



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

**Korean Debt Rescheduling**

Further to the press release on 25 November 2015 announcing the Company’s intention to raise US\$6.5 million in working capital and reschedule its loans from Korea Zinc Company Limited (“Korea Zinc”), ZincOx is pleased to announce that it has entered into a rescheduling agreement for the loans. The agreement also provides for the potential release of zinc concentrate to the Company which could be upgraded so as to enhance value and profitability.

**Debt Rescheduling**

KRP has been developed with the support of two loans from Korea Zinc:

1. Offtake Loan – a long term loan of US\$37.7 million bearing interest at 5% over 6 month US\$ LIBOR and repayable from 50% of free cashflow with any balance being repayable in 2022.
2. Development Loan – a short term loan of US\$19.4 million bearing interest at 9.5% and repayable in six equal six monthly instalments starting on 2 February 2016.

In view of the unexpected fall in the zinc price over the past four months and the uncertain outlook for commodity prices generally, Korea Zinc has agreed to roll up all interest payments due on the Development and Offtake Loans amounting to US\$5.4 million until 31 December 2016 unless the monthly average zinc price rises above US\$2,000 per tonne for a period of three months, when payments would recommence. Similarly, the semi-annual principal repayments due on the Development Loan have been postponed by one year, unless the monthly average price of zinc rises above US\$2,500 per tonne for a three month period. This agreement however is effectively conditional upon the Company raising a further US\$5million before 31 December 2015.

The Board is therefore now focused on securing at least US\$5 million of investment and is exploring a number of potential opportunities from both existing and new investors with the aim of completing the fundraising by the end of 2015. There is, however, no certainty that the fundraising will be successful.

In the event that the investment is not made, the Company has agreed to transfer 90% of its interest in its Korean subsidiary company (KRP) to Korea Zinc, or upon Korea Zinc’s request have KRP cancel, all or in part, the existing shares of KRP, and issue and offer Korea Zinc new shares through conversion of the outstanding loans into equity until Korea Zinc owns 90% of KRP.

Since the transfer of such 90% interest in KRP under the above arrangements would constitute a disposal that is classed as ‘a fundamental change of business’ under the AIM Rules for Companies, these arrangements are conditional upon the consent of shareholders in a general meeting.

As both the raising of new capital or the disposal of 90% of the shares in KRP would both require shareholder approval it is planned that a General Meeting of the Company will be called very shortly so that the shareholders in the company have the opportunity to vote on these matters.

In consideration of this restructuring, ZincOx (Korea) Limited has agreed to increase the zinc concentrate offtake contract by 140,000 tonnes from 1,050,000 tonnes to 1,190,000 tonnes, of which, to date, about 141,000 tonnes have been delivered.

### **Concentrate Supply Option**

Korea Zinc has agreed that if its loans are repaid it will relinquish its rights under the offtake contract for up to 50% of the concentrate produced annually. In this way the total amount of the offtake contract will remain the same but its delivery will be spread over a longer period.

The Company has shown that the zinc concentrate can be simply and economically upgraded to a zinc oxide chemical having about twice the value of that which is currently being received.

The Directors estimate that a plant capable of upgrading 50% of KRP's zinc concentrate would cost about US\$20 million and take one year to develop following six months pre-development work. The upgrading operation could, on certain assumptions\* generate an additional US\$11.7 million of EBITDA (zinc price of US\$1,600 per tonne) per annum at plant level and reduce the break-even zinc price of the combined operations to about US\$1,300 per tonne. The upgrading potential announced today could, therefore, have a significant medium term impact on the prospects for the Company.

\*assumptions include

1. 50% of the HZO is upgraded to commercial grade zinc oxide (IZO)(80% zinc contained).
2. Throughput at KRP of 200,000 tonnes of EAFD per annum and a recovery of 94%.
3. IZO will sell, net of operating costs at a premium of about 50% to the current off-take arrangements.
4. Lead and silver by product revenues of USD 1.7million, assuming a lead price of USD 1,440 / Tonne and Silver of USD 14 /Oz.

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