

Teck Cominco Limited supports global recycling strategy and makes GBP5.4m placing

- ❖ Teck Cominco Limited increases ZincOx interest to 11.5% from 7.5% and is issued warrants that can increase its holding to 15%
- ❖ ZincOx's new and enhanced global recycling strategy supported by Teck Cominco – Turkey, USA, Far East

Teck Cominco Limited, one of the world's largest zinc miners, has agreed to subscribe for 2,049,759 new ordinary shares of ZincOx at £2.65 per share, together with the same number of warrants exercisable within one year at £3.30 per share. On completion of the placement, Teck Cominco's interest in ZincOx will increase from 7.5% to 11.5%. If the warrants are exercised, Teck Cominco's interest would increase to 15%.

Teck Cominco's investment follows an extensive review of ZincOx's process technologies and the Company's new and enhanced global recycling strategy, which is focused on the recovery of zinc from electric arc furnace dust ("EAFD") using a combination of rotary hearth furnace technology and ZincOx's proprietary solvent extraction technology. In connection with the placement, ZincOx and Teck Cominco are to enter into a technical cooperation agreement, under which Teck Cominco will provide technical support to ZincOx with a view to eventual direct participation in ZincOx recycling projects.

ZincOx is employing a two stage process for the recovery of zinc from waste dust produced by Electric Arc Furnaces (EAFD) when recycling steel scrap. Over 4 million tonnes of EAFD is generated annually which due to the galvanised nature of scrap typically contains from 15% to 25% zinc. EAFD is, therefore, significantly richer in zinc than most primary zinc deposits. Due to the hazardous nature of the EAFD, steel producers generally pay to have it disposed.

ZincOx intends actively to pursue a global recycling strategy envisages the treatment of EAFD in a number of rotary hearth furnaces (RHF) spread throughout the steel recycling regions of the world, for the production of impure zinc concentrate that would be treated in specially modified zinc electro-refineries, such as ZincOx's Big River Zinc smelter in the USA. This strategy produces no waste so it has significant environmental advantages over current practices.

Commenting on the announcement, Andrew Woollett, ZincOx's Chairman, said "This represents a quantum leap forward in steel waste treatment with the recovery of almost all the zinc and iron and no waste generation. We have an ambitious programme of development over the next few years as we aim to become one of the largest zinc recycling companies in the world and we are delighted that these plans are to be supported by a company of the size and strength of Teck Cominco".

Teck Cominco President and Chief Executive Officer Don Lindsay said: "We are pleased to support ZincOx in the development of this promising technology and look forward to working closely with Andrew Woollett and his team."

Recycling Strategy

In addition to the development of primary zinc oxide deposits, the company has been working on the recovery of zinc from certain waste materials, notably dust produced by Electric Arc Furnaces, EAFD. Over 4 million tonnes of EAFD is generated annually from steel mills recycling steel scrap. Due to the galvanised nature of the scrap the EAFD typically contains from 15% to 25% zinc, and 20% to 32% iron. ZincOx has developed a number of ways of recovering the zinc in EAFD by direct leaching; however this approach does not recover the iron.

Earlier this year the company became aware of RHF equipment that gave exceptionally high zinc and iron recovery. The process uses a fuming process to produce an impure zinc oxide concentrate rich in halides (chlorides and fluorides) and, by reduction, metallic iron as a direct reduced iron (DRI) by-product. The DRI product may be melted into pig iron and a clean slag that is suitable for construction purposes. Over the past five months a thorough review of this technology has confirmed the metal recoveries and operating costs. While the recovery of zinc using fuming technology, has been known for many years the selected RHF equipment has major savings in energy consumption and also benefits from the revenue generated from the iron by-product.

This technology not only maximises the revenue from metals but produces no residue or effluent.

The zinc concentrate fume produced from EAFD treatment contains halides that preclude its direct use in zinc electro-refineries. Material of this type may, at some cost, be washed to reduce halides, allowing it to be used in limited amounts in a conventional zinc electro-refinery. The problems for zinc electro-refineries caused by the halides can be avoided if the conventional purification technology is replaced by the solvent extraction process. This is essentially the same process as that designed by ZincOx's management team for the Skorpion electro-refinery, in Namibia.

Aliaga, Turkey

Representative blended samples from Turkish steel mills have been tested by the suppliers of the rotary hearth furnace equipment. This testwork has confirmed the metal recovery and reagent consumption of the process. A preliminary capital and operating cost estimate has been made and an economic model has been generated for a furnace treating 200,000 tpa EAFD for the production of about 40,000 tpa zinc contained in a concentrate. Using a zinc price of US\$1,900 per tonne over the short term and a long term average price of US\$1,500/t, the new Aliaga project is estimated to have a post tax net present value of US\$ 62 million and an internal rate of return of 21%.

As a result of this appraisal, the company has decided to proceed with a rotary hearth furnace development in Turkey rather than the previously announced LTC project. The

new project will be based inside the Heavy Industrial Zone at Aliaga, next to the steel mills and is well serviced by road, rail and utilities. The development programme envisages production commencing in mid 2008.

Big River Zinc

In the United States, ZincOx is in the advanced stages of planning to modify its Big River Zinc smelter, in Illinois, by the development of a purification process based on solvent extraction. In the initial development phase EAFD alone was to have been treated directly to produce 30,000 tpa zinc metal. In view of the development of the RHF in Turkey, the initial design capacity of the plant will now be increased to 75,000 tpa of zinc metal.

In view of the success of the Turkish test programme and the re-direction of the Aliaga project, the Company is examining the possibility of also developing a RHF in the USA.

Teck Cominco

In view of the number of new recycling projects being generated by ZincOx and their approaching development, ZincOx's management has been considering the active involvement of a substantial strategic partner whose presence would support the project financings required for the new projects.

In light of the above and in view of Teck Cominco's existing 7.5% shareholding in the company, the two companies decided to undertake a detailed review of technologies and the recycling strategy. At the same time Teck Cominco agreed to follow its rights in the financing in June 2006, designed to cover the cost of the acquisition of the Big River Zinc smelter.

The joint technology review has confirmed the potential for joint development of projects based on the recovery of zinc from waste and secondary material, in particular those based on the RHF technology and the subsequent recovery of zinc metal using solvent extraction.

It is the intention of the companies that Teck Cominco and ZincOx should work together as strategic partners and they are now investigating how to best work to advance projects in Turkey, the USA and the Far East.

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