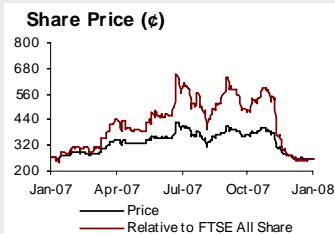


Under Review

Last Different Recommendation
ADD, 18th April 2007

Current Share Price	258p
Target Price	Under Review
Market Capitalisation	£126m
Shares in Issue	49m
RIC/BLBG	ZOX.L / ZOX LN
Avg. Daily Volume (3M)	111,712
Broker/Adviser	Yes

Current share price(s) timed at 4.30pm on 11/1/2008



Performance %	1M	3M	12M
Absolute	-5	-30	-2
Relative	1	-23	1

Source: Datastream

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ZincOx Resources

Financing and strategy update

Funding adds confidence

ZincOx has provided an update to the market detailing the finalisation of financing for the Jabali mine, the receipt of deferred payments relating to the sale of the Shermaiden zinc oxide operation and a new strategy for development of the zinc recycling business. Our rating and target price for ZincOx remains under review, but we believe the announcement provides a welcome update in terms of the company's strategy. The finalisation of financing for Jabali gives us confidence the company will be able to negotiate financing for the first leg of the new recycling strategy in the coming months, and progress to production for both the mining operation and the recycling operation in the US by the end of next year.

- **Jabali Financing:** The company announced it has raised US\$120m in debt to finance the Jabali zinc oxide mining operation (52% ZincOx) in Yemen. The money was raised by issuing a unique bond with a six year term, 11.5% interest rate and a coupon payment linked to mine production and zinc prices over a 10 year period. At spot zinc prices (\$2321/tonne) the payment equates to approximately \$163/tonne, or equivalent to a royalty payment of 7%. In our view, a key feature of the bond is the limited recourse (\$5.2m) to ZincOx, enabling the company to pursue financing for the recycling side of the business. Capital expenditures for the project are expected to be US\$198m, with US\$18m in financial security guarantees. Of the remaining funding requirements (\$77m), ZincOx will provide \$40m in cash from its balance sheet, where the company currently has \$51m in cash following the receipt of deferred payments from the sale of the Shermaiden zinc operation.
- **Shermaiden deferred payments:** The company has received its 2007 deferred payment from the sale of the Shermaiden zinc oxide mine equating to \$31.4m. The payment was just shy of the maximum it could have received, with the operation mining 58,558 tonnes of zinc and payments to ZincOx capped at 60,000 tonnes per annum. We still expect the company to securitize the remaining repayments before the end of the 2008, once ore is being mined at the expected rate.
- **Strategy for recycling business:** The company has adopted a new strategy for the development of its zinc recycling business aimed at speeding up initial cash flow and easing the capital burden of starting up 3 highly capital intensive businesses in different parts of the world simultaneously. The original plan for the development of the recycling business involves shipping a concentrate from EAFD recycling plants in Ohio (USA) and Aliaga (Turkey) to the specially engineered Big River zinc electro refinery in St Louis (USA). While this remains the ultimate goal, recent test work by the company has determined that the concentrate to be produced by its recycling plants can be washed, and then fed into conventional smelters. Consequently, the company now intends to develop the Ohio recycling plant and upgrade the washing facilities at Big River zinc, which would require capital expenditure of \$169m compared to the circa \$400m required to develop all three projects simultaneously. In our view, this will increase the probability of the company securing funding in the near-term.
- **EAFD procurement in South East Asia:** Further steps have been taken towards the development of an additional EAFD recycling plant in Thailand, with the company securing new EAFD supply agreements, which now total 104kt per annum. We expect the company would require around 200kt per annum for an optimal sized plant, but would only require around 130kt-140kt to proceed to the development stage.

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As from 14 February 2005, the formula is:		Prior to 14 February 2005, the formula was:	
Buy	> +20%	Buy	> +15%
Add	+10% to +19.99%	Add	+5% to +15%
Hold	0% to +/-9.99%	Hold	-5% to +5%
Reduce	-10% to -19.99%	Reduce	-5% to -15%
Sell	> -20%	Sell	> -15%

Distribution of Ratings

	US Requirement		UK Requirement	
	All Securities	Corporate Clients	All Securities	Corporate Clients
Buy	52%	90%	53%	10%
Add	23%	5%	23%	3%
Hold	19%	5%	19%	2%
Reduce	4%	0%	4%	0%
Sell	2%	0%	1%	0%
	100%	100%	100%	

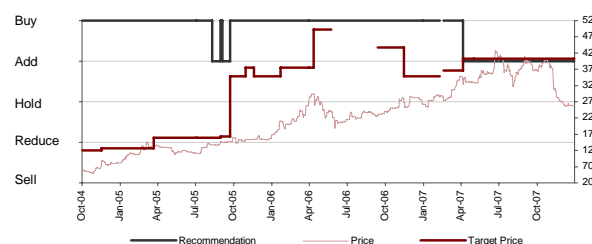
The above table shows the split of recommendations based on the last recommendation for each research stock during the last four calendar quarters.

The above table shows the split of recommendations based on all recommendations during the last calendar quarter.

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Three Year – Recommendation, Target Price & Share Price History

ZincOx Resources (ord)



Source: Numis Securities Research Department

On 14 February 2005, the basis for making recommendations changed. Details are contained in the Ratings Key.