors' report on the statutory accounts for the year ended 31 December 2005 was not qualified.

2 Loss per Share

	6 months to 30 June 2006 unaudited £	6 months to 30 June 2005 unaudited £	12 months to 31 December 2005 audited £
(Loss)	(625,088)	(216,313)	(794,321)
Weighted average number of shares	37,519,569	27,649,970	28,313,843
Loss per Ordinary Share - Basic	(1.67)p	(0.78)p	(2.74)p

3 Net Cash Flow from Operating Activities

	6 months to 30 June 2006 unaudited £	6 months to 30 June 2005 unaudited £	12 months to 31 December 2005 audited £
Operating Loss	(915,269)	(325,237)	(975,551)
Depreciation	35,163	2,709	24,838
Deferred Exploration costs written off	38,476	-	155,194
Losses/(Gains) on foreign exchange transactions	88,397	(634)	2,132
(Decrease)/Increase in Creditors	5,995,190	(28,989)	138,023
(Increase)/ in Debtors	(4,162,386)	(67,399)	(168,965)
	<u>1,079,571</u>	<u>(419,550)</u>	<u>(824,329)</u>

Reconciliation of Net Cash Flow to Movement in Funds

	6 months to 30 June 2006 unaudited £	6 months to 30 June 2005 unaudited £	12 months to 31 December 2005 audited £
Increase in Cash in the Period	654,515	2,288,337	97,724
Cash inflow from increase in liquid resources	2,722,323	741,937	1,312,923
Movement in net funds in the period	<u>3,376,838</u>	<u>3,030,274</u>	<u>1,410,647</u>
Opening net funds	<u>3,935,045</u>	<u>2,524,398</u>	<u>2,524,398</u>
Closing net funds	<u><u>7,311,883</u></u>	<u><u>5,554,672</u></u>	<u><u>3,935,045</u></u>

Analysis of Change in Net Funds

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

	At 1 January 2006 £	Cashflow £	Purchase of short term deposits £	At 30 June 2006 £
Cash in Hand and at Bank	364,059	654,515	-	1,018,574
Short Term Deposits	<u>3,570,986</u>	-	<u>2,722,323</u>	<u>6,293,309</u>
	<u><u>3,935,045</u></u>	<u><u>654,515</u></u>	<u><u>2,722,323</u></u>	<u><u>7,311,883</u></u>

4 Debtors

The Debtors shown include an amount of £15,649,567 (2005: £Nil) in respect of the Public Placing done by the company on 26th June 2006. These funds were received after the end of the Period.