



ZincOx Resources plc
Preliminary Results - Year Ended 31 December 2001

ZincOx Resources plc, a world leader in the processing of zinc oxide deposits, today announced 12 month results for the year ended 31 December 2001.

ZincOx's objective is to become one of the world's lowest cost producers of zinc through a global portfolio of projects. The company owns, or holds options to acquire, controlling interests in five oxide resources- Jabali in Yemen, Tsumeb Project in Namibia, Yanbu Project in Saudi Arabia, Remac in Canada and Torlon in Guatemala.

Commenting on the results, Mr Andrew Woollett, Managing Director, said: "Following the successful listing of ZincOx on AIM in December 2001, notwithstanding the difficult market conditions which prevailed during the year, shareholder value has continued to be created through the completion of pre-feasibility studies and exploration and we continue to review further strategic opportunities."

Highlights of the results include:

Operational Highlights

- Admission of the company's shares to trading on the Alternative Investment Market with associated £3 million fund raising
- Successful completion of pre-feasibility studies for the Yanbu and Jabali projects

Yanbu Zinc Project, Saudi Arabia

- Operating costs estimated at US\$235 p/t of zinc produced, placing the operation among the lowest in the world
- At a zinc price of US\$1,090 a tonne, the project has a net present value of US\$126 million with an internal rate of return of 26%

Jabali Zinc Project, Yemen

- Resources of 9.4 million tonnes @ 10.8% Zn giving over one million tonnes contained zinc, an increase of 40% on previous resource calculations
- SRK conclude that the project should be among the lowest cost zinc mining operations in the world

Tsumeb Project, Namibia

- Option agreement negotiated to purchase a 50.1 % interest in zinc bearing slag dumps

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ZincOx Resources plc
Preliminary Results for the year ended 31 December 2001

Chairman's Statement

The highlights of 2001 were the successful completion of pre-feasibility studies for the Jabali and Yanbu zinc projects in the Middle East and the admission of the company's shares to trading on the Alternative Investment Market of the London Stock Exchange, with an associated £3million fund raising. These were followed in early 2002 with the entry into an option to acquire a majority interest in the Tsumeb project, in Namibia. Notwithstanding these successes, it has in some ways been a frustrating year as our funding plans were severely disrupted by the tragic events of the 11th of September. In spite of this our existing operations have advanced, our portfolio of projects has been expanded and the company has grown significantly.

To provide the capital necessary to fund our anticipated growth we recognised that the company should be floated in order to attract institutional investors. Prior to the flotation we carried out pre-feasibility studies for both the Jabali and Yanbu projects and SRK, one of the world's leading minerals industry consulting groups, were commissioned to review these plans. Their report, which drew very positive conclusions, formed part of our flotation prospectus.

Drilling at Jabali at the end of 2000 indicated an increase in resources, now calculated to be 9.4 million tonnes with a zinc grade of 10.8%. This represents over one million tonnes of contained zinc, an increase of 40% over the previous figure. The deposit remains open at depth and on two sides and significant additional resources are expected. A preliminary open pit for the production of over 75,000t of zinc per annum was designed for the new resource and this gave a reduced stripping ratio of 3:1 down from 6:1 for the previous resource estimate. This has significantly reduced mining costs and enhanced the economics of the project.

Metallurgical testwork conducted by independent laboratories demonstrated that a lead-silver concentrate could be recovered during beneficiation and this has also helped to enhance project returns. SRK's review of our pre-feasibility study for the development of the deposit concluded that the project should be among the lowest cost zinc mining operations in the world.

At Yanbu, the Saudi Arabian authorities have continued their strong support for the project and we received our business licence from the General Investment Authority in April 2001. We have subsequently held extensive talks with the Royal Commission that administers the Industrial Park at Yanbu and are now awaiting the formal notification of our plant site allocation.

Metallurgical testwork has demonstrated that the integration of the solution produced by the leaching of zinc sulphide concentrate at low pressure with that from oxide leaching is amenable to purification by solvent extraction and metal production by electrowinning. Since sulphide concentrate is internationally traded there is a plentiful supply and this reduces the operation's reliance on one source of feed as well as allowing greater economies of scale. This flowsheet formed the basis of the plan reviewed by SRK, who again commented that the production costs should be among the lowest in the world. Zinc production is an energy intensive process but the low cost of production at Yanbu is due both to the availability of concessionary gas which contributes to the on site generation of inexpensive power as well as the locally available Sulphur used in the production of sulphuric acid. .

At the beginning of 2002 we negotiated an option to acquire a 50.1% interest in a company to be set up to produce zinc and other metals from the slag dumps that had accumulated from lead smelting operations at Tsumeb, in Namibia. This option has been negotiated with Ongopolo, a Namibian company exploiting copper mines and a smelter in Namibia. Ongopolo is the owner of the slag dumps. In addition to zinc, the 2.9 million tonnes of slag contains lead, germanium, gallium and indium. While the recovery of these metals will need to be established by careful

testwork, they have the potential to greatly enhance the value of the project. The recovery of metals from this type of material has been successfully undertaken for several years by Korea Zinc, one of the world's largest producers. Korea Zinc has carried out a preliminary appraisal of the project, which, subject to testwork, indicates that the project should be technically feasible.

Following SRK's successful reporting on the Jabali and Yanbu projects in the middle of the year, we put together the necessary documentation in anticipation of the issue of our prospectus on the 14th September. With assets substantially in the Middle East we decided to delay the flotation and fund raising, which with the support of Charles Stanley was achieved on the 10th December. The flotation attracted specialist mining and Middle Eastern investment funds and institutional investors now hold 22.2% of the company. Teck-Cominco the largest zinc mining company in the world holds 18.3% of the company.

However, in three important respects the timing of our listing was unfortunate. Firstly the zinc price hit a 70 year low in real terms at the end of the year and as of today it has improved only slightly. Whilst even seasoned traders have been surprised by the depth of the zinc cycle, the long-term outlook for the metal remains strong and we remain confident that the price will improve significantly in advance of our making development decisions. The positive aspect of the price problem is that there is little interest in new zinc projects and therefore the possibility of obtaining other quality projects cheaply remains excellent. Secondly, the investment community is still reeling from the collapse of the high-tech sector and the consequent downturn in financial markets. Finally, while the events in Afghanistan seem to have been resolved remarkably quickly, the Middle East continues to attract unreasonably negative press comment, potentially alienating possible investors.

While our current share price remains disappointing, the business of the company is going extremely well, thereby enhancing the company's long term value. The Yanbu and Jabali projects continue to live up to our expectations and we are expanding our portfolio of projects so that the company can achieve its objective of becoming a world leader in the low cost production of zinc from oxide materials.

I should like to thank my fellow directors and all our staff for their dedication and hard work over the past year and I am confident that this will be more widely recognised over the coming months as these labours begin to bear fruit.

Noel JJ Masson
Chairman
11th June 2002

Review of Operations

Oxide Resources

Jabali Project, Yemen

ZincOx has a 20% interest in the joint venture that holds the Mineral Exploration Licence over the Jabali zinc-lead-silver deposit. The Company is currently increasing this interest to 60% by completing, at its sole cost, a feasibility study for the development of the deposit. On the successful completion of the study which is planned for mid 2003 the joint venture partners Anglo American plc and Ansan Wikfs, a local Yemeni company, will each hold 20% with ZincOx holding the balance of 60%.

The Jabali deposit is located 100 km north-east of Sana'a, the capital city, in an unpopulated region of desert mountain terrain. Over the year under review, the zinc resources at Jabali, which have been confirmed by SRK Consultants, have increased by over 40% to 9.4 Mt of oxide ore, grading 10.8% zinc, 2.3% lead and 76.8g/t silver with an in-situ value of approximately US\$1 billion. There is excellent potential to increase this resource with further drilling as the deposit is open on two sides and at depth, and satellite ore bodies exist.

The deposit is a hybrid of Mississippi Valley and Carbonate Replacement Deposit types. Zinc mineralisation, mainly in the form of smithsonite with minor hydrozincite, is structurally and stratigraphically controlled along horizontal "mantos" and vertical "chimneys".

The feasibility study currently being carried out is based on an average annual production rate over a 13-year life of 660,000 tonnes of ore by means of open pit mining. The ratio of waste to ore is 3:1, which, together with the high grade, should result in low mining costs of about US\$4/t. Test work on a representative sample of the deposit has shown that the ore, after crushing and milling, can be concentrated by means of flotation. Beneficiation recovery is 83.5%, resulting in an average annual zinc concentrate production of 262,000 tonnes per annum, grading 23.1% zinc. Approximately 9,300 tonnes of lead-silver concentrate, grading over 60% lead and over 3,000g/t silver, will be produced annually by means of flotation.

The feasibility study is scheduled for completion in mid 2003. Current work being carried out involves an environmental baseline study and a water survey. An engineering company is shortly to be appointed to carry out design and engineering of the processing plant and associated infrastructure. An infill drilling programme of 5,000m is planned for July.

The nature of the mineralogy at Jabali precludes the production of a zinc concentrate suitable for sale on the international market. Zinc concentrate will therefore be trucked 350 km from the mine to Hodeidah, the most active port on the west coast of Yemen, and shipped the short distance on the Red Sea to Yanbu, in Saudi Arabia, for processing in the zinc plant being planned by ZincOx. The lead-silver concentrate will be sold on the international market.

Total up-front capital costs for mining and processing are estimated at US\$41.0 million, with operating costs, including transport to Yanbu, of US\$245/tonne of zinc in concentrate.

Tsumeb Project, Namibia

In January 2002, the Company entered into an option agreement with Ongopolo Mining & Processing Pty Ltd ("OMP") to purchase a 50.1 % interest in a zinc bearing slag dump at the Tsumeb mine, in Namibia. Tsumeb is in northern Namibia, about 400 km north-east of the capital Windhoek.

The slags were accumulated from lead smelting operations conducted between 1965 and 1996 and amount to about 2.9 million tonnes. The slag forms a dump measuring about 350m by 350m, is up to 17 metres thick and contains zinc (9.03%), lead (2.05%), germanium (0.0262%), gallium (approx. 0.02%) and indium (approx. 0.017%).

The dumps are owned by OMP, a Namibian company that operates three base metal mines and the Tsumeb copper smelter. ZincOx has the right to acquire a 50.1% interest in a new company created for the development of an operation to recover a metal bearing concentrate from the slag. ZincOx may earn its interest by carrying out a feasibility study and making a payment of N\$19 million (approximately £1 million), to OMP before 30 June 2003. In addition to the dump resource, OMP will also contribute, at no cost, certain unused plant and equipment that exists at Tsumeb including an Ausmelt furnace.

It is the partners' belief that the Ausmelt plant could be modified and used to remelt the slag and produce a zinc rich oxide dust containing the rare metals: germanium, gallium and indium that could be bagged and sold on the international market. Korea Zinc, one of the world's largest zinc producers, currently uses such a furnace to recover zinc and lead from slag in Korea. A technical team from Korea Zinc has visited Tsumeb as part of an initial evaluation programme and they have reported favourably on the project.

A preliminary economic appraisal is underway which, if successful, will lead to the piloting of the flow sheet in advance of the commencement of a full feasibility study.

Torlon Project, Guatemala

ZincOx, through its wholly owned Guatemalan subsidiary, has an option to acquire 100% of the land and mineral rights over the Torlon zinc-lead prospect. In 2000, the Company entered into an agreement with Redhawk Resources Inc of Canada, whereby Redhawk could earn a 30% interest in Torlon by carrying out \$350,000 worth of exploration on the property over a two year period. The period has been extended by six months to March 2003.

Torlon is located near Huehuetenango in the western highlands of Guatemala, 250 km north-west of the capital, Guatemala City.

Since Mayan times, the property has been a sporadic producer of lead from a series of high grade "chimney and manto" type deposits which can still be accessed by a number of adits. The zinc oxide mineralisation, which envelopes the high grade lead veins, has never been mined.

During the first half of 2001, Redhawk carried out surface and underground geological mapping and sampling. Zinc oxide mineralisation can be traced over a distance of 600m in a dolostone breccia, with two high grade structures.

Follow up exploration, including drilling, is planned for 2002.

Remac Project, Canada

In 1999, ZincOx entered into an option agreement with Redhawk Resources of Canada to acquire 50% of the Remac property by spending Cdn\$3.0 million on exploration over a four year period. This period expires in February 2006. To date approx. Cdn\$0.6 million has been spent by ZincOx.

The Remac property is located in south-central British Columbia about 400 km east of Vancouver, close to the US border. It consists of the Redbird property and the Reeves Macdonald property. The latter was mined for zinc sulphide mineralisation between 1950 and 1975.

On the basis of geological work carried out by ZincOx during 2000, the directors of the Company believe that Remac could contain over 5.0 Mt of oxidised ore grading approx. 10% zinc, with an in-situ value of approximately US\$0.5billion. Metallurgical test work carried out by the Company on the Remac ore has shown that a low grade concentrate can be produced by means of flotation, using specialised techniques developed by the company on a number of zinc oxide ores around the world.

Over the last year ZincOx has focused on various options for the development of Remac, and a scoping study has been completed on one of these options, namely the mining of 365,000 tonnes per annum of ore from Remac and shipping a low grade concentrate to Teck-Cominco's smelter at Trail, a distance of only 35 km from the property. The study considered all aspects of the geology, mining, metallurgy, processing, environment, permitting and infrastructure at Remac as well as the transportation of concentrate to Trail and small modifications required at the Trail smelter in order that the oxide concentrate can be treated in a sulphide circuit.

The financial returns were attractive and discussions have been initiated with Teck-Cominco. Other development options for Remac ore are also being considered. In the meantime, a drilling programme, aimed at proving-up the resource, is being planned for the second half of 2002.

Processing

Yanbu Zinc Project, Kingdom of Saudi Arabia

The Yanbu Zinc Project is the development of a plant with a capacity of 100,000-120,000 tonnes per annum of Special High Grade zinc ingots. The plant will be based on technology developed by ZincOx but will incorporate commercially well proven process equipment. The ZincOx process will allow the treatment of low grade and impure zinc bearing oxide materials and poor quality zinc sulphide concentrates that are unsuited to treatment in conventional smelters. The zinc in such materials may, therefore, be purchased at a discount to that contained in standard grade and quality zinc feed.

The plant will be located in the Yanbu Industrial Park, a well-established industrial complex, covering an area of about 25km by 7km on the Red Sea, about 350km north west of Jeddah. It was established in the late 1970's by the Government of Saudi Arabia as a major catalyst for the industrialisation of the Kingdom. In order to ensure the success of this strategy, an independent Royal Commission was set up to manage the Park.

In March 2001, the newly formed Saudi Arabian General Investment Authority issued ZincOx a Business Licence for the Yanbu Zinc Project. Over the past year there have been a number of meetings with the Royal Commission to decide upon the optimum location of the plant within the Industrial Park. A site was provisionally agreed in February 2002.

The location of the plant in the Industrial Park has several advantages that will contribute to a reduction in capital and operating costs, including;

- it lies within a region that is prospective for oxide deposits
- it is on a major sea-lane
- it has an excellent, under-utilised port
- it has significant and low cost infrastructure
- it has inexpensive gas (power), sulphur and land rental
- it is located in a politically stable country
- it benefits from concessionary development funds i.e. 40% of project cost repayable over 15 years, subject to a 0.5-1%p.a. administration fee

In addition, Saudi Arabia has introduced new investment laws designed to attract inward investment allowing 100% foreign ownership, 30% tax and freely remittable dividends.

The technology employed in the Yanbu plant is environmentally preferable to conventional facilities and it will observe international and local standards of environmental protection.

A Pre-Feasibility Study for the project was completed in August 2001 and was technically reviewed by international mineral consultants, SRK, as part of the listing process. The study assumed that 60% of the zinc would be derived from primary oxide sources with the balance from sulphide concentrate sourced in the international market. Capital investment, including working capital and debt arrangement is estimated to be US\$253 million of which 25% is expected to be contributed from shareholders funds, 35% from mining project finance and the balance (42%) drawing on concessionary government development finance.

Direct operating costs are estimated to be about US\$235 per tonne of metal produced. This would place the operation among the lowest in the world. At a zinc price of US\$1,090/t and a discount rate of 10%, the geared economic model indicates the project to have a net present value of US\$126 million with an internal rate of return of 26%.

The feasibility study for the development work commenced in January 2002 with computer simulated flow sheet design. This model has allowed various feed scenarios to be modelled so that the optimum feed blend can be determined and operational flexibility can be maximised. A major international engineering firm will be appointed as a main contractor for the study by the middle of the year. The study is expected to be completed in the second quarter of 2003.

ZincOx Resources plc
Consolidated Profit and Loss Account
for the year ended 31st December 2001

	31st December 2001	31st December 2000
	£	£
Turnover	-	-
Cost of Sales	<u>-</u>	<u>-</u>
Gross Profit	-	-
Exploration Costs	(100,000)	(624,199)
Administrative Expenses	<u>(586,575)</u>	<u>(519,609)</u>
Operating Loss	(686,575)	(1,143,808)
Net Interest receivable and Similar income	<u>11,728</u>	<u>88,611</u>
Loss on Ordinary Activities before Tax	(674,847)	(1,055,197)
Taxation	<u>-</u>	<u>-</u>
Loss for the year taken to Reserves	<u>(674,847)</u>	<u>(1,055,197)</u>
Loss per ordinary share (pence)	Basic (0.05)p.	(0.09)p.

All operations are continuing.

ZincOx Resources plc
Consolidated Balance Sheet
as at 31st December 2001

	31st December 2001	31st December 2000
	£	£
<u>FIXED ASSETS</u>		
Intangible Assets	1,985,860	1,446,967
Tangible Assets	31,627	44,740
Investments	<u>176,850</u>	<u>176,850</u>
	<u>2,194,337</u>	<u>1,668,557</u>
 <u>CURRENT ASSETS</u>		
Debtors	96,251	53,147
Cash at Bank and in Hand	<u>2,397,605</u>	<u>347,141</u>
	2,493,856	400,288
Creditors – amounts falling due within one year	<u>(159,322)</u>	<u>(250,151)</u>
<u>NET CURRENT ASSETS</u>	<u>2,334,534</u>	<u>150,137</u>
<u>NET ASSETS</u>	<u>4,528,871</u>	<u>1,818,694</u>
<u>CAPITAL AND RESERVES</u>		
Called up Share Capital	4,098,526	3,100,000
Share Premium	3,750,545	1,382,575
Other Reserves	(896,183)	(914,711)
Profit and Loss Account	<u>(2,424,017)</u>	<u>(1,749,170)</u>
<u>EQUITY SHAREHOLDERS FUNDS</u>	<u>4,528,871</u>	<u>1,818,694</u>

ZincOx Resources plc
Consolidated Cash Flow Statement
for the year ended 31st December 2001

	31 st December 2001	31 st December 2000
	£	£
<u>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</u>	<u>(686,186)</u>	<u>(431,696)</u>
<u>RETURNS ON INVESTMENTS AND SERVICING ON FINANCE</u>		
Interest received	11,728	88,611
Interest paid	—	—
Net Cash Inflow from Returns on Investments and Servicing of Finance	<u>11,728</u>	<u>88,611</u>
<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</u>		
Purchase of Intangible Fixed Assets	(638,893)	(1,592,090)
Purchase of Tangible Fixed Assets	(2,681)	(46,299)
Purchase of investments	—	<u>(88,407)</u>
Net cash outflow from Capital Expenditure and Financial Investment	<u>(641,574)</u>	<u>(1,726,796)</u>
<u>MANAGEMENT OF LIQUID RESOURCES</u>		
Purchase/(Sale) of Short Term Deposits	<u>(2,085,000)</u>	<u>1,475,000</u>
Net Cash (Outflow)/Inflow from management of Liquid Resources	<u>(2,085,000)</u>	<u>1,475,000</u>
<u>FINANCING</u>		
Issue of Shares	3,982,717	625,200
Expenses paid in connection with share issue	<u>(616,221)</u>	<u>(17,625)</u>
Net cash inflow from financing	<u>3,366,496</u>	<u>607,575</u>
<u>DECREASE /(INCREASE) IN CASH</u>	<u>(34,536)</u>	<u>12,694</u>

ZincOx Resources plc
Other Primary Statements
for the year ended 31st December 2001

Consolidated Statement of Total Recognised Gains And Losses

	31st December 2001	31 st December 2000
	£	£
Loss for the period taken to reserves	(674,847)	(1,055,197)
Currency Translation Differences	<u>18,528</u>	<u>(2,642)</u>
Total Recognised Gains and Losses for the Year	<u>(656,319)</u>	<u>(1,057,839)</u>

Reconciliation of Movements in Consolidated Shareholders' Funds

	31st December 2001	31 st December 2000
	£	£
Loss for the Period	(674,847)	(1,055,197)
Other Recognised Gains	18,528	(2,642)
New Share Capital and Related Share Premium	<u>3,366,496</u>	<u>607,575</u>
Net Movement in Shareholders' Funds	2,710,177	(450,264)
Opening Shareholders' Funds	<u>1,818,694</u>	<u>2,268,958</u>
Closing Shareholders' Funds	<u>4,528,871</u>	<u>1,818,694</u>

Notes:

1. Preparation of the preliminary financial statements

The preliminary financial statements have been prepared on the basis of the accounting policies set out in the statutory accounts of the Group for the year ended 31 December 2001. The preliminary financial statements which have been approved by the directors, have been audited but have not yet been signed .

Comparative figures for the year ended 31 December 2000 are an abridged version of the Group's full accounts which carry an unqualified audit report and have been delivered to the Registrar of Companies.

2. Loss per Share

	Loss	Weighted average number of shares	Per share amount pence
2001			
Basic loss per share			
Loss attributable to ordinary shareholders	(674,847)	13,555,110	0.05
2000			
Basic loss per share			
Loss attributable to ordinary shareholders	(1,055,197)	12,210,959	0.09

There is no dilutive effect of share options on the basic loss per share

3. Net Cash Flow From Operating Activities

	31 st December 2001	31 st December 2000
	£	£
Operating Loss	(686,575)	(1,143,808)
Depreciation	15,794	6,300
Deferred Exploration costs written-off	100,000	583,630
Losses/(Gains) on foreign exchange translations	18,528	8,164
Increase in Debtors	(43,104)	(10,934)
(Decrease)/Increase in Creditors	<u>(90,829)</u>	<u>124,952</u>
Net Cash outflow from operating activities	<u>(686,186)</u>	<u>(431,696)</u>

Reconciliation of Net Cash Flow to Movement in Funds

	31st December 2001	31 st December 2000
	£	£
Increase in cash in the year	2,050,464	12,694
Cash inflow/outflow from reduction/increase in liquid resources	<u>-</u>	<u>(1,475,000)</u>
Change in net funds resulting from cash flow	2,050,464	(1,462,306)
Effect of foreign exchange translations	<u>-</u>	<u>(10,806)</u>
Movement in net funds in the period	2,050,464	(1,473,112)
Opening net funds	<u>347,141</u>	<u>1,820,253</u>
Closing Net Funds	<u>2,397,605</u>	<u>347,141</u>

Analysis of changes in net Funds

	At 1 st January 2001	Cashflow	Purchase of short term deposits	At 31 st December 2001
Cash in hand & at bank	72,141	(34,536)		37,605
Short term deposits	275,000		2,085,000	2,360,000
	347,141	(34,536)	2,085,000	2,397,605

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 Charles Stanley & Company Limited at 25 Luke Street, London, EC2A 4AR for a period of 14 days from the date of this announcement.