

ZincOx receives US \$7.5 million from sale of Shaimerden zinc deposit to Kazzinc

ZincOx Resources plc is pleased to announce the receipt of US\$7.5 million, being the cash consideration for the sale of the Shaimerden zinc oxide deposit in Kazakhstan to Kazzinc, as previously announced on 15 December 2003.

The sale was subject to a number of conditions, which were fulfilled by 19 March 2004, at a cost of US\$100,000, thus the amount of the cash consideration was reduced by this amount from that previously indicated (US\$7.6 million).

In addition to this cash payment, ZincOx is entitled to receive further deferred payments on the first 200,000 tonnes of zinc contained in ore mined from the deposit, at a rate equivalent to US\$0.2375 per tonne for every dollar that the LME zinc price is above US\$800 per tonne. At an average zinc price of US\$900 per tonne the further payments will generate US\$4.75 million; at US\$1,000 per tonne a further US\$9.5 million and at the current zinc price of US\$1,125 per tonne the further payment would be worth US\$15.4 million. Production is scheduled to commence in the first part of 2006.

The Shaimerden deposit cost ZincOx a total of US\$1.7 million being US\$50,000 in cash, US\$150,000 worth of ZincOx shares (issued at 71.2p in October 2003) and US\$1.5 million spent over the last 18 months on progressing a feasibility study and the costs of the transaction. The effect on the balance sheet of this transaction, when taking into account the negative goodwill, is a reduction of fixed assets by approximately £1,370,000 and an increase in cash of approximately £4,100,000

Commenting on the announcement, Andrew Woollett, Managing Director of ZincOx Resources plc said "We are delighted that the new owners, Kazzinc, are moving ahead swiftly with the development of the mine and we are hopeful that this should result in our further payments beginning to generate cash within two years. Following the management team's earlier success at the Skorpion zinc deposit, whilst at Reunion Mining plc, Shaimerden is the second example of how this team can bring to account zinc oxide deposits hitherto considered to be uneconomic. We will continue to look for similar opportunities elsewhere in the world".

The proceeds from the Shaimerden sale will allow the company to accelerate its strategy for recycling zinc bearing secondary and waste materials and for the completion of the feasibility study on the Jabali zinc oxide deposit which has a resource of 12.6 million tonnes at a grade 8.9% zinc, 1.2% lead and 68g/tonne silver.

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