

29 December 2015



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

**Fundraising Unsuccessful**

**Proposed Transfer of 90% of KRP to Korea Zinc**

**Plans for the Company Going Forward**

On 30 November 2015, the Company announced that it had entered into an agreement to reschedule \$57.1m of debt owing to Korea Zinc (the “KZ Agreement”). The terms of such agreement were set out in the announcement and included a condition set by Korea Zinc that the Company raise at least \$5m (net of expenses) before 31 December 2015.

Following intensive efforts over recent weeks to raise at least \$5m before the end of the year, the Company announces that it has not been able to secure sufficient investors to fund this amount. Accordingly, under the terms of the KZ Agreement, the Company is obligated to transfer 90 per cent. of its interest in its wholly owned Korean subsidiary, ZincOx Korea Limited (“KRP” or “ZincOx Korea”), owner of the Korean recycling plant, to Korea Zinc, or, upon Korea Zinc’s request, have KRP cancel all, or part, of the existing issued share capital of KRP, and issue and allot to Korea Zinc new shares in KRP through conversion of the outstanding loans into equity such that Korea Zinc owns 90 per cent. of KRP in each case for nil consideration (the “Disposal”). The Company will continue to retain a 10 per cent. interest in KRP.

As announced on 30 November 2015, since the Disposal would constitute a “fundamental change of business” for the purposes of Rule 15 of the AIM Rules, in the event of an unsuccessful fundraising the Company sought, and was granted, approval by Shareholders for the Disposal at a General Meeting of the Company on 18 December 2015.

The Disposal will now be formally effected during the course of January 2016. There will be no cash or other consideration receivable by the Company in respect of this Disposal.

It has been agreed with Korea Zinc that ZincOx Korea’s share structure will be reorganized so that 90 per cent. of the shares will be valued at the amount of the loans, which currently stand at US\$57.1 million giving an imputed value for these purposes of US\$63.4 million to ZincOx Korea. ZincOx Korea will, subject to the loans raised during the transition period as set out below, be debt free.

The transfer is expected to take at least a month to complete and during this transition period ZincOx will continue to assist the operation, as required, on a day to day basis so as to enable a smooth transition into management by Korea Zinc. The KRP plant is currently closed to carry out a repair to the evaporative cooler and production is expected to resume on the 7<sup>th</sup> January. During the transition period, outstanding invoices owed by KRP for 2015, current remediation costs and operating losses are expected to amount to about US\$3.4 million and this will be

covered by Korea Zinc and be treated as a loan to KRP. There will be no recourse to the Company for this loan.

In view of the current and negative short term outlook for the price of zinc, KRP may continue to suffer losses in the near term. If Korea Zinc continues to support the operation by injecting cash and if ZincOx is unable to provide its share of support, such injections may be treated as loans or may be capitalized (including the above US\$3.4 million loan) in which case ZincOx's interest in KRP would be diluted according to a formula based on the imputed value of the company as described above. For example, if the US\$3.4m required during the transition period were to be capitalized, it would have the effect of reducing the Company's interest in KRP from 10 per cent. to 9.5 per cent.

Following the transfer of 90 per cent. of the shares in ZincOx Korea, in addition to its residual 10 per cent. shareholding in ZincOx Korea and its technology "know-how", ZincOx will have net cash of approximately £240,000 and its only other notable assets will be its industrial land in the USA and Turkey and a profit sharing interest in the Jabali zinc deposit in Yemen. Since the security situation in Yemen is extremely uncertain there is no prospect of development in the near future and so no value can be ascribed to this interest. The Board estimates that the land in the USA has a value of approximately £167,000, and that in Turkey to be approximately £4 million and both parcels of land are on the market. The Turkish land, however, provides security against a bond amounting to £3.78 million that is due for redemption in July 2016 and, after the payment of costs and redemption of the bond, shareholders should not expect there to be significant additional cash generated by the sale of this property.

In recognition of the current tight cash position of the Company, the Board will now actively look to reduce its overhead costs where possible which will include review of staff numbers. For the time being, Andrew Woollett and the Non-Executive Directors have agreed to waive their remuneration entitlement.

The losses attributable to KRP during the six months to 30 June 2015 amounted to US\$3.9 million accumulated losses at 30 June 2015 being US\$48.8 million. KRP produced about 50,000t of zinc concentrate during 2015 which generated about US\$35 million in revenue. The carrying value of the assets in the balance sheet are based on the cost as written down and at 30 June 2015 amounted to US\$117.0 million.

The Board believes that the Company's, albeit reduced, ongoing interest in KRP is a valuable long term asset. If the zinc price returns to the level seen over the past four years, it could provide a regular cashflow that could be used for the generation of new projects and to cover overheads.

ZincOx has proven a proprietary core technology which produces a unique zinc concentrate that can be readily upgraded using conventional technology to a zinc oxide of chemical purity. The development of plants using this combination of technologies present attractive investment returns at long term zinc prices. There are parties interested in developing plants using this technology and it is the intention that ZincOx could work with interested parties to develop new projects on a joint venture basis. In recognition of the considerable investment already made in research and development and the investment and operational experience at KRP, incoming

partners would be required to cover the cost of a project specific feasibility study. In this way, ZincOx would only be required to contribute once the full value of a new plant could be estimated. The feasibility study will enable project finance through third party lenders to be raised following which the Company will be in a position to consider different funding options for its share of the project's equity requirement.

However, exploitation of such opportunities will require further funding and the Company will be considering various fundraising alternatives over coming weeks with the aim of making an announcement of its plans before the end of January 2016.

Any such fundraising will involve the injection of equity into the Company and therefore it is likely that this fundraising and the proposed plans of the Company going forward will require approval by Shareholders, full details of which will be announced and set out in a circular to Shareholders.

Coupled with the above, the Company now has various options going forward, including but not limited to:

1. raising additional capital from existing and/or new investors for the purpose of making investments. In such event, and within not more than 12 months from date of the Disposal, the Board will set out in a circular to Shareholders its proposed investing policy in accordance with Rule 15 of the AIM Rules and seek Shareholder consent in relation thereto.
2. raising additional capital but selling technology and/or know-how to and/or forming joint ventures with third parties and in such instance, the Company will have no surplus cash to make any investments and therefore the investing policy requirements set out in Rule 15 of the AIM Rules are not applicable.
3. managing the business following the Disposal with the aim of an orderly winding up of the assets (including realisation of any value in any interest it may have in KRP and other assets), cancellation of admission of its shares on AIM within the provisions of Rule 41 of the AIM Rules and return of any surplus cash to Shareholders. In such instance, the Company will have no surplus cash to make any investments and therefore the investing policy requirements set out in Rule 15 of the AIM Rules are not applicable.

The Board will announce its proposals in relation to these options as soon as practicable but in any event before the end of January.

Commenting on the announcement Rod Beddows, the Chairman of ZincOx, said "We are obviously disappointed that we were unable to secure additional funding to retain 100 per cent interest in KRP. However, our ongoing interest in the Korean Recycling Plant is significant and may act as a building block for the Company and a source of cash if the zinc price returns to more sustainable levels. The Company has proven an exciting new technology and we look forward to potential partnerships for the development of new projects."

All defined terms in this announcement shall have the meanings ascribed to them in the announcement of 30 November 2015.

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