

**ZINCOX RESOURCES PLC**  
**("ZincOx" or "the Company")**  
**Trading symbol – ZOX**  
**14 January 2008**

**JABALI MINE DEVELOPMENT COMMENCES: US\$120 MILLION  
INNOVATIVE DEBT FUNDING, US\$31 MILLION SHAIMERDEN  
DEFERRED INSTALLMENT RECEIVED AND RECYCLING UPDATE**

**Jabali**

- **Jabali Mine development commences**
- **Innovative US\$120 million debt financing of the 52% owned Jabali zinc oxide mine in Yemen enables start of 22 month build to production.**
  - **First Yemen project bond**
  - **First zinc price related bonus instrument**
- **Production expected 4<sup>th</sup> quarter 2009**

**Shaimerden**

- **US\$31.4 million received as 2007 deferred payment instalment for the sale of the Shaimerden zinc oxide deposit**

**Recycling**

- **New two-stage strategy for development of the Company's zinc recycling projects results in much reduced primary funding requirement**
- **New EAFD supply agreements in the Far East**
- **Plant site selected for Thailand**
- **Talks on funding continue with banks, potential industrial partners and financial institutions**

**JABALI FINANCING**

ZincOx Resources plc announces the financing of its 52% owned Jabali zinc oxide mine in Yemen. The projected total cost of US\$ 216 million is made up of capital and working capital cost of US\$198 million plus \$18m of financial security guarantees. This amount will be financed by an innovative US\$120 million facility available to the operating company, Jabal Salab Company (Yemen) Limited ("Jabal Salab") and a 100% equity requirement amounting to US\$96 million, of which US\$19 million has been spent.

**Debt Facility US\$120 million**

Jabal Salab has signed a facility agreement ("the Facility") comprising US\$120 million of debt finance through a limited-recourse high yield bond and an innovative Zinc Indexed Price Payment Obligation ("ZIPPO") bonus instrument, linked to the zinc price.

The Facility is being provided to Jabal Salab to develop the Jabali zinc deposit in Yemen, with only very limited (US\$5.2 million) recourse to ZincOx. The Facility was arranged by Exotix Limited, an investment banking boutique specialising in emerging markets (for further information on Exotix, see notes to editors, below). The Facility

has been taken up by a number of emerging market funds and hedge funds through a special purpose vehicle.

The term of the bond is six years with an interest rate of 11.5% and a three year grace period on principal repayments. The ZIPPO carries a coupon calculated at US\$0.16 for each dollar that the average annual international zinc price is above US\$1,300 per tonne on every tonne of zinc produced by Jabal Salab over a ten year period. It is a tradable instrument, and is believed to be the first such instrument to be launched for a metal related transaction and the first Yemen project bond.

The financing is expected to close before 19 February 2008 on the satisfaction of all conditions precedent.

**Remaining Funding Requirement – ZincOx share US\$40 million**

The remaining funding requirement for the project of \$77 million, being made up of the balance of the capital and working capital spend (US\$59 million) plus the financial security requirements (US\$18 million), will be met by ZincOx and Ansan Wikfs Investments Ltd, according to their 52% and 48% respective interests in Jabal Salab. ZincOx's share of this remaining equity requirement amounts to US\$40 million. The Company has cash reserves of US\$51 million following the receipt of the deferred payment instalment related to the sale of the Shaimerden deposit in Kazakhstan.

**Andrew Woollett, Chairman of ZincOx said:**

*“The Jabali mine development programme has already started with the ordering of long lead time items of equipment, the building of our development team and the delivery of mining equipment. All the necessary permitting is in place and we expect development of the site to commence shortly.”*

**Peter Bartlett, Managing Director of Exotix, said:**

*“We are delighted that we have been able to arrange a well priced debt facility for this complex financing for Jabal Salab's Yemen mine, without resorting to traditional project finance. This is a highly significant deal as it is the first Yemen project bond and the first tradable bonus instrument to be launched for a metal related transaction. It represents a significant expansion in the range of financing options available to projects in emerging markets. We find there is a strong demand for less conventional investments, and innovative structures such as this financing bring these opportunities to a wider pool of investors”.*

(For further information on the Jabali Mine, see notes to editors, below)

**SHAIMERDEN DEFERRED PAYMENT**

As part of the sale of the Shaimerden deposit to Kazzinc in 2003, it was agreed that ZincOx would be due further annual payments in the early years of the mine's life. The amount of such payments depends on the zinc price during the year and the quarterly reconciliation of the mine production with the geological model. Despite temporarily problematic conditions in the pit during the second and third quarters, 58,558 tonnes of zinc contained in ore were mined during the year, which qualified for close to the maximum allowable amount under the deferred payment formula. Given the average zinc price for the first and fourth quarter of 2007 of US\$3,056 per

tonne, the amount paid was US\$31.4 million. The full 200,000 tonnes of zinc in ore is expected to be mined by mid-2008.

### **RECYCLING PROGRESS**

In addition to its mining interests, ZincOx has a growing portfolio of recycling projects based on the recovery of zinc from electric arc furnace dust (EAFD), a waste generated by the recycling of steel scrap. (For further information on the recycling strategy, see notes to editors, below). In recognition of the progress made by the Company, it was recently awarded the Mining Journal's Outstanding Achievement Award in the field of Sustainable Development.

### **New two stage development strategy**

The Company plans the integrated development of two rotary hearth furnaces (Ohio and Aliaga, Turkey) together with the redevelopment of its Big River Zinc electro-refinery at a cost of about US\$400 million.

Recent test work on the intermediate oxide concentrate generated by the rotary hearth furnaces has demonstrated that it can be readily washed so as to produce an attractive feed for conventional smelters. In addition to which, Big River Zinc has extensive experience of washing this type of material. The initial development of the Ohio project alone, in combination with a washing plant at Big River, for a capital cost estimated by the Company to be approximately US\$169 million, will allow an interim, low capital entry to recycling cash flow.

Using a short and long term zinc price of US\$2,200 per tonne and US\$1,800 respectively, on a post-tax pre-finance basis, ZincOx calculates that the interim project would have an NPV of US\$102 million, an internal rate of return of 21% (at a 10% annual discount), and at the short term price, would generate projected earnings of US\$36 million per annum.

It is the Company's intention that the development of Aliaga and Big River will proceed as soon as finance is available and well before the Ohio recycling plant is developed.

### **Recycling financing**

The Company has several financing options to fund the intermediate and full stages of its recycling strategy under active consideration. These include an investment by industrial and financial partners, early realisation of the remaining deferred Shaimerden payments and off-taker finance. The Company has been in discussions with Teck Cominco, a major zinc mining company that has an 11.5% strategic stake in ZincOx. Teck Cominco has carried out a detailed due diligence operation that supports the technical and financial merits of the recycling strategy. At this time, Teck Cominco has indicated that its preferred exposure to the recycling business is as a shareholder in ZincOx. Teck Cominco continues to be involved in the Company and the recycling business through a joint Technical Committee and participation on the ZincOx Board.

### **Far East**

As part of the Company's strategy to apply its recycling strategy globally, further EAFD supply option agreements for 5 to 10 year periods have been entered into. The

Company currently has EAFD supply agreements covering 80,000 tonnes per annum in Thailand and 24,000 tonnes per annum in Malaysia.

The Company has entered into an option to purchase a suitable plant site in the Chonburi Industrial Estate in south-east Thailand. An application for environmental permitting is being drawn up.

**Andrew Woollett, Chairman of ZincOx, said:**

*“The innovative Jabali financing enables us to finance the mine development on a virtually non-recourse basis, thereby leaving us free to finance our recycling projects elsewhere in the world without restrictions. Finance for these projects in the USA and Turkey is currently being progressed with emphasis on an early, start in Ohio. Now that the Jabali development is underway and that mining at Shaimerden is proceeding smoothly, we will be able to devote our fuller attention to the financing of the recycling projects”.*

**For more information please contact:**

Jabali

Michael Foster, ZincOx Resources plc  
Tel (Direct) : +44 (0) 1276 450100

[mfoster@zincOx.com](mailto:mfoster@zincOx.com)

Recycling and Shaimerden

Andrew Woollett, ZincOx Resources plc

[awoollett@zincOx.com](mailto:awoollett@zincOx.com)

John Harrison/James Black, Numis Securities  
Tel: +44 (0) 20 7260 1000

Charlie Geller/ Leesa Peters, Conduit PR  
Tel (Direct) : +44 (0) 20 7429 6604  
Tel (Mobile): +44 (0) 7970 067 320

Peter Bartlett, Exotix  
Tel: +44 (0) 20 7532 4561  
[peter.bartlett@icap.com](mailto:peter.bartlett@icap.com)

Anthony Payne/ Max Hilton, Peregrine Communications  
Tel (Direct): +44 (0) 20 7822 2302  
Tel (Mobile): +44 (0) 7930 643 983  
[anthony.payne@peregrinecommunications.co.uk](mailto:anthony.payne@peregrinecommunications.co.uk)

## NOTES TO EDITORS

### JABALI

#### Jabali deposit

The Jabali deposit is located 100 km north east of Sana'a, the capital of Yemen. It was mined for lead and silver about 1000 years ago and currently contains a geological resource of 12.6 million tonnes with a zinc grade of 8.9% incorporating a JORC compliant reserve of 8.7 million tonnes at a grade of 9.2%.

The deposit will be mined by open pit methods over a period of 12 years at the rate of 800,000 tonnes per annum of ore, for the production of 70,000 tonnes per annum (56,000 tonnes zinc contained) of high quality zinc oxide. Almost all zinc mines

around the world sell an intermediate concentrate for sale to a conventional zinc smelter at a discount to the value of the zinc metal contained; Jabali, however, will sell its high quality product directly to end users in the ceramics and rubber industries at a premium to the value of the zinc contained.

Development of the mine, the on-site processing plant and related infrastructure, is estimated to take 22 months. A contract for the engineering, procurement and construction management of the plant has been entered into with SNC Lavalin Europe, based in Brussels. The first zinc oxide should be produced before the end of 2009.

Using a zinc price of US\$2,200 per tonne over years two to five of the current twelve year project life and US\$1,800 per tonne thereafter, the project generates a net present value, at a discount rate of 10%, of US\$162 million, post financing, post tax, producing an internal rate of return of 28.3%. Operating costs are projected at US\$ 986 per tonne of zinc contained and ZincOx's 52% share of the projected annual US\$67 million net cash flow available to service the debt principal (assuming \$2,200 per tonne) would be US\$35 million.

In July 2007, Jabal Salab signed an Exploitation Contract for the mine's development with the Ministry of Oil and Minerals. The Contract has been approved by the Yemeni Parliament and was ratified as a law by the President of Yemen on 14 August 2007. The Exploitation Contract sets out all the terms and conditions for mining the deposit over a 20-year term and includes a six year tax holiday. It is the first of its kind in Yemen. The Yemen Government is keen to attract further international exploration and mining companies to the country where there are ample opportunities in what is a relatively under-explored but attractive geological environment.

**Commenting on the future potential of the mine, Andrew Woollett said:**

*"The Jabali deposit remains unconstrained to the south and east and there is a satellite deposit about 1.2 kilometres away which hosts several ancient workings and which remains unexplored. We are therefore confident of proving additional reserves and we look forward to working in Yemen for many years to come."*

**Exotix ([www.exotix.co.uk](http://www.exotix.co.uk))**

Exotix is a securities firm specialising in broking illiquid loans, equity and bonds, boutique investment banking and Emerging Market alternative investments. Exotix's core competence is a well researched specialist understanding of illiquid, distressed, or undervalued debt while it also grows its business in new product areas such as equities, structuring, advising and placing emerging market investments, particularly with the recent launch of its Su-Saharan Africa and Middle Eastern stock-broking platform.

Based in different cities throughout the world: London, New York, Buenos Aires, Sao Paulo and Tokyo, Exotix is recognised as a market leader in distressed debt of certain African and Latin American countries and several other esoteric markets such as Cuba, Bosnia and North Korea. A broad research capability underlies all Exotix's unique specialist expertise.

Exotix has a global client base largely comprising of hedge funds, asset managers, banks and other institutional investors interested in emerging markets investments.

## **RECYCLING**

Over 4 million tonnes of EAFD are generated annually from steel mills. Due to the galvanised nature of the scrap the EAFD typically contains from 15% to 25% zinc, as well as 20% to 32% iron and other valuable metals.

ZincOx has developed a two stage process for the recovery of all the major metals contained in the steel waste in the first stage of the process the zinc is driven off as an impure oxide concentrate in a rotary hearth furnace and the iron is converted to pig iron as a saleable product. ZincOx has advanced plans for the development of rotary hearth furnaces in Ohio, USA and Aliaga, Turkey. The second stage will ultimately see the concentrates treated in an adapted smelter using solvent extraction technology that is unaffected by the high halide levels present in the concentrate. In 2006 ZincOx purchased the Big River Zinc smelter at St Louis, Missouri, which is being converted to treat the oxide concentrates from rotary hearth furnaces.

ZincOx has a fifteen-year, reciprocally exclusive agreement with ESOI, North America's largest EAFD landfill company, for the supply of EAFD with immediate access to 200,000 tonnes per annum.