

## **Aliaga Recycling Project Update**

11 November 2005

ZincOx Resources plc is pleased to announce the completion of the first part of the feasibility study for the Aliaga Recycling Project (Turkey) being undertaken by SNC-Lavalin Europe. The work to date has included a technical review of the process, plant layout, engineering design and an estimation of capital and operating costs to an accuracy of +/-15%.

The Aliaga project envisages the production of high quality zinc oxide from waste material (EAFD) generated by the steel recycling industry. Further sampling of the Turkish EAFD over the past 12 months has allowed the company to increase the initial capacity of the plant by one third so that the study is examining the production of 20,000 tpa of high quality zinc oxide generated from the EAFD produced by the steel mills at Aliaga alone.

ZincOx expects to be able to increase production to at least 30,000 tpa zinc oxide by obtaining EAFD from steel mills located elsewhere in Turkey. The 20,000 tpa plant has been designed so that it may be expanded to 30,000tpa for the minimum of additional expenditure. Although this adds to the capital of the 20,000tpa plant, it reduces the overall capital cost of the expanded project. The cost of this expanded capacity provision and the increase in the initial production rate has led to a revised capital cost of US\$39 million for the initial capacity of the plant.

Based on SNC-Lavalin Europe's cost estimates, ZincOx has revised its previous cash flow models. For the initial 20,000 tpa capacity without further expansion, using a zinc price of US\$1,150 per tonne (Current price US\$1,584 per tonne), the project would have a post tax net present value of £19 million, at a 10% discount rate, and an internal rate of return of 23%.

It is intended that the expansion to 30,000tpa would be financed largely out of the cash flow generated in the first full year of production. A preliminary financial model based on an expanded project, using a zinc price of US\$1,150 per tonne, has a post tax net present value of £28 million, at a 10% discount rate, and an internal rate of return of 26%.

SNC-Lavalin Europe is scheduled to complete its Feasibility Study in March 2006. This will include further engineering design up to a stage that will consolidate the investment cost and confirm the process performance to enable ZincOx to satisfy the requirements of the providers of project finance. Discussions regarding the terms for project finance are well underway and the terms of a mandate are close to being concluded.

Commenting on the announcement, Andrew Woollett, ZincOx's Managing Director said "Our two phase approach to the feasibility study confirms the value of the project ahead of the more detailed engineering required for project finance. This allows us to commence infrastructural development on the site and to order long lead-time items of equipment so that the overall development schedule for the project will not be delayed by the arrangement of project finance."

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