

ZincOx Raises £13.2 million for the Development of the Aliaga Recycling Project

ZincOx Resources plc (“ZincOx” or the “Company”) (Symbol ZOX) has raised approximately £12.7 million net of expenses in a placing (the “Placing”) arranged by Numis Securities Limited (“Numis”). The Placing, which is conditional *inter alia* on the passing of certain shareholder resolutions, involves the issue of 8,787,333 new ordinary shares in the Company at a price of 150p per share. Immediately following the Placing the total number of shares in issue will be 37,761,422. The proceeds from the Placing will be used principally to fund the equity component of the development of the Aliaga Zinc Recycling Project in Turkey (“Aliaga”).

On 23rd November 2005, ZincOx announced that it had entered into a mandate with Investec Bank (UK) Limited (“Investec”) to arrange and conditionally underwrite project debt for the development of the Aliaga Project. This project finance is intended to provide approximately two thirds of the funding required to bring the Aliaga plant up to operational capability, with the £12.7 million raised by the Placing intended to provide the remainder and general working capital.

Commenting on the announcement, Andrew Woollett, ZincOx’s managing director, said “Raising these funds more than covers our equity component of the Aliaga project and enables us to start development early in the new year. This marks the start of our transition to a producing company.”

ZincOx specialises in the recovery of zinc from non-sulphide zinc bearing materials. The Aliaga project envisages the production of high quality zinc oxide from waste material (Electric Arc Furnace Dust – EAFD) generated by the steel recycling industry.

On 11th November 2005, ZincOx announced the completion of the first part of the feasibility study for the Aliaga project undertaken by S.A. SNC-Lavalin Europe N.V. (“SNC”), which includes a technical review of the process, plant layout, engineering design and an estimation of capital and operating costs to an accuracy of +/-15%.

The plant is initially being designed to produce 20,000 tonnes per annum (“tpa”) of high quality zinc oxide generated from the EAFD produced by the steel mills at Aliaga, although, in due course, the Company expects to be able to increase production up to 30,000 tpa zinc oxide by obtaining EAFD from steel mills located elsewhere in Turkey. The 20,000 tpa plant has also been designed so that it may be expanded to 30,000tpa for a reduced additional expenditure per tonne. Although this adds to the initial capital cost 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 to 20,000tpa has led to a revised capital cost of US\$39 million for the initial capacity of the plant.

Based on SNC'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 (price as at 5 December 2005 – US\$1,731 per tonne), the project is estimated 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 30,000 tpa will 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%.

The full SNC feasibility study is expected by the end of March 2006, but to avoid any unnecessary delay in the development of the Aliaga plant, the Company is raising funds at this stage.

In addition to the development of the Aliaga project, the Company has completed a feasibility study on the Jabali zinc deposit in Yemen and will shortly be commencing a feasibility study in the Mid West of the United States for the recovery of zinc oxide from EAFD similar to the Aliaga project. ZincOx is also continuing its research into other potential recycling projects including testwork on the viability of the Polykiln technology for the potential re-processing of slag.

Following completion of the sale of the Shaimerden deposit in Kazakhstan for US\$7.5 million in 2004, ZincOx is entitled to receive, subject to the zinc price being above US\$800 per tonne, further deferred receipts relating to the first 200,000 tonnes of zinc mined. These payments will be 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 a zinc price of US\$1,600 per tonne (price as at 5 December 2005 – US\$1,731 per tonne), the further deferred receipts would amount to approximately US\$38.0 million. Providing the zinc price remains above US\$800 per tonne, further deferred receipts are anticipated to be received between 2007 and 2010.

Under the Placing, the Company has conditionally placed 8,787,333 new ordinary shares of 25p each (the "New Shares") at a placing price of 150p per share to raise approximately £13.2 million before expenses (approximately £12.7 million after expenses). The Placing has been arranged by Numis who have also underwritten the issue. The Placing is conditional, *inter alia*, upon the placing agreement between ZincOx and Numis becoming unconditional and not being terminated prior to 6 January 2006, the expected date of admission, or such later date (being no later than 13 January 2006) which the Company and Numis may agree. The New Shares will rank *pari passu* in all respects with the existing ordinary shares of 25 pence each in issue. It is expected that dealings in the New Shares will commence on AiM on 6 January 2006.

Conditional on the completion of the Placing, the directors intend, pursuant to the terms of the Company's Unapproved Executive Share Option Scheme previously approved by the shareholders ("the Scheme"), to grant options over 878,333 ordinary shares in the capital of the Company at the same exercise price as the New Shares.

For the purposes *inter alia* of giving the directors authority to allot and issue the New Shares and to disapply statutory pre-emption rights in respect of such New Shares, an extraordinary general meeting of the Company will be convened for Thursday 5 January 2006 at 11.00 am. The Placing is conditional upon those resolutions being duly passed.

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