



ZincOx Resources plc
Preliminary Results - Year Ended 31 December 2006

Operational Highlights

- £3.64 million profit, or 8.36p per share .
- Over £20 million in cash reserves
- Teck Cominco increased holding to 11.5% (warrants for further 3.5%)
- £8.1m acquisition of 100,000 tonne per annum Big River Zinc smelter, USA
- First EAFD supply option agreements for the Far East, in Thailand

Activities during 2007 and outlook

Commenting today Andrew Woollett, Executive Chairman, said: “2006 was a landmark year for ZincOx with significant progress on all our projects and a Group profit of £3.64m. With the first of our EAFD recycling projects close to development and the backing of industry major Teck Cominco, I believe we are on target to realise the first Zinc production from the recycling assets in 2008”

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Chairman's Statement

The company and its prospects were completely transformed over the course of 2006. We have seen a number of very positive developments and dramatic progress has been made on all fronts. There were several highlights including:

- Commencement of annual Group profits
- Acquisition of a major zinc smelter in the USA
- Involvement of a strong corporate strategic partner
- Refinement of a recycling strategy that is both competitive and environmentally sustainable

We achieved a post tax profit for 2006 of £3.64 million, or 8.36p per share on a fully diluted basis (2005: (2.99p) per share). This was due to the first deferred consideration payment arising from the Shaimerden sale and cash realised by the partial sale of our Jabali project. With the Shaimerden deferred consideration expected over the next four years and cash flow from our own projects due to commence in 2008, the company is on a firm financial footing and currently has over £20 million in cash reserves.

Our well defined global strategy for the recycling activities should enable us to become a major global zinc recycling company. Our recycling strategy is based on the recovery not only of zinc, but also iron and other valuable metals from electric arc furnace dust (EAFD), a waste generated from the recycling of steel scrap. In order to emphasise the pre-eminence of recycling the Board has decided to update the company's logo by the inclusion of a modified version of the internationally recognised symbol for recycling.

Our strategy envisages EAFD being collected from several steel mills and treated at a central regional scale rotary hearth furnace that will produce an intermediate zinc product suitable as a feed for a central continental scale zinc production facility. The rotary hearth furnaces will in addition produce a low quality iron product suitable for immediate melting into saleable pig iron and a clean slag suitable for construction purposes. The pig iron can be sold back to the same mills that provided the original EAFD. The process produces no significant waste so that almost all the EAFD is recycled into useful raw materials. Furthermore this is done with less energy consumption than either existing recycling technology or production from primary deposits. We believe, therefore, that our approach will be recognised by the steel industry and environmentalists alike as the Best Available Technology (BAT) and, in time, will be the yardstick against which other technologies are judged.

The first rotary hearth furnace operations will be based in Ohio, in the USA and Aliaga, in Turkey. Each project will process 200,000 tonnes per annum (tpa) of EAFD and produce about 47,000 tpa of zinc in zinc concentrate and iron as pig iron. The zinc concentrate from both operations will be shipped to the Big River Zinc smelter located just outside St Louis in the central part of the United States, where it will be refined into high quality zinc metal.

In Ohio a site has been selected that is well placed for infrastructure and that lies close to the operational base of ESOI our North American EAFD supplier. ESOI is the largest EAFD landfill company in the USA and has a first class track record in the transportation

and management of EAFD disposal. Pre-development engineering is well underway and we are planning to have the plant ready for commissioning in the middle of 2008.

In Turkey, our new plan based on a rotary hearth furnace operation inside the Aliaga Heavy Industrial Zone, met with universal support at the public meeting held in March 2007. This meeting was part of the environmental permitting procedure required before construction can commence. We are hoping to have these formalities completed by the end of June so that development work on site can begin enabling production to commence in the second half of 2008.

Our new strategy for recycling has been greatly enhanced by our acquisition of the Big River Zinc electro-refinery, near St Louis. We were able to purchase the plant for £8.1 million, the cost of which was covered by a small placement of ZincOx shares in June which raised £15 million. A new plant of this type would cost over US\$300 million to build today and permitting would likely be very protracted. Most of the existing plant and infrastructure can be used in the new operation, although the material of construction for some equipment will need to be changed and solvent extraction will be installed to replace conventional purification. The redevelopment cost of Big River Zinc is expected to be about US\$90 million but the saving against building a new operation from scratch will be well over US\$100 million. Demolition of redundant buildings to make way for the new plant has already commenced. We plan to start commissioning towards the middle of 2008, slightly ahead of that for the Ohio Recycling Project.

The strategy of two regional scale rotary hearth furnaces feeding continental scale zinc production facilities is a blue print we see being rolled out in other parts of the world. With this in mind towards the end of the year we announced the first EAFD supply option agreements for the Far East, in Thailand. We now have a small office in Bangkok and are pursuing opportunities elsewhere in the Far East.

Preparations for the development of the Jabali mine in Yemen have progressed steadily throughout the year. In light of the significant capital cost increases reported by almost every new mining project in the world over the past few years, we felt it necessary to carry out a comprehensive review of the cost estimate prepared in the 2005 feasibility study. This review, together with further process refinements, led to our announcement, in November 2006, of a revised capital cost, of US\$176 million. We also announced a restructuring of the ownership of the project. Anglo American plc had been left with only a 20% interest in the project, which for a company of its size is too small to be of significance, and they exchanged their interest for a modest royalty. At the same time we reduced our holding in the project to 52% in favour of our local partners for a payment of US\$7.5million in cash. Since our historical cost on the project at that time amounted to only US\$6.5 million, our interest in this low cost producer represents a very positive creation of value for shareholders. Provided the Exploitation Contract with the Government in Yemen can pass through the final stages of this ratification procedure in a timely fashion, we would hope to be in production in early 2009.

Yemen presents a challenging environment for financing. We felt that investors used to emerging markets and interested in high rates of return may be more natural supporters of our Jabali mine development than providers of conventional project finance. We are, therefore, in the advanced stages of arranging a project finance bond amounting to US\$120 million. The bond will have both a fixed interest and a zinc price related coupon.

The bond has been marketed to a number of specialist emerging market hedge funds and we are now at the final documentation stage.

In January 2007 we received the first of the deferred payments due as a result of the sale of our interest in the Shaimerden zinc deposit, in Kazakhstan. Further deferred payments are expected for the next four years. The amount of the payments is dependent on the average zinc price for the previous year. To date the zinc price for 2007 has averaged US\$3,548 per tonne. If the average price were to remain at this level and based on the current mine plan, the next payment, due in January 2008, would amount to US\$39 million. When one considers that the total investment by us in the project was less than US\$2 million and that we have already received cash totalling US\$16.5 million, there has clearly been a very satisfactory creation of value for shareholders.

The creation of this value has been a result of the continuing strength of commodities generally and, over the past two years, zinc in particular. This commodity boom is being driven by very strong demand from China and healthy growth in Asia. The fundamental shortage of zinc metal is demonstrated by the very low levels of zinc stocks available in LME warehouses. While it is fairly simple to assess the amount of new zinc likely to be coming on stream next year, the uncertainty in global demand for zinc, especially from China, makes predictions of the supply demand balance extremely difficult. The general sentiment in the market, however, continues to be very positive.

At the beginning of 2006 we recognised that the company would require considerable development capital to be raised during 2007. We felt that a strong strategic industrial partner would greatly facilitate our funding efforts not least by providing independent technical corroboration of our plans. We invited Teck Cominco, one of the world's largest zinc mining companies and a shareholder for some years with board representation since 1999 to become our strategic partner.

Following a very successful and detailed review of our strategy and technology, in December, Teck Cominco demonstrated its support by taking up a placing of new shares at the then market price £2.65 per share that increased their holding to 11.5%. In addition for each share we issued a warrant priced at a 25% premium (£3.30 per share) to the then share price and having a life of only one year. If exercised these warrants would increase Teck Cominco's interest in the company to 15%.

In line with ordinary industry practice, and given their robust economics, the recycling projects should support a high level of conventional project finance. Our equity requirement for these projects and the Jabali project would together only be about US\$160 million. The strong zinc price should enable us to monetise the value of the Shaimerden royalty and we are discussing this with selected financial institutions. We believe this will realize between US\$70 million and \$90 million. This together with current cash reserves (US\$40 million) and potential receipts from the exercise of the Teck Cominco warrant (US\$ 13 million) should be enough to cover most of the equity requirement. We are investigating various other attractive potential methods of financing, but we do not expect that a major issue of equity will be required.

Over the past year we have trebled the number of employees who currently number 67, mainly located in the UK at the Bagshot headquarters, in Belgium, where our research and development and engineering is based, and at Big River Zinc where we kept on the

core management team so as to provide continuity for the new operation. There are also employees locally in Turkey, Yemen and Thailand.

On behalf of the board and shareholders I would like to thank all staff for the huge efforts they have made over the past year, and I am confident that these efforts will be no less intense over the coming year.

Review of Operations

Recycling

The company's recycling strategy is based on the treatment of electric arc furnace dust (EAFD). EAFD is a zinc-bearing waste material generated when steel scrap is recycled. The largest use of zinc is for galvanising steel. When galvanised steel products reach the end of their life they are recycled for their iron units. Recycling scrap takes place in electric arc furnaces in which zinc and other base metals are driven off as oxides. These form a significant proportion of the dust recovered from the off gas cleaning system.

There are over 5 million tonnes of EAFD produced annually around the world from more than 300 recycling plants. EAFD typically contains 21%-30% iron, 15-25% zinc and 2%-4% lead, generally as simple oxides. The presence of toxic base metals such as lead, cadmium and arsenic makes EAFD a hazardous waste that has a significant cost of disposal. About half the world's EAFD is going to landfill and the majority of the rest is being recycled in horizontal rotary kilns (Waelz kilns).

ZincOx's strategy involves the recovery of zinc in a two stage process. In the first stage, EAFD is thoroughly mixed with coal and briquetted using a small amount of organic binder. Briquettes are gently fed into a rotary hearth where the temperature is raised to over 1,250°C by the ignition of the coal and the use of subsidiary gas burners. Both iron and zinc, together with other base metals are reduced and the base metals and zinc, being more volatile, boil off. The metals in the off-gas react with oxygen in the air and form oxide compounds that precipitate as a fine dust that is collected in the gas cleaning system. This crude zinc oxide concentrate is the final zinc and lead product from the first stage of our process.

After the removal of the volatile elements the iron bearing briquette contains about 50% iron and 50% slag (a vitreous material containing, a mixture of alkali elements, silicates, iron and magnesium). The hot briquettes are discharged directly into a simple electric furnace that raises the temperature sufficiently to melt the iron which sinks to the bottom of the furnace while the slag floats to the top, both materials being drawn off periodically. The iron contains carbon and is essentially a "pig iron" suitable for resale to the steel mills. The slag can be used for building purposes.

While the chemistry of the zinc reactions is well understood and indeed forms the basis of existing EAFD re-treatment operations in Waelz kilns, there are several important benefits of the rotary hearth furnace, most notably less energy consumption and the recovery of a high value iron product.

Crude zinc oxide produced by the rotary hearth furnace, and indeed existing EAFD re-treatment operations, contain levels of halides (chlorides and fluorides) that critically

affect the operation of conventional zinc smelters. Material of this type needs to be further beneficiated to remove the halides, consequently crude zinc oxide trades at a discount to the price paid for ordinary concentrate with the same zinc grade.

In the second stage of the ZincOx process, zinc will be produced from crude zinc oxide without the necessity for additional beneficiation. By avoiding the beneficiation step, the ZincOx approach enjoys significantly lower overall operating costs. Production of zinc metal in the second stage is in most ways the same as for a conventional plant, the difference being the replacement of conventional chemical purification by solvent extraction, a process successfully designed by the ZincOx technical team and employed at the Skorpion zinc oxide mine/refinery, in Namibia.

ZincOx intends initially to build two rotary hearth furnaces, at Aliaga and in Ohio and send crude zinc oxide concentrate to Big River Zinc for the recovery of zinc metal.

Ohio zinc recycling project – United States of America

There are over 1,000,000 tonnes of EAFD produced annually in North America. Steel mills pay a fee to have the EAFD removed from site and disposed of or retreated in some way. ZincOx plans to treat 200,000 tonnes per annum of EAFD at a new rotary hearth furnace operation, the Ohio Recycling Project (ORP) that should be on stream in mid 2008.

ZincOx has an EAFD supply agreement with Envirosafe Services of Ohio Inc. (ESOI). ESOI is a specialist hazardous waste disposal company with a ten year track record in the sourcing, handling and transport of EAFD. ESOI will source EAFD and transport it to the new facility.

ZincOx has an option to purchase a 7 hectare plot of land in northern Ohio. The land is zoned for industrial use and the infrastructure, such as access to rail and road transport, electricity, gas and water is excellent.

At a capacity of 200,000 tpa of EAFD containing an average of 24.4% zinc, the plant should produce 70,000 tpa of crude zinc concentrate containing 68% zinc. In addition the plant should produce 56,000 tonnes per year of pig iron and 48,000 tonnes per year of slag.

The pig iron will be sold to the steel mills and the slag will be suitable for use by the local construction industry.

ZincOx expects to submit an application for the 'Operating and Construction Permit' to the Ohio Environmental Protection Agency (OEPA) shortly, with approval expected by the end during the fourth quarter of this year. Early discussions with the OEPA have been very positive.

Engineering is now underway to create a standard basic design for both the Ohio and Aliaga projects. Detailed engineering will commence at the beginning of the third quarter of 2007, with construction beginning during the fourth quarter.

The capital cost of the ORP will be about US\$107 million. Using a zinc price of US\$1,900 per tonne for 5 years and US\$1,500 thereafter and using a discount rate of 10%, the project has a post tax net present value of US\$60 million and an internal rate of return of 20%. The project should support conventional project finance having a debt equity ratio of 2:1.

Aliaga zinc recycling project – Turkey

There are over 200,000 tonnes of EAFD produced annually in Turkey and this is likely to rise to over 300,000 tpa over the next two years. The EAFD is produced in three regions; around Istanbul, near Iskenderun and at the Aliaga Heavy Industrial Zone about 60 km north of Izmir, in western Turkey. EAFD is currently dumped in un-engineered sites, a practice that is becoming unacceptable under Turkish legislation. ZincOx plans to treat 200,000 tpa of EAFD at a new rotary hearth furnace operation, the Aliaga Recycling Project (ARP), that should be on stream in the second half of 2008.

The company has purchased a 4.2 hectare plot of land in the Aliaga Heavy Industrial Zone which is well serviced by all the necessary infrastructure and utilities and lies within 4 km of five steel mills which together produce over 100,000 tpa of EAFD.

At a capacity of 200,000 tpa of EAFD containing an average of about 24.2% zinc, the plant should produce 91,000 tpa of crude zinc concentrate containing 53% zinc. In addition the plant should produce 46,000 tpa of pig iron and 39,000 tpa of slag.

The pig iron will be sold to the steel mills and the slag will be suitable for use by the local construction industry.

ZincOx submitted Environmental Impact Assessment (EIA) documentation to the Ministry of the Environment, in February 2007. This marked the beginning of a process to obtain the necessary environmental approvals for the construction of the project. Discussions with the various relevant ministerial departments have been very positive.

Engineering is now underway to create a standard basic design for both the Ohio and Aliaga projects. Detailed engineering will commence at the beginning of the fourth quarter of 2007.

The capital cost of the ARP will be about US\$110 million. Using a zinc price of US\$1,900 per tonne for 5 years and US\$1,500 thereafter and using a discount rate of 10%, the project has an updated post tax net present value of US\$38 million and an internal rate of return of 17%. The project should support conventional project finance having a debt equity ratio of 2:1.

Big River Zinc refinery – United States of America

The Big River Zinc refinery is the second largest electrolytic zinc refinery in the United States. It occupies a site covering 37 acres on the east side of the Mississippi River, in Sauget, Illinois about 4 km from the centre of the city of St Louis, Missouri.

Historically, the refinery treated zinc sulphide concentrate largely produced from local mines and had a capacity of 100,000 tpa of zinc metal. Several local zinc mines closed during the time of low zinc prices between 2002 and 2004, and the operation became increasingly reliant on zinc concentrates from the expensive “spot” market.

Following exhaustive technical, financial and environmental due diligence, ZincOx acquired the operation in June 2006 and BRZ will be used as a central North American recycling centre. Initially it will be fed by material from the company’s EAFD treatment operations in Aliaga and Ohio.

In order to treat the impure zinc concentrate generated from the rotary hearth furnaces, some of the process stages and materials of construction of other parts of the BRZ plant will need to be changed. The biggest change will be the replacement of conventional zinc dust purification by solvent extraction.

ZincOx has submitted an application for the ‘Operating and Construction Permit’ to the Illinois Environmental Protection Agency with approval expected during the fourth quarter this year. Discussions with the Agency have been very positive.

Process design and engineering is at an advanced stage, with construction scheduled to commence in July this year. Work on site to demolish unwanted buildings and remove redundant plant has already commenced.

BRZ is expected to produce about 90,000 tonnes of zinc metal and 25,000 tonnes of lead concentrate per annum. The modifications and refurbishment of the plant are expected to cost about US\$90 million. Development is scheduled to begin in the middle of 2007 with first production in the middle of 2008. Using a zinc price of US\$1,900 per tonne for 5 years and US\$1,500 thereafter and using a discount rate of 10%, the project has an updated post tax net present value of US\$142 million and an internal rate of return of 37%. The project should support conventional project finance having a debt equity ratio of 2:1.

Mining

Jabali Zinc Deposit - Yemen

The Jabali zinc oxide deposit is located 110 km north east of Sana’a, the capital of Yemen. At a 4.4% zinc cut off grade, and calculated in accordance with the JORC code, the deposit contains a Measured and Indicated Resource of 10.8 million tonnes at 8.7% zinc, 1.2% lead and 68 grams per tonne of silver, with an additional Inferred Resource of 1.8 million tonnes at 9.4% zinc, 1.2% lead and 71 grams per tonne silver. It is open for exploration potential on two sides.

The rights over the deposit are held by Jabal Salab Company (Yemen) Limited, owned 52% by ZincOx and 48% by Ansan Wikfs Hadramaut Ltd, a company controlled by Yemeni businessmen.

It is planned to develop the deposit at the rate of 800,000 tonnes of ore per year for the production of 70,000 tonnes per year of high quality zinc oxide.

A Feasibility Study for the development of the project was completed in 2005. It has been updated over the last year and new design, engineering and cost estimates have been completed by SNC Lavalin Europe, MDM Engineering and ZincOx. An audit of the updated study has been carried out by Saint Barbara Consulting Services in London, on behalf of Exotix Limited, who have been mandated by the project company to assist in the provision of finance for the project. The updated study concluded that the total funding requirement to finance the capital cost of plant and equipment, including contingencies and all financing costs needed to construct the mine and associated facilities, and working capital sufficient to finance operations until such time as positive cash flow is forecast to be generated in the first quarter of 2009, is currently estimated to be \$186 million.

The arrangement of financing for development is at an advanced stage. It includes a US\$120 million bond with a coupon which is made up of both a fixed interest rate and zinc price related elements. The term of the bond is six years with a three year grace period on principal repayments.

The balance of the funds, and interest earned during construction, will be funded by ZincOx and Ansan in line with their interests, 52% and 48% respectively.

Financing is subject to the approval of the Jabali Exploitation Contract by the Yemeni parliament. This Contract, which sets out all the terms and conditions under which the deposit is to be mined, was approved by the Cabinet in October 2006. Parliamentary approval is expected shortly, after which it will be ratified by the President and incorporated in law. Progress with Parliamentary approval has been slow as the Contract is the first of its kind in Yemen.

In parallel to arranging finance, detailed engineering has commenced and orders have been placed on certain long lead time items, such as Caterpillar mining equipment. Assuming financing is completed in June, construction on site will commence immediately thereafter, with plant commissioning scheduled for the last quarter of 2008. Mining of the waste material overlying the ore body is scheduled to commence in November of this year.

Shaimerden Zinc Deposit – Kazakhstan

ZincOx sold its interest in the Shaimerden zinc oxide deposit in 2003 to Kazzinc, a large local zinc producer owned by Glencore. While the sale included a cash amount of US\$7.5 million that was paid in 2003, it also included a deferred consideration linked to the zinc price, which is paid annually.

The deferred consideration is payable on the first 200,000 tonnes of zinc contained in ore that are mined from the deposit. The payments are paid at the rate of US\$0.2375 per tonne for every dollar that the LME zinc price is above US\$800 per tonne. The deferred payment is based on the amount of zinc in ore mined and, regardless of whether the deposit is being mined or not. In order to prevent Kazzinc from delaying development there is a deemed start date for mining (18th September 2006) and in order to avoid mining at an insignificant rate, a deemed minimum rate of production of 40,000 tonnes per annum of

contained zinc. There is also a maximum mining rate of 60,000 tonnes per year of contained zinc which ensured that the deferred consideration payments would be spread over a number of years so that accelerated mining during a year with a low average zinc price would have less impact on the amount of the deferred payments.

The Shaimerden mine commenced production on 17th September 2006 and by the end of the year the mine had to make a payment based on production of 11,616 tonnes of contained zinc. The first deferred consideration payment amounted to US\$9.04 million and was paid to ZincOx in January 2007.

During the first quarter of 2007, Kazzinc mined almost 30,000 tonnes of contained zinc, indicating that this year the deemed maximum of 60,000 tonnes of zinc should be applicable for the deferred consideration. If the zinc price were to continue to average \$3,548 during the course of the year, an amount of US\$39 million would be paid to ZincOx in January 2008.

Kazzinc's mining schedule envisages the first 200,000 tonnes of zinc in ore, on which our deferred consideration is due, being mined before the end of 2007. The payments, however, will be spread over the next four years due to the deemed maximum rate of mining as described above.

ZincOx Resources plc
Consolidated Profit and Loss Account
For the year ended 31st December 2006

	2006	Restated
	£'000	2005
		£'000
Turnover	169	-
Cost of Sales	(525)	-
	<hr/>	<hr/>
Gross (Loss)	(356)	-
Operating Expenses	(5,169)	(1,028)
	<hr/>	<hr/>
Operating (Loss)	(5,525)	(1,028)
Share of losses of associate	(2)	(8)
Profit / (Loss) on disposal of fixed assets	8,384	(31)
Net interest	745	226
	<hr/>	<hr/>
Profit on ordinary activities before Tax	3,602	(841)
Taxation	(13)	(6)
	<hr/>	<hr/>
Profit / (Loss) on ordinary activities after Tax	3,589	(847)
Equity minority interest	47	-
	<hr/>	<hr/>
Profit / (Loss) for the year taken to reserves	3,636	(847)
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Earnings / (Loss) per share – Basic	8.61p	(2.99p)
Earnings / (Loss) per share – Diluted	<u>8.36p</u>	<u>(2.99p)</u>
All operations are continuing		

ZincOx Resources plc
Consolidated Balance Sheet
as at 31st December 2006

	2006 £'000	Restated 2005 £'000
FIXED ASSETS		
Intangible Assets	10,575	6,136
Tangible Assets	8,777	510
Investments	2	226
	<hr/>	<hr/>
	19,354	6,872
CURRENT ASSETS		
Debtors due within one year	9,823	171
Debtors due after one year	235	197
Raw Materials Stock	1,020	-
Cash at Bank and in Hand	23,176	3,935
	<hr/>	<hr/>
	34,254	4,303
Creditors – amounts falling due within one year	(3,715)	(438)
	<hr/>	<hr/>
NET CURRENT ASSETS	30,539	3,865
Creditors – amounts falling due after one year	(1,698)	-
	<hr/>	<hr/>
NET ASSETS	48,195	10,737
CAPITAL AND RESERVES		
Called up Share Capital	12,105	7,244
Share Premium	37,245	8,555
Other Reserves	(1,109)	(1,002)
Profit and Loss Account	1	(4,060)
	<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	48,242	10,737
Minority Interest	(47)	-
	<hr/>	<hr/>
NET SHAREHOLDERS' FUNDS	48,195	10,737
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ZincOx Resources plc
Consolidated Cash Flow Statement
For the year ended 31st December 2006

	2006 £'000	2005 £'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(6,439)	(824)
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RETURNS ON INVESTMENTS AND SERVICING ON FINANCE		
Net Interest Received	745	226
	<hr/>	<hr/>
Net Cash Inflow from returns on investments and servicing of finance	745	226
	<hr/>	<hr/>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of Intangible Fixed Assets	(5,391)	(2,333)
Sale of Investments	218	162
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Purchase of Tangible Fixed Assets	(2,108)	(523)
	<hr/>	<hr/>
Net cash outflow from Capital Expenditure and financial investment	(7,281)	(2,694)
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ACQUISITIONS		
Cash at bank acquired with subsidiary	23	
Purchase of subsidiary undertaking	(1,358)	-
	<hr/>	<hr/>
Net cash outflow from acquisitions	(1,335)	-
	<hr/>	<hr/>
MANAGEMENT OF LIQUID RESOURCES		
(Purchase) of Short Term Deposits	(18,957)	(1,313)
	<hr/>	<hr/>
Net Cash (Outflow) from management of liquid resources	(18,957)	(1,313)
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FINANCING		
Issue of Shares	34,813	4,987
Expenses paid in connection with share issue	(1,262)	(284)
	<hr/>	<hr/>
Net cash inflow from financing	33,551	4,703
	<hr/>	<hr/>
INCREASE IN CASH	284	98
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ZincOx Resources plc

	2006	Restated
	£'000	2005 £'000
Statement of Total Recognised Gains and Losses		
Profit / (Loss) for the period taken to reserves	3,636	(847)
Currency translation differences	(107)	2
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	3,529	(845)
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Reconciliation of Movements in Consolidated Shareholders' Funds

		Restated
	2006	2005
	£'000	£'000
Profit / (Loss) for the Period	3,636	(847)
Minority Interest	(47)	-
Other Recognised Gains and Losses	(107)	2
Share Based Payments	425	53
New Share Capital and Related Share Premium	33,551	4,703
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Net Movement in Shareholders' Funds	37,458	3,911
Opening Shareholders' Funds	10,737	6,826
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Closing Shareholders' Funds	48,195	10,737
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Notes:**1. Preparation of non-statutory accounts**

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The balance sheet at 31st December 2006 and the profit and loss account, cash flow statement, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds and associated notes for the year then ended have been extracted from the Group's 2006 statutory financial statements upon which the auditors' opinion is unqualified.

2. Profit / (Loss) per Share

The calculation of the earnings / (loss) per share is based on the profit / (loss) attributable to ordinary shareholders of £3,636,000 (2005 £(847,000)) divided by the weighted average number of shares in issue during the year of 42,230,332 (2005 – 28,313,000).

The calculation of the diluted earnings / (loss) per share is based on the profit / (loss) attributable to ordinary shareholders of £3,636,000 (2005 £(847,000)) divided by the weighted average number of shares in issue during the year of 43,504,806 (2005: There is no dilutive effect of share options).

3. Net Cash Flow From Operating Activities

	2006	restated 2005
	£'000	£'000
Operating loss	(5,525)	(1,028)
Depreciation	433	25
Deferred exploration costs written off	952	155
Losses / (Gains) on foreign exchange transactions	(107)	2
(Decrease)/Increase in Creditors	(2,400)	138
Decrease/(Increase) in Debtors	(446)	(169)
(Increase) in Stock	229	-
Share based payments	425	53
	<hr/>	<hr/>
Net cash outflow from operating activities	(6,439)	(824)
	<hr/>	<hr/>
	2006	restated 2005
	£'000	£'000
Reconciliation of net cash flow to movement in funds		
Increase in cash in the period	284	98
Cash inflow from increase in liquid resources	18,957	1,313
	<hr/>	<hr/>
Change in net funds resulting from cash flow	19,241	1,411
	<hr/>	<hr/>
Movement in net funds in the period	19,241	1,411
Opening net funds	3,935	2,524
	<hr/>	<hr/>
Closing net funds	23,176	3,935
	<hr/>	<hr/>

Analysis of change in net funds	At 1 January 2006 £'000	Cashflow £'000	Purchase of Short Term Deposits £'000	At 31 December 2006 £'000
Cash in hand and at bank	364	284	-	648
Short term deposits	3,571	-	18,957	22,528
	<hr/>	<hr/>	<hr/>	<hr/>
	3,935	284	18,957	23,176
	<hr/>	<hr/>	<hr/>	<hr/>

4. Preliminary statement

Copies of the Annual Report will be sent to shareholders shortly and will be available from the company at Knightway House, Park Street, Bagshot, Surrey GU19 5AQ and Numis Securities Limited.