



16 July 2015

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**ZincOx Resources plc**  
**(“ZincOx” or the “Company”)**

**Fundraising through a conditional placing**  
**to raise £2.1m and Open Offer to raise up to £1.1m**

ZincOx (AIM: ZOX) announce a fundraising by way of a conditional Placing of approximately 16.1 million new Ordinary Shares at a price of 13 pence per share with institutional and other investors to raise approximately £2.1 million before expenses and an Open Offer to all qualifying Shareholders to raise up to approximately £1.1 million before expenses.

Capitalised terms and expressions used in this Announcement are defined in paragraph 7, unless stated otherwise.

### **Highlights**

- 16,116,563 million new Ordinary Shares conditionally placed with institutional and other investors to raise approximately £2.1 million before expenses.
- Placing price of 13 pence per share represents a discount of 1.9 per cent. to the closing mid-market price of 13.25 on 15 July 2015 (being the latest practicable date prior to the date of this Announcement).
- Intention to raise additional funds by way of an Open Offer to be made to all qualifying Shareholders of up to approximately £1.1m at the Placing Price of 13 pence per share.
- Proceeds of the Placing are anticipated to be used for:
  - accelerating the debottlenecking of KRP including replacement of heat exchangers; and
  - to progress work on the next recycling project.
- The Placing is conditional only on Admission.

### **Commenting on the proposals, Andrew Woollett, Chief Executive of ZincOx, said:**

“The Placing enables us to debottleneck the plant this year which will dramatically reduce downtime and improve the annual EBITDA of KRP. The additional funds to be raised in the Open Offer will allow us to press ahead with the pre-development work for the next project and so begin to unlock the full potential of the rotary hearth furnace technology”.

**For further information, please visit [www.zincox.com](http://www.zincox.com) or contact:**

**ZincOx Resources plc**  
Andrew Woollett, CEO

Tel: +44 (0) 127 645 0100

### **Peel Hunt LLP (Nominated Adviser and Broker)**

Daniel Harris  
Euan Brown

Tel: +44 (0) 207 418 8900

### **Tavistock Communications (Financial PR)**

Simon Hudson  
Nuala Gallagher

Tel: +44 (0) 207 920 3150

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**ZincOx Resources plc  
("ZincOx" or the "Company")**

**Proposed fundraising through a conditional Placing  
to raise £2.1m and Open Offer to raise up to £1.1m**

**1. Details of the Placing**

On behalf of the Company, Peel Hunt LLP ("**Peel Hunt**") has, conditional only on Admission, raised approximately £2.1 million (before expenses) by the proposed issue of 16,116,563 Ordinary Shares (the "**Placing Shares**") at a price of 13 pence per share.

The Placing Price represents a discount of approximately 1.9 per cent. to the closing mid-market price of 13.25 pence per Ordinary Share on 15 July 2015, being the latest practicable date prior to the publication of the Announcement. The 16,116,563 Placing Shares will represent approximately 9.7 per cent. of the current issued share capital of the Company. Following the issuance of the Placing Shares, the Enlarged Issued Share Capital of the Company will be 182,422,341 million Ordinary Shares.

Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares are expected to commence trading at 8.00am on 17 July 2015 and will rank *pari passu* in all respects with the existing Ordinary Shares.

**2. Proposed Open Offer**

In addition to the Placing, and to enable qualifying shareholders to participate in a fundraising at the Placing Price, the Company will shortly post a circular and accompanying documentation to Shareholders seeking to raise up to approximately a further £1.1 million by way of an Open Offer at the Placing Price. The terms and procedure will be similar to the open offer undertaken by the Company in April 2014.

**3. Background to the Placing and Use of Proceeds**

The current fundraising is to accelerate the debottlenecking of KRP and to provide funds to progress work on the next recycling project.

The performance of the Korean Recycling Plant (KRP) has improved steadily. During much of April and May the plant ran at close to full nameplate daily throughput but the feed rate was subsequently reduced due to a lack of domestic EAFD, our feedstock, an issue that management is addressing by arranging its importation.

The coating of the inner shells of the heat exchangers in August 2014, had a very positive impact on the reliability of the plant, but this troublesome equipment still requires routine maintenance every three to four months, resulting in the annual throughput of the plant being limited to 180,000 tpa of EAFD. Assuming full target performance, current utility costs and a zinc price of US\$2,250 per tonne, this has the impact of reducing EBITDA by about US\$2 million per annum. In addition to this reduction in EBITDA the annual cost of maintaining the heat exchangers is also significant, amounting to about US\$2.5 million per annum.

The heat exchangers were designed to reduce gas consumption in the furnace by recovering heat from the offgasses and heating the combustion air that is used in the furnace. Their removal will necessitate the use of additional energy. A recent trial, however, has demonstrated that gas may be replaced by the injection of coal of the type that is currently being used in the making of briquettes. Since the cost of energy from coal is about one quarter that from gas, the cost of the additional energy required by the heat exchanger

removal will be more than compensated for by the substitution of some of the gas by coal. Taking account of the additional energy requirement, the substitution with coal is expected to amount to a benefit of at least US\$880,000 per annum.

The cost of removing the heat exchangers and installation of coal injection is estimated to be US\$2.2 million, but this debottlenecking is expected to have annual benefits of over US\$5 million. Work on the detailed design and fabrication of the new system to replace the heat exchangers is already underway and is expected to be in place and operating in Q4 2015 so the benefits of the new system are expected to accrue in full in the 2016 financial year.

In addition to the above, there are other capital projects amounting to about US\$800,000 such as the installation of a more efficient briquette feeding system, that would benefit the operation, either through a reduction in cost or improved reliability.

Whilst additional debottlenecking and fine tuning of the RHF is planned over the next four months, the Company believes the efficiency of the RHF and the consistent quality of the zinc concentrate has now been demonstrated. This together with the successful upgrading testwork and zinc oxide product quality confirmation, makes us confident that the *Full Cycle* configuration, involving the upgrading of both the zinc and the iron bearing products of the RHF, will be very economically attractive. Preliminary evaluation of a 100,000 tpa EAFD treatment plant using the *Full Cycle* approach would have the potential to generate about US\$40 million of annual EBITDA (assuming a price for zinc and pig iron of US\$2,250 and US\$350 respectively per tonne). This level of profitability is largely as a result of the higher value obtained for the zinc oxide product when compared to the concentrate produced at KRP.

A rise in the zinc price next year is forecast by analysts and the Company believes this will encourage significant further competition for the EAFD. In order not to lose opportunities to build new plants around the world to competitors, we are keen to press ahead with our roll out plans.

We believe that third party project finance should be available for the development of the next project at the end of the first quarter of 2016, once the track record of operation will have sufficiently demonstrated the RHF technology. In order to obtain this finance, certain Pre-Development work will need to be undertaken. Pilot or commercial trials will be required for the upgrading of the RHF's iron product and the market appetite for our zinc oxide chemical produced from the RHF's zinc concentrate will need to have been demonstrated. This demonstration will require the distribution of commercial scale samples to potential customers for commercial trials. Such samples can be generated in a pilot operation. There will also have to be engineering work taking account of the capacity of the plant and the many lessons learnt during the development and operation of KRP.

In order not to delay the construction of the next plant, Pre-Development work will need to begin immediately. The funds raised in addition to those required to execute capital projects at KRP will be used to Pre-Development work on the next project.

#### **4. Directors' participation in the Placing**

The Directors whose names are listed below have expressed commitment to subscribe for the following numbers of the new Ordinary Shares as part of the Placing:

<i><b>Name of the Director</b></i>	<i><b>No. of Placing Shares</b></i>
Andrew Woollett	992,556
Gautam Dalal	468,920
<b>Total</b>	<b>1,461,476</b>

The interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the persons connected with them (within the meaning of section 252 of the Companies Act) in the issued share capital of the Company or the existence of which could, with reasonable diligence, be ascertained by any Director as at the date of this Announcement and as expected to be immediately following Admission are as follows:

<i>As at the date of this announcement</i>			<i>Immediately following Admission</i>		
<i>Name</i>	<i>No. of Existing Ordinary Shares</i>	<i>% of Existing Issued Share Capital</i>	<i>No. of New Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital</i>	<i>Total No. of Ordinary Shares</i>
Andrew Woollett	5,294,223	3.18%	992,556	3.45%	6,286,779
Gautam Dalal	710,000	0.43%	468,920	0.65%	1,178,920

## 5. Placing Agreement

Pursuant to the Placing Agreement, Peel Hunt has conditionally placed the Placing Shares with placees at a price of 13 pence per Placing Share to raise approximately £2.1 million before expenses. It is anticipated that dealings in the Placing Shares will commence at 8:00 a.m. on 17 July 2015. The Placing is conditional on Admission becoming effective and the Placing Agreement becoming unconditional in all respects by no later than 8:00 a.m. on 17 July 2015 or such later date (being not later than 8:00 a.m. on 31 July 2015) as the Company and Peel Hunt may agree.

The terms and conditions applicable to the Placing are set out in the Placing Agreement. Peel Hunt has agreed to use its reasonable endeavours to procure placees for the Placing Shares. The Placing Agreement contains certain customary warranties. The Company has also agreed to indemnify Peel Hunt against all losses, costs, charges and expenses which Peel Hunt may suffer or incur as a result of, occasioned by or attributable to the carrying out of its duties under the Placing Agreement.

## 6. Risk Factors

The risks and uncertainties described below are some of the material risk factors facing the Company which are currently known to the Directors. These risks are not the only ones facing the Company and additional risks and uncertainties not presently known or currently deemed immaterial may also have a material adverse effect on the Company's financial position and prospects. If any or a combination of the following risks materialise, the Company's financial position and prospects could be materially and adversely affected to the detriment of the Company and the Shareholders.

Therefore, before investing, Shareholders and other investors should carefully consider the risk factors described below. Please note that the risks are not presented in any order of priority and are not intended to be exhaustive.

### *Financial*

- As a majority of the Group's sales are derived from the sale of zinc concentrate, a material fall in the zinc price for a sustained period will affect the Group's earnings and the Company's ability to repay its debts and finance future projects.
- As a majority of the Group's sales are denominated in United States Dollars whereas most of its expenditure and operating costs are denominated in Korean Won, exchange rate movements may have a negative impact on the Group's earnings.

- There is no certainty that the funds raised in the Placing will be sufficient to satisfy the funding requirements of the Company over the next 12 months, which may include any unforeseen adverse developments relating to equipment, operations, currency or the price of zinc.

#### **KRP**

- Equipment failure could lead to operational delays and increased costs of repairing or replacing such equipment.
- The replacement of the heat exchangers and the new coal injection system may suffer delays or be less efficient than expected. As a result, their financial impact may be lower than expected.

#### **Future growth**

- The development of future projects outside Korea depends on the Group obtaining contracts from steel mills for the supply of EAFD. Should these not be forthcoming, it will prevent the Group from developing such further projects.
- The development of future projects also depends upon the Company arranging for bank and/or other financing for this purpose. In the event that such financing is not available on appropriate terms when required, the development of future projects would be delayed.
- There is a risk that a potential competitor may design a technology for the treatment of EAFD which could be economically more attractive than the technology used by the Company and, hence, restrict the number of new plants that might be constructed by the Group.

## **7. Definitions**

The following definitions apply throughout this Announcement, unless otherwise stated herein:

<b>“Admission”</b>	the admission of the Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>“AIM”</b>	a market of that name, operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange governing the admission to, and the operation of, AIM
<b>“Announcement”</b>	this announcement
<b>“Board of Directors”, “Board” or “Directors”</b>	the directors of the Company as at the date of the Announcement
<b>“Business Day(s)”</b>	any day on which banks in London are open for business (excluding Saturdays, Sundays and public holidays)
<b>“Companies Act”</b>	the Companies Act 2006, as amended
<b>“Company” or “ZincOx”</b>	ZincOx Resources plc
<b>“CREST”</b>	the computerised settlement system (as defined in the Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
<b>“EAFD”</b>	Electric Arc Furnace Dust

<b>“EBITDA”</b>	Earnings before interest, tax, depreciation and amortisation (in accordance with the revenue recognition policy of the Company and adjusted to exclude foreign exchange gains and losses)
<b>“Enlarged Issued Share Capital”</b>	the issued ordinary share capital of the Company following the issue of the Placing Shares
<b>“FCA”</b>	the Financial Conduct Authority of the United Kingdom
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Group”</b>	the Company and its subsidiaries and subsidiary and associated undertakings at the date of the Announcement
<b>“KRP”</b>	the Korean Recycling Plant
<b>“London Stock Exchange”</b>	London Stock Exchange PLC
<b>“Official List”</b>	the Official List maintained by the United Kingdom Listing Authority
<b>“Open Offer”</b>	As such term is defined in paragraph 2 of this announcement
<b>“Ordinary Share(s)”</b>	the issued ordinary shares of 1p each in the capital of the Company at the date of the Announcement
<b>“Peel Hunt” or “Broker”</b>	Peel Hunt LLP, the Company’s nominated adviser and Joint Broker, a limited liability partnership incorporated in England and Wales with registered number 0C357088, whose registered office is at Moor House, 120 London Wall, London, EC2Y 5ET
<b>“Placing”</b>	the conditional placing of the Placing Shares at the Placing Price by the Joint Brokers on behalf of the Company
<b>“Placing Agreement”</b>	the conditional placing agreement made between the Company and Peel Hunt on 15 July 2015
<b>“Placing Price”</b>	13 pence per Placing Share
<b>“Placing Share(s)”</b>	the 16,116,563 new ordinary shares of 1p each to be issued in the capital of the Company pursuant to the Placing
<b>“Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time
<b>“Regulation S”</b>	Regulation S under the Securities Act
<b>“Restricted Jurisdiction(s)”</b>	the United States of America, Canada, Australia, the Republic of South Africa, Japan, New Zealand and/or Russia
<b>“RHF”</b>	rotary hearth furnace
<b>“Securities Act”</b>	the U.S. Securities Act of 1933, as amended
<b>“Shareholder(s)”</b>	holder(s) of Ordinary Share(s) from time to time

<b>“stock account”</b>	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland, its territories and possession, and all areas subject to its jurisdiction

A reference to “£” is to pounds sterling, the lawful currency of the UK.

A reference to “United States Dollars” or “US\$” is to United States dollars, the lawful currency of the United States of America.

Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as nominated adviser and broker and no one else (including the recipients of this Announcement) in connection with the Placing described in this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Peel Hunt LLP or for advising any other person in connection with the matters described in this document. Peel Hunt LLP makes no representation, express or implied, with respect to the accuracy or completeness of any information contained in this document and accepts no responsibility for, nor does it authorise, the contents of, or the issue of this document, or any other statement made or purported to be made by the Company, or on its behalf, in connection with the Company or any of the other matters described in this document and, accordingly, to the fullest extent permitted by law disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have in respect of this document or any other statement.

### **Important information**

The distribution of this announcement outside the UK may be restricted by law. Persons outside the UK who come into possession of these documents should inform themselves about and observe any such restrictions. Failure to comply with such restrictions may constitute a violation of the securities laws of such jurisdictions. This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe or buy, the Placing Shares to any person in any Restricted Jurisdiction. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, The Republic of South Africa, Japan, New Zealand or Russia. Accordingly, the Placing Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the United States of America, Canada, Australia, The Republic of South Africa, Japan, New Zealand or Russia. The Placing Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, Canada, Australia, the Republic of South Africa, Japan, New Zealand or Russia and they may not be offered or sold directly or indirectly within those Restricted Jurisdictions or to or for the account or benefit of any national, citizen or resident of such jurisdictions.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority have examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority.

The directors of the Company accept responsibility for the information contained in this Announcement. To the best of the knowledge and belief of the directors (who have taken reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Forward-looking statements**

Certain statements contained in this document are or may constitute “forward-looking statements”. These statements may be identified by words such as “expects”, “looks forward to”, “anticipates”, “targets”, “aims”, “may”, “would”, “could”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will”, “project” or words of similar meaning. They include all matters that are not historical facts. Such statements are based on the current expectations and certain assumptions of the Directors, and are, therefore, subject to certain risks and uncertainties. Forward-looking statements are not guarantees of future performance and a number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements in this document speak only as of the date of this document. Except as required by law, the Company disclaims any obligation to update any such forward-looking statements to reflect future events or developments.