

HIGHLIGHTS

Highlights of the results include:

- Acquisition of Shaimerden deposit in Kazakhstan
(4.65 million tonnes at grade of 21 per cent. zinc)
- Completion of Shaimerden prefeasibility study demonstrating significant potential
(at a US\$800 per tonne zinc price, pre tax NPV of US\$22m
discounted at 10 per cent. and an IRR of 16 per cent.)
- Share exchange with New Opportunities Investment Trust plc
to be used to fund the Shaimerden feasibility study
- Option to acquire a 50.1 per cent. interest in Tsumeb slag dumps in Namibia

CHAIRMAN'S STATEMENT

Over the past six months we have made significant progress towards achieving our aim of becoming a major low cost producer of zinc both by progressing feasibility studies on our existing projects as well as significantly expanding our portfolio by the inclusion of new projects.

In January we announced the option over the Tsumeb slag project in Namibia and in July we announced the acquisition of a 95 per cent. interest in the Shaimerden zinc project in Kazakhstan. Using a new processing approach, we plan to develop Shaimerden into a mining operation which will enjoy very low operating costs and which should be profitable and financeable even at today's depressed zinc price. In order to finance the completion of the Shaimerden feasibility study, scheduled for June 2003, I am delighted to announce the completion of a financing by way of a share exchange with the New Opportunities Investment Trust plc by which we expect to raise about £900,000.

The progress made on our major projects since the beginning of the year is given below:

Shaimerden, Kazakhstan

The Shaimerden deposit, containing 900,000 tonnes of zinc metal, has been of interest to the Board for a number of years. Under previous management, work had focused on the production of metal on site utilising the same process employed at Anglo American's Skorpio deposit. However with less than half the contained metal of Skorpio, Shaimerden is not large enough to yield an attractive return on the major investment required for this type of plant. Utilising our extensive knowledge of zinc processing we have identified a process approach that will be less capital intensive. This approach involves the volatilisation and oxidation of zinc to produce a high quality oxide concentrate that can be sold internationally. This type of process has been used for many years but recently equipment has been developed that has significantly lowered operating costs. Preliminary testwork on Shaimerden ore has demonstrated that the production of a high grade concentrate with high metal recovery should be possible and the company is in the process of undertaking further testwork to determine operating conditions to be used to finalise plant design.

Considerable drilling has already been undertaken at Shaimerden and a reserve of 4.65 million tonnes at a grade of 21 per cent. zinc has been confirmed according to the JORC classification. Water, mining and environmental studies have also been undertaken and the deposit is already covered by a mining lease.

The considerable amount of work performed by previous management enabled us to complete rapidly a pre-feasibility study. This has indicated that for a capital cost of about US\$39 million the project would have a pre-tax NPV of US\$22 million (discounted at 10 per cent.) and an IRR of 16 per cent. at a zinc price of US\$800 per tonne with operating costs of \$560 per tonne.

A large diameter drilling programme to collect a 100 tonne representative bulk sample has recently been completed and the sample is being dispatched to Europe for piloting testwork scheduled for the end of the year. Piloting will allow detailed design criteria to be established for use in the feasibility study which should be completed by the middle of 2003. The construction and development of the production operation is then expected to take about 18 months.

Tsumeb, Namibia

In January we obtained an option to acquire a 50.1 per cent. interest in the lead slag dump at Tsumeb, where the total tonnage is reported to be 2.9 million tonnes. Korea Zinc, the world leaders in the treatment of slag containing zinc using Ausmelt technology, evaluated the potential to use the

CHAIRMAN'S STATEMENT

(continued)

existing Ausmelt furnace at Tsumeb for the production of an oxide concentrate by fuming. Their study concluded that while fuming of the valuable metals should be possible, and, depending upon metal prices, viable, the existing furnace could not be used. The type of new equipment being considered for Shaimerden provides an alternative fuming method which should have lower capital and operating costs. Tests using this equipment are underway. We have also undertaken a drilling campaign to confirm the grade and tonnage of the slags, and results of which are expected by the end of November.

Jabali, Yemen

A preliminary report on the availability of the requisite processing water for the Jabali project was completed in May 2002 showing that sufficient water should be available within 5km of the plant. An environmental base line study has also been completed with no critical issues identified.

The next phase of infill drilling to bring much of the resources (9.4 million tonnes at 10.8 per cent. zinc) into the measured category has recently commenced.

Yanbu, Saudi Arabia

Computer simulation of the metallurgical process to be used at the Yanbu Plant has been completed by consulting engineers, SNC Lavalin, in Canada. The model is being used to determine the optimum blend of feeds and the strategic overcapacity that needs to be built into the final plant designs to make it one of the most flexible and lowest cost zinc smelters in the world.

Redhawk Resources Inc

In order to allow the management to concentrate on our most exciting projects, our interests in the Torlon project, in Guatemala, and Remac project, in Canada, have been backed into Redhawk Resources, our partner in these projects, in exchange for its ordinary shares. We now hold a 17.8 per cent. interest in Redhawk.

New Opportunities Investment Trust plc (NOIT) Financing

ZincOx has placed 2,222,222 new ordinary shares with NOIT plc in exchange for 1,000,000 redeemable ordinary NOIT shares together with warrants over an additional 200,000 shares exercisable at a price of £1 per share any time by September 2007. Application has been made for the new ordinary shares of ZincOx to be admitted to trading on AIM. The NOIT shares issued to ZincOx will be subject to a three month hold period, after which time the Board intends to dispose of some or all of its shareholding.

NOIT is an investment trust comprising of a number of growth oriented smaller UK companies. The ordinary shares in NOIT will commence trading on 25 September 2002.

These funds raised from the future sale of the NOIT shares should provide the Company with sufficient cash to complete the Shaimerden feasibility study and to cover ongoing Group commitments.

Noël J J Masson

Chairman

26 September 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2002

	6 months to 30 June 2002 unaudited £	6 months to 30 June 2001 audited £	12 months to 31 December 2001 audited £
Turnover	—	—	—
Cost of sales	—	—	—
	—	—	—
Gross profit	—	—	—
Exploration costs	(120,000)	—	(100,000)
Administrative expenses	(118,805)	(302,898)	(586,575)
Operating loss	(238,805)	(302,898)	(686,575)
Net interest receivable and similar income	33,051	4,731	11,728
Loss on ordinary activities before tax	(205,754)	(298,167)	(674,847)
Taxation	—	—	—
Loss for the period taken to reserves	(205,754)	(298,167)	(674,847)
Loss per ordinary share pence Basic	(1.25)p	(2.31)p	(4.98)p

CONSOLIDATED BALANCE SHEET

as at 30 June 2002

	30 June 2002 unaudited £	30 June 2001 audited £	31 December 2001 audited £
FIXED ASSETS			
Intangible assets	2,596,179	1,770,591	1,985,860
Tangible assets	33,303	38,750	31,627
Investments	176,850	176,850	176,850
	2,806,332	1,986,191	2,194,337
CURRENT ASSETS			
Debtors	71,293	61,525	96,251
Cash at bank and in hand	1,579,603	451,474	2,397,605
	1,650,896	512,999	2,493,856
Creditors – amounts falling due within one year	(181,128)	(124,212)	(159,322)
NET CURRENT ASSETS	1,469,768	388,787	2,334,534
NET ASSETS	4,276,100	2,374,978	4,528,871
CAPITAL AND RESERVES			
Called up share capital	4,103,526	3,468,276	4,098,526
Share premium	3,769,545	1,839,901	3,750,545
Other reserves	(967,200)	(885,862)	(896,183)
Profit and loss account	(2,629,771)	(2,047,337)	(2,424,017)
EQUITY SHAREHOLDERS' FUNDS	4,276,100	2,374,978	4,528,871

CONSOLIDATED CASH FLOW STATEMENT

for the 6 months ended 30 June 2002

	6 months to 30 June 2002 unaudited £	6 months to 30 June 2001 audited £	12 months to 31 December 2001 audited £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(255,761)	(353,176)	(686,186)
RETURNS ON INVESTMENTS AND SERVICING ON FINANCE			
Interest received	33,051	4,731	11,728
Interest paid	—	—	—
Net cash inflow from returns on investments and servicing of finance	33,051	4,731	11,728
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of intangible fixed assets	(610,319)	(372,212)	(638,893)
Purchase of tangible fixed assets	(8,973)	(612)	(2,681)
Purchase of investments	—	—	—
Net cash outflow from capital expenditure and financial investment	(619,292)	(372,824)	(641,574)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase)/Sale of short term deposits	810,000	—	(2,085,000)
Net cash (outflow)/inflow from management of liquid resources	810,000	—	(2,085,000)
FINANCING			
Issue of shares	24,000	825,602	3,982,717
Expenses paid in connection with share issue	—	—	(616,221)
Net cash inflow from financing	24,000	825,602	3,366,496
(DECREASE)/INCREASE IN CASH	(8,002)	104,333	(34,536)

OTHER PRIMARY STATEMENTS

for the 6 months ended 30 June 2002

Consolidated statement of total recognised gains and losses

	6 months to 30 June 2002 unaudited £	6 months to 30 June 2001 audited £	12 months to 31 December 2001 audited £
Loss for the period taken to reserves	(205,754)	(298,167)	(674,847)
Currency translation differences	(71,017)	—	18,528
Total recognised gains and losses for the period	(276,771)	(298,167)	(656,319)

Reconciliation of movements in consolidated shareholders' funds

	6 months to 30 June 2002 unaudited £	6 months to 30 June 2001 audited £	12 months to 31 December 2001 audited £
Loss for the period	(205,754)	(298,167)	(674,847)
Other recognised gains	(71,017)	28,849	18,528
New share capital and related share premium	24,000	825,602	3,366,496
Net movement in shareholders' funds	(252,771)	556,284	2,710,177
Opening shareholders' funds	4,528,871	1,818,694	1,818,694
Closing shareholders' funds	4,276,100	2,374,978	4,528,871

NOTES TO THE ACCOUNTS

for the 6 months ended 30 June 2002

1. Basis of preparation of the financial statements

The interim information set out on pages 3 to 6 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 2001.

The financial information for the six months ended 30 June 2002 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 2001 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 2001 was not qualified.

The financial information for the six months ended 30 June 2001 was audited in connection with the AIM flotation. That auditors' report was not qualified.

2. Loss per share

	6 months to 30 June 2002 unaudited £	6 months to 30 June 2001 audited £	12 months to 31 December 2001 audited £
Loss	(205,754)	(298,167)	(674,847)
Weighted average number of shares	16,409,488	12,891,647	13,555,110
Per share amount in pence	(1.25)p	(2.31)p	(4.98)p

3. Net cash flow from operating activities

	6 months to 30 June 2002 unaudited £	6 months to 30 June 2001 audited £	12 months to 31 December 2001 audited £
Operating loss	(118,805)	(302,898)	(686,575)
Depreciation	7,297	6,602	15,794
Deferred exploration costs written-off	(120,000)	—	100,000
Losses/(Gains) on foreign exchange translations	(71,017)	77,437	18,528
Increase in debtors	24,958	(8,378)	(43,104)
(Decrease)/Increase in creditors	21,806	(125,939)	(90,829)
Net cash outflow from operating activities	(255,761)	(353,176)	(686,186)

NOTES TO THE ACCOUNTS

for the 6 months ended 30 June 2002

Reconciliation of net cash flow to movement in funds

	6 months to 30 June 2002 unaudited £	6 months to 30 June 2001 audited £	12 months to 31 December 2001 audited £
Increase in cash in the period	(818,002)	104,333	2,050,464
Cash inflow/outflow from reduction/increase in liquid resources	—	—	—
Change in net funds resulting from cash flow	(818,002)	104,333	2,050,464
Effect of foreign exchange translations	—	—	—
Movement in net funds in the period	(818,002)	104,333	2,050,464
Opening net funds	2,397,605	347,141	347,141
Closing net funds	1,579,603	451,474	2,397,605

Analysis of changes in net funds

	At 1 January 2001 £	Cashflow £	Purchase of short term deposits £	At 31 December 2001 £
Cash in hand and 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
	At 1 January 2002 £	Cashflow £	Sale of short term deposits £	At 30 June 2002 £
Cash in hand and at bank	37,605	(8,002)	29,603	
Short term deposits	2,360,000	—	810,000	1,550,000
	2,397,605	(8,002)	810,000	1,579,603

COMPANY INFORMATION

Directors:

N J J Masson	Chairman
A C Woollett	Managing Director
M J E Foster	Operations Director
P G Fry	Finance Director
B Morris	Non-executive Director
P H Beck	Non-executive Director

Secretary P F Wynter Bee

Registered Number 3800208

Registered Office 7 Tanners Yard
London Road
Bagshot
Surrey GU19 5HD

Telephone 01276 455700

Facsimile 01276 850015

Web site www.zincox.com

Advisers:

Nominated Adviser and Broker Charles Stanley and Company Limited
25 Luke Street
London EC2A 4AR

Bankers Barclays Bank Plc
London Corporate Banking
Pall Mall
London SW1A 1QB

Auditors Grant Thornton
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Solicitors Stringer Saul
17 Hanover Square
London W1R 9AJ

Registrars Capita IRG Plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU