



ZincOx Resources plc
Interim Results – 6 months ended 30 June 2004

Highlights of the results include:

- Receipt of US\$7.5 million for sale of Shaimerden deposit
- Commencement of Polykiln piloting for slag treatment
- Jabali feasibility study on schedule
- Waste recycling successfully piloted
- Development of new leaching technology for carbonate ores

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ZincOx Resources plc

Chairman's Interim Statement

The first six months of 2004 have seen the successful completion of the sale of the Shaimerden deposit in Kazakhstan by the receipt of the initial sale proceeds, US\$7.5 million, in March. In addition the company will, providing the zinc price is over US\$800 per tonne, be entitled to receive a deferred consideration related to the zinc price, which assuming a zinc price of US\$1,050 per tonne would be worth US\$11.88 million, receivable between 2007 and 2011.

The company remains at the forefront of zinc extraction technology and is pursuing a two-pronged strategy targeting primary deposits and waste materials. In support of these activities our metallurgical research has recently identified a new zinc leaching technology that could increase the opportunities available to the company and thus enhance growth potential.

Our waste recycling plans have advanced significantly, with considerable progress being made in the treatment of the dust produced by steel recycling in electric arc furnaces (EAFD) and zinc bearing lead slags. At the same time the feasibility study for the development of the Jabali deposit is now well underway and is on schedule.

We have confirmed the leachability of EAFD in a pilot plant using a modified version of our core technology, Direct Leaching-Solvent Extraction-Electrowinning (DL-SX-EW). The zinc grade of our raw material is such that there is a large quantity of residue that needs to be disposed of safely and cost effectively. Residues from the piloting have been further stabilised and this final waste product has been shown to pass both North American and the new European environmental standards. The cost of stabilisation is in line with expectations as was reagent consumption and zinc recovery.

We are currently working on two EAFD recycling feasibility studies, one in Turkey and the other in North America. We plan to complete both studies by the middle of 2005, thus enabling construction to commence later that year. We hope to be in a position to announce more details of these projects before the end of 2004.

Our plans for the treatment of slags are based upon the well established fuming process but using the new Polykiln equipment. The refurbishment of the Polykiln pilot plant has been completed and operations commenced in August. The pilot is running on a single shift and initial results are positive. Further piloting will optimise the operating conditions so that a full economic assessment can be made before the year-end. In the meantime we will be taking further our discussions with the owners of a number of major slag dumps around the world.

The DL-SX-EW technology has two handicaps when processing medium sized carbonate hosted zinc deposits. Firstly, operating costs are high due to the consumption of sulphuric acid and, secondly, such deposits tend to be small and consequently cannot bear the relatively high capital cost associated with this technology.

We have now identified a leaching process that does not use acid (LTC) and which is therefore ideally suited to the treatment of carbonate-hosted deposits. Operating costs are

further reduced because, the process produces zinc oxide as a final product instead of zinc metal, therefore there is no electrowinning and the energy requirements are greatly reduced. Furthermore without electrowinning it has significantly lower capital costs and, for remote deposits, requires less infrastructural development. This lower capital expenditure makes smaller deposits more attractive for development. The zinc oxide produced by the LTC process, will have a quality that would be suitable for direct sale to the chemical and other industries, so while revenue is likely to be less than for zinc metal it will be greater than that for a simple zinc concentrate purchased by a conventional zinc smelter.

The Jabali deposit is an example of a medium size zinc carbonate deposit with a high sulphuric acid consumption. Since DL-SX-EW is inappropriate, it had been decided to upgrade the ore using flotation and then feed this product into a Waelz kiln to fume off zinc and produce a concentrate suitable for sale to a conventional smelter.

Piloting of the flotation of Jabali ore was carried out in June 2004 at SGS Lakefield Laboratories in Canada. Results for the recovery of zinc and the grade of the concentrate were below those achieved in laboratory tests. However preliminary fuming tests on the concentrate were satisfactory giving a saleable product. At the same time our growing confidence in the LTC process, outlined above, encouraged us to examine the application of this technology at Jabali.

The LTC process is expected to have similar capital and operating costs to flotation and fuming but initial tests show superior zinc recoveries and higher quality final product. The LTC process will, therefore, prolong the life of the resource and generate greater revenue, thereby improving the economics. Further significant optimisation of the flow sheet is underway and if this is successful, the economic returns of the project will be further enhanced.

Metallurgical Design and Management, an experienced South African international engineering contracting company were appointed to undertake the Feasibility Study, scheduled for completion in the first quarter of 2005.

As there is no longer a requirement for the Jabali concentrate to be processed by a smelter specifically designed to treat oxide ore, and as better options have been identified for the treatment of EAFD, we are reviewing our options for the future of the Yanbu project in Saudi Arabia.

I am confident that by the end of 2004 we will have advanced significantly our EAFD recycling projects and that in early 2005 we will finalise the feasibility study on the Jabali project. Whilst we see recycling as our greatest area for growth, we will continue our search for exciting opportunities in primary zinc oxide deposits.

Noël Masson
Chairman
21 September 2004

ZincOx Resources plc

**Consolidated Profit and Loss Account
for the six months ended 30th June 2004**

	6 months to 30 June 2004 <i>unaudited</i>	6 months to 30 June 2003 <i>unaudited</i>	12 months to 31 December 2003 <i>audited</i>
	£	£	£
Turnover	-	-	-
Cost of sales	-	-	-
	-	-	-
Gross profit	-	-	-
Exploration costs	(240,354)	(141,650)	(231,458)
Administrative expenses	<u>(842,354)</u>	<u>(321,521)</u>	<u>(650,876)</u>
Operating loss	(1,082,708)	(463,171)	(882,334)
Profit on disposal of fixed assets	<u>144,493</u>	-	<u>2,975,522</u>
Profit/(Loss) on ordinary activities before interest	(938,215)	(463,171)	2,093,188
Net interest receivable and similar income	32,238	2,533	9,741
Amounts written off investments	-	-	<u>(280,000)</u>
Profit/(Loss) on ordinary activities before tax	(905,977)	(460,638)	1,822,929
Taxation	-	-	<u>(4,142)</u>
Profit/(Loss) for the period taken to reserves	<u>(905,977)</u>	<u>(460,638)</u>	<u>1,818,787</u>
Profit/(Loss) per ordinary share pence			
Basic	(3.83)p	(2.24)p.	7.70p

ZincOx Resources plc
Consolidated Balance Sheet
as at 30th June 2004

	30 June 2004 <i>unaudited</i>	30 June 2003 <i>unaudited</i>	31 December 2003 <i>audited</i>
	£	£	£
<u>FIXED ASSETS</u>			
Intangible assets	3,499,229	5,272,262	3,002,179
Negative goodwill	-	(1,643,466)	-
Tangible assets	12,964	32,876	16,465
Investments	<u>703,105</u>	<u>1,703,104</u>	<u>1,423,104</u>
	<u>4,215,298</u>	<u>5,364,776</u>	<u>4,441,748</u>
<u>CURRENT ASSETS</u>			
Debtors	113,369	140,799	4,210,585
Cash at bank and in hand	<u>3,447,675</u>	<u>942,856</u>	<u>105,172</u>
	3,561,044	1,083,655	4,315,757
Creditors – amounts falling due within one year	<u>(270,562)</u>	<u>(335,412)</u>	<u>(353,876)</u>
<u>NET CURRENT ASSETS</u>	<u>3,290,482</u>	<u>748,243</u>	<u>3,961,881</u>
<u>NET ASSETS</u>	<u>7,505,780</u>	<u>6,113,019</u>	<u>8,403,629</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	5,906,943	5,770,266	5,906,943
Share premium	5,188,848	5,035,680	5,188,848
Other reserves	(996,454)	(726,090)	(1,004,582)
Profit and loss account	<u>(2,593,557)</u>	<u>(3,967,005)</u>	<u>(1,687,580)</u>
<u>EQUITY SHAREHOLDERS FUNDS</u>	7,505,780	6,112,851	8,403,629
Minority interest	-	<u>168</u>	-
<u>TOTAL CAPITAL & RESERVES</u>	<u>7,505,780</u>	<u>6,113,019</u>	<u>8,403,629</u>

ZincOx Resources plc

Consolidated Cash Flow Statement
for the 6 months ended 30th June 2004

	6 months to 30 June 2004 <i>unaudited</i>	6 months to 30 June 2003 <i>unaudited</i>	12 months to 31 December 2003 <i>audited</i>
	£	£	£
<u>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</u>	<u>(953,119)</u>	<u>17,851</u>	<u>(523,257)</u>
<u>RETURNS ON INVESTMENTS AND SERVICING ON FINANCE</u>			
Interest received	32,238	2,533	9,741
Interest paid	<u>-</u>	<u>-</u>	<u>-</u>
Net cash inflow from returns on investments and servicing of finance	<u>32,238</u>	<u>2,533</u>	<u>9,741</u>
<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</u>			
Purchase of intangible fixed assets	(737,404)	(895,336)	(1,401,716)
Purchase of tangible fixed assets	<u>(2,023)</u>	<u>(5,737)</u>	<u>(3,140)</u>
Net cash outflow from capital expenditure and financial investment	<u>(739,427)</u>	<u>(901,073)</u>	<u>(1,404,856)</u>
<u>MANAGEMENT OF LIQUID RESOURCES</u>			
(Purchase)/sale of short term deposits	<u>(3,312,502)</u>	<u>(490,000)</u>	<u>200,000</u>
Net cash (outflow)/inflow from management of liquid resources	<u>(3,312,502)</u>	<u>(490,000)</u>	<u>200,000</u>
<u>FINANCING</u>			
Sale proceeds on disposal of subsidiary	4,282,812	-	-
Sale of investment	719,999	-	-
Issue of shares	-	1,517,876	1,742,500
Expenses paid in connection with share issue	<u>-</u>	<u>-</u>	<u>(24,625)</u>
Net cash inflow from financing	<u>5,002,811</u>	<u>1,517,876</u>	<u>1,717,875</u>
<u>(DECREASE) /INCREASE IN CASH</u>	<u>30,001</u>	<u>147,187</u>	<u>(497)</u>

ZincOx Resources plc

**Other Primary Statements
for the 6 months ended 30th June 2004**

Consolidated statement of total recognised gains and losses

	6 months to 30 June 2004 <i>unaudited</i>	6 months to 30 June 2003 <i>unaudited</i>	12 months to 31 December 2003 <i>audited</i>
	£	£	£
Profit/(Loss) for the period taken to reserves	(905,977)	(460,638)	1,818,787
Currency translation differences	<u>8,128</u>	<u>279,422</u>	<u>930</u>
Total recognised gains and losses for the period	<u>(897,849)</u>	<u>(181,216)</u>	<u>1,819,717</u>

Reconciliation of movements in consolidated shareholders' funds

	6 months to 30 June 2004 <i>unaudited</i>	6 months to 30 June 2003 <i>unaudited</i>	12 months to 31 December 2003 <i>audited</i>
	£	£	£
Profit/(Loss) for the period	(905,977)	(460,638)	1,818,787
Other recognised gains/(losses)	8,128	279,422	930
New share capital and related share premium	<u>-</u>	<u>1,517,876</u>	<u>1,807,721</u>
Net movement in shareholders' funds	(897,849)	1,336,660	3,627,438
Opening shareholders' funds	<u>8,403,629</u>	<u>4,776,191</u>	<u>4,776,191</u>
Closing shareholders' funds	<u>7,505,780</u>	<u>6,112,851</u>	<u>8,403,629</u>

ZincOx Resources plc

**Notes to the Accounts
for the six months ended 30th June 2004**

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 31st December 2003.

The financial information for the six months ended 30 June 2004 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 2003 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 2003 was not qualified.

2. Profit/(loss) per share

	6 months to 30 June 2004 unaudited	6 months to 30 June 2003 <i>unaudited</i>	12 months to 31 December 2003 <i>audited</i>
	£	£	£
Profit/(loss)	(905,977)	(460,638)	1,818,787
Weighted average number of shares	23,627,772	20,608,549	23,627,772
Per share amount in pence	(3.83)p	(2.24)p	7.70p

3. Net cash flow from operating activities

	6 months to 30 June 2004 unaudited	6 months to 30 June 2003 <i>unaudited</i>	12 months to 31 December 2003 <i>audited</i>
	£	£	£
Operating loss	(1,082,708)	(463,171)	(882,334)
Depreciation	5,524	7,200	11,680
Deferred exploration costs written-off	240,354	141,650	231,458
Losses/(gains) on foreign exchange translations	8,128	279,422	(2,746)
Increase/(decrease) in creditors	(83,314)	75,670	73,072
Increase/(decrease) in debtors	<u>(41,103)</u>	<u>(22,920)</u>	<u>45,613</u>
Net cash inflow/(outflow) from operating activities	<u>(953,119)</u>	<u>17,851</u>	<u>(523,257)</u>

ZincOx Resources plc

**Notes to the Accounts
for the six months ended 30th June 2004**

Reconciliation of net cash flow to movement in funds

	6 months to 30 June 2004 <i>unaudited</i>	6 months to 30 June 2003 <i>unaudited</i>	12 months to 31 December 2003 <i>audited</i>
	£	£	£
Increase/(decrease) in cash in the period	30,001	147,187	(497)
Cash inflow/(outflow) from (reduction)/increase in liquid resources	<u>3,312,502</u>	<u>490,000</u>	<u>(200,000)</u>
Change in net funds resulting from cash flow	<u>3,342,503</u>	<u>637,187</u>	<u>(200,497)</u>
Movement in net funds in the period	3,342,503	637,187	(200,497)
Opening net funds	<u>105,172</u>	<u>305,669</u>	<u>305,669</u>
Closing Net Funds	<u>3,447,675</u>	<u>942,856</u>	<u>105,172</u>

Analysis of changes in net funds

	At 1 st January 2003 £	Cashflow £	Sale of short term deposits £	At 31 st December 2003 £
Cash in hand & at bank	105,669	(497)	£	105,172
Short term deposits	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
	<u>305,669</u>	<u>(497)</u>	<u>(200,000)</u>	<u>105,172</u>
	At 1 st January 2004 £	Cashflow £	Purchase of short term deposits £	At 30 th June 2004 £
Cash in hand & at bank	105,172	30,001	£	135,173
Short term deposits	<u>-</u>	<u>-</u>	<u>3,312,502</u>	<u>3,312,502</u>
	<u>105,172</u>	<u>30,001</u>	<u>3,312,502</u>	<u>3,447,675</u>