

ASX Release

Zinifex Limited
ABN 29 101 657 309

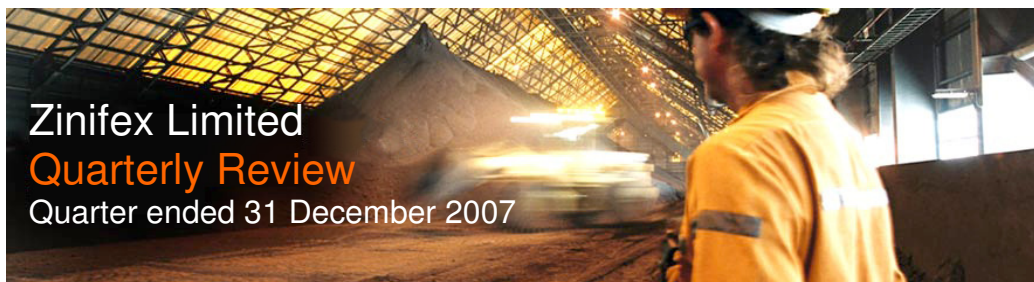
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24 January 2008



Overview

- **Production ahead of last year – zinc up 8%**
- **Delivering on growth strategy – offer for Allegiance Mining**



Dear Shareholder,

Zinifex's strong production performance so far this year continued into the December Quarter with total zinc in concentrate production of 147,288 tonnes. Year to date production is 8% ahead of the corresponding period last year at 301,274 tonnes.

Lead in concentrate output was up strongly when compared to that produced during the December quarter last year, recording a 29.5 % increase to 18,863 tonnes. Year to date production was up 12% on last year at 37,406 tonnes.

Zinifex continues to deliver on its strategy to grow our mining business. On 17 December 2007 we announced an all market cash takeover offer for all of the ordinary issued shares of Allegiance Mining NL. Allegiance is the owner of the 8,500 tonnes per annum Avebury nickel project on the Tasmanian west coast, which is due to be commissioned in the first quarter of 2008.

Zinifex believes nickel is an attractive long-term growth business and Allegiance's Avebury project is an excellent entry point for the company. With nickel production due to commence in early 2008, this mine would add immediate growth to Zinifex's existing profit centres, the Century and Rosebery mines.

On 23 January Zinifex announced that it was simplifying its takeover offer and would now offer \$1.00 cash per share for all Allegiance shares, irrespective of whether it acquired a relevant interest in 30% of shares or received a directors' recommendation.

On 29 October 2007 Zinifex and Umicore successfully sold down 87% of their respective holdings in Nyrstar, the world's largest producer of zinc metal, through a Public Offer. Zinifex still maintains a 7.8% stake in the newly listed company. The Public Offer raised €1.7 billion of which Zinifex received approximately 60% of the gross proceeds.

As a consequence, Zinifex has a substantial war chest in excess A\$2 billion in cash with which to pursue its growth strategy, the purchasing power of which is increasingly becoming more valuable in the current volatile market conditions. Notwithstanding this, the Board is fully cognisant of its obligations to maximise

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shareholder value and will continue to be disciplined in the deployment of this capital.

Zinc prices continued to weaken during the December quarter averaging US\$2,623 per tonne, a 19% fall on the September quarter and 37.6% lower than for the comparative quarter in 2006.

The zinc price in Australian dollars has been further impacted by the continued weakening of the US dollar. The average A\$/US\$ exchange rate for the December quarter was 88.95c, an increase of 15.5% over the corresponding quarter last year and an increase of 5% over the September Quarter 2007.

While LME zinc stocks rebounded in the December quarter to close at 89,100 tonnes, they still remain at historically low levels. Markets appear to be taking their pricing cues from a combination of the expectation that new zinc supply will enter the market in 2008 returning it to surplus and the growing uncertainty surrounding the state of the US economy.

Notwithstanding these issues, demand remains healthy, especially from China, and there is also a tendency evident in recent years for new mines to be delayed and /or deliver lower than expected tonnage. For these reasons we believe that any surplus that may develop will be modest and will only return stock levels to, historically, more normal levels. Further, we believe markets have already priced in an appropriate zinc price correction in response to the most pessimistic of forward outlooks.

Lead prices similarly saw a correction over the quarter but remain well above the levels for the same time last year. Lead closed at US\$2,532 per tonne with an average quarterly price of US\$3,215 per tonne, however, this is in the context of record high prices during the September Quarter. In comparison, lead prices were almost double that of the quarter last year.

The rapid decline in LME stocks of lead experienced in the September Quarter was arrested with stocks rising to a close of 45,500 tonnes. As with zinc, stock remains at historically low levels and supply continues to be affected by the Chinese Government's decision to introduce an export tax is likely to contribute to a significant fall in that country's lead exports. We remain positive on the near term outlook for lead where supply issues continue to hold the market's attention.

Negotiations on treatment charges for zinc in concentrate are underway. However, there has not as yet been any real convergence of positions between the mines and smelters. This lack of convergence is being further impacted on by the volatile market conditions currently being experienced. While it is too early to speculate on the outcome of negotiations it is reasonable to assume that increases in concentrate availability will result in some up-lift in treatment charges which Zinifex believes should only be moderate.

Treatment charges for lead in concentrate are more difficult to comment on as there is no industry wide benchmark. However, a reduction in lead exports from China due to tax changes has depressed lead concentrate demand and it is therefore reasonable to assume that lead concentrate treatment charges will increase.

Our Century regional exploration program has gathered pace with further drilling results from north east extensions of the Silver King base metal vein system returning significant intersections of high grade lead, zinc and silver.

Drilling has continued at both the Izok Lake and High Lake projects in Nunavut Territory, Canada indicating potential to increase mineral resources at both projects.

An inaugural mineral resource estimate has been completed for the Menninnie Dam deposit in South Australia, and exploration focus in 2008 will be on testing and

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developing targets in the remainder of the licence area with the aim of adding significantly to the current resource.

On 15 November the Board announced that Andrew Michelmore would take up the position of Chief Executive Officer. While Mr Michelmore will assume full time operational responsibility from 1 February 2008, he has been involved immediately in all strategic matters of the company.

Tony Barnes
Acting Chief Executive Officer

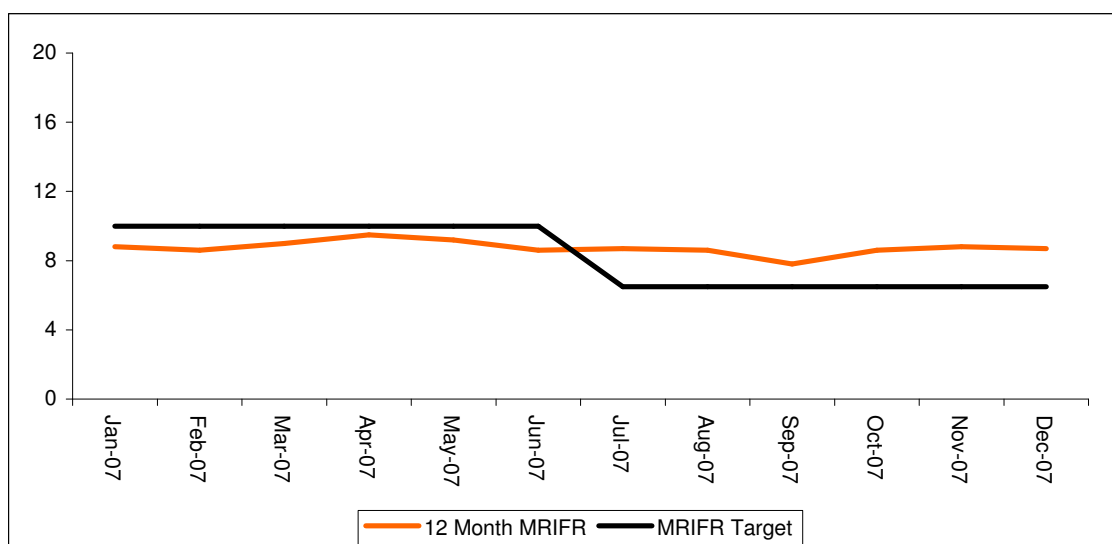
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Production Overview

Concentrate from Mines (Tonnes)	Quarter ended 31 December 2007	Quarter ended 31 December 2006	Quarter ended 30 September 2007	YTD ended 31 December 2007	YTD ended 31 December 2006
Contained Zinc	147,288	143,116	153,985	301,274	278,798
Contained Lead	18,863	14,565	18,543	37,406	33,478

Safety, Health and Environment

Medically Referred Injury Frequency Rate (MRIFR)
per million man hours



- Zinifex's health, safety and environmental performance are high priorities. Therefore it was somewhat disappointing to see a plateauing of MRIFR results for the December Quarter with a 12 month MRIFR in December 8.7. While this figure still compares favourably with the corresponding period last year of 9.2, we will be looking at ways that we can once again resume momentum for a downward trend.
- Zinifex had 2 reportable environmental incidents in the December Quarter bringing the total number for year to date to 8, 1 more than for the same period last year. These incidents were of a low environmental impact.

Century Mine

- Zinc in concentrate production for the quarter was 130,361 tonnes. This quarter was 2% lower than the September quarter, and 5% higher than the corresponding period last year.

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- Zinc output for year to date was 9% higher than last year due to higher mill availability, head grades and recoveries.
- Shipments of zinc concentrate for the quarter were 13% above the September quarter 2007 and year to date sales were 16% higher than for the corresponding period last year.
- Lead in concentrate production was 13,868 tonnes for the quarter, 59% higher than for the corresponding quarter last year.
- Full year to date lead production is 25% higher than for last year due to higher mill availability and the reclamation and sale of lead from our storage dams at Lawn Hill.
- Lead concentrate sales for the December Quarter 2008 were 49% higher than the corresponding period last year, reflecting the trend in production.
- Mining of ore from stage 5 progressed to plan while waste stripping in Stage 6, which is the priority work area for next ore access was ahead of the quarterly target. Total material movement for the quarter was 9.7 million BCM, which was marginally below the corresponding quarter last year.
- Project PERcent aims to increase zinc metal recovery at Century by more than 2%. As previously reported, a number of initiatives have been completed to date and the project is delivering above expectation. During the quarter, pre-operational testing of an additional ball mill commenced with wet commissioning planned for mid February 2008.

Rosebery Mine

- Zinc in concentrate production for the December quarter was 16,927 tonnes, 18% lower than the previous quarter and 10% lower than for the same period last year. Ore treated was lower than the previous quarter due to planned maintenance shutdowns and lower metal grades in the ore mined resulting in reduced metal output.
- For the half year, zinc in concentrate production was 37,494 tonnes, 6% below the previous half year. While ore treatment rates were higher, lower metal grades reduced metal output.
- Lead in concentrate production was 9% lower than the previous quarter and 15% lower than for the same period last year again reflecting lower ore treated and lower metal grades. Production for the half year was 10,508 tonnes, 15% lower than the previous half-year with higher ore throughput offset by lower lead grades and lower recovery due to circuit instability and reagent trials.
- Despite this reduction, Rosebery is confident that production will return to more normal levels for the remainder of the Financial Year.

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- Copper in concentrate was 17% higher and gold in dore output was 9% lower than the previous six months due to mineralogical changes in the material treated.
- Zinc and lead concentrate sales for the half-year were broadly in line with production.

Exploration and Development

Highlights

- Further drilling results from north east extensions of the Silver King base metal vein system have returned very promising results with significant intersections of high grade lead, zinc and silver found. This includes 30 metres of 21.6%Pb, 3.2%Zn and 253g/tAg. The results from this 30 metre intersection are the best to date and extremely promising as the extension is still open to the north east and at depth. There are other vein systems yet to be properly tested. On the strength of these results Zinifex has commenced scoping studies on mining options for Silver King which could potentially provide incremental feed to extend operating life at Century.
- Drilling has continued at both the Izok Lake and High Lake projects in Nunavut Territory, Canada. Results such as 9.0m at 17.0%Zn at Izok Lake indicate potential to increase mineral resources. A confirmatory hole in the Central Zone at Izok Lake resulted in a thick high grade intersection of 93.8 metres at 5.6%Cu and 11% Zn providing further confidence in the mineral resource.
- An inaugural mineral resource estimate has been completed for the Menninnie Dam deposit in South Australia, which stands at 3.8 million tones at 4.0%Zn, 3.2%Pb and 34g/t Ag. Exploration focus in 2008 will be on testing and developing targets in the remainder of the licence area to significantly add to the current resource.

Global Exploration

Canada

- Exploration activities in the Nunavut Territory continued during the quarter with four drill rigs on site and completion of ground geophysical surveys. Drill rig crewing remains a challenge for the contractor and is impacting drill production. Fourteen diamond holes were completed for a total of 4315 metres drilled.
- At Izok Lake, drill holes HEN-373 & 374 were drilled to test for extensions of the Izok Lake deposit in the vicinity of HEN-345 (101m at 1.7%Cu, 11.8%Zn, 0.9%Pb and 109g/tAg). Assay results for the significant intersections are shown in table 1 below and confirm the potential to increase resources at Izok Lake. A confirmation hole (HEN 370 reported last quarter) drilled into the Central Zone at Izok Lake has now been assayed and results confirm the very high grade nature of known mineralisation.

Hole No	From m	Interval m	Pb %	Zn %	Ag g/t	Au g/t
HEN370	58.5	93.8	5.6	11.0	88	0.18
HEN373	618.5	9.0	0.8	17.0	70	0.17
HEN374	559.2	0.4	0.5	15.6	158	-

Table 1. Significant Izok Lake Drill Results

- In the High Lake area, drilling continued at a number of targets. Significant sulphides were intersected in D Zone and assays are expected next quarter.

Australia

- Having satisfied the next earn in stage of 70% in the Menninnie Dam Joint Venture, Zinifex is proceeding to assume management of the project on 1 March 2008.
- At Menninnie Central, an inaugural Inferred Mineral Resource estimate was declared – 3.8 million tonnes at 4.0%Zn, 3.2%Pb and 34g/tAg. The estimate was based on 38 diamond holes and 19,477 metres of drilling. The estimate does not include exploration results from Menninnie North and South, Viper (1km south), Cassius (2km south) or Tank Hill (5km north).
- The focus of exploration in 2008 will be to test new prospects aiming to significantly add to the current resources. This will include drill testing;
 - encouraging geochemical and IP anomalies in the Tank Hill and Phone Hill areas – respectively 5km north and 5km southeast of Menninnie Central and which are comparable in size to Menninnie Central;
 - Pb-Zn anomalism in soil and shallow drill samples in the Menninnie North area extending 2 km north of Menninnie Central;
 - any new areas of IP and EM anomalism identified during planned surveying of areas of known soil anomalism and where magnetic imagery shows structurally favourable sites for mineralization; and
 - strike and dip extensions to Viper and Cassius mineralisation

Tunisia

- Drilling continued at Bou Aouane with six holes completed for a total of 1,115 metres drilled. A confirmatory hole BADD003, intersected 14.5 metres of 8.0% Zn. A 160 metre step out hole, BADD006, intersected 21.4 metres of 1.7%Pb and 2.4%Zn and confirms extension of the mineralizing system to the north east.

Sweden

- The airborne electromagnetic survey planned for the quarter to cover the Falun, Bersbo and Oxberg project areas was deferred to late next quarter due to the contractor not being available while flying conditions were permissible. The survey will cover approximately 260 sq km of the prospective host sequence.

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- Preliminary assessment of mine plans and sections from the old Falun mine indicate significant targets for drill testing during 2008. Further assessment of historic drill core and assay information is planned to refine drill design.

Mexico

- At La Corazonada, the airborne magnetic survey was completed with 1,520 line kilometres flown. Interpretation to assist drill targeting is in progress.

Mine District Exploration

Century Mine and Region

- Nine drill holes in the Silver King area of the Century Mine Lease significantly extended the footprint of the mineralisation reported last quarter. There is further potential to the north east as indicated by previous geochemical surveys. Assay results this quarter indicate significant extension to the Silver King vein system.
- The Silver King vein system is a different style of base metal mineralisation to that mined at the Century Mine and could supply incremental feed to the Century concentrator and extend operational life.
- A mineral resource estimate is close to completion for the old Silver King mine area using historical sections and drill data in addition to new drill data acquired during 2007.
- Significant intersections to date from holes drilled into the extension are reported in Table 2 below. Assays are from split NQ core.

Hole No	From m	Interval m	Pb %	Zn %	Ag g/t
ZCL613	96.0	6.0	12.9	7.0	151
ZCL620	102.0	6.0	11.3	5.1	84
ZCL621	124.0	30.0	21.6	3.2	253
ZCL622	88.0	10.0	22.8	4.2	231
ZCL624	205.1	7.1	23.4	8.4	200
ZCL743	156	6.0	4.8	3.3	31

Table 2: Silver King, Significant Drilling Results

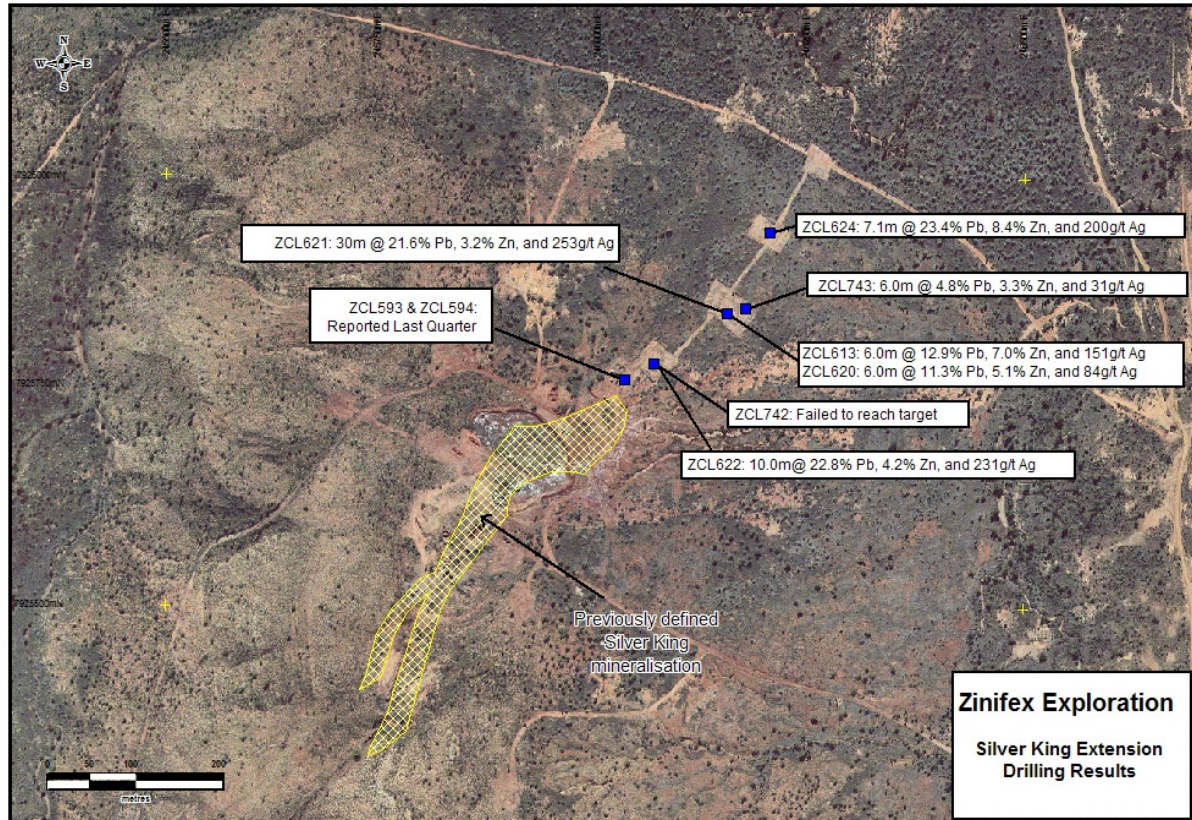


Figure 1. Status of Drill Testing at Silver King.

- Exploration continues in the Century Mine lease for Century style deposits in addition to Silver King style vein systems.

Development

Dugald River Project

- Drilling of the deposit totalled over 6,000 metres during the quarter and metallurgical test-work commenced. Assay results are awaited but visually copper potential appears to be exciting.
- Exploration camp, site infrastructure and core shed construction nearly complete and due for commissioning in February 2008.

Nunavut Project

- A northern arctic road and port transport options study by Zinifex's consultant, EBA, to determine the indicative economics, cost and feasibility of a number of logistics routes to support the development of the Izok Lake and High Lake copper/zinc projects and the company's possible future projects in Nunavut will be reviewed at the end of January. In addition to Zinifex's own needs, the study will explore the opportunity for Nunavut to realise its ambitions of becoming a significant mining province.

- Environmental studies required for subsequent Izok Lake permitting and tailings storage design have been completed
- These two reports will feed into the Pre-feasibility study for the Izok Lake development that was awarded to Hatch in December 2007.
- Meetings are planned to take place in Vancouver with Nunavut government ministers and First Nation and local Nunavut business leaders to share and discuss and explore opportunities of co-operation in developing the Nunavut assets.
- Recruitment of additional environmental, exploration and project engineering staff commenced, to support the substantial growth of our Canadian activities.
- A draft report for the Lupin Mine restart is being reviewed and the preliminary economic assessment for the Lupin and Ulu gold projects was awarded to Hatch and will start end January.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Peter Edwards, a Principal Development Advisor with Zinifex Limited, who is a Member of The Australasian Institute of Mining and Metallurgy and a full-time employee of the company. Mr Edwards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Edwards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Production Statistics For The Quarter Ended 31 December 2007

	QUARTER			YTD	
	ended Dec-07	ended Sep-07	ended Dec-06	ended Dec-07	ended Dec-06
MINES					
Century Mine					
Production					
Ore Treated (tonnes)	1,387,040	1,418,706	1,427,788	2,805,746	2,713,453
Assaying					
Zinc %	11.7	11.7	11.3	11.8	11.4
Lead %	1.2	1.4	1.1	1.3	1.2
Silver g/t	28.1	26.6	39.5	27.7	46.9
Zinc Concentrate (tonnes)	229,893	233,707	222,079	463,600	423,644
Containing - Zinc (Tonnes)	130,361	133,419	124,405	263,780	238,931
Containing - Silver (kg)	24,271	23,494	34,566	47,765	77,501
Lead Concentrate (tonnes)	20,916	19,543	13,371	40,459	32,496
Containing - Lead (Tonnes)	13,868	13,030	8,706	26,898	21,102
Containing - Silver (kg)	3,157	3,020	3,760	6,177	11,413
Sales					
Zinc Concentrate (tonnes)	264,892	233,886	238,268	498,778	431,418
Lead Concentrate (tonnes)	21,603	16,584	14,477	38,187	33,589
Rosebery Mine					
Production					
Ore Treated (tonnes)	172,229	185,132	171,595	357,361	338,611
Assaying					
Zinc %	11.1	12.3	12.1	11.6	13.0
Lead %	3.7	3.8	4.1	3.8	4.4
Copper %	0.4	0.4	0.3	0.4	0.3
Silver g/t	142.4	139.4	148.5	139.5	141.7
Gold g/t	1.7	1.4	1.5	1.5	1.7
Zinc Concentrate (tonnes)	31,256	38,030	33,977	69,285	71,303
Containing - Zinc (Tonnes)	16,927	20,566	18,711	37,494	39,867
Containing - Silver (kg)	2,715	3,347	2,355	6,062	4,752
Containing - Gold (kg)	24	38	17	88	38
Lead Concentrate (tonnes)	7,990	8,678	9,279	16,668	19,307
Containing - Lead (Tonnes)	4,995	5,513	5,859	10,508	12,376
Containing - Zinc (Tonnes)	823	852	1,056	1,675	2,192
Containing - Silver (kg)	9,908	11,014	10,440	20,921	21,132
Containing - Gold (kg)	47	52	42	99	88
Copper Concentrate (tonnes)	1,870	1,880	1,622	3,750	3,149
Containing - Copper (Tonnes)	387	376	333	755	646
Containing - Silver (kg)	8,571	8,934	8,796	17,504	16,238
Containing - Gold (kg)	73	111	142	176	283
Gold Dore (kg)	142	138	132	279	280
Containing - Gold (kg)	84	83	86	167	183
Containing - Silver (kg)	53	49	37	102	82
Sales					
Zinc Concentrate (tonnes)	35,029	34,857	36,939	69,886	70,539
Lead Concentrate (tonnes)	6,526	10,367	10,447	16,893	18,353