

ZincOx Resources plc
Interim Results – six months ended 30 June 2005

ZincOx Resources plc, a world leader in the design of processes to treat unconventional zinc bearing material, today announced interim results for the six months ended 30 June 2005.

ZincOx's objective is to become a major producer of zinc oxide with operating costs among the lowest in the world. The company has an international portfolio of projects: the Aliaga Recycling Project (Turkey), the Mid West Recycling Project (USA), the Jabali deposit (Yemen) and deferred payment still to begin flowing through from the sale of the Shaimerden deposit (Kazakhstan).

Commenting on the results, Andrew Woollett, Managing Director, said: "Solid progress has been made with all our advanced projects and the Group is expanding rapidly in preparation for the construction and our first production in 2007."

Highlights of the results include:

- Jabali deposit (Yemen) – completion of 60% earn-in.
- Aliaga Recycling Project (Turkey) – Appointment of SNC Lavalin as Project Engineers.
- Mid West Recycling Project (USA) – Site identification nearing completion.
- Appointment of new staff for project development.
- Identification of potential recycling projects.

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Chairman's Statement

Over the past six months solid progress has been made with all our existing projects broadly in line with the targets set at the start of the year. At the same time we have begun to identify the next generation of recycling projects that will underpin our rapid growth strategy.

The completion of the feasibility study at Jabali (Yemen) earlier this year allowed us to commence the next stage of work, comprising three main activities: the confirmation of our earn in by our partners, the approval of our study by the environmental authorities and the application for a mining lease. We have received the approval of the Environmental Protection Agency and this is the most important step relating to the permitting process for the project's development. Having completed the feasibility study our partners have confirmed our 60% interest in the project.

The Jabali project is the first large scale mining project to be developed in Yemen for several decades. Our negotiations with various government departments regarding the terms of a mining lease have, therefore, been rather more protracted than we had originally envisaged. Our discussions have, however, now reached a conclusion and we hope to have the Minister's approval of the mining lease shortly and the ratification by Parliament thereafter.

We are unwilling to enter into a binding agreement with banks regarding the provision of project finance until the mining lease has been awarded. However several preliminary discussions have been held and we are encouraged by the level of interest in the project.

The Aliaga (Turkey) and Mid West (USA) recycling projects will essentially have the same plant design and we are increasingly confident that additional plants we construct elsewhere in the world will follow the same blueprint. We have, therefore, decided to take on a core engineering contracting company to work on all these projects. This will lead to greater efficiency and constrain the spread of our intellectual property. Furthermore the contractor will be able to provide guarantees for the process. The engineering company will conduct basic engineering and manage the development of the projects, working closely with local companies so as to minimise the cost of construction. The choice of the core engineering contractor has been a critical decision as it is likely to affect almost all our future projects. We have recently appointed SNC Lavalin to fulfil this role. SNC Lavalin is a major Canadian engineering contracting company with offices throughout the world and a major presence in Brussels.

In Turkey, we have submitted our application for environmental approval, and completed the geotechnical ground survey work required for plant and landfill design. We have completed the water well drilling and have established that sufficient water for our operation can be sourced from within our land. SNC Lavalin is working on the basic engineering and layout of the plant and a short list of suitably qualified local engineering contractors has been drawn up. We expect the basic feasibility study to be completed at the beginning of the forth quarter of this year.

In the United States we have spent a great deal of time investigating, together with our partners Envirosafe, the best site for our plant. Mannick & Smith, a very experienced firm of local environmental consultants, has been engaged to assist us with site selection. Several sites have been investigated in detail with particular attention being paid not only to the relative cost of operation at each site but also environmental considerations. Our preferred site is very well placed for infrastructure and close to a major landfill capable of taking the residue from our plant. Suitably zoned industrial land amounting to 46 acres (18.4 hectares) has been offered to us. We are awaiting confirmation of the effluent disposal cost from the local municipality, this is expected shortly. Provided this is in line with the estimates previously given by them we will be able to proceed immediately with the land purchase. Since the development of the Turkish project is ahead of the Mid West project we have decided deliberately to run the latter about three months behind Turkey, this will ensure that the lessons learnt in Turkey can be implemented in the development in the USA.

The Polykiln pilot work is continuing to allow us to refine the equipment and improve our understanding of the process. Results will be reviewed and a strategic plan for the future of the technology drawn up before the year end.

In Belgium we have increased our activities at the laboratory where our research and testwork is carried out. We have successfully piloted every aspect of the LTC process and this work has been used in the design of the plant flow sheets for the Turkey and USA projects. Equipment manufacturers have visited the pilot plant and tested their equipment on our materials and solutions so that they are able to provide performance guarantees. We have also constructed and commissioned a small facility that allows us to produce the quantities of zinc oxide product required for test marketing. In addition, by modifying this facility we are able to vary the nature of the product so as to be able to tailor it to meet the requirements of different industrial users. To run this programme we have recently taken on an experienced product development engineer.

The mine development at Shaimerden, in Kazakhstan, is progressing according to schedule. Open pit mining of overburden started last year and currently 500,000 cubic metres per month of waste material is being removed.. The first ore should be mined in the middle of next year and the receipt of our first deferred payment due under the sale agreement with Kazzinc should be made, as scheduled, in January 2007. The continuing global rise in the consumption of zinc without a corresponding growth in the development of new mine supply has moved the zinc price upwards and the general outlook for next year is very positive. At the current zinc price (US\$1,350/tonne) the value to ZincOx of deferred payments for Shaimerden amount to US\$25.85 million payable over a four year period.

The Group will very soon be moving into an entirely new phase of its development, that of project construction, which will be followed soon thereafter by the ultimate phase of production.

Managing our transition into the construction phase is a difficult challenge for any company and one for which we have been making plans. The cornerstone of these plans is to have recruited the right people into key staff positions. In this regard we have made some important appointments this year and several more new members of staff will need to be recruited over the coming months. Central to our development plans has been the

appointment of Ian Stalker as Group Projects Manger. Ian is a chemical engineer with an outstanding track record in project development in the mining industry most notably with Goldfields of Australia and Ashanti Goldfields. In the same way as SNC Lavalin's appointment recognises the similarity between our projects and the synergy to be obtained by the use of a common development team, Ian will be responsible for the feasibility studies and development of all our projects.

Our vision is to create a global network of plants based upon primary deposits and the recycling of zinc bearing waste materials, particularly those produced by the steel industry. We are confident that the blueprint for Turkey and the USA can be reproduced elsewhere, and it is our intention to press ahead with feasibility studies for a number of new projects without delay so that we will have a second generation of projects ready for development as our existing projects are brought on stream. Ian's appointment has released strategic management resources that can now be redeployed in the quest for new projects. Several trips have been made to a number of Far Eastern countries and the response from steel producers and governments has been very encouraging.

We are excited by the challenges facing the company and we are looking forward to demonstrating our ability to rise to them over the coming months.

Nöel Masson
Chairman
12 September 2005

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the six months ended 30 June 2005

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £	
Turnover	-	-	-	
Cost of sales	-	-	-	
Gross Profit	-	-	-	
Exploration costs	-	(240,354)	(463,187)	
Administrative expenses	(325,237)	(842,354)	(1,148,053)	
Operating loss	(325,237)	(1,082,708)	(1,611,240)	
Share losses of Associate	(2,973)	-	(2,623)	
Profit on disposal of fixed assets	-	144,493	84,053	
(Loss) on ordinary activities before Interest	(328,210)	(938,215)	(1,529,810)	
Net interest receivable and similar income	111,897	32,238	92,416	
Amounts written off investments	-	-	(136,943)	
(Loss) on ordinary activities before tax	(216,313)	(905,977)	(1,574,337)	
Taxation	-	-	(3,844)	
(Loss) for the period taken to reserves	(216,313)	(905,977)	(1,578,181)	
Profit/(Loss) per ordinary share pence	Basic	(0.78p)	(3.83)p	(6.68p)

CONSOLIDATED BALANCE SHEET

for the six months ended 30 June 2005

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £
FIXED ASSETS			
Intangible assets	4,859,984	3,499,229	3,957,997
Tangible Assets	472,359	12,964	12,031
Investments	<u>423,632</u>	<u>703,105</u>	<u>426,605</u>
	<u>5,755,975</u>	<u>4,215,298</u>	<u>4,396,633</u>
CURRENT ASSETS			
Debtors	115,463	113,369	83,057
Debtors due after one year	151,091		116,098
Cash at bank and in hand	<u>5,554,672</u>	<u>3,447,675</u>	<u>2,524,398</u>
	5,821,226	3,561,044	2,723,553
Creditors - amounts falling due within one year	<u>(265,273)</u>	<u>(270,562)</u>	<u>(294,262)</u>
NET CURRENT ASSETS	<u>5,555,953</u>	<u>3,290,482</u>	<u>2,429,291</u>
NET ASSETS	<u>11,311,928</u>	<u>7,505,780</u>	<u>6,825,924</u>
CAPITAL AND RESERVES			
Called up share capital	7,243,522	5,906,943	5,906,943
Share premium	8,555,220	5,188,848	5,188,848
Other reserves	(1,004,740)	(996,454)	(1,004,106)
Profit & loss account	<u>(3,482,074)</u>	<u>(2,593,557)</u>	<u>(3,265,761)</u>
EQUITY SHAREHOLDERS' FUNDS	<u>11,311,928</u>	<u>7,505,780</u>	<u>6,825,924</u>
TOTAL CAPITAL & RESERVES	<u>11,311,928</u>	<u>7,505,780</u>	<u>6,825,924</u>

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2005

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(419,550)	(953,119)	(1,306,805)
RETURNS ON INVESTMENTS AND SERVICING ON FINANCE			
Interest received	111,897	32,238	92,416
Net cash inflow from returns on investments and servicing of finance	111,897	32,238	92,416
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT			
Purchase of intangible fixed assets	(901,987)	(737,404)	(1,454,429)
Sale of Investments	-	-	845,330
Purchase of tangible fixed assets	(463,037)	(2,023)	(5,579)
Investment in Associate	-	-	(220)
Net cash outflow from capital expenditure and financial investment	(1,365,024)	(739,427)	(614,898)
DISPOSALS			
Sale proceeds on disposal of subsidiary	-	4,282,812	4,249,075
Sale of Investment	-	719,999	-
	-	5,002,811	4,249,075
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of short term deposits	(741,937)	(3,312,502)	(2,258,063)
Net cash (outflow)/inflow from management of liquid resources	(741,937)	(3,312,502)	(2,258,063)
FINANCING			
Issue of shares	4,986,665	-	-
Expenses paid in connection with share issue	(283,714)	-	-
Net cash inflow from financing	4,702,951	-	-
INCREASE IN CASH	2,288,337	30,001	161,725

OTHER PRIMARY STATEMENTS

for the six months ended 30 June 2005

Consolidated statement of recognised gains and losses

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £
(Loss) for the period taken to reserves	(216,313)	(905,977)	(1,578,181)
Currency Translation differences	(634)	8,128	476
Total recognised gains and losses for the period	<u>(216,947)</u>	<u>(897,849)</u>	<u>(1,577,705)</u>

Reconciliation of movements in consolidated shareholders' funds

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £
(Loss) for the period	(216,313)	(905,977)	(1,578,181)
Other recognised gains/(losses)	(634)	8,128	476
New share capital and related share premium	<u>4,702,951</u>	<u>-</u>	<u>-</u>
Net movement in shareholders' funds	4,486,004	(897,849)	(1,577,705)
Opening shareholders' funds	6,825,924	8,403,629	8,403,629
Closing shareholders' funds	<u>11,311,928</u>	<u>7,505,780</u>	<u>6,825,924</u>

NOTES TO THE ACCOUNTS

for the six months ended 30 June 2005

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 2004.

The financial information for the six months ended 30 June 2005 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 general accepted accounting principles. The financial information for the 12 months ended 31 December 2004 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 2004 was not qualified.

2 Loss per share

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £
(Loss)	(216,313)	(905,977)	(1,578,181)
Weighted average number of shares	27,649,970	23,627,772	23,627,772
Loss per share amount in pence	(0.78p)	(3.83p)	(6.68p)

3 Net cash flow from operating activities

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £
Operating loss	(325,237)	(1,082,708)	(1,611,240)
Depreciation	2,709	5,524	10,013
Deferred exploration costs written off	-	240,354	463,187
Losses/(Gains) on foreign exchange transactions	(634)	8,128	476
(Decrease) in Creditors	(28,989)	(83,314)	(106,085)
(Increase)/ in Debtors	(67,399)	(41,103)	(63,156)
	<hr/> (419,550)	<hr/> (953,119)	<hr/> (1,306,805)

Reconciliation of net cash flow to movement in funds

	6 months to 30 June 2005 unaudited £	6 months to 30 June 2004 unaudited £	12 months to 31 December 2004 audited £
Increase in cash in the period	2,288,337	30,001	161,725
Deconsolidation of RIF Zinc	-	-	(562)
Cash inflow from increase in liquid resources	741,937	3,312,502	2,258,063
Change in net funds resulting from cash flow	3,030,274	3,342,503	2,419,226
Movement in net funds in the period	3,030,274	3,342,503	2,419,226
Opening net funds	2,524,398	105,172	105,172
Closing net funds	5,554,672	3,447,675	2,524,398

Analysis of change in net funds

	At 1 January 2004 £	Cashflow £	Purchase short term deposits £	RIF Zinc Deconsolidated	At 31 December 2,004 £
Cash in hand and at bank	105,172	161,725		(562)	266,335
Short term deposits	-	-	2,258,063		2,258,063
	105,172	161,725	2,258,063	(562)	2,524,398
	At 1 January 2,005 £	Cashflow £	Purchase short term deposits £		At 30 June 2,005 £
Cash in hand and at bank	2,524,398	2,288,337	-	-	4,812,735
Short term deposits	-	-	741,937	-	741,937
	2,524,398	2,288,337	741,937	-	5,554,672