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Dear Shareholder,

I had promised to send an update to shareholders at Christmas, but I decided to await the recently received capital cost estimation for the Spanish project so that my update could be more informative. In this update I will discuss the main assets of the Company which are our recycling projects in Spain and Japan and our investment in Moxico Resources.

The plans for the Spanish recycling plant have now moved ahead of those for a plant in Japan and my main focus is looking at ways of bringing this asset to account. Apart from the obvious route of equity and project finance we are also looking at the possibility of an early straight sale of the Company or its recycling assets as this could minimise risk and provide a more immediate return for shareholders.

The Spanish project is essentially the same as that which we designed for Vietnam. The project is designed to treat 100,000tpa of EAFD sourced from Spain and around the Mediterranean Sea and the Middle East. Given this diversity of supply and the necessity to discharge our saline waste water to the marine environment, we were looking to place this on the coast. The plant is designed to produce about 34,000 tonnes of high purity zinc oxide suitable for use in the rubber and ceramics industries. Rubber manufacturing customers will pay a slightly higher price for zinc oxide as higher quality is required. However, as most of this market is for tyres, where there are very important performance standards that relate to personal safety, accreditation can take several months, even years. As there are no such safety issues in the ceramics market, this should be much easier to penetrate and considerable work was done in this respect as part of the Vietnamese project. The greatest concentration of ceramics factories in the world is centred around the town of Castellon on the east coast of Spain. These factories consume about 40,000 tonnes of zinc oxide annually and present the most exciting market for our product. We are fortunate that Castellon hosts one of the largest ports in Spain, having bulk, container and liquid hydrocarbon terminals. It is frequently serviced by container lines that visit ports around the Mediterranean.

The port of Castellon is an industrial zone that hosts a large oil refinery, a gas powered power station, and Europe's largest bio-diesel plant. We have chosen a site that is adjacent to the shore and is well placed for gas and electricity and which is available on a long term lease once a project decision has been taken.

Early last year Basic Engineering was started by TTCL, the Vietnamese engineering company that drew up the plans for the Vietnamese plant. Last summer we undertook a geotechnical survey that involved testing samples from a number of drill holes so that the foundations of the plant could be designed. TTCL drew these plans together in a 3 dimensional engineering model that enabled them to make detailed estimates for piping and cabling and other materials.

The Basic Engineering package was used to make an estimate of the cost of developing the plant. The cost estimate required the experience of a major engineering company that would be entirely familiar with the sub-contractors and equipment suppliers that would be used to build the plant. We selected IDOM, a Spanish company that is among the world's foremost engineering firms involved in the steel industry. Their cost estimate is being finalised, but it is expected to be about €142 million including working capital, which is in line with our expectations.

There are two further important hurdles for development to proceed, the EAFD supply contracts and environmental permitting. The environmental permitting process has been contracted to the Environmental division of IDOM. This organisation is based in Valencia where the provincial government will be responsible for awarding us the environmental permit. A detailed Environmental Impact Assessment and other supporting documentation was submitted to government in August 2019, and we are expecting to be awarded the necessary permits in May of this year. The timing for the permits is, however, very uncertain and we should be prepared for this to take longer than expected.

We have held discussions with a number of steel companies and are confident that EAFD supply contracts can be entered into on attractive terms. However, until we have some firm indication of the timing of the environmental permitting, and therefore the start date for the construction, we have been reluctant to be tied to a date when we will be committed to start taking their EAFD.

While the capital estimate was being prepared, we have been working on the operating cost. These two have been combined in a financial model which at a zinc price of US\$2,200 per tonne, gives a post-tax internal rate of return of 18% and a net present value (discounted at 8%) of €112million. Now that we have a robust financial model, we have started to discuss the raising of equity and debt for the development of the project. We are looking at a range of potential financial structures including a sale of the project. Initially we have been concentrating on the search for equity investors, as lenders to the project will take comfort from the calibre of the shareholders in the project.

In Japan the progress has been slower than we would have liked. As a foreign company in Japan with a novel technology, winning trust and acceptance takes considerable time. We have, however, made great inroads as evidenced by the provision of representative samples from about one third of the steel mills in Japan, which together generate about 150,000 tonnes of EAFD per annum. These samples have been analysed and confirm the commercial zinc grade of the EAFD. A coastal site in the same industrial zone as a major steel mill has been identified and we are in the process of negotiating the acquisition of the land with the local government, only once this has been completed can the environmental work commence.

Although our work in Japan started before that in Spain, due to the slow progress, the Spanish project has overtaken Japan and our main focus is now on the financing, or valorisation by other means, of Spain.

I am pleased to report that Moxico Resources plc has progressed very well and the company should soon be in small scale production at its Mimbula property in Zambia. The main story, however, is the development of a major new copper mine at Mimbula and development of this is expected later this year, as is the listing of the company's shares. We purchased 12.5 million shares in Moxico in 2017 for 6p per share, so I am delighted to report that we have recently sold a small number of shares at 24p. The sale of Moxico shares can be used to fund the Company's continuing activities.

I think it is fair to say that we have, so far, undertaken the objective we set ourselves eighteen months ago, that is to have another recycling project ready for development. I must, however, caution shareholders that perhaps the most difficult task still remains, that is the financing of the development of the project or its sale. Given the novelty of the process, the early problems and perceived failure of the Korean project, and the capital requirement of the project compared to our size as a company, finding equity investors and debt providers will be extremely challenging. Having said that, the project is robust financially, and is a major breakthrough in the treatment of what is probably the world's most abundant inorganic hazardous waste. As such it will be disappointing if we are unable to valorise this for shareholders.

I will give a further update on progress in the Annual Report in April, unless there are significant developments before then.

Andrew Woollett
Chief Executive