ZINIFEX LIMITED
ABN 29 101 657 309

LEVEL 29
FRESHWATER PLACE
2 SOUTHBANK BOULEVARD
SOUTHBANK
VICTORIA 3006
AUSTRALIA

GPO BOX 1291K
MELBOURNE
VICTORIA 3001
AUSTRALIA

T 61 3 9288 0479
F 61 3 9288 0466

www.zinifex.com

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ZINIFEX
LIMITED

28 April 2006

Zinifex March Quarter 2006 Review

Attached is the review of Zinifex's March Quarter 2006.

ZINIFEX LIMITED QUARTERLY REVIEW
Quarter ended
31 March 2006

Overview

Dear Shareholder

The March quarter was broadly in line with our expectations from an operational perspective but notable for the large uplift in zinc prices that occurred.

Total metal and concentrate produced in the quarter exceeded the same quarter last year despite a planned rebuild of the Hobart roaster, which was largely responsible for the 10% shortfall against the December quarter. On a year to date basis total production remains comfortably ahead of the previous year as a result of strong performance from Century.

Zinc in concentrate production was moderately lower than the preceding quarter but well ahead of the March quarter last year during which Century was adversely impacted by a SAG mill motor failure. Lead in concentrate production also remains well ahead of last year with higher lead grades at Century.

Zinc metal output was restricted in the March quarter by the planned Hobart roaster shut. This was a complex, and lengthy, once in thirty year event during which the roaster was effectively rebuilt. We will not make up this shortfall in the final quarter. Lead metal production at Port Pirie has been steady and we anticipate finishing the year at close to last year's levels.

Commodity prices continue at exceptional levels. Zinc again rose strongly, with the London Metal Exchange (LME) price increasing by 39% during the March quarter. An acute shortage of zinc concentrates continues to restrict metal production forcing consumers to resort to LME stocks, which fell 38% over the quarter providing upward support for prices. Base metals are attracting strong investor interest and the inflow of funds appears to be accentuating short term volatility in LME prices.

Lead prices rose in January but could not maintain the momentum and fell back to end the quarter only moderately higher. LME lead stocks rose and the fundamentals would suggest that forward prices should soften. Nevertheless, lead may well move in sympathy with the broader metals group and continue to show unexpected strength.

In January we announced the need to bring forward substantial waste stripping at Century in order to prevent the possibility of pit wall instability in future years. We are making good progress securing the necessary equipment to commence the accelerated stripping and estimated costs remain broadly in line with those previously provided to the market.

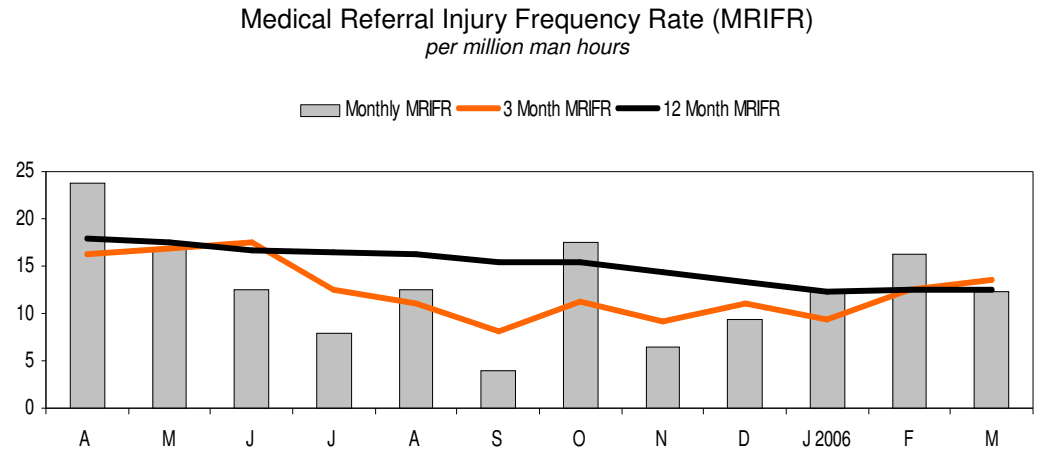
Exploration activity continued to build with drilling at Century, Rosebery and at Menninnie Dam with preliminary drill results expected in the June quarter. Expansion of our Budel smelter to 260,000 tonnes per annum remains on plan and within budget and we expect to commence commissioning in the June quarter. We see no difficulty in placing this additional production with strong European demand for zinc metal and spot premiums rising sharply.

Greig Gailey
Chief Executive Officer

Production Overview

Production Summary (Tonnes)	Quarter ended 31 March 2006	Quarter ended 31 March 2005	Quarter ended 31 December 2005	Year to date ended 31 March 2006	Year to date ended 31 March 2005
Mines					
Contained					
Zinc	147,766	134,422	153,364	447,345	438,170
Lead	23,282	15,760	24,866	85,474	61,258
Metal					
Zinc	143,871	156,047	161,343	459,556	476,011
Lead	64,543	64,857	66,792	186,146	190,740
Total Production	**379,462**	**371,086**	**406,384**	**1,178,521**	**1,166,179**

Safety, Health and Environment



Improving health, safety and environmental performance remains a high priority. MRIFR results continue to show a downward trend, with a 12 month MRIFR in March 2006 of 12.6. Our goal is to ensure that this trend continues by reinforcing a positive safety culture through various safety and health initiatives.

The significant improvements in environmental performance achieved so far this year were sustained during the March quarter. Year to date there has been an appreciable 85% reduction in the number of reportable minor environmental incidents when compared to the same period last year. Better performance, operational enhancements and new licence conditions all contributed to the reduction.

Century Mine

- Zinc in concentrate production for the quarter under review was 13% ahead compared to the March 2005 quarter, which was affected by a SAG mill motor failure. Similarly year to date production is ahead of last year for the same reason. Zinc production during the quarter was restricted by a two day unplanned shutdown in February when a transformer malfunctioned.
- The Concentrator operated with a revised 5% silica in zinc concentrate target during the quarter. This was partially successful in ameliorating the adverse impact on zinc recovery experienced earlier this year due to changes in the silica distribution in Century ore.
- Lead in concentrate production for the quarter and year to date was almost double that for the corresponding period last year. This was due to higher lead feed grades and higher throughput rates.
- Similarly silver production in both concentrates was significantly better than the previous year due to increased silver grades in ore. Increased silver recovery to lead concentrate also contributed.
- Zinc and lead concentrate sales for the quarter lagged production with a number of weather related shipping delays.
- Performance from the Jameson pre-flotation cleaning cell continued to improve. Technical focus is being rewarded with the cell now delivering approximately 80% of design performance. Further work will continue to achieve full design performance.
- A late wet season in the Gulf region of Queensland hampered pit operations during the March quarter. Despite this, waste stripping of Stage 5 is on track and we do not anticipate any continuity issues when the transition occurs next year.
- A third Liebherr 996 face shovel arrived and was commissioned in mid March. A further unit is due to be commissioned in July.
- Plans are well advanced for the procurement of additional equipment and other infrastructure required to support the announced accelerated pre-strip operation. Detailed mine planning is continuing to optimise the removal of overburden during the next three years.

Rosebery Mine

- Concentrate production for the quarter was similar to last year's level. Metal grades in the ore mined increased compared to the December 2005 quarter reverting to the high levels seen 12 months ago.

- We anticipate that these high metal grades will continue to be mined in the June quarter.

- Year to date concentrate production is below last year due to the lower feed grades encountered in the first half of this year. This shortfall is unlikely to be caught up over the balance of the year despite higher feed grades in the fourth quarter.

- Sales of zinc and lead concentrate in the March quarter were lower than last year with the delay of shipments into early April.

- The copper concentrate shipment deferred from the December quarter at the customer's request sailed during the March quarter as expected . A second copper shipment is on schedule to depart in June.

- ISO14001:2004 certification was achieved in the quarter.

Exploration

Century Area

Despite a late and heavy wet season which slowed drilling on the Century mine lease during the third quarter, 23 holes for a total of 6,079m were completed of the 10,000m of reverse-circulation and diamond drilling program planned for the second half of this financial year. Short intervals of zinc and lead mineralisation were intercepted, including 4m @ 9.77% Zn and 22 ppm Ag in vein mineralisation at Tunnel Hill.

Rosebery Mine Lease

In the Rosebery district exploration drilling continued to test regional targets and to define the extent of mineralisation previously intersected north of the current resource. Drilling outside the known Rosebery resource continues to confirm ore grade mineralisation in several directions including holes R8425, which intersected 5.9m @ 16% Zn, 6.3% Pb, 239 ppm Ag and 5.3 .g/t Au and 8422 which contained 5.4m @ 24.6%Zn, 4.5% Pb, 89 ppm Ag and 1.1 g/t Au and 4.8m @ 9.5% Zn, 5 % Pb, 283 ppm Ag and 2.0 g/t Au.

Menninnie Dam Joint Venture, South Australia

During the quarter a substantial drilling program primarily aimed at defining a resource at the Menninnie Central mineralised zone was undertaken. This included ten diamond holes for a total of 3,764m as well as 26 reverse-circulation holes for a total of 3,627m. Numerous high grade intersections were noted with full assay results either pending or yet to be fully evaluated.

The program for the June quarter will include electrical geophysical surveys and diamond drilling of the northern area along with further resource definition drilling at Menninnie Central.

The Menninnie project is located approximately 160km north west of the Port Pirie smelter in South Australia and has identified zinc and lead mineralisation over a six kilometre strike length. Zinifex may earn a 70% interest in the project by spending $8 million in a number of stages. Zinifex is currently moving toward funding Stage 2 of the project.

Hobart Refinery

- Zinc metal output in the March quarter was below the same period last year, as a result of the planned maintenance shutdown of the larger of the plant's two roasters. Zinc production has now returned to full capacity however production for the first two weeks of April was restricted by a delayed restart of the roaster to enable the re-bricked roaster dome to set properly.

- Sales volumes for the quarter were reduced, reflecting the lower production levels. EZDA demand was moderately lower with customers exhibiting some resistance to escalating zinc prices. Diecast alloy output was reduced accordingly and switched to special high grade (SHG). Demand for SHG in Asia remains strong.

- The roaster shutdown brought an additional 450 contractors on site for six weeks. A strong focus on safety during this period was rewarded with no Lost Time Injuries reported.

- Tasmanian rail freight operator, Pacific National (PN), continues to evaluate a State and Federal Government funding package. PN had threatened late last year to discontinue rail services unless support was forthcoming. The majority of Hobart's zinc metal is transported to market via rail to ports in northern Tasmania.

Budel Refinery

- Excellent operating conditions were experienced during the quarter. Zinc production for the quarter under review was ahead of both the preceding quarter and the corresponding quarter last year. Year to date production remains below last year's levels due to the roaster issues encountered in the first quarter of this year.

- Sales for the quarter were 4% below production due to planned maintenance in the casting area.

- The first diecast alloy was manufactured at Budel during the quarter with the completion of commissioning of the new alloying facility. Production of these premium alloy grades will build progressively as markets are developed.

- The project to increase zinc production to 260,000 tonnes per annum is nearing completion; main equipment items (transformer/rectifiers and new power load control system) have been installed and various test runs have been completed. Commissioning will commence in the June quarter with production expected to reach full capacity in the first half of next financial year.

- Market electricity prices remain high and with little prospect of relief in the foreseeable future.

Clarksville Refinery

- March quarter zinc production was approximately 2% below the corresponding quarter last year and 1% below the corresponding year to date mainly as a result of intermittent disruptions to locally sourced zinc oxide materials that supplements zinc concentrate feeds. This has been rectified recently with the procurement of alternative quantities of high quality European material.

- Sales for the quarter were 12% above the corresponding quarter last year and 6% ahead on a year to date basis, reflecting a draw down of stocks.

- Looking forward, sufficient raw materials have been procured and barring operational issues, full year production is expected to exceed last year's level.

Port Pirie Smelter

- Lead production for the March quarter was 4% lower than the December quarter, but similar to the corresponding period last year. Adequate sinter stocks are available which should result in higher production rates in the June quarter.

- Zinc production was 2% lower than the December quarter due to the failure of a recitformer unit.

- Lower inputs of copper, silver, and gold in raw materials has limited production of these metals this year when compared to last year. However copper and gold production were both higher than in the December quarter.

- Sales for the quarter were broadly in line with production.

- In February Zinifex announced a $56 million commitment toward achieving the National lead in blood standard of below 10 micrograms/dL for children 0 - 4 years in the Port Pirie community. Programs to reduce the emission of lead from the Port Pirie operation are well underway and further initiatives will be progressively rolled out over the next four years.

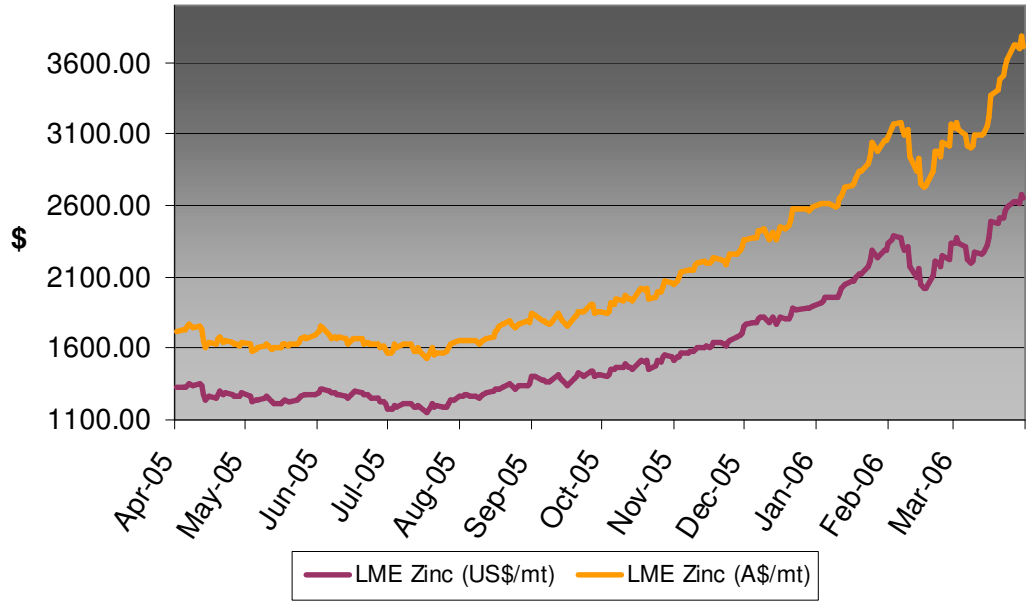
Australian Refined Alloys Joint Venture

- Production was broadly in line with the previous quarter and the corresponding quarter in 2005 despite planned furnace relines which were successfully completed over the new year break.

- Battery receipts slowed in line with normal seasonal variations.

- Sales remained strong particularly for ARA's lead alloy products.

Market Overview



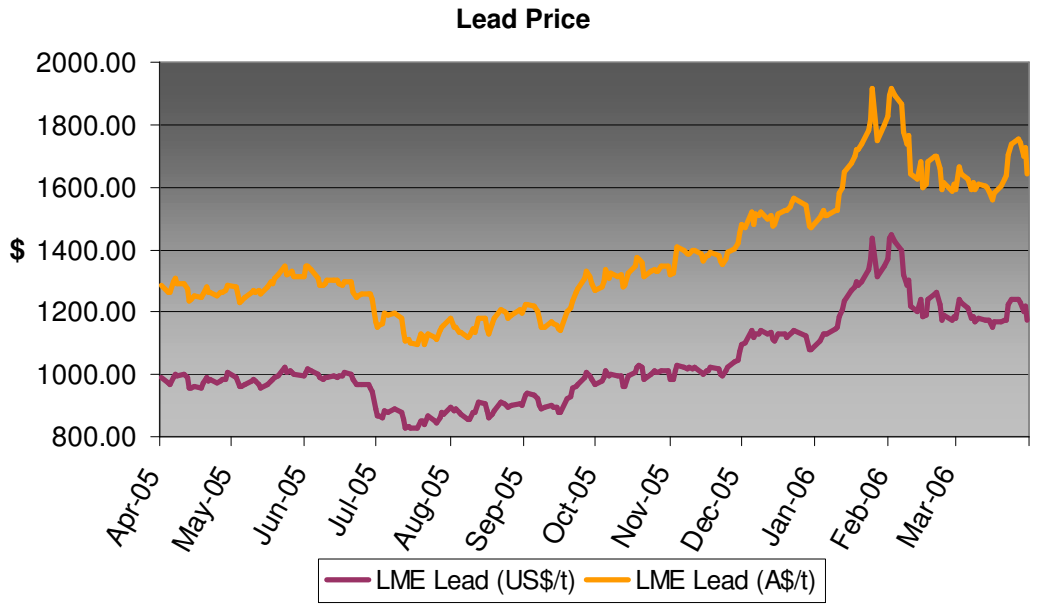
Zinc prices rose significantly, up 39% to US$2,650, during the March quarter despite a short-term price consolidation during February. Year to date the zinc price has increased by an exceptional 170% driven by strong fundamentals, A severe shortages of concentrate is leading to a consistent drawdown of LME stocks putting upward pressure on zinc prices, amplified by investors who are making record investments in commodity markets.

The average zinc price for the March quarter was A$3,050/tonne, US$2,237/tonne, which equates to an A$825/tonne, US$595/tonne increase on the December quarter average.

LME zinc stocks fell 38% or 109,025t during the March quarter to close at 285,100mt. A large portion of LME zinc stocks are in cancelled warrants suggesting that the pattern of reducing LME zinc stocks will continue. At present only 154,625mt of non-cancelled stock remains on the LME compared with 538,475mt a year ago.

Zinc metal premia strengthened in all markets during the quarter reflecting healthy demand and limited supply. Globally smelter production continues to be constrained by concentrate availability and spot treatment charges fell further during the quarter to levels substantially below newly negotiated long term contract levels. Most Zinifex concentrate business is conducted under long term contracts and Zinifex smelter concentrate requirements remain fully covered.

Market Overview



Lead prices followed other base metals higher during January, however following the price consolidation that base metals experienced in February, lead prices failed to regain the upward momentum. Lead prices closed the March quarter at A$1,654/tonne, US$1,195/tonne. The average lead price for the March quarter was A$1,685/tonne, US$1,238/tonne which equates to an A$263/tonne, US$188/tonne increase from the December quarter average.

LME warehouses stocks rose by 51% or 46,025 tonnes in the March quarter to close at 89,625mt, which is the highest level since February 2004. Over 50% of this stock is held in Singapore, with an estimated one third being Chinese material reflecting increased Chinese exports during the quarter. As a result lead premia in Asia remain soft but Zinifex premia for its lead exports have previously been fixed for 2006 under its agreement with Trafigura.

The lead concentrate market remains broadly balanced. Long term contract treatment charges for 2006 have been concluded at similar levels to 2005. Spot market treatment charges remain below long term contract levels. Zinifex is a net buyer of lead concentrates secured with long term contracts.

About Zinifex

Zinifex is one of the world's largest integrated zinc and lead producers, supplying approximately 6% and 4% respectively of global demand for finished zinc and lead metal and is the third largest global silver producer. Other products include gold, copper, copper sulphate, cadmium and sulphuric acid.

Zinifex operates the Century and Rosebery mines within Australia. Zinifex also has smelting operations in Hobart and Port Pirie in Australia, at Budel in the Netherlands and at Clarksville in Tennessee, USA. Zinifex is also a 50% joint venture partner in Australian Refined Alloys, a lead recycler with operations in Sydney and Melbourne.

For Further Information

Martin McFarlane
Group Manager – Investor & Community Relations

Direct telephone: +61 (03) 9288 0479
Mobile: +61 (0) 417 543 638
Email: martin.mcfarlane@zinifex.com

Production Statistics For The Quarter Ended 31 March 2006

		QUARTER ended Mar-06	ended Dec-05	ended Mar-05	YEAR TO DATE ended Mar-06	ended Mar-05
MINES						
Century Mine						
Production						
Ore Treated (tonnes)		1,348,951	1,316,149	1,170,292	*3,987,476*	*3,926,126*
Assaying	Zinc %	11.9	12.7	11.8	*12.3*	*11.8*
	Lead %	2.1	1.9	1.1	*2.3*	*1.3*
	Silver g/t	67.2	49.6	26.0	*66.1*	*39.7*
Zinc Concentrate (tonnes)		220,340	229,974	195,357	*668,618*	*648,425*
	Containing - Zinc (Tonnes)	126,515	132,310	112,169	*385,124*	*371,096*
	Containing - Silver (kg)	50,961	41,597	27,858	*155,135*	*105,686*
Lead Concentrate (tonnes)		24,786	27,686	13,235	*99,457*	*57,219*
	Containing - Lead (Tonnes)	16,376	18,495	8,727	*66,582*	*37,736*
	Containing - Silver (kg)	12,701	8,290	2,535	*37,987*	*20,861*
Sales						
Zinc Concentrate (tonnes)		195,929	261,293	212,666	*634,315*	*670,002*
Lead Concentrate (tonnes)		23034	48,215	13,166	*91,411*	*60,595*
Rosebery Mine						
Production						
Ore Treated (tonnes)		162,858	184,282	165,961	*531,873*	*515,363*
Assaying	Zinc %	14.8	12.9	14.9	*13.2*	*14.9*
	Lead %	5.4	4.4	5.1	*4.5*	*5.4*
	Copper %	0.4	0.4	0.5	*0.4*	*0.4*
	Silver g/t	153.4	124.7	157.1	*131.9*	*153.1*
	Gold g/t	2.1	1.6	1.9	*1.6*	*2.1*
Zinc Concentrate (tonnes)		37,797	37,456	38,739	*110,189*	*117,326*
	Containing - Zinc (Tonnes)	21,251	21,054	22,253	*62,221*	*67,074*
	Containing - Silver (kg)	3,389	2,697	2,637	*8,709*	*7,985*
	Containing - Gold (kg)	31	29	25	*79*	*89*
Lead Concentrate (tonnes)		10,855	9,845	10,581	*29,085*	*35,967*
	Containing - Lead (Tonnes)	6,906	6,391	7,033	*18,892*	*23,522*
	Containing - Zinc (Tonnes)	1,330	1,155	1,076	*3,334*	*4,751*
	Containing - Silver (kg)	11,511	10,358	10,299	*31,016*	*34,835*
	Containing - Gold (kg)	68	41	47	*137*	*176*
Copper Concentrate (tonnes)		1,613	2,145	2,706	*5,657*	*7,117*
	Containing - Copper (Tonnes)	203	463	549	*1,046*	*1,451*
	Containing - Silver (kg)	7,494	7,738	10,887	*23,307*	*28,426*
	Containing - Gold (kg)	146	136	169	*408*	*523*
Gold Dore (kg)		127	99	71	*336*	*232*
	Containing - Gold (kg)	78	59	46	*208*	*150*
	Containing - Silver (kg)	45	34	23	*115*	*68*
Sales						
Zinc Concentrate (tonnes)		32,214	39,762	35,512	*111,860*	*115,363*
Lead Concentrate (tonnes)		6,591	8,936	12,830	*27,708*	*37,781*

Production Statistics For The Quarter Ended 31 March 2006

	QUARTER ended Mar-06	QUARTER ended Dec-05	QUARTER ended Mar-05	YEAR TO DATE ended Mar-06	YEAR TO DATE ended Mar-05
REFINERIES					
Hobart Refinery					
Production					
Zinc (Tonnes)	49,547	61,995	62,069	*176,583*	*186,921*
Sales					
Zinc (Tonnes)	49,482	63,076	62,139	*178,168*	*186,078*
Budel Refinery					
Production					
Zinc (Tonnes)	57,111	56,150	55,049	*167,610*	*172,796*
Sales					
Zinc (Tonnes)	54,781	55,479	56,484	*162,727*	*167,114*
Clarksville Refinery					
Production					
Zinc (Tonnes)	28,493	34,295	29,172	*87,666*	*88,915*
Sales					
Zinc (Tonnes)	31,612	32,790	27,728	*92,282*	*87,066*
Port Pirie Smelter					
Production					
Lead (Tonnes)	59,956	62,222	60,174	*171,471*	*175,605*
Zinc (Tonnes)	8,721	8,903	9,757	*27,697*	*27,379*
Copper (Tonnes)	1,019	907	1,116	*2,973*	*3,161*
Silver (kg)	92,166	93,586	120,449	*283,050*	*324,485*
Gold (kg)	127	121	230	*370*	*470*
Sales					
Lead (Tonnes)	61,560	61,259	60,788	*171,959*	*177,063*
Zinc (Tonnes)	8,262	9,138	10,149	*26,929*	*27,551*
ARA Lead Recycling Operations*					
Production					
Lead (Tonnes)	4,587	4,570	4,683	*14,675*	*15,135*
Sales					
Lead (Tonnes)	4,656	5,162	4,402	*14,799*	*14,180*

*Figures represent Zinifex's 50% share of ARA's total production