

22 September 2009

**ZincOx Resources Plc**  
(“ZincOx”, “the Company” or “the Group”)

**Interim Results for the six months ended 30 June 2009**

ZincOx Resources plc (AIM Ticker: ZOX) today announces its results for the six months ended 30 June 2009. ZincOx specializes in technology to recover zinc from various unconventional feed materials including non-sulphide ore deposits and waste materials such as electric arc furnace dust. The Company is constructing a zinc mine at Jabali in Yemen and planning the development of its first waste recycling plant. The Company is also entitled to ongoing zinc price related payments from the Shaimerden zinc deposit in Kazakhstan.

**Highlights**

- Jabali mine and processing plant construction progressing well
- Cash balance remains strong at £64 million
- EAFD supply agreements signed in Korea

**Commenting on the interim results, Andrew Woollett, Chairman said,**

“During the first six months of this year construction of the Jabali plant has continued apace and mining is well underway.”

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For further information, please go to: [www.zincox.com](http://www.zincox.com)

## **Executive Chairman's Statement**

Over the past six months we have continued to press ahead with the development of the Jabali mine and refinery in Yemen, where first production is scheduled for mid 2010.

The zinc price has come back from the lows experienced in the first quarter of this year and at today's date has recovered to US\$1,900 per tonne. Our next Shaimerden deferred payment, due in January 2010, will be based on the average of the zinc price across the current year.

Due to the considerable uncertainty resulting from the global economic crisis we decided earlier this year to defer the development of our first recycling project. However we continue to investigate ways of reducing the capital cost and to expand our strategy globally.

### **Jabali**

Construction of the Jabali mine and process plant is well underway. Mining commenced in February this year and drilling and blasting operations commenced in June. Ore is being stockpiled according to its zinc grade and a substantial stockpile of material is expected for delivery to the plant next year.

Levelling and preparation for the process plant site has been completed and foundations are being poured. Erection of the first equipment, the crusher, is expected in late October.

Jabali is one of the largest projects to be developed in Yemen and there is little local expertise in the development of such projects. In addition the remote location, supply lines through the Gulf of Aden and availability of contracting labour and supplies has made development, and especially scheduling, very challenging. The tribal issues that delayed the road construction are being managed and while we are actively engaged in working with the local people, security remains an important issue.

Over the course of the past six months we have reviewed our sales and marketing plan for the Jabali products. We had always planned to produce two grades of zinc oxide: a standard grade suitable for most industrial applications and a higher grade product suitable for use by the rubber industry. The latter is a refinement of the standard product. In order to have the greatest marketing advantage for the rubber grade product, we have decided to relocate the final upgrading part of the process to a site near Liege in Belgium. This facility will also act as a base for our marketing and technical support activities. The bulk shipment of material to Liege will provide transport savings that will offset the additional cost of processing occurring on two sites. However, ZincOx will be required to pay its share (52%) of the US\$8.3 million additional capital cost of this facility. The total cost for the project, excluding the rubber grade plant, remains within the contingency and overrun facility originally budgeted.

### **Recycling**

Over the past 18 months there has been a substantial reduction in steel output globally and the USA in particular has been severely affected. This has resulted in a significant reduction in the generation of electric arc furnace dust (EAFD), the raw material for our recycling plant. However, the steel produced by recycling scrap in electric arc furnaces tends to be for lower quality applications such as reinforcing bars for construction. Demand for this sort of application is likely to increase due to the expected infrastructural development resulting from the government's stimulus package in the USA. We anticipate that the recycling sector will recover quickly as a consequence.

Earlier in the year, in view of the economic climate and the tightness of EAFD supply, it was clear that we would not be in a position to develop the Ohio project in the way that was originally envisaged. As a result we would, therefore, be very unlikely to draw down the US\$48 million bond facility that had been put in place as part of the project's financing last year. Following an approach by some of the bond holders, it was decided to release them from their obligations under the facility in exchange for cash payments. In so doing we were able to offset some of the initial cost of the facility. Since then the outstanding bonds under the facility have also been cancelled in order to conserve cash and retain maximum flexibility in exploring alternative means of financing.

In order to reduce the financing requirement, over the past nine months we have been working on ways to reduce the capital cost of the Ohio development, including the consideration of using second hand equipment. Project financing seems to have eased up slightly over the past six months but it is still very much tighter than before the credit crisis.

Due to the delay in our development plans for the Ohio project, ESOI, a major landfill company, who were to have supplied the plant with EAFD, terminated its agreement with ZincOx and sold its disposal contracts to the largest EAFD recycler in the USA. In so doing, there is now no major practical competition for EAFD disposal in the northern part of the USA. We believe this will make steel mills even keener to support our more efficient and lower cost project by entering into EAFD supply contracts with us.

Elsewhere in the world, our efforts to secure EAFD in Korea have been very successful and we announced in April supply agreements with all the major Korean electric arc furnace operators. These contracts amount to over 300,000 per annum of EAFD over a minimum ten year period. Over the past five months considerable efforts have been made to find a suitable plant site in the region. Land with the right industrial zoning has been difficult to find but a number of potential sites are now being considered. We will continue to keep shareholders informed of new opportunities relating to our recycling projects as they arise.

### **Shaimerden**

The mining of the full 200,000 tonnes of zinc on which deferred payments are due has now been confirmed by Kazzinc, the owners of the Shaimerden zinc mine.

The last two deferred payments will be made in January 2010 and 2011, on the basis of 60,000 and 9,826 tonnes of zinc respectively. The amount of the payments will depend on the zinc price for the preceding year. The average price of zinc in 2009 to date has been US\$1,368 per tonne. If this were to be the average for the entire year then the payment in January 2010 would amount to US\$8.1 million.

### **Results and Financial Position**

The Company is in a solid financial position having £64 million in cash at the half year, held principally as US dollar (\$86m) and sterling currencies (£9.7m). The US dollar balance includes an amount of \$15.5m which the Company was required to place in cash backed letters of credit for the benefit of Jabal Salab in February 2008 when the project was financed. The result for the period includes a foreign exchange loss of £8.4m (June 2008: £0.2m loss, December 2008: £7.9m profit) arising through the re-translation of the significant US dollar cash balances held. The administration expenses in the period include charges for the Company's share based payments of £253k (June 2008: £475k, December 2008: £1m) and professional fees of £128k (June 2008: £161k, December 2008: £2.7m).

### **Outlook**

The economic outlook has improved greatly since the start of the year although a great deal of uncertainty remains. Our first priority continues to be the successful completion of the Jabali project and we look forward to being in production at Jabali next year. In addition, we are continuing to search for a cost effective and rapid way of developing our first recycling project.

Andrew Woollett  
18 September 2009

### **Forward Looking Statements**

The Chairman's Statement contains discussion of future operations and financial performance by use of various forward-looking words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and terms of similar substance. These forward-looking statements are based on management's current expectations and beliefs about future events but as with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances which could cause the Group's actual activities and results to differ materially from those contained in the forward-looking statements.

**ZincOx Resources plc**  
**Consolidated Interim Income Statement for the period ended 30 June 2009**

	Notes	6 months to 30 June 2009 unaudited	6 months to 30 June 2008 unaudited	Year ended 31 December 2008 audited
		£'000	£'000	£'000
Revenue		345	-	262
Cost of sales		(340)	-	(296)
Gross profit/(loss)		5	-	(34)
Administrative expenses: foreign exchange (loss)/gain		(8,401)	(227)	7,918
Administrative expenses: Other		(2,891)	(4,586)	(9,565)
Total administrative costs		(11,292)	(4,813)	(1,647)
Underlying operating loss		(11,287)	(4,813)	(1,681)
Other income	3	590	16	13,556
Other expenses	3	(186)	(1,256)	(6,350)
Operating (loss)/profit		(10,883)	(6,053)	5,525
Finance income		197	618	1,517
Finance costs		(161)	(4)	(642)
(Loss)/profit before tax		(10,847)	(5,439)	6,400
Tax		(34)	(27)	(2,782)
<b>(Loss) /profit for the period</b>		<b>(10,881)</b>	<b>(5,466)</b>	<b>3,618</b>
Attributable to:				
Equity holders of the parent		(10,543)	(4,853)	4,659
Minority interest		(338)	(613)	(1,041)
		(10,881)	(5,466)	3,618
(Loss)/earnings per share	4	(13.58)p	(8.63)p	7.05p
(Loss)/diluted earnings per share	4	(13.58)p	(8.63)p	6.98p

**ZincOx Resources plc**  
**Consolidated Interim Statement of Comprehensive Income**  
**for the period ended 30 June 2009**

Notes	6 months to 30 June 2009 unaudited	6 months to 30 June 2008 unaudited	Year ended 31 December 2008 audited
	£'000	£'000	£'000
<b>(Loss)/profit for the period</b>	(10,881)	(5,466)	3,618
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations	(9,221)	246	14,071
<b>Total comprehensive (expense) / income for the period</b>	<b>(20,102)</b>	<b>(5,220)</b>	<b>17,689</b>
Attributable to:			
Equity holders of the parent	(17,066)	(4,607)	18,730
Minority interest	(3,036)	(613)	(1,041)
	<b>(20,102)</b>	<b>(5,220)</b>	<b>17,689</b>

**ZincOx Resources plc**  
**Consolidated Interim Balance Sheet at 30 June 2009**

	Notes	6 months to 30 June 2009 unaudited	6 months to 30 June 2008 unaudited	Year ended 31 December 2008 audited
		£'000	£'000	£'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Intangible assets		19,388	18,902	19,458
Property, plant and equipment		81,489	33,646	62,559
Restricted cash	2	-	26,527	10,350
Trade and other receivables		219	254	-
		101,096	79,329	92,367
<b>Current Assets</b>				
Inventories		567	971	671
Trade and other receivables		1,852	2,763	14,043
Restricted cash	2	58,016	51,782	81,629
Cash and cash equivalents		64,085	27,128	64,458
		124,520	82,644	160,801
<b>TOTAL ASSETS</b>		<b>225,616</b>	<b>161,973</b>	<b>253,168</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		(9,581)	(7,109)	(9,638)
Bank loans and overdraft		(17)	(12)	-
Current portion of long term borrowings		(68)	(16)	(49)
		(9,666)	(7,137)	(9,687)
<b>Non-current Liabilities</b>				
Retirement benefit liabilities		(237)	(224)	(283)
Other long term liabilities		(78,993)	(63,232)	(86,668)
		(79,230)	(63,456)	(86,951)
<b>TOTAL LIABILITIES</b>		<b>(88,896)</b>	<b>(70,593)</b>	<b>(96,638)</b>
<b>NET ASSETS</b>		<b>136,720</b>	<b>91,380</b>	<b>156,530</b>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital		19,431	14,194	19,394
Share premium		85,336	54,853	85,336
Profit and loss Account		6,765	6,986	17,053
Translation reserve		7,386	84	13,909
		118,918	76,117	135,692
Minority interest		17,802	15,263	20,838
<b>TOTAL EQUITY</b>		<b>136,720</b>	<b>91,380</b>	<b>156,530</b>

**ZincOx Resources plc**  
**Consolidated Interim Cash Flow Statement for the period ended 30 June 2009**

	6 months to 30 June 2009 unaudited	6 months to 30 June 2008 unaudited	Year ended 31 December 2008 audited
	£'000	£'000	£'000
(Loss)/profit before taxation	(10,847)	(5,439)	6,400
<b>Adjustments for:</b>			
Depreciation	726	498	1,318
Foreign exchange (loss)/gain	(1,199)	246	4,102
Interest received	(197)	(618)	(1,517)
Interest expense	161	4	642
Intangible assets written off	186	273	5,040
Tangible assets written off	-	-	125
Share based payments	255	475	1,030
Increase in trade and other payables	555	3,051	5,002
Decrease/(Increase) in trade and other receivables	425	(1,436)	(1,045)
Decrease in inventories	104	2	302
Other gains and losses	(590)	1,240	(9,464)
<b>Cash generated from operations</b>	<b>(10,421)</b>	<b>(1,704)</b>	<b>11,935</b>
Foreign tax at source	-	-	(2,782)
Interest paid	(161)	(4)	(642)
<b>Net cash from operating activities</b>	<b>(10,582)</b>	<b>(1,708)</b>	<b>8,511</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(1,712)	(1,502)	(3,786)
Purchases of property, plant and equipment	(27,321)	(12,235)	(35,009)
Interest received	197	618	1,517
<b>Net cash used in investing activities</b>	<b>(28,836)</b>	<b>(13,119)</b>	<b>(37,278)</b>
<b>Cash flows from financing activities</b>			
Borrowings	-	61,645	95,861
Restriction of borrowings	-	(78,309)	(95,861)
Release of restricted cash	27,584	-	3,882
Minority interest investment	-	11,088	6,157
Net proceeds from disposal of assets	11,407	16,026	16,010
Net proceeds from issue of ordinary shares	37	19,381	55,064
<b>Net cash received from financing activities</b>	<b>39,028</b>	<b>29,831</b>	<b>81,113</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(390)</b>	<b>15,004</b>	<b>52,346</b>
Cash and cash equivalents at start of period	64,458	12,112	12,112
<b>Cash and cash equivalents at end of period</b>	<b>64,068</b>	<b>27,116</b>	<b>64,458</b>

**ZincOx Resources plc**  
**Consolidated Statement of Changes in Shareholders' Equity at 30 June 2009**

	Share capital £'000s	Share premium £'000s	Translation reserve £'000s	Retained earnings £'000s	Total £'000s	Minority interest £'000s	Total equity £'000s
<b>Balance at 1 January 2008</b>	12,244	37,422	(162)	11,364	60,868	4,788	65,656
Share based payments	-	-	-	475	475	-	475
Issue of share capital	1,950	17,431	-	-	19,381	-	19,381
Capital increase from minority interest	-	-	-	-	-	11,088	11,088
<b>Transactions with owners</b>	<b>1,950</b>	<b>17,431</b>	<b>-</b>	<b>475</b>	<b>19,856</b>	<b>11,088</b>	<b>30,944</b>
Loss for the period	-	-	-	(4,853)	(4,853)	(613)	(5,466)
<b>Other comprehensive income/(expense)</b>							
Exchange differences on translating foreign operations	-	-	246	-	246	-	246
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>246</b>	<b>(4,853)</b>	<b>(4,607)</b>	<b>(613)</b>	<b>(5,220)</b>
<b>Balance at 30 June 2008 – unaudited</b>	<b>14,194</b>	<b>54,853</b>	<b>84</b>	<b>6,986</b>	<b>76,117</b>	<b>15,263</b>	<b>91,380</b>
Share based payments	-	-	-	555	555	-	555
Issue of share capital	5,200	30,483	-	-	35,683	-	35,683
Capital increase from minority interest	-	-	-	-	-	6,003	6,003
<b>Transactions with owners</b>	<b>5,200</b>	<b>30,483</b>	<b>-</b>	<b>555</b>	<b>36,238</b>	<b>6,003</b>	<b>42,241</b>
Profit for the period	-	-	-	9,512	9,512	(428)	9,084
<b>Other comprehensive income/(expense)</b>							
Exchange differences on translating foreign operations	-	-	13,825	-	13,825	-	13,825
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>13,825</b>	<b>9,512</b>	<b>23,337</b>	<b>(428)</b>	<b>22,909</b>
<b>Balance at 31 December 2008 – audited</b>	<b>19,394</b>	<b>85,336</b>	<b>13,909</b>	<b>17,053</b>	<b>135,692</b>	<b>20,838</b>	<b>156,530</b>
Share based payments	-	-	-	255	255	-	255
Issue of share capital	37	-	-	-	37	-	37
Capital increase from minority interest	-	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>255</b>	<b>292</b>	<b>-</b>	<b>292</b>
Loss for the period	-	-	-	(10,543)	(10,543)	(338)	(10,881)
<b>Other comprehensive income/(expense)</b>							
Exchange differences on translating foreign operations	-	-	(6,523)	-	(6,523)	(2,698)	(9,221)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(6,523)</b>	<b>(10,543)</b>	<b>(17,066)</b>	<b>(3,036)</b>	<b>(20,102)</b>
<b>At 30 June 2009 - unaudited</b>	<b>19,431</b>	<b>85,336</b>	<b>7,386</b>	<b>6,765</b>	<b>118,918</b>	<b>17,802</b>	<b>136,720</b>



## Notes to the Consolidated Financial Interim Statements

### 1. Basis of preparation

These interim condensed consolidated financial statements are the unaudited Consolidated Financial Statements of ZincOx Resources plc, for the six months ended 30 June 2009. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and the Companies Act 1985, applicable to companies reporting under IFRS.

These interim financial statements were approved by the board on 18 September 2009. The financial information for the year ended 31 December 2008 set out in this interim report does not comprise the Group's statutory accounts as defined in Section 435 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2008, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

These financial statements have been prepared under the historical cost convention and the consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies.

The financial information for the six months ended 30 June 2009 and 30 June 2008 is unaudited.

### 2. Significant Accounting Policies

The accounting policies and presentation followed in the preparation of this interim report have been consistently applied to all periods in these financial statements and are the same as those applied by the Group in the preparation of its Annual Report for the year ended 31 December 2008 except for the adoption of IAS 1 Presentation of Financial Statements (revised 2007).

The term **Restricted Cash** is used to describe certain borrowings that are specific in nature to the construction of specific qualifying assets and any cash balances as a result of those borrowings are carried as restricted cash. The restricted cash is excluded from cash and cash equivalent.

### 3. Other Income and Expenses

	6 months to 30 June 2009 unaudited	6 months to 30 June 2008 unaudited	Year ended 31 December 2008 audited
	£'000	£'000	£'000
Deferred consideration on disposal of subsidiary	-	-	13,552
Profit on disposal of property, plant and equipment	-	16	4
Bond redemption	561	-	-
Derivative movement	29	-	-
<b>Total other income</b>	<b>590</b>	<b>16</b>	<b>13,556</b>
Derivative movement	-	(1,241)	(1,295)
Loss on disposal of investment	-	(15)	(15)
Impairment charge write down	(186)	-	(5,040)
<b>Total other expenses</b>	<b>(186)</b>	<b>(1,256)</b>	<b>(6,350)</b>

The derivative movement in other income and expenses for the period relates to the bond finance for the Jabali project in Yemen. This relates to a financing charge which is linked to the future zinc price once production has commenced. It has been treated as a derivative and in addition to the value attributed to this at the date of the financing it will be fair valued at each future balance sheet date. The movement on the derivative liability is part of the financing and thus not recorded as part of operating activity, but shown in the income statement as Other Income and Expenses. The borrowings to which the finance relates are shown in Other Long Term Liabilities.

#### 4. (Loss)/Earnings per Ordinary Share

	6 months to 30 June 2009 unaudited	6 months to 30 June 2008 unaudited	Year ended 31 December 2008 audited
	£'000	£'000	£'000
<b>Basic (Loss)/Earnings per share</b>			
Net (Loss) / Profit	(10,543)	(4,853)	4,659
Weighted average number of shares	77,662,713	56,262,432	66,121,684
Basic (Loss)/Earnings per share amount in pence	(13.58)p	(8.63)p	7.05p
<b>Diluted (Loss)/Earnings per share</b>			
Net (Loss) / Profit	(10,543)	(4,853)	4,659
Weighted average number of shares	77,662,713	56,262,432	66,743,204
Diluted (Loss)/Earnings per share amount in pence	(13.58)p	(8.63)p	6.98p

#### 5. Events after the Balance sheet date

Since the balance sheet date, on 3 July 2009 the Company terminated the remaining \$15m of the original \$48m bond facility entered into on 25 July 2008 for the purpose of providing interim financing for the Ohio project.

#### 6. Further copies of this statement

Copies of this statement are available for download from the Company's website at [www.zincox.com](http://www.zincox.com) or on request from the Company Secretary, ZincOx Resources plc, Knightway House, Park Street, Bagshot, Surrey GU19 5AQ.

## **Company Information:**

### **Directors:**

<b>A C Woollett</b>	Executive Chairman
<b>P F Wynter Bee</b>	Managing Director
<b>S C Hall</b>	Finance Director
<b>J Z J Dewalens</b>	Technical & Production Director
<b>S P Mulholland</b>	Project Development Director
<b>J L Hewitt</b>	Non-Executive Deputy Chairman
<b>R G Beddows</b>	Non-Executive Director
<b>J J Saville</b>	Non-Executive Director
<b>G E A Masson</b>	Non-Executive Director
<b>G D Lafferty</b>	Non-Executive Director
<b>D W Paxford</b>	Company Secretary

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