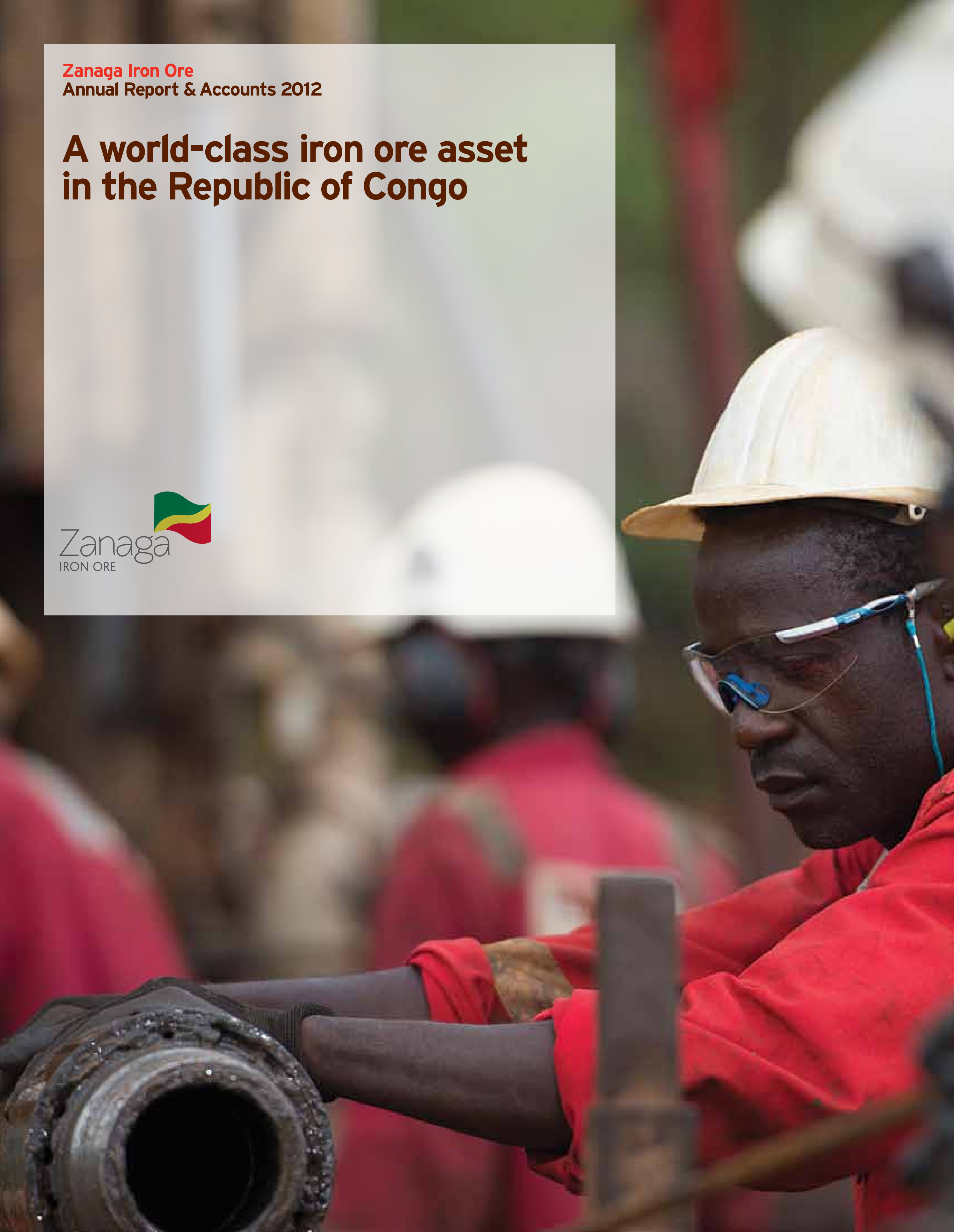
Zanaga Iron Ore
Annual Report & Accounts 2012

A world-class iron ore asset in the Republic of Congo

Zanaga
IRON ORE



Zanaga Iron Ore Company is the owner of 50% less one share in the Zanaga Project, based in The Republic of Congo, a project focused on the development and construction of a world-class iron ore asset capable of mining, processing, transporting and exporting iron ore at full production.

A world-class opportunity

In addition to the strategic partnership with Glencore Xstrata, the combination of a number of positive factors supports the Board's view that the Zanaga Project represents a significant opportunity.

2012 Highlights

- Substantial increase and upgrade in Mineral Resource[1]
  - 57% increase in overall Mineral Resource to 6.8Bt at an average grade of 32.0% Fe
  - 74% increase in Measured and Indicated resource category to 4.69Bt with an average grade of 32.5% Fe
- Maiden Ore Reserve Statement of 2.5Bt at 34% Fe
- Feasibility Study drilling programme complete
- Extension of Mining Exploration Licences to August 2014
- Pipeline PFS successfully completed on schedule with positive results
  - Production of 30 million dry tonnes per annum over 30 year life of mine
  - Slurry pipeline identified as optimal transportation solution - >US$1 billion capital expenditure saving on direct costs compared to rail
  - Premium product of 68% Fe, with low impurities, expected to receive above benchmark pricing
  - Forecast competitive operating costs – in industry bottom quartile
  - Capital expenditure of US$7.4 billion, in line with previous estimates
  - Significant expansion potential
- Environmental Social Impact Assessment underway
- Feasibility Study phase commenced
- Cash balance of US$40m as at 2012 year end

Post Balance Sheet Events

- Glencore Xstrata new joint venture partners from May 2013, following Glencore's merger with Xstrata

1 Zanaga Project Mineral Resources reported in accordance with the JORC Code: inclusive of Ore Reserves

At a glance

Zanaga Iron Ore Company Limited (ZIOC) is an iron ore exploration and development company. The Company listed on AIM in November 2010 and trades under the symbol "ZIOC".

The Company's asset is its 50% less one share interest in the Zanaga Iron Ore Project (the "Project") in the Republic of Congo, also commonly known as Congo-Brazzaville. Glencore Xstrata owns the other 50% plus one share interest.

The Zanaga Project is focused on the development and construction of a world class iron ore operation, comprising an open pit mine, a concentrator, a slurry pipeline and port infrastructure to produce and export high grade iron ore over a mine life in excess of 30 years.

Doing Business in Congo-Brazzaville

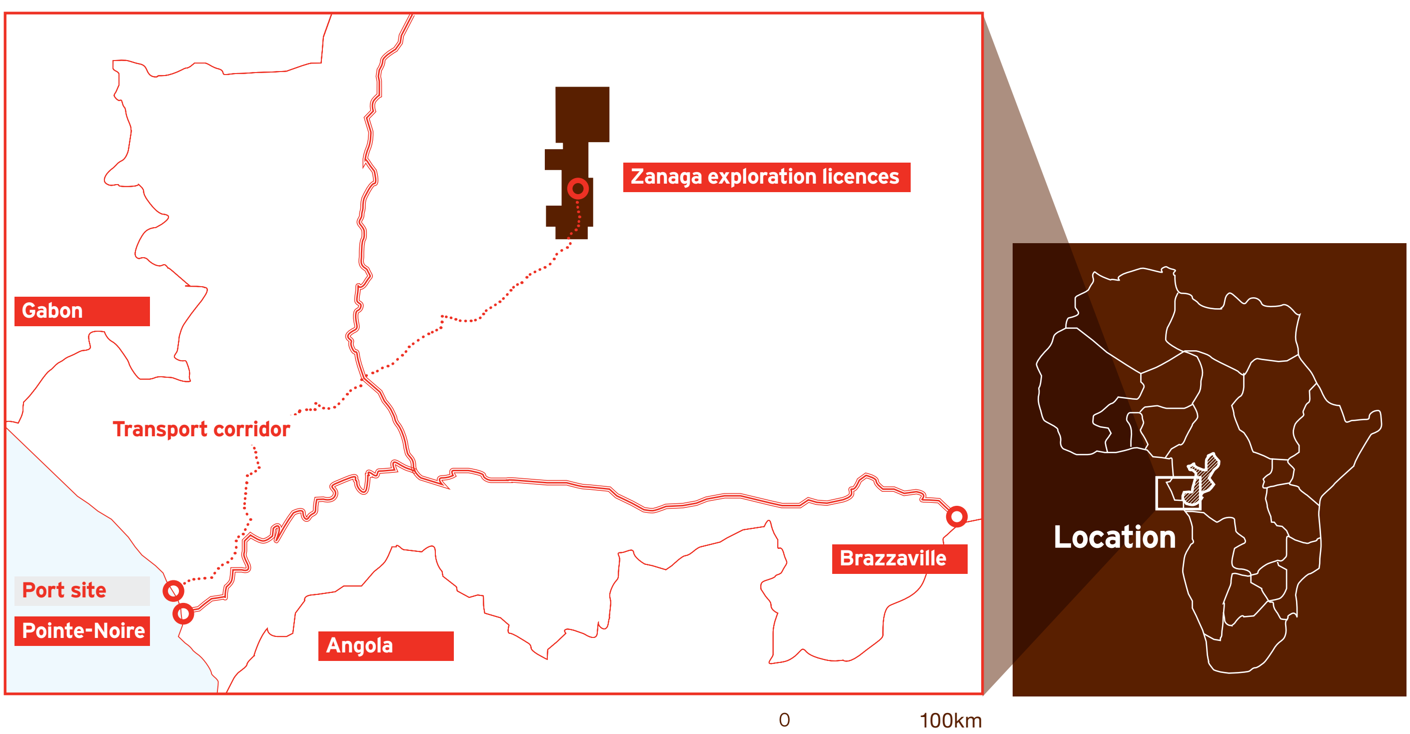
The Republic of Congo is a former French colony located in Central Africa which recently celebrated 50 years of independence. It has a population of approximately 4.4 million people, who are predominantly concentrated around the capital city Brazzaville and Pointe-Noire and the railroad which links the two cities.

As one of Africa's largest petroleum producers, the country has a successful and established oil and gas industry with a number of multinationals, such as Total, Eni and Chevron, operating uninterrupted for over 30 years and currently investing over US$2.5 billion per annum.

The government is seeking to diversify its natural resources sector and the mining industry is central to its Economic Diversification Programme, known as "Le Chemin d'Avenir". The country has considerable iron ore exploration potential and the Zanaga Project is one of a number of iron ore development projects in the country.

Fast Facts

- Largest discovered iron ore reserve in Africa – 2.5Bt Probable Reserve within 6.8Bt Mineral Resource (inclusive of Ore Reserves)
- Targeting production of 30Mtpa of premium products for over 30 years
- High quality iron ore product
- Globally competitive forecast operating costs
- World class partner in Glencore Xstrata
- 90% of the Project's workforce are local Congolese
- Over US$290m spent on the Project (to 31 December 2012)



Strengths of The Zanaga Project

Large scale & world class

- One of the largest discovered iron ore resources in Africa with a 6.8Bt resource, including the largest known iron ore reserve on the continent
- Capable of supporting a 30Mtpa operation supplying premium product to the market over a mine life of 30 years and potential to further extend this
- Stable operating jurisdiction with an established resources industry

Expansion or Mine Life Extension Potential

- Production of 30Mtpa of product for 30 years would only use the currently defined Probable Ore Reserves (2.5Bt at 34% Fe)
- The 6.8Bt Mineral Resource (inclusive of Ore Reserves) would be capable of supporting a considerable expansion in production which would extend the mine life
- Around 50% of the orebody's magnetic footprint has been drilled to date, which implies there is further exploration potential along strike.
- Project expansions would require capacity increases at the mine and port, additional concentrator modules, and higher capacity transport and port infrastructure

High grade, low impurity products

- Low impurities, including silica, alumina and phosphorus
- The product is likely to command a price premium relative to the 62% Fe IODEX
- The product is expected to be attractive feed for both pellet plants and those sinter plants equipped with fines pre-processing capabilities or possibly used as part of the sinter blend

Competitive material movements

- The project benefits from a very low 30 year average waste to ore strip ratio of 0.56x
- In the initial years of production, the strip ratio is below industry average and the majority of the material does not require blasting

Low operating costs & benchmark capital costs

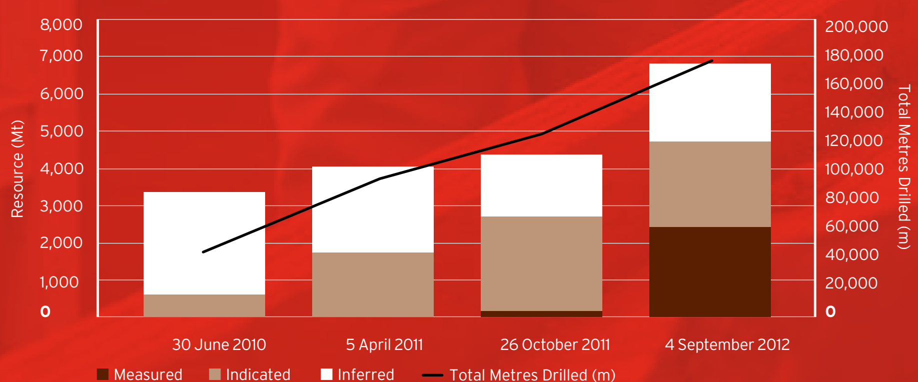
- Competitive FOB projected operating costs (circa US$22.8 per dry metric tonne, before royalties) as a result of the low strip ratio, gas-based power generation, and low cost product delivery infrastructure
- Projected capital expenditure of US$245 per annual tonne of production capacity (2012 US$) is in line with similar greenfield iron ore development projects around the world

Supportive Government

- The Republic of Congo Government is supportive and is seeking to encourage mining-related investment
- Land acquisition for mine, pipeline and other infrastructure is a straightforward process as the land is owned by the Government, removing the need for complex negotiations with multiple private land owners, as in other countries

Reserves & Resource Statement

The Project has defined a 6.8 billion tonne Mineral Resource and a 2.5 billion tonne Ore Reserve, reported in accordance with the JORC Code, and defined from only 25km of the 47km orebody identified.



Mineral Resource reported in accordance with the JORC Code, as presented in ZIOC announcement on 4 Sept 2012.
Reported at a 0% Fe cut-off grade within an optimised Whittle shell representing a metal price of 130 USc/dmtu.

Ore Reserve Statement

The Ore Reserve Statement is a key milestone for the Project and supports the economic viability of mining at least 2.5 billion tonnes of the 4.7 billion tonnes Measured and Indicated Mineral Resource. The Ore Reserve estimate was undertaken by independent consultants, CSA Global Pty Ltd ("CSA") and is based on the 30Mtpa Pipeline Pre-Feasibility Study and the 6.8 billion tonne Mineral Resource.

As stipulated by the JORC Code, a Probable Ore Reserve is of sufficient quality to serve as the basis for a decision on the development of the deposit. Based on the studies performed a mine plan has been determined that is technically achievable and economically viable. The level of definition and size of the reserves will be the subject of further review as the Feasibility Study progresses.

Ore Reserve Statement

Classification	Tonnes (Mt)	Fe (%)
Probable Ore Reserves	**2,500**	**34**
Proved Ore Reserves	**-**	**-**
Total Ore Reserves	**2,500**	**34**

Notes:
1. Metal Price Assumptions US$85/dmt FOB for 68% Fe product at Pointe Noire, Republic of Congo, in line with consensus pricing
2. Discount Rate 10%
3. Mining Dilution 5%
4. Mining Recovery 95%

Revised Mineral Resource Statement

The Project has defined a 6.8 billion tonne Mineral Resource, inclusive of Ore Reserves, reported in accordance with the JORC Code, of which 69% is in the Measured & Indicated category.

The Resource was estimated as a block model within constraining wireframes based upon logged geological boundaries. Tonnages and grades have been rounded to reflect appropriate confidence levels and for this reason may not sum to totals stated.

Classification	Tonnes (Mt)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	Mn (%)	LOI (%)
Measured	2,400	34.0	43.0	3.3	0.048	0.106	1.403
Indicated	2,290	30.8	46.6	3.0	0.052	0.116	0.701
Inferred	2,100	31	46	3	0.05	0.12	0.90
Total	**6,800**	**32**	**45**	**3**	**0.05**	**0.11**	**1.01**

Reported at a 0% Fe cut-off grade within an optimised Whittle shell representing a metal price of 130 USc/dmtu.

Geological Summary

The Zanaga Iron Ore deposit is located within a North-South oriented (metamorphic) Precambrian greenstone belt in the eastern part of the Chaillu Massif in South Western Congo. From airborne geophysical survey work, and morphologically, the mineralised trend constitutes a complex elongation in the North-South direction, of about 48 km length and 0.5 to 3 km width.

The ferruginous beds are part of a metamorphosed, volcano-sedimentary Itabirite/BIF and are inter-bedded with amphibolites and mafic schists. It exhibits faulted and sheared contacts with the crystalline basement. As a result of prolonged tropical weathering the BIF has developed a distinctive supergene iron enrichment profile.

At surface there is sometimes present a high grade (+60% Fe) canga of apparently limited thickness (<5m) capping a discontinuous, soft, high grade, iron supergene zone of structure-less hematite/goethite of limited thickness (<7m). The base of the high grade supergene iron zone grades quickly at depth into a relatively thick, leached, well-weathered to moderately weathered friable hematite Itabirite with an average thickness of approximately 25 metres and grading 45–55% Fe.

The base of the friable Itabirite zone appears to correlate with the moderately weathered/weakly weathered BIF boundary, and fresh BIF comprises bands of chert and magnetite/grunerite layers.

Competent Persons

The information on this page that relates to Ore Reserves is based on information compiled by Kent Bannister, of CSA Global Pty Ltd. Kent Bannister takes overall responsibility for the Report as Competent Person. He is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the JORC Code. The Competent Person, Mr Kent Bannister, has reviewed the Ore Reserve Statement and given his permission for the publication of this information in the form and context within which it appears.

The Mineral Resource statement is reported in accordance with the terms and definitions included in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 edition) as at 29 August 2012. The information in the Report that relates to Mineral Resources is based on information compiled by Malcolm Titley, BSc MAusIMM MAIG, of CSA Global (UK) Ltd. Malcolm Titley takes overall responsibility for the Report as Competent Person. He is a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the JORC Code. The Competent Person, Mr Malcolm Titley, has reviewed this Mineral Resource statement and given his permission for the publication of this information in the form and context within which it appears.

Definition of JORC Code

The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Chairman's statement

I am pleased to report substantive progress has been made over the past 18 months in advancing the Zanaga Iron Ore Project towards development and, ultimately, a construction decision.

The results of the work completed to date continue to confirm our belief that the Zanaga Project is one of the most attractive, undeveloped iron ore projects globally and indicate it has the potential to offer a low cost, long life operation capable of producing a premium, high quality iron ore product.

Clifford Elphick
Non-Executive Chairman

We remain focused on our objective of maximising the value of our 50% less one share minority stake in the Project. The extended timeline of the Glencore Xstrata merger saw some uncertainty for ZIOC, however this transaction has now been successfully completed and the Company received formal notification of completion of such merger from its counterparty under the Joint Venture Agreement ("JVA"), Xstrata Projects Pty Limited. Glencore brings extensive African operating and marketing experience to the joint venture. The arrival of Glencore, coupled with other factors such as the recent visit by the Chinese premier to the Republic of Congo, has encouraged us to look at a number of variables with a view to maximising the value of the Project and such process is ongoing.

One of Africa's Largest Iron Ore Deposits

Understanding and confidence in the Zanaga deposit continued to grow as the Project team successfully finished an extensive drilling programme comprising of over 176,000 metres (1,200 holes) in total with drilling completed to Feasibility Study standard.

This drilling programme resulted in a significant expansion in the Mineral Resource (inclusive of Ore Reserves) to 6.8 billion tonnes at an average grade of 32% Fe and, most importantly, enabled the Project to announce a Maiden Ore Reserve Statement of 2.5 billion tonnes at 34% Fe. This positions the Zanaga Project as one of the largest known iron ore reserve in Africa.

The Ore Reserve Statement is a key milestone for the Project and is indicative of the rigorous standards that have been applied to the exploration and drilling work conducted to date. Importantly the Ore Reserve Statement supports the economic viability of mining at least 2.5 billion tonnes of the 4.7 billion tonnes Measured and Indicated Mineral Resource at a production rate of 30Mtpa over a 30 year mine life.

Highly Competitive Project Globally

An important moment for the Project to date has been the positive results from the Pipeline Pre-Feasibility Study ("Pipeline PFS") which recommended the optimum scope of work for development. This would comprise an open pit, low strip mining operation and a concentrator, which would produce 30 million dry tonnes per annum of high quality 68% iron content product over a mine life in excess of 30 years, and a slurry pipeline as the optimal product transport option to port.

Operating costs, including shipping to China, are estimated to be in the industry's lowest quartile, which makes the Project highly attractive compared to the largest global iron ore producers. The low operating costs are driven by the low strip

ratio, the low blast in the mining operation, the low cost power potential, the abundance of water and the low operating costs of the pipeline.

The Project is targeting a high quality pellet feed with 68% Fe and very low impurities, which is expected to command a premium price compared to the 62% Fe benchmark product and ensure that the Project always remains globally competitive.

The Project's capital expenditure is estimated at US$4.9 billion of direct costs, and a total of US$7.4 billion including indirect costs and contingencies. This equates to US$245 per tonne of annual production capacity, which is in line with the costs associated with developing other large scale greenfield iron ore projects around the world.

Exploitation Licences Application Remains On Track

A key driver for the Project is the deadline for submission to the government of the Republic of Congo of an application for mining exploitation licenses. The deadline was recently extended to May 2014, following the successful extension of the Mining Exploration Licences at the Project for a further two years. The Project is on track to deliver the applications for such licences by such time, together with supporting documentation.

Under the terms of the JVA, Glencore Xstrata must use reasonable efforts to ensure that a Feasibility Study for the Zanaga Project is completed by no later than three months prior to the expiration of the exploration licences in August 2014, subject to there being no material adverse change.

Iron Ore Market

2012 was a healthy year for iron ore prices, averaging US$128 per tonne (CIF China), despite significant volatility in the second half. Expectations were upbeat at the beginning of the year with broker consensus above US$150 per tonne, although the price estimates were quickly pared back when a major restocking didn't materialise post-Chinese New Year. Chinese steel production numbers continued to decline month on month from Q2 2012 with the moves quickly manifesting in equity markets, in particular in listed junior iron ore companies with significant funding constraints.

The end of Q2 and into Q3 2012 saw the sharpest drop in iron ore prices since October 2011 with prices falling to US$87 per tonne as prices in the traditionally weak Q3 suffered from a particularly aggressive de-stocking. The decline was nonetheless shortlived with clear signs of Chinese restocking emerging following completion of the change of the Chinese leadership and as Chinese fiscal stimulus measures began to take hold. Iron ore prices finished the year near highs of US$145 per tonne.

Despite robust prices thus far in 2013, the mood in relation to iron ore has been distinctly negative. The much touted "wall of supply" is now on the horizon as major mining companies look set to bring on significant volumes in 2014 based on announced production increases. Whilst announced volumes look set to outstrip demand in 2014, iron ore has a long history of underperformance in supply vs. expectations. In addition, the majority of earnings for three of the four largest players come from iron ore, meaning incentives to delay projects are high. From a ZIOC perspective, this reinforces the competitive advantage of the Zanaga Project as one of the potential lowest cost iron ore producers.

Strengthening the Board

Earlier this year, the Board appointed Alistair Franklin SC as a Non-Executive Director of the Company. Alistair is a highly qualified lawyer with just under 30 years experience and complements the existing skill set of the Board extremely well.

I would like to take this opportunity to thank my fellow Board members and ZIOC staff for their hard work and efforts over the past 18 months.

Well Funded to Completion of the Feasibility Study

We have maintained our strong cash position with US$40m in the bank as at 31 December 2012. We remain well funded and will continue to be prudent with our cash going forward. As a result of Glencore Xstrata's obligation to fund the Feasibility Study, which is contained within the JVA, ZIOC believes it has sufficient funds at its disposal to meet the working capital requirements for the duration of the Feasibility Study phase and does not currently foresee the need for any further funding until the Feasibility Study is completed.

In conclusion, much has been achieved at the Zanaga Project over the course of last year. The optimum scope of development for the Project has been defined by a robust pre-feasibility study. The mining exploration licences have been extended to August 2014 and the process of preparing the documentation needed to make application for the Exploitation Licences is well underway.

Looking forward, we have a number of clear objectives to be achieved over the coming year, although there are a number of variables to be considered as the Project moves through feasibility phase. We expect the application for the Mining Exploitation Licences to be made, with supporting documentation, by the end of May 2014. Engagement with the Congolese government is gathering pace as regards the Project, the licence applications and the related draft Mining Convention Agreement. The recent government to government exchanges between Republic of Congo and China offers potential opportunities for raising interest in the Project from Chinese companies. ZIOC remains well funded and the long-term outlook for iron ore continues to be robust. Over the past two and half years, we have clearly demonstrated a track record of delivery as we have worked to unlock value from the Project through achieving a number of key milestones. We remain excited about the Project and its potential to become one of the world's lowest cost producers delivering a high quality iron ore product into the global market.

Clifford Elphick
Non-Executive Chairman

Group operating & financial review

Good progress was made during the year towards advancing the Zanaga Project to full Feasibility Study stage. In October 2012, following over 85,000 man hours, the results of the Pipeline Pre-Feasibility Study ("Pipeline PFS") were announced.

The Pipeline PFS recommended that the optimum scope of work for the initial development of the Project would comprise an open pit, low strip mining operation and a concentrator to produce 30 million dry metric tonnes ("dmt") per annum of high quality 68% iron content product over a life of mine in excess of 30 years. The optimal product transport option would be a 380km slurry pipeline to a proposed new deep-water port just outside Pointe-Noire.

The Pipeline PFS was undertaken by an engineering consortium (ACTE) consisting of Amec, Egis and Technip for process and infrastructure design, CSA Global was used for reserve and resource estimation, SRK was used for mine design, Pöyry was used for environmental and community work and CRU provided an independent marketing report.

The Feasibility Study phase has commenced. The process of preparing the documentation needed to make an application for the Exploitation Licences is well underway and is targeted for completion in 2014. The outcomes of the work undertaken during the Feasibility Study phase will guide a decision on how and whether to develop the Zanaga Project.

Mineral Resource & Drilling Programme

2012 was underpinned by significant success in building a large scale, world-class mineral resource at the Project. An extensive drilling programme continued during the year, with a total of 176,109m (1,213 holes) drilled to an average of 145m and culminating in a maiden Ore Reserve Statement of 2.5 billion tonnes (Bt) at 34% Fe and a substantial increase and resource classification upgrade in the overall Mineral Resource (inclusive of Ore Reserves), reported in accordance with the JORC Code, to 6.8Bt at an average grade of 32%.

This positions the Zanaga Project as one of the largest iron ore deposits in Africa. The project team has a very good understanding of the deposit and in fact drilling has been completed to Feasibility Study level. The Mineral Resource is defined from only 25km of 47km orebody identified.

Ore Reserve Statement

The Ore Reserve Statement was a key milestone for the Project and supports the economic viability of mining at least 2.5 billion tonnes of the 4.7 billion tonnes Measured and Indicated Mineral Resource. The significant scale of the Ore Reserve supports the Company's confidence in the quality of the Zanaga Project and is indicative of the rigorous standard that has been applied to all study work conducted to date.

Ore Reserve Statement

Classification	Tonnes (Mt)	Fe (%)
Probable Ore Reserves	**2,500**	**34**
Proved Ore Reserves	**-**	**-**
Total Ore Reserves	**2,500**	**34**

See page 5 for a full resource statement

Pipeline PFS Results

The Pipeline PFS results confirm that the Zanaga Project is one of the most attractive undeveloped iron ore projects globally, with the potential to offer a low cost, long life operation capable of producing a premium, high quality iron ore product, with significant expansion potential.

The Pipeline PFS was conducted to Xstrata's world class standards and comprised over 85,000 man hours of study work commissioned from the Project's consultants alone. The results of this study, announced in October 2012, recommended that the optimum scope of work for the initial development of the Project would comprise an open pit, low strip mining operation and a concentrator to produce 30 million dry metric tonnes ("dmt") per annum of high quality 68% iron content product over a life of mine in excess of 30 years. The optimal product transport option would be a 380km slurry pipeline to a new deep-water port just outside Pointe Noire, which significantly enhances the project economics, reduces execution risk and delivers substantial cost savings over a railway transport option.

Mine Infrastructure

The Project is focused on developing an open pit, low drill and blast, low strip mining operation and concentrator to produce a high quality iron content product over mine life in excess of 30 years.

The mine design includes 2.4Bt of ore for a 30 year mine schedule compared with the 6.8Bt Mineral Resource. The Life of Mine strip ratio averages 0.56:1 for one tonne of ore, although this will be lower in the earlier years when the pit will be shallower and able to access the orebody more readily.

The low strip ratio will be a key driver of the Project's low operating costs as there is very little waste to move to access each incremental tonne of ore.

Metallurgy

The Project plans to mine both the hematite and magnetite ores together and to process them via a single process plant into a single blended product.

The concentrator will treat a blend of hematite and magnetite ores. At commencement of operations, the flow sheet uses single stage crushing followed by semi-autogenous (SAG) and ball mills to grind the ore to a size at which pure iron ore particulates are efficiently liberated. Low intensity magnetic separation is used to extract a magnetite rich stream, and the resultant tailings are subject to high intensity magnetic separation to recover a hematite rich stream. Both streams are further ground utilising Isa Mill technology to achieve a final grind size of 45 micron which is suitable for transport by slurry pipeline. The magnetite rich stream is concentrated using conventional low intensity magnetic separation while the hematite rich stream is concentrated using conventional reverse silica flotation technology.

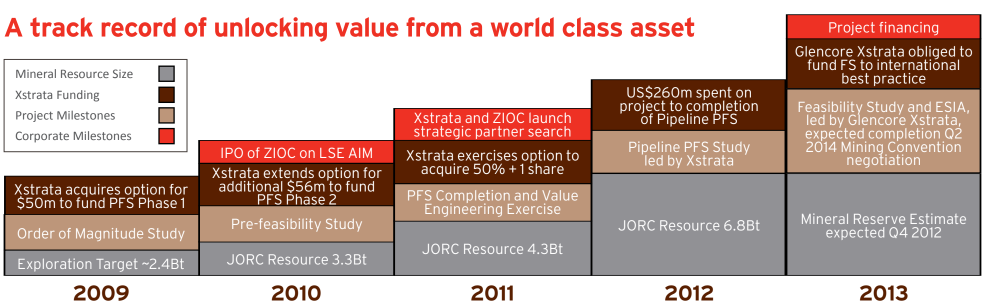
The work done on the Pipeline PFS has seen improved product specifications over previous estimates, with the iron grade increased by approximately 2% and SiO_2 reduced to 3%, which is important as silica and alumina are the two common impurities found in iron ore products and which are penalised for by the buyers.

Mineral Resource Statement (inclusive of Ore Reserves)

Classification	Tonnes (Mt)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	Mn (%)	LOI (%)
Measured	2,400	34.0	43.0	3.3	0.048	0.106	1.403
Indicated	2,290	30.8	46.6	3.0	0.052	0.116	0.701
Inferred	2,100	31	46	3	0.05	0.12	0.90
Total	**6,800**	**32**	**45**	**3**	**0.05**	**0.11**	**1.01**

See page 5 for a full resource statement

A track record of unlocking value from a world class asset



Group operating & financial review continued

The Pipeline

The Pipeline option has been selected as the preferred transport solution as it is the most suitable for the pellet feed product and is very low cost to operate. The route will be approximately 380km long with a maximum pipeline gradient of 12%. The pipe itself will be 900mm with a 19mm HDPE liner to minimise wear and tear. The slurry is concentrated to between 60% and 65% solids by weight which allows for pumping at a velocity of between 1.4m/s and 1.7m/s, equating to a total transit time of approximately three days. The favourable topography of the route enables use of a single 20MW pump station located at the mine site. Capital costs are estimated to be more than US$1 billion less in direct costs compared to the previous study work and with less execution risk.

Pipelines are used in Brazilian iron ore mines. The Zanaga Project is fortunate enough that the preferred route selection is sparsely populated and that land acquisition is a relatively straightforward process in the Republic of Congo. The Government owns the land and there is just one Government department to negotiate with, unlike other countries where projects have had to engage in complex negotiations with multiple private land owners.

Port Site Design

The proposed port site is ideally located, only 9km away from the existing onshore technical and logistics support facilities at Pointe Noire. It is a short distance to 20m deep water and requires only a 1.6km trestle with minimal dredging to accommodate 250k DWT cape size vessels. The plan is to construct a 30 million dmt per annum single berth jetty. The land area also has scope for future expansion of facilities, including a second berth jetty, to accommodate a potential expansion in production.

Power

The initial project demand is for 355MW of power, increasing over time to 455MW as the Project expands into more magnetite dominant material. Eni S.p.A, the major integrated energy company, has constructed a 300MW power plant near the port of Pointe-Noire. Zanaga believe that this, together with the availability of stranded natural gas, will provide the Zanaga Project with low cost power options. High voltage transmission lines are planned to be built to transfer electricity from Pointe Noire to site.

Product

The Project plans to produce a high quality pellet feed product with 68% Fe content and low impurities which would be expected to attract a premium price. The fact that the Zanaga product is expected to have one of the highest iron contents, compared to other iron ore mines currently in production, with low silica and alumina indicates this would support a premium price over the long-term.

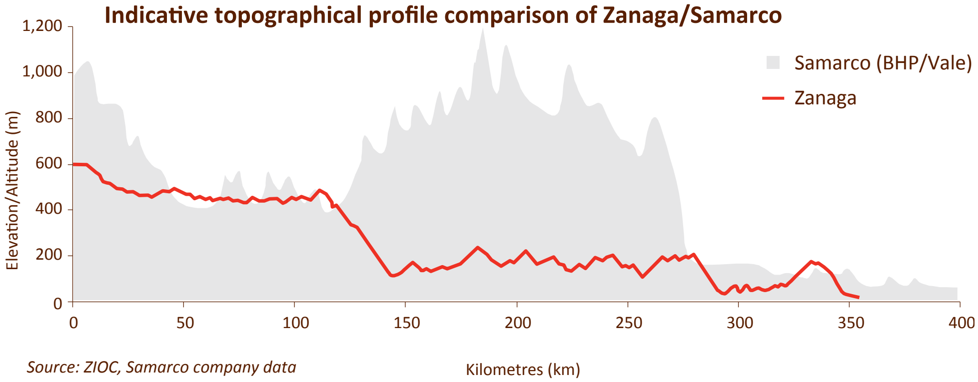
Project Economics

The Pipeline PFS has estimated a capital expenditure of US$4.9 billion of direct costs, which including indirect costs and contingencies of US$2.5 billion totals US$7.4 billion (estimated in today's terms before including potential future inflation). This gives the Project a capital intensity of US$245 per tonne of annual iron ore production capacity, which is competitive with other planned high quality greenfield iron ore projects globally.

Capex Breakdown

Area	VEE (2010 US$)	Pipeline PFS (2012 US$)
Mine	1,203	1,002
Beneficiation plant	1,071	1,346
Transport Corridor	1,096	1,194
Port	484	603
Power	564	717
Total Direct	4,418	4,862
Construction Indirects	441	364
Study & EPCM	638	636
Owner's Costs	83	392
Environment and Community	54	203
Total incl. Indirects	5,633	6,457
Contingency	1,627	897
Total incl. contingency	7,260	7,354

Indicative topographical profile comparison of Zanaga/Samarco



Source: ZIOC, Samarco company data

The operating cost is expected to be in the lowest quartile at US$22.8 per dry metric tonne of product FOB Pointe-Noire before royalties. This compares very favourably with other iron ore mines and planned projects. The low operating costs are driven substantially by the very low strip ratio, the low blasting, the low cost power potential, an abundance of water and the low slurry pipeline operating costs.

Average operating costs over the 30 year mine plan (2012 US$)

	US$/tonne dry product
Mine	**7.4**
Process plant	**11.0**
Pipeline and port	**1.9**
Overheads	**2.5**
FOB opex	**22.8**

Operating costs include US$2.4/t contingency, exclude 3% royalty.

Environmental and Social Impact Assessment

During the first half of 2012 the Project concluded a tender process to select an experienced and knowledgeable third party consultancy to co-ordinate the completion of the Environmental and Social Impact Assessment ("ESIA"). Three organisations were shortlisted and, following a final presentation process, Naldeo (www.naldeo.com) was selected.

The comprehensive ESIA will be completed to recognised international standards including: The International Council on Mining and Metals (ICMM) sustainability principles and guidelines; The UN Global Compact; Voluntary Principles on Security and Human Rights; and ISO 31000, ISO 14001 and OHSAS 18001.

Naldeo commenced work in the second half of 2012 and has been leading the ESIA process and directing the Project in the collection of baseline data for the proposed mine site, transport corridor and port. The ESIA is targeting completion by Q2 2014. Work on the ESIA is being undertaken in parallel with the preparation of the applications for the exploitation licences and supporting documentation.

Exploration Licences Renewed

The Mining Exploration Licences for the Zanaga Project were extended for a further two years to August 2014. As a result of this extension, the deadline for submission to the government of the Republic of Congo of an application for the Mining Exploitation Licenses, supported by the necessary documentation, has been extended to May 2014.

Feasibility Study

Under the terms of the joint venture, Glencore Xstrata must use reasonable efforts to ensure a Feasibility Study on the Zanaga Project is completed no later than three months prior to the expiration of the exploration licences in August 2014 subject to there being no material adverse change.

Financial review

The financial statements contain the results for the Group's third full year of operations following its incorporation on 19 November 2009.

US$40m
Cash balance at year end

Results from operations

The financial statements contain the results for the Group's third full year of operations following its incorporation on 19 November 2009. The Group made a profit in the year of US$0.5m (2011: loss US$22.9m).

General expenses of US$6.0m (2011: US$4.6m) consists of US$3.5m professional fees (2011: US$2.3m), US$0.5m Directors' fees (2011: US$0.5m) and US$2.0m (2011: US$1.8m) of other general operating expenses.

The foreign exchange gain of US$1.7m can be attributed to the impact of the strengthening of UK Sterling against the US Dollar during the year, mainly on the cash balances that arose following the listing that are held in UK Sterling.

The share-based payment charge reflects the expense associated with the grant of options to ZIOC's Directors and senior managers under ZIOC's long-term incentive plan ("LTIP") and to the expense associated with the grant of share options to one of ZIOC's consultants. Further details of the LTIP and options granted can be found in the notes to the financial statements.

The share of loss of associate reflected above relates to ZIOC's investment in Jumelles which generated a loss of US$0.7m in the year to 31 December 2012 (2011: US$1.3m), together with a charge of US$0.03m (2011: US$6.5m) made for equity accounting purposes for share options provided to employees of Jumelles.

The 2012 reductions in LTIP costs in both the Company and Jumelles are the result of the large majority of options issued under the 2010 LTIP scheme having vested during 2012.

During the year Jumelles spent US$74.7m (2011: US$87.8m) on exploration, increasing its capitalised exploration assets to US$241.5m (2011: US$166.8m).

	2012 US$000	2011 US$000
General expenses	**(6,020)**	(4,570)
Net foreign exchange gain	**1,673**	274
Share-based payments	**(723)**	(2,425)
Share of loss of associate	**(765)**	(7,803)
Interest income	**154**	173
Loss before tax	**(5,681)**	(14,351)
Tax	**(47)**	(28)
Currency translation	**(36)**	38
Share of other comprehensive income of associate – foreign exchange	**6,250**	(8,517)
Total comprehensive income	**486**	(22,858)

Financial Position

ZIOC's Net Asset Value (NAV) of US$228.1m (2011: US$227.2m) comprises of US$189.0m (2011: US$183.0m) investment in Jumelles, US$40.4m (2011: US$45.0m) of cash balances and US$1.4m (2011: US$0.8m) of net current liabilities.

	2012 US$000	2011 US$000
Investment in associate	**189,009**	182,977
Fixed Assets	**80**	13
Cash	**40,383**	45,047
Other net current liabilities	**(1,365)**	(788)
Net assets	**228,107**	227,249

Cost of investment

The investment in associate relates to the carrying value of the investment in Jumelles which as at 31 December 2012 owned 100% of the Project. The carrying value of this investment has increased by US$6.0m (2011: decrease US$9.8m) due to a positive US$5.5m Total Comprehensive Income (2011: US$16.3m loss) of Jumelles during the year, and by a US$0.5m additional investment, funded jointly (50/50) with Xstrata, for the survey of an additional land area. Though Jumelles acquired the non-exclusive prospecting licence for this area, it does not form part of the existing ZIOC Glencore Xstrata joint venture agreement. The Jumelles positive Total Comprehensive Income resulted from currency translation gain of US$6.3m (2011: Loss US$8.5m) on the underlying Congolese asset, and US$0.8m (2011: US$7.8m) other costs. These costs included US$0.03m of additions (2011: US$6.5m) relating to the completion of share-based payments made to the employees of Jumelles which have augmented the carrying value of the investment.

As at 31 December 2012, Jumelles had aggregated assets of US$266.5m (2011: US$200.4m) and aggregated liabilities of US$8.9m (2011: US$37.5m). Assets consisted of US$241.5 (2011: US$166.8m) of capitalised exploration assets, US$10.4m (2011: US$12.7m) of other fixed assets, US$8.5m related party receivable from XPS (2011: US$8.1m, then reported in current assets), US$4.9m cash (2011: US$10.5m) and US$1.2m other assets (2011: US$2.3m). A total of US$74.7m (2011: US$87.8m) of exploration costs were capitalised during the year.

Cash flow

Cash balances decreased by US$4.7m during 2012 (2011: decrease US$4.3m), net of interest income US$0.2m (2011: US$0.2m) and foreign exchange gains of US$1.6m (2011: US$0.2m) on bank balances held in UK Sterling. Operating activities utilised US$5.5m (2011: US$4.6m).

Fundraising activities

There were no fundraising activities during 2012 (2011: Nil).

Principal risks and uncertainties

Risks and uncertainties

The principal risks facing ZIOC are set out below. A more comprehensive summary of risks associated with ZIOC is set out in Part V of ZIOC's AIM Admission Document dated 18 November 2010. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

The principal business of ZIOC currently comprises managing ZIOC's interest in the Project, which is majority controlled at both a shareholder and Director level by Glencore Xstrata, and monitoring the development of the Project.

The successful development of the Project depends on adequate infrastructure and a transportation system through which it can deliver future iron ore product to a port for onward export by sea.

Risks relating to the agreement with Glencore Xstrata

Glencore Xstrata has agreed to fund a full Feasibility Study to be delivered to an international best practice standard and in accordance with Glencore Xstrata's internal guidelines at a cost of at least US$100m or, subject to certain requirements, to complete the Feasibility Study itself. However, in the event that there is a material adverse change, Glencore Xstrata's funding obligations under the JVA will be suspended until the material adverse change has ceased.

When the Feasibility Study is completed, Glencore Xstrata may exercise its right to make an offer to ZIOC for all of the ordinary shares ZIOC holds in Jumelles. The exercise of this right is not subject to ZIOC shareholder approval. If Glencore Xstrata exercises this right under the JVA, ZIOC will no longer hold any ordinary shares in Jumelles and will receive the consideration proceeds from Glencore Xstrata for the ordinary shares in Jumelles. There is no guarantee that Glencore Xstrata will exercise this right or that if this right is exercised the consideration paid by Glencore Xstrata will be in excess of the underlying value of ZIOC's ordinary shares.

Risks relating to future development and funding

In the event that Glencore Xstrata does not exercise its right to acquire ZIOC's interest in Jumelles, the future development of the mine and related infrastructure and consequently the future funding requirements of Jumelles will be determined by the board of Jumelles. There can be no certainty that the board of Jumelles will approve the construction of the mine and related infrastructure. The board of directors of Jumelles is controlled by Glencore Xstrata, and as such there are risks associated with the future development of the Project and the future funding requirements not being within the control of ZIOC.

If Glencore Xstrata does not exercise its right and construction of the mine and related infrastructure proceeds, then ZIOC will have a number of future funding options including: (i) dilution at NPV (as defined in the JVA) during construction; or (ii) a right to fund ZIOC's pro rata equity share of construction capital expenditure. Should it be required, ZIOC may seek to raise the required finance through any or a combination of debt, equity, the introduction of a new strategic partner and/or an off take agreement. However there is no certainty as to the Group's ability to raise the required finance or the terms on which such finance may be available. If ZIOC raises additional funds through further issuances of securities, the holders of ordinary shares could suffer significant dilution, and any new securities that ZIOC issues could have rights, preferences and privileges superior to those of the holders of the ordinary shares. Whilst ZIOC may choose to be diluted at NPV during construction, ZIOC's interest in the Project may be significantly diluted as a result.

Exploration and mining risks

The business of exploration for, and identification of, iron ore deposits is speculative and involves a high degree of risk. Future results, including resource recoveries and work programme plans and schedules, will be affected by changes in market conditions, commodity price levels, political or regulatory developments, timely completion of exploration programme commitments or projects, the outcome of commercial negotiations and technical or operating factors. Even if there are economically recoverable deposits, delays in the construction and commissioning of mining projects or other technical difficulties, including relating to infrastructure and permitting may make the deposits difficult to exploit.

Risks relating to ore reserve estimations

Ore reserves are periodically estimated as to both quantity and quality. These estimates, which are by their nature subjective, include diluting materials and allowances made for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental (including, but not limited to, regulatory and taxation) factors. These assessments demonstrate that, at the time of reporting, extraction could reasonably be justified. However, ore reserve estimates may also have to be recalculated based on changes in iron ore or other commodity prices (or underlying assumptions), further exploration or development activity (for example, upon encountering mineralisation and formations that differ from those expected based on past drilling, sampling and other examinations) and/or production experience. In addition, ore reserve estimates are by their nature imprecise and depend, to a certain extent, upon statistical inferences and assumptions which may ultimately prove unreliable.

Transportation and other infrastructure

The successful development of the Project depends on adequate infrastructure. The region in which the Project is located is sparsely populated and difficult to access. Central to the Project becoming a commercial mining operation is access to a transportation system through which it can transport future iron ore product to a port for onward export by sea. In order to achieve this it will be necessary to build a port facility just outside Pointe-Noire and build a rail network or a pipeline or other transportation for which permits, authorisations and land rights will be required and substantial finance will be required.

In relation to the proposed port, pipeline and (to the extent needed) other infrastructure, the necessary permits, authorisations and access, usage or ownership rights have not yet been obtained. Failure to complete the proposed pipeline to establish the proposed port and/or to establish other needed infrastructure or a failure to do so in an economically viable manner could have a material adverse effect on the Project.

The availability of reliable and continuous delivery of sufficient quantity of power to the Project at an affordable price will also be a significant factor on the costs at which iron ore may be produced and so may impact on the attractiveness and viability of the Project.

Iron ore prices and undefined market and product

The principal business of the Project is the exploration for, and the planned exploitation of, iron ore. The ability to raise finance and the Project's future financial performance is largely dependent on movements in the price of iron ore. A detailed market study to identify the potential demand for product has not yet been undertaken and there are no assurances that the demand for the Project's product will be sufficient in quantity or in price to ensure the economic viability of the project.

Host country related risks

The operations of the Project are located entirely in the Republic of Congo. These operations will be exposed to various levels of political, regulatory, economic, taxation, environmental and other risks and uncertainties. As in many other countries, these (varying) risks and uncertainties include, but are not limited to: political, military or civil unrest; fluctuations in global economic and market conditions impacting on the Congolese economy; terrorism; hostage taking; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; nationalisation; changes in taxation; illegal mining; restrictions on foreign exchange and repatriation. In addition, the Republic of Congo is an emerging market and, as a result, is generally subject to greater risks than in the case of more developed markets.

Risks relating to the Project's licences

The Project's mining exploration licences are now fully extended, and as such will expire in August 2014 and so the development of the Project past this date is dependent on applications being made for mining exploitation licences. The conversion of exploration licences to exploitation licences is outside of the Project's control and there can be no guarantee that the exploitation licences will be granted or, if it is, the terms on which they are granted.

A mine operator to whom an exploitation licence has been granted is also required to enter into a mining agreement with the government of the Republic of Congo. On the grant of any exploitation licence to the Project, it will enter into a mining agreement with the government, which must specifically address a number of issues, including coordination of operations and taxation. The terms of any mining agreement will be the subject of negotiation and as such there can be no guarantee as to the terms of any such agreement. The holder of an exploitation licence is required to incorporate a Congolese company to be the operating entity and the Congolese Government is entitled to a free carried interest in projects which are at the production phase. This participation cannot be less than 10%. There is, therefore, a risk that the Government will seek to obtain a higher participation in the Project.

Corporate responsibility

Why is corporate responsibility important to Zanaga?

Corporate responsibility is integral to the way that a company conducts its business. ZIOC's licence to operate, access to finance, ability to attract the right employees and ability to maintain good relations with investors and its host communities are all closely linked to the manner in which ZIOC conducts its business.

Consequently, under the operatorship of our partner Glencore Xstrata, policies have been put in place and management systems installed to ensure that the requirements of the Zanaga Project's stakeholders in this important area are met in full. The Zanaga Project's performance is closely monitored and regularly communicated in a timely manner to all material stakeholders.

Corporate responsibility continued

Xstrata Sustainable Development Framework

In February 2011, Xstrata exercised its First Call Option and assumed management control of the Project. Following this decision, the Project's approach to corporate responsibility was governed by Xstrata's Sustainable Development Framework. No material change is foreseen as a result of the May 2013 merger of Glencore with Xstrata to form Glencore Xstrata. A summary of its structure is recorded below.

The Framework comprises four elements:

Business Principles

The statement of Business Principles sets out the ethical framework for the Project's activities and applies it for all of its operations. The Project recognises that a commitment to genuine partnerships with stakeholders requires that it works ethically, responsibly, openly, together and with others.

Sustainable Development Policy

A commitment has been made to the goal of sustainable development and compliance in full with the law and regulations of the Republic of Congo. Regular internal and external audits of activities are conducted to assure compliance with business principles, policies and standards. In particular the Project aims to:

- Operate a safe, injury and fatality free workplace and to enhance the wellbeing of employees, contractors and communities;
- Preserve the environments affected by its operations;
- Contribute to the social and economic development of sustainable communities associated with the Project; and
- Maintain a healthy and safe workplace that is based on mutual respect, fairness and integrity.

Sustainable Development Standards

The Project applies seventeen sustainable development standards, based on the Glencore Xstrata guidelines along with its policies and these underpin all of its business operations.

Assurance

The Project's sustainability risk and assurance processes provide both the Project management and ZIOC management with confirmation that the defined business principles, policies and standards are being met and that material risks are being identified and managed effectively. The assurance programme features external third-party audits supplemented by more frequent internal management and risk focused audits.

Management systems

The Project operates comprehensive management systems to ensure that it conforms to the requirements of the governing sustainable development framework. They address all aspects of the Project's activities and include regular reporting of developments and performance to ensure that its management is able to monitor and control it in a satisfactory way. Third party assurance from time to time is also conducted. An example during 2012 was the performance of an anti-bribery and corruption audit that was performed by McGrathNicol. Following the satisfactory conclusion of this exercise two new procedures were subsequently recommended and implemented.

A detailed weekly flash report is produced for the Project's managers and joint venture partners. This details the Project's performance and incorporates information about its environmental and health and safety performance. Also recorded are details of local stakeholder engagement activity that has been conducted to address any concerns within the local community and progress with the Project's local community activities.

Key performance indicators

- During 2012 1,040 meetings took place with 5,391 local stakeholders
- HIV/AIDS awareness outreach campaign sessions were attended by 458 employees (436 men and 22 women) and 1,076 members of the local community (432 women and 644 men)
- 23,788 condoms were distributed and five condom distribution points were established at the Project site
- Only 1 lost time health and safety incident occurred during 2012
- 167 desks and chairs and 1,093 education kits were supplied to local schools
- Two new school buildings with three classrooms and an administration block was constructed in two villages.
- In other villages building rehabilitation took place on three school buildings, and administration block
- The Project supplied financial support via the village parents-and-teachers associations for the provision of 13 teachers to deliver the education of 997 pupils during the 2011/2012 school year

Case study 1

Management of health and safety incidents

Health and safety is a natural priority for the Project. Every incident, including very minor ones, is logged and recorded in a weekly flash report which is prepared for the Project's management and forwarded to the joint owners. Examples include instances of follow up action where drivers have been found to be speeding, minor accidents involving project motor vehicles and incidents affecting Project staff that required minor first aid treatment.

Many health and safety aspects of the Project are the subject of constant monitoring and review. The progress of this activity is a feature of the weekly report. Where it is found to be necessary, follow up action is also recorded. Examples include the monitoring of the purity of the water supply, the results of regular speed checks on Project vehicles through the use of speed guns and the results of regular safety inspections of Project vehicles and machinery.

During the year the Project recorded a single lost time incident. In April, a Project worker was involved in tree branch cutting activity. A branch he was working on was under tension with other branches. The energy released by the cutting activity released the branch and caused bruising to the area around one eye which was limited by the wearing of safety glasses. The site doctor advised the employee to take one day off following the incident. This was the only lost time incident which occurred at the site during 2012.

Case study 2

Fatal Hazard Protocols

The Project's approach to health and safety features regular training on ten Golden Safety Rules and the twelve Fatal Hazard Protocols. All employees receive training on one of the twelve protocols each month.

Underpinning the Protocols is the Project's absolute commitment to safety and its belief that this can only be achieved with the combined commitment of every member of the team and other relevant stakeholders. The Project believes that its approach to safety will only be effective if its employees and contractors continue to be vigilant regarding their own health and safety and that of others. A third party led audit is conducted on a three yearly basis to evaluate compliance against the requirements contained within the Protocols. The Project also regularly reviews its own compliance to satisfy itself that the Protocols are being implemented and maintained and that their requirements are being met. The Protocols give guidance on the following areas with the aim of eliminating or minimising potential fatalities, injuries and incidents;

- Ground stability (risks related to a ground failure event),
- Fire and explosion (risk related to unplanned fire or explosion),
- Mobile equipment (risks related to mobile plant and equipment),
- Inappropriate emergency response (risks associated with an inappropriate response to an emergency situation),
- Inrush (risks associated with an inrush of water, gases or materials which flow when wet),
- Explosives and shotfiring (risks associated with the use of explosives, detonators and shotfiring equipment),
- Inadequate energy isolation (risks associated with inadequate isolation of energy sources)
- Working at height (risks associated with working at height),
- Lifting and cranage (risks associated with lifting and cranage activities),
- Confined space and irrespirable/noxious atmosphere (risks associated with personnel entering or working in a confined space or a workplace where irrespirable or noxious atmosphere may exist),
- Tyre and rim management (risks associated with working with tyres, rims and wheel assemblies, fitted to mobile equipment and workshop plant),
- Electrical safety (risks associated with the contact with energised electrical conductors or exposure to faulty electrical systems than can cause secondary hazards such as arc blast, fire or ignition of explosive atmospheres).

Corporate responsibility continued

Case study 3

Bushmeat toolbox

All of the Project's employees receive training about bushmeat as part of their induction through attending a bushmeat tool box session. This aims to address the fact that much of the local population is unaware of the country's rules and regulations concerning local fauna and whether a species is protected. The Project prohibits the sale, marketing and transport of bushmeat by its staff. The toolbox talk aims to:

- Minimise the disturbance of local habitats and ecosystems,
- Ensure that disturbed areas are rehabilitated to facilitate the restoration of wildlife,
- Ensure that Project traffic is restricted to designated tracks where drivers must respect speed limits to minimise disruption to animals caused by vehicle movement,
- Exclude weapons from the Project area through the imposition of a ban,
- Prevent trapping and hunting of wildlife by prohibiting this activity and banning feeding,
- Ensure that snakes which appear on the Project site are protected by capture by trained staff and released elsewhere,
- Ensure that sitings of vulnerable or endangered species are reported to the government environment department.

Employees are educated in the reasons why some animals are partially or fully protected (for instance fragility of their way of life or habitat decline). They are instructed in what partial and full protection under the law means and the consequences of contravening these regulations. They are also encouraged to report contraventions to the authorities.

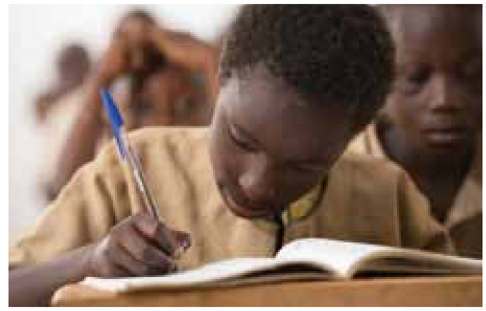
Case study 4

Wise water use toolbox

All of the Project's employees receive training about wise water use when they join the Project through attending the toolbox session. This activity aims to address the following challenges;

- Ensuring that all Project employees have access to clean drinking water,
- The preservation of local water resources and aquatic environments (for drinking water, fishing, local agriculture etc),
- Ensuring that water sources are sustainably managed,
- Ensuing that accidental and permanent pollution is prevented,
- Ensuring that floods and droughts are managed,
- Ensuring that land erosion is controlled,
- Ensuring that quantities of waste water are minimised.

Employees are educated about ways to save water and reduce waste through ensuring that taps and showers are correctly turned off, promptly reporting water leaks, avoiding the cleaning of vehicles within rivers, minimising the volume of water pumped to drilling operations and using the lowest possible amounts of water for purposes such as car washing, laundry, catering and cleaning.



Case study 5

Supporting local education

Eight villages with a total population of approximately 2,500 people are located close to the Project site. The Project maintains and develops its relationships with the local community in a variety of ways and sees this as a key aspect of its approach to sustainable development. One important element of its local involvement is its role within the local education sector. During 2012, in conjunction with the communities within the villages, the Project supported the enhancement of the local education infrastructure, supplied education materials and supported the provision of teachers. Key aspects of this activity included;

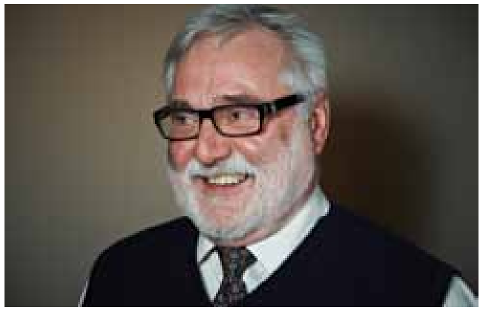
- The supply of 167 desks and chairs to local schools,
- The supply of 1,093 education kits to schools and other stakeholders (such as the local literacy centre). The kits contain education materials such as slates, crayons, exercise books, pens and rulers,
- The rehabilitation and construction of a number of school buildings within the villages. Two new school buildings with three classrooms and an administration block was constructed in two villages. In the other villages building rehabilitation took place on three school buildings and an administration block.

Board of Directors

Clifford Thomas Elphick
Non-Executive Chairman

Clifford Elphick is the founder and CEO of Gem Diamonds Limited, a diamond mining company listed on the Main Market of the London Stock Exchange. Mr Elphick joined Anglo American Corporation in 1986 and was seconded to E Oppenheimer & Son as Harry Oppenheimer's personal assistant in 1988.

In 1990 he was appointed managing director of E Oppenheimer & Son, a position he held until his departure from the company in December 2004. During that time, Mr Elphick was also a director of Central Holdings, Anglo American and DB Investments. Following the buy-out of De Beers in 2000, Mr Elphick served on the De Beers executive committee until 2004. Mr Elphick formed Gem Diamonds Limited in July 2005.



Colin John Harris
Non-Executive Director

Colin Harris has been working as an exploration geologist for over 40 years and has a wealth of experience in the generation, exploration and evaluation of projects covering a variety of commodities and deposit styles in over 25 countries mainly in Africa and Europe. He has worked for major international mining companies including Anglo American, Cominco and more recently Rio Tinto.

During his 18 years at Rio Tinto Mr Harris managed multi-million dollar programmes which in the past 15 years included the evaluation of iron ore deposits in Greenland, Scandinavia, Mali, Mauritania, Algeria, Morocco, Liberia, Senegal and Sierra Leone and more importantly between 1998 and 2008 heading up the team evaluating the world-class Simandou iron ore project in the Republic of Guinea. Mr Harris resigned from Rio Tinto in 2008 and joined the Zanaga team later in the year as Project Director. Mr Harris stepped down as Project Director of the Project after Xstrata exercised its First Call Option. Mr Harris is also a non-executive director of AIM and Oslo AXESS listed London Mining plc.

Clinton James Dines
Non-Executive Director

Clinton Dines has been involved in business in China since 1980, including senior positions with the Jardine Matheson Group, Santa Fe Transport Group and Asia Securities Venture Capital. In 1988 he joined BHP as their senior executive in China and, following the merger of BHP and Billiton in 2001, he became president, BHP Billiton China, a position from which he retired in 2009. Mr Dines is currently a non-executive director of Kazakhmys plc, which is listed on the Main Market of the London Stock Exchange.

Michael John Haworth
Non-Executive Director

Michael Haworth is a director of Strata Limited, Garbet Limited and is the managing partner of Strata Capital UK LLP. Mr Haworth has 12 years' investment banking experience, predominantly in emerging markets and natural resources. Prior to establishing Strata Limited in 2006, Mr Haworth was a Managing Director at J.P. Morgan and Head of Mining and Metals Corporate Finance in London.

During his 10 years at J.P. Morgan, Mr Haworth held a number of other positions, including head of M&A for Central Eastern Europe, Middle East and Africa and, before that, head of M&A in South Africa.

Dave John Elzas
Non-Executive Director

Dave Elzas has over 15 years' experience in international investment banking. Between 1994 and 2000, Mr Elzas served as a senior executive and subsequently managing director of the Beny Steinmetz Group. Mr Elzas is currently the senior partner and CEO of the Geneva Management Group, an international wealth management and financial services company. Mr Elzas has been a Non-Executive Director of Gem Diamonds Limited since October 2005.

Alistair Eastwood Franklin SC
Non-Executive Director

Alistair Franklin is a prominent lawyer in South Africa. He was called to the Johannesburg Bar in August 1985 and he took silk in November 2000. He is currently a member of the Advocates Group 621, the oldest established group of advocates in South Africa, and holds the position of Group Leader.

He has been a Non-Executive Director of Cargo Carriers Limited, a company listed on the Johannesburg Stock Exchange, since 2002 where he is a member of the Audit & Risk, Nomination and Remuneration Committees. He graduated with BA LLB from the University of Natal and obtained an MA degree from Oxford University.

Directors' report

The Directors whose names appear on page 21 were members of the Board at the time of approving the Directors' Report and hereby present their 2012 Annual Report to the shareholders of Zanaga Iron Ore Company Limited, together with the full financial statements for the year ended 31 December 2012.

Status and activities

The Company is a British Virgin Islands Business Company registered under the Territory of the British Virgin Islands, BVI Business Companies Act, 2004.

The Company was incorporated on 19 November 2009 with the name Jumelles Holdings Limited. On 1 October 2010, the Company changed its name to Zanaga Iron Ore Company Limited.

On 18 November 2010, the Company's share capital was admitted ("Admission") to trading on the AIM Market ("AIM") of the London Stock Exchange. Proceeds of US$100 million (£62.1 million) were raised through the placing of 39,815,258 ordinary shares at 156 pence each (the "Placing"). The Placing comprised the primary placing and issue of 19,907,629 new shares and the secondary placing and sale of 19,907,629 sale shares by certain of the then existing shareholders. The Company therefore received gross proceeds of US$50 million and selling shareholders received gross proceeds of US$50 million.

At Admission and during the 2010 financial year the Company held 100% of the Project through Jumelles which in turn owns 100% of the Project subject to the minimum 10% free carried interest of the Government of the Republic of Congo.

Following the exercise by Xstrata of its First Call Option the Company retains a 50% less one share interest in the Project through Jumelles ("Minority Stake").

The Company's long-term objective is to maximise the value of the Company's sole asset – its Minority Stake in Jumelles – and the Project which is currently focused on managing, developing and constructing a world-class iron ore asset capable of mining, processing, transporting and exporting iron ore at full production.

Post balance sheet events

The merger of Xstrata and Glencore was completed on 2 May 2013. Glencore Xstrata is now ZIOC's joint venture partner on the Project.

Activities and Business Review

The Company's performance, activities during the year and future prospects are discussed in the Company Profile, Chairman's Statement and in the Business Review as set out on pages 1–13.

The financial risk profile

The Company's financial instruments comprise cash and various items such as debtors and creditors that arise directly from the Company's operations. The main risks that the Company faces are summarised on pages 14 to 15 of the Business Review. Further details are given in Note 13 to the Financial Statements.

The risks and uncertainties facing the Company are regularly reviewed by the Board and management.

Dividends

No dividends were declared or paid during the year under review (2011: US$nil).

Going concern

Following Xstrata's exercise of its First Call Option, and implementation of the JVA, Glencore Xstrata is obliged to fund the costs of a Feasibility Study in accordance with international best practice and Glencore Xstrata's internal guidelines. Glencore Xstrata must use reasonable efforts to deliver the FS no later than three months prior to the expiration of the licences in August 2014, subject to there being no material adverse change. Under the Republic of Congo Mining code, after its initial three-year period, an exploration licence is permitted two extensions of two years, each of which are renewable upon request. The application for the second extension of the Zanaga exploration licences was submitted in March 2012 and the licence was duly renewed. The cost of the Company's personnel and the technical experts appointed to monitor the Company's investment in the Project are the only significant expenditures currently envisaged during the period of the Feasibility Study work programme and the Company has significant cash resources available. In the circumstances, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. For these reasons, the financial statements of the Company have been prepared on a going concern basis.

Directors

Members of the Board who served as Directors throughout 2012 are Clifford Elphick, Michael Haworth, Dave Elzas, Colin Harris and Clinton Dines. Mr Franklin was appointed to the Board on 8 February 2013.

Biographical details of the Directors and the period of each directorship are shown on page 21.

Details of Board meetings and Directors' attendance at Board meetings are laid out on page 24.

The Directors' interests in the ordinary shares of the Company as at 31 December 2012 and the date of signing this Annual Report are set out on pages 28 and 29 of the Remuneration Report.

Directors remuneration

A Directors' Remuneration Report, which shareholders will be asked to approve at the Annual General Meeting, can be found on pages 27 to 29.

Company Secretary

Elysium Fund Management Limited is responsible for the provision of company secretarial and related administrative services.

Indemnities and insurance

The Company maintains Directors' and officers' liability insurance cover, to cover claims made against Directors and officers of the Company, arising out of actions taken in relation to the Company's business and its Admission.

Corporate governance

Following the Company's Admission to AIM in November 2010, the Directors have taken measures to comply with the Financial Reporting Council's UK Corporate Governance Code so far as is appropriate and practical having regard to the size and nature of the Company. A report on corporate governance can be found on pages 24 to 26.

Corporate responsibility

The Company places the highest priority on the health and safety of its employees, respect for the environment and active engagement with the local communities in which it operates. A report on corporate responsibility can be found on pages 16 to 20.

Substantial share interests

As at 31 May 2013, the following interests of 3% or more of the issued ordinary share capital had been notified to the Company:

Funds managed by:	Number of shares	% of share capital
Garbet Limited[1]	115,671,186	41.49%
Guava Minerals Limited[2]	88,730,397	31.83%
F & C Asset Management Plc	12,735,259	4.57%

1. Michael Haworth is indirectly interested in these ordinary shares, which are registered in the name of Garbet, by virtue of his interest as a potential beneficiary in two discretionary trusts which have an indirect interest in these ordinary shares.
2. Clifford Elphick is indirectly interested in these ordinary shares by virtue of his interest as a potential beneficiary in a discretionary trust, which has an indirect interest in these ordinary shares.

Policy on payment to suppliers
Amounts due to suppliers and service providers are settled promptly within the terms of the payment, except in cases of dispute.

Material contracts
The Company's material contracts are with Glencore Xstrata (see Note 1 of the Financial Statements on pages 36 and 37 for more details), Liberum Capital Limited, which acts as Nominated Adviser and joint Corporate Broker, Citigroup Global Markets Limited which acts as Joint Corporate Broker, Computershare Investor Services (BVI) Limited, which acts as Registrar and Hyposwiss Private Bank Geneve SA, the Company's banker.

Legal proceedings
The Company is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Company.

Independent Auditors
The Auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution reappointing them and authorising the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

Disclosure of information to Auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Mr Clifford Elphick
Non-Executive Director and Chairman

Mr Michael Haworth
Non-Executive Director

Coastal Building, 2nd Floor
Wickham's Cay II
P.O. Box 2221
Road Town, Tortola
British Virgin Islands
26 June 2013

Corporate governance report

The Directors recognise the importance of sound corporate governance and the guidelines set out in the Financial Reporting Council's UK Corporate Governance Code (the "Code"). Whilst AIM listed companies are not obliged to comply with the Code, following the Company's Admission to AIM in November 2010 the Directors have taken measures to comply with the Code so far as is appropriate and practical having regard to the size and nature of the Company.

Board of Directors

As at 31 December 2012, the Board was led by a Non-Executive Chairman, Clifford Elphick. The Board consisted of five Directors at year end, all of whom were Non-Executive Directors and held office for the duration of the year. Alistair Franklin SC was appointed as a Non-Executive Director on 8 February 2013. Further details of the Directors and length of directorships are included in the table below.

Name	Nationality	Age	Position	Date of appointment
Clifford Thomas Elphick	South African	52	Non-Executive Chairman	26 November 2009
Michael John Haworth	British	47	Non-Executive Director	26 November 2009
Dave John Elzas	Dutch	46	Non-Executive Director	19 November 2009
Colin John Harris	British	66	Non-Executive Director	12 November 2010
Clinton James Dines	Australian	55	Non-Executive Director	12 November 2010
Alistair Eastwood Franklin SC	South African	55	Non-Executive Director	8 February 2013

The biographical profiles of the Directors, which demonstrate their skills and experience, can be found on page 21.

Under the Code, none of the Non-Executive Directors that served during the 2012 financial year would be viewed as independent. However, the Directors believe that independence is not a state of mind that can be measured objectively and, given the character, judgement and decision making process of the individuals concerned, the Directors believe that Clinton Dines, Dave Elzas and Alistair Franklin SC can be considered independent. Clinton Dines, Dave Elzas and Alistair Franklin SC would not be viewed as independent under the Code by virtue of the shares awarded to them under the Company's long-term share incentive scheme and, in the case of Dave Elzas, by virtue of him being on the board of directors of GEM Diamonds Limited with Clifford Elphick.

The Company reviews the independence of the Directors annually and all new appointments will be made after consideration of the independence of the Company's Directors.

Election of Directors

As per the Company's Articles of Association, one third of Directors are subject to retirement at each AGM by rotation. A retiring Director shall be eligible for re-election. In addition, any Director who would not otherwise be required to retire shall retire by rotation at the third AGM after his last appointment or reappointment.

Accordingly, Dave Elzas and Clinton Dines will retire and stand for re-election at the 2013 AGM. Alistair Franklin SC will stand for election at the 2013 AGM due to his appointment being made by the Board since the date of the previous AGM.

Attendance at Board meetings

The Company holds at least four Board meetings per year, at which the Directors review the exploration and development progress of the Project and all other important issues to ensure control is maintained over the Company's affairs. In addition, between these formal meetings there is regular contact with the Company's consultants, management and the Nominated Adviser and Broker (details of which can be found on page 48). The Directors are kept fully informed of investment, financial and other matters that are relevant to the business of the Company and that should be brought to the attention of the Directors. The Directors also have access to the Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The Board considers agenda items laid out in the notice and agenda, which are formally circulated to the Board in advance of a meeting as part of the Board papers and, therefore, Directors may request any agenda items to be added that they consider appropriate for Board discussion. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

The quorum for a Board meeting is two but attendance by all Directors at each meeting is strongly encouraged. Whilst Directors try to arrange their schedules accordingly, non-attendance is unavoidable in certain circumstances. During the year under review, six Board meetings were held. The table below details the number of Board meetings and Committee meetings attended by each Director who served during the year.

	Total	Board meetings	Committee meetings
Clifford Thomas Elphick	5/6	5/6	0
Michael John Haworth	4/6	4/6	0
Dave John Elzas	4/6	4/6	0
Colin John Harris	6/6	6/6	0
Clinton James Dines	6/6	6/6	0

Apart from the regular Board meetings, additional meetings will be arranged when necessary to review strategy, planning, operational, financial performance, risk, capital expenditure, human resource and environmental management.

Boardroom diversity
The Directors note the changes to the Code which have come into effect for reporting periods commencing on or after 1 October 2012. The Company plans to assess its approach to this matter in due course in conjunction with its advisors.

Directors' shareholdings and dealings
The interests of the Directors in the share capital of the Company are disclosed in the Directors' Remuneration Report on page 28.

The Directors comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules for this purpose.

Board committees
With effect from the Company's Admission to AIM on 18 November 2010, the Directors have established an Audit Committee, a Remuneration Committee and a Health, Safety, Social and Environment Committee with formally delegated duties and responsibilities. At this stage of the Company's development the Directors consider it is appropriate for the Board to retain responsibility for nominations to the Board. The Board is also responsible for monitoring the activities of the executive management.

The Audit Committee
The Audit Committee of the Company was established at Admission in November 2010 and operates within written terms of reference clearly setting out its authority and duties. The Audit Committee's terms of reference, which cover all matters recommended under the Code, are available on the Company's website, www.zanagairon.com.

The Audit Committee, which comprises Dave Elzas (as Chairman) and Michael Haworth, determines and examines any matters relating to the financial affairs of the Company including the terms of engagement of the Company's Auditors and, in consultation with the auditors, the scope of the audit. In addition it considers the financial performance, position and prospects of the Company and ensures they are properly monitored and reported on.

Both members of the Audit Committee are Non-Executive Directors and both have recent and relevant financial experience. As detailed above, neither of these Directors would be considered independent under the Code. However, the Directors believe that independence is not a state of mind that can be measured objectively and, given the character, judgement and decision making process of the individuals concerned, the Board believes that Dave Elzas can be considered independent. The Board will continue to review this annually.

Future members of the Audit Committee are appointed by the Board in consultation with the Chairman of the Audit Committee. The quorum necessary for the transaction of business shall be two members. However, other individuals such as the Chairman of the Board, Chief Executive, Finance Director, other Directors, the heads of risk and compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate. The external auditors will be invited to attend meetings of the Audit Committee on a regular basis.

One meeting was held in the year to 31 December 2012.

The Audit Committee will, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Fees paid to members of the Audit Committee for the year ended 31 December 2012 are set out in the Remuneration Report on page 28.

The Chairman of the Audit Committee shall attend the AGM prepared to respond to any shareholder questions on the Audit Committee's activities.

Given the current size and nature of ZIOC, staff may raise concerns surrounding possible improprieties in matters of financial reports, in confidence with the Chairman, and the Directors do not feel it appropriate at this stage to put in place a detailed procedure by which staff may, in confidence, raise concerns surrounding possible improprieties in matters of financial reporting. The Directors will continue to keep this under review should employee numbers increase significantly.

The Directors will in due course monitor and review those measures which have or will be put in place by Glencore Xstrata at the Project.

Financial reporting
It is the Audit Committee's responsibility to monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance.

External Auditors
The Audit Committee is responsible for managing the relationship with the Company's Auditors, including approval of their remuneration and terms of engagement. The Audit Committee shall make recommendations regarding the appointment, reappointment and removal of the Company's external Auditor, having regard to their assessment of the Auditor's independence and performance. KPMG Audit Plc has been the Company's Auditors since incorporation.

The Audit Committee met in June 2012 to discuss these issues and is satisfied with the independence and effectiveness of the Auditors and does not at this stage consider it is necessary to require an independent tender process. The Audit Committee will consider this again following publication of the 2012 Annual Report and will keep this under ongoing review.

The Audit Committee met with the Company's Auditors in June 2013. The Audit Committee also has direct access to the Company's Auditors as necessary at other times and the opportunity to meet the Auditors without management being present.

The Company's Auditors are permitted to provide non-audit services that are not in conflict with Company's Auditor's independence and objectivity. The Audit Committee is responsible for ensuring that any non-audit services do not jeopardise this independence and objectivity and given the size and stage of development of the Company do this on a case by case basis.

Fees paid to the Company's Auditor, KPMG Audit Plc, for audit services during the year were US$108,000 (2011: US$93,000). KPMG Audit Plc did not perform any non-audit services.

Corporate governance report continued

Internal control and risk management

The Directors have overall responsibility for establishing and maintaining the Company's system of internal control and risk management systems. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Elysium Fund Management Limited is responsible for the provision of company secretarial and administration duties. The Directors of the Company clearly define the duties and responsibilities of their agents and advisors in the terms of their contracts.
- The Board reviews financial information produced by the administrator on a regular basis.
- The Board monitors the performance of the Company's service providers and their obligations under their agreements with the Company.
- All expenditure is subject to approval in accordance with the company's accounting policies, procedures and Delegated Financial Authority

Up until Xstrata's exercise of its First Call Option the Board ensured that appropriate internal controls and systems were in place for its investment in its associate, Jumelles, through reviewing risks, delegating financial authorities, employing staff with relevant experience, segregating duties and outsourcing the accounting service. Since Xstrata exercised its First Call Option in February 2011 the Jumelles group is included in the Glencore Xstrata internal audit programme.

The Company does not have an internal audit department. Due to the size and nature of the Company it is not felt that there is at this stage a need for the Company to have an internal audit facility. The Audit Committee will continue to keep this under ongoing review.

A review of business risks was carried out during 2012. A summary of the principal risks facing the Company can be found in the Business Review on pages 14 to 15.

Remuneration Committee

The composition, activities and role of the Remuneration Committee is set out in more detail in the Remuneration Report on page 27.

The Remuneration Committee terms of reference can be found on the Company's website at www.zanagairon.com.

Health, Safety, Social and Environment Committee

On the Company's Admission to AIM on 18 November 2010, the Directors established a Health, Safety, Social and Environment Committee ("HSSE Committee"), with formally delegated duties and responsibilities for such purpose. The HSSE Committee, which comprises Clinton Dines (as Chairman), Colin Harris and Clifford Elphick, is responsible for the formulation and recommendation to the Board of a policy on health, safety, social and environmental issues related to the Company's operations.

The HSSE Committee met for the first time on 31 March 2011 to consider these issues.

Following Xstrata's exercise of its First Call Option, the Company does not control the Project and has no other operations. Whilst it was proposed that the Committee will meet at least four times a year, the Board has resolved that the HSSE Committee be adjourned until such time as the Company has control of operations.

All Project HSSE reports will now be presented directly to the Board and if any material concerns are raised at Board level the HSSE Committee may be requested to reconvene.

The HSSE terms of reference can be found on the Company's website at www.zanagairon.com.

Relationships with shareholders

The Code encourages dialogue with institutional shareholders based on the mutual understanding of objectives. The Directors are always available to enter into dialogue with shareholders. All ordinary shareholders will have the opportunity, and indeed are encouraged, to attend and vote at the AGM during which the members of the Board, the Nominated Advisor and Joint Brokers will be available to discuss issues affecting the Company. The Board stays abreast of shareholders' views via regular updates from the Nominated Advisor and its Brokers as to meetings it may have held with shareholders.

Remuneration report

This report to shareholders for the year ended 31 December 2012 sets out the policies under which Non-Executive Directors are remunerated.

Whilst not applicable to the Company, as required by the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") and the UK Listing Authority Rules, as a matter of best practice this report will be subject to an advisory shareholder vote at the AGM. The report is intended to be in full compliance with the requirements of the Regulations and the Code.

Remuneration Committee

The Remuneration Committee was established on the Company's Admission to AIM on 18 November 2010 and during the year, comprised of Dave Elzas (as Chairman), Clifford Elphick and Michael Haworth. On 8 February 2013, upon his appointment to the Board, Alistair Franklin replaced Dave Elzas as Chairman of the Remuneration Committee. The Remuneration Committee reviews the performance of senior management, sets their remuneration, and considers and determines the Company's bonus and option schemes and payments or grants thereunder.

The Company Secretary, Elysium Fund Management Limited, acts as secretary to the Remuneration Committee. Other Directors and external advisors may be invited by a majority of the members of the Remuneration Committee to attend all, or part of any meeting. The Remuneration Committee meets at least twice a year.

Two meetings were held during 2012 which considered the granting of additional share options to senior management employees of the company. On 2 March 2012, awards (Award 4) were made to two managers and one Strata capital consultant. Further details can be found in note 11 to the financial statements on page 43.

The terms of reference for the Remuneration Committee, which are reviewed annually, can be found on the Company's website at www.zanagairon.com.

The Remuneration Committee's key objectives are to:

- ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- review the ongoing appropriateness and relevance of the remuneration policy; and
- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.

The Remuneration Committee's main responsibilities are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman of the Board, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of Non-Executive Directors shall be a matter for the Chairman of the Board. No Director or manager shall be involved in any decisions as to their own remuneration;
- review the ongoing appropriateness and relevance of the remuneration policy;
- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes; and
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to senior executives and the performance targets to be used.

Remuneration policy

The Board, as a whole, establishes the remuneration policy. The Remuneration Committee assists the Board in carrying out its responsibilities in relation to remuneration.

Advice

During the year the Company received legal services from its solicitors, independent law firms Berwin Leighton Paisner LLP and Norton Rose LLP.

Service contracts and notice periods

The Board consisted of five Directors at the year end, all of whom were Non-Executive Directors for the duration of the complete year. Alistair Franklin SC was appointed as a Non-Executive Director on 8 February 2013. Further details of the Directors and length of directorships are reflected in the table set out on page 24 of the Corporate Governance section of this Report.

Michael Haworth and Colin Harris provide consultancy services to the Company.

All the Directors are appointed for an indefinite period subject to three months' notice by either party at any time and subject to the Company's Articles of Association.

The service contracts for the Directors are available for inspection by members during normal business hours, at the Company's registered office.

Remuneration report continued

Non-Executive Directors' remuneration package

The Non-Executive Directors shall be paid by way of fees for their services a sum not exceeding an aggregate of £500,000 per annum or such larger amount as the Company may by resolution of its shareholders determine.

The annual remuneration package, in Sterling, of the Non-Executive Directors who served during the year is detailed below:

Non-Executive Director	Annual fee £000	Annual fee Audit Committee £000	Annual fee HSSE Committee £000	Annual fee Remuneration Committee £000	Total annual fee £000
Clifford Elphick[1]	75.0	-	4.0	4.0	83.0
Clinton Dines[2]	50.0	-	7.5	-	57.5
Michael Haworth	50.0	5.0	-	4.0	59.0
Colin Harris	50.0	-	4.0	-	54.0
Dave Elzas[3]	50.0	10.0	-	7.5	67.5

1. Chairman of Board of Directors.
2. Chairman of HSSE Committee.
3. Chairman of Audit Committee and Remuneration Committee. On 8 February 2013, upon his appointment to the Board, Alistair Franklin replaced Dave Elzas as Chairman of the Remuneration Committee.

No Director is entitled to any bonus, pension or other benefits (save as disclosed above or in relation to awards made on Admission to AIM under the long-term incentive scheme as set out below). In the event of termination of appointment, howsoever caused, each Director has agreed that they will not be entitled to any compensation for loss of office as a Director of the Company.

Directors' shareholdings

The interests of the Directors in the share capital of the Company, all of which are beneficial unless otherwise stated, are as follows:

	31 December 2012		31 December 2011	
Directors	**Number of shares**	**% of issued share capital**	Number of shares	% of issued share capital
Clifford Elphick[1]	**88,730,397**	**31.71%**	88,730,397	31.64%
Michael Haworth[2]	**115,671,186**	**41.34%**	115,671,186	41.25%
Dave Elzas	**199,076**	**0.07%**	199,076	0.07%
Colin Harris	**2,388,915**	**0.85%**	2,388,915	0.85%
Clinton Dines	**398,153**	**0.14%**	398,153	0.14%

1. Clifford Elphick is indirectly interested in these ordinary shares, which are registered in the name of Guava Minerals Limited, by virtue of his interest as a potential beneficiary in a discretionary trust which has an indirect interest in those ordinary shares.
2. Michael Haworth is indirectly interested in these ordinary shares, which are registered in the name of Garbet Limited, by virtue of his interest as a potential beneficiary in a discretionary trust which has an indirect interest in those ordinary shares.

There have been no changes in the Directors' interest in shares between 31 December 2012 and 31 May 2013. Effective from his appointment on 8 February 2013, Alistair Franklin holds share options in respect of 199,076 shares.

Remuneration for the year to 31 December 2012

The emoluments for the Directors who served for the year to 31 December 2012 can be found below:

Director	**Director fee 2012 £000**	**Other emoluments 2012 £000**	**Total emoluments 2012 £000**	Total emoluments 2011 £000
Colin Harris[1]	**54.0**	**-**	**54.0**	54.0
Clifford Elphick	**83.0**	**-**	**83.0**	83.0
Clinton Dines	**57.5**	**-**	**57.5**	57.5
Michael Haworth[2]	**59.0**	**-**	**59.0**	59.0
Dave Elzas	**67.5**	**-**	**67.5**	67.5
Total in £	**321.0**	**-**	**321.0**	321.0
	$000	**$000**	**$000**	$000
Total in US$	**509.0**	**-**	**509.0**	514.0

1. Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £193,000 (US$308,000) for consultancy services provided by Colin Harris during 2012.
2. Strata Capital UK LLP, a limited liability partnership in which Michael Haworth has a significant interest, was paid a total of £311,000 (US$497,000) for consultancy services provided by Michael Haworth during 2012.

LTIP

At its Admission the Company approved and implemented a LTIP in order to recruit and retain key officers and employees of the Company and the Company's associate. The LTIP structure operates through two discretionary trusts ("Trusts") established for the benefit of current and former employees and officeholders. The trustee of the Trusts is Geneva Management Group (BVI) Limited. The Trusts acquire, as and when required, shares in the Company for the purposes of rendering share awards under the LTIP.

For all key management personnel, the LTIP is structured as a split interest scheme. On the date of the award, the employee and the employee Trust enter into an agreement to acquire shares as joint owners with the employee's proportion of ownership of each share being; 0.001% of the total value up to a given hurdle and 99.999% of the total value above the hurdle. The hurdle is determined by the Remuneration Committee. The employee will pay the market value for his joint ownership of the shares. If the vesting conditions are not met, the employee forfeits joint ownership of the shares. If the award meets the vesting conditions, the employee has the right to exercise the option and become the sole owner of the shares.

For a more detailed summary of the Company's LTIP please see Part X of the Company's Admission Document.

The following awards were made to Directors of the Company on 18 November 2010:

Director	Number of shares	Exercise price	**Market price at 31 December 2012**	Highest and lowest market price in year	Expiry date	**Number vested at 31 December 2012**	Vesting criteria
Colin Harris	1,990,763	£0.0234	**£0.2725**	£1.21-£0.2662	18 May 2021	**1,990,763**	1 (see below)
Colin Harris	398,152	£0.0234	**£0.2725**	£1.21-£0.2662	18 May 2021	**398,152**	2 (see below)
Clinton Dines	398,153	£0.0234	**£0.2725**	£1.21-£0.2662	18 May 2021	**398,153**	2 (see below)
Dave Elzas	199,076	£0.0234	**£0.2725**	£1.21-£0.2662	18 May 2021	**199,076**	2 (see below)

Award 1 (fully vested)

These awards vested on the publication of the results of the VEE, which was achieved in October 2011.

Award 2 (fully vested)

These awards fully vested in 2012 on the expiry of two years following Admission.

All of the options were outstanding at the beginning of the year. The Directors have not exercised any options during the year (2011: US$nil).

The total charge to the profit and loss account for the awards made to the Directors in the year to 31 December 2012 was US$345,000 (2011: US$2,268,000). Further details of the LTIP can be found in Note 11 to the Financial Statements on page 43.

By order of the Board

Dave Elzas
Chairman
Remuneration Committee
26 June 2013

Statement of Directors' responsibilities

The Directors of Zanaga Iron Ore Company Limited (the "Directors") are responsible for preparing the financial statements for the year ended 31 December 2012 in accordance with the AIM Rules for Companies (the "AIM Rules"). Under the AIM Rules they are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. Under the AIM Rules the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Under applicable regulations, the Directors are also responsible for preparing a Directors' Remuneration Report which can be found on page 27.

Independent Auditor's report

Independent Auditor's report to the Members of Zanaga Iron Ore Company Limited

We have audited the group financial statements of Zanaga Iron Ore Company Limited for the year ended 31 December 2012, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the AIM Rules for Companies and on the basis of the financial reporting framework of International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we have been engaged to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and KPMG Audit Plc

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the directors are responsible for the preparation of the financial statements, which are intended by them to give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 18 June 2012 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the entity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

KPMG Audit Plc
Chartered Accountants
KPMG Audit Plc
15 Canada Square
London E14 5GL
26 June 2013

Consolidated statement of comprehensive income

for year ended 31 December 2012

	Note	2012 US$000	2011 US$000
Administrative expenses		**(5,070)**	(6,721)
Share of loss of associate		**(765)**	(7,803)
Operating loss	4	**(5,835)**	(14,524)
Interest income		**154**	173
Loss before tax		**(5,681)**	(14,351)
Taxation	5	**(47)**	(28)
Loss for the year		**(5,728)**	(14,379)
Foreign exchange translation – foreign operations		**(36)**	38
Share of other comprehensive income of associate – foreign exchange translation		**6,250**	(8,517)
Other comprehensive income		**6,214**	(8,479)
Total comprehensive income/(loss)		**486**	(22,858)
Loss per share (basic and diluted) (Cents)	12	**(2.1)**	(5.2)

The loss for the period is attributable to the equity holders of the parent company.

Consolidated statement of changes in equity
for year ended 31 December 2012

	Share capital US$000	Retained earnings US$000	Foreign currency translation reserve US$000	Total equity US$000
Balance at 1 January 2011	256,070	(15,422)	536	241,184
Consideration for share-based payments	8,923	–	–	8,923
Loss for the period	–	(14,379)	–	(14,379)
Other comprehensive income	–	–	(8,479)	(8,479)
Total comprehensive loss	–	(14,379)	(8,479)	(22,858)
Balance at 31 December 2011	264,993	(29,801)	(7,943)	227,249
Balance at 1 January 2012	**264,993**	**(29,801)**	**(7,943)**	**227,249**
Consideration for share-based payments	**755**	**-**	**-**	**755**
Share buy backs	**(383)**	**-**	**-**	**(383)**
Loss for the period	**-**	**(5,728)**	**-**	**(5,728)**
Other comprehensive income	**-**	**-**	**6,214**	**6,214**
Total comprehensive loss	**-**	**(5,728)**	**6,214**	**486**
Balance at 31 December 2012	**265,365**	**(35,529)**	**(1,729)**	**228,107**

Consolidated balance sheet

for year ended 31 December 2012

	Note	2012 US$000	2011 US$000
Non-current assets			
Property, plant and equipment	6a	**80**	13
Investment in associate	6b	**189,009**	182,977
		189,089	182,990
Current assets			
Other receivables	7	**282**	104
Cash and cash equivalents	8	**40,383**	45,047
		40,665	45,151
Total Assets		**229,754**	228,141
Current liabilities			
Trade and other payables	9	**(1,647)**	(892)
Net assets		**228,107**	227,249
Equity attributable to equity holders of the parent			
Share capital	10	**265,365**	264,993
Retained earnings		**(35,529)**	(29,801)
Foreign currency translation reserve		**(1,729)**	(7,943)
Total equity		**228,107**	227,249

These financial statements set out on pages 32 to 47 were approved by the Board of Directors on 26 June 2013 and were signed on its behalf by:

Mr C Elphick
Non-Executive Director and Chairman

Consolidated cash flow statement

for year ended 31 December 2012

	Note	2012 US$000	2011 US$000
Cash flows from operating activities			
Total comprehensive loss for the period		**486**	(22,858)
Adjustments for:			
Depreciation		**23**	3
Interest receivable		**(154)**	(173)
Taxation expense		**47**	28
Increase in other receivables		**(178)**	(24)
Increase/(Decrease) in trade and other payables		**761**	(65)
Net exchange loss		**(1,673)**	(274)
Share of loss of associate		**(5,485)**	16,320
Share-based payments		**723**	2,425
Tax paid		**(27)**	-
Net cash from operating activities		**(5,477)**	(4,618)
Cash flows from financing activities			
Repurchase of own shares		**(383)**	-
Net cash from financing activities		**(383)**	-
Cash flows from investing activities			
Interest received		**154**	173
Acquisition of property, plant and equipment		**(90)**	(16)
Investment in associate		**(515)**	-
Net cash from investing activities		**(451)**	157
Net (decrease)/increase in cash and cash equivalents		**(6,311)**	(4,461)
Cash and cash equivalents at beginning of period		**45,047**	49,318
Effect of exchange rate difference		**1,647**	190
Cash and cash equivalents at end of period	8	**40,383**	45,047

The notes on pages 36 to 47 form an integral part of the financial statements.

Notes to the financial statements

1 Business information and going concern basis of preparation

Background

Zanaga Iron Ore Company Limited (the "Company"), was incorporated on 19 November 2009 under the name of Jumelles Holdings Limited. The Company changed its name on 1 October 2010. The Company is incorporated in the British Virgin Islands ("BVI") and the address of its registered office is situated at Coastal Building, 2nd Floor, Wickham's Cay II, Road Town, Tortola, BVI. The Company's principal place of business as an investment holding vehicle is situated in Guernsey, Channel Islands.

As at 31 December 2010 the Company held 100% of the share capital of Jumelles Limited ("Jumelles") subject to the then Xstrata Call Option (as defined below).

On 14 March 2011 the Company incorporated and acquired the entire share capital of Zanaga UK Services Limited for US$2, a company registered in England and Wales which provides investor management and administration services.

In 2007, Jumelles became the special purpose holding company for the interests of its then ultimate 50/50 founding shareholders, Garbet Limited ("Garbet") and Guava Minerals Limited ("Guava"), in Mining Project Development Congo SAU ("MPD Congo") which, owns and operates 100% of the Zanaga Project (the "Project") in the Republic of Congo (subject to a minimum 10% free carried interest in MPD Congo in favour of the Government of the Republic of Congo).

In December 2009 Garbet and Guava contributed their then respective 50/50 joint shareholding in Jumelles to the Company.

Garbet is majority owned by Strata Limited ("Strata"), a private investment holding company based in Guernsey, which specialises in the investment and development of early stage natural resource projects in emerging markets, predominately Africa. Garbet owns approximately 41.49% of the share capital of the Company.

Guava is majority owned by African Resource Holdings Limited ("ARH"), a BVI company that specialises in the investment and development of early stage natural resource projects in emerging markets. Guava owns approximately 31.83% of the share capital of the Company.

The balance of shareholding in the Company is predominantly held by a number of reputable institutional investors in the mining sector.

Jumelles has three subsidiary companies, namely Jumelles M Limited, Jumelles Technical Services (UK) Limited and MPD Congo.

Xstrata Transaction

On 16 October 2009, Garbet and Guava and Jumelles entered into a transaction with Xstrata (Schweiz) AG (on 3 December 2009, Xstrata (Schweiz) AG was substituted by Xstrata Projects (pty) Limited ("Xstrata Projects")), comprising of two principal transaction agreements (together the "Xstrata Transaction"):

- a call option deed which gave Xstrata Projects an option to subscribe for 50% plus 1 share of the fully diluted and outstanding shares of Jumelles ("Majority Stake") in return for providing funding towards ongoing exploration of the Zanaga exploration licence area and a pre-feasibility study (the "PFS") subject to a minimum amount of US$50 million (the "Xstrata Call Option"). Under the terms of the Xstrata Call Option, the consideration payable by Xstrata Projects for the option shares that would be issued by Jumelles Limited would comprise (i) a commitment to fund all costs to be incurred by Jumelles Limited in completing a feasibility study on the Project (the "FS") (provided such amount shall be greater than US$100 million) or to carry out such a feasibility study at its own cost and (ii) payment of an amount (up to a maximum of US$25 million) equal to the amount that Jumelles Limited owes to Garbet and Guava as loans which would be used to repay the latter; and
- a joint venture agreement which regulates the respective rights of the Company, Jumelles and Xstrata Projects in relation to Jumelles following exercise of the Xstrata Call Option and gives Xstrata Projects the right to purchase the Company's remaining 50% minus 1 share interest in Jumelles("Minority Stake") following completion of the FS and deals with the terms on which Jumelles will be funded following completion of the FS (the "JVA").

During 2010, the PFS progressed and following completion of Phase I of that study Xstrata Projects countersigned a further funding letter confirming in writing its agreement (subject to the provisions of the Xstrata Call Option) to contribute further funding and confirming its approval of the phase II work programme, budget and funding amount (up to US$56.49 million) as set out in that letter.

On 11 February 2011 Xstrata Projects exercised the Xstrata Call Option. Having repaid the founding shareholder loans, the outstanding elements of the Call Option price consideration are the completion of the Feasibility Study and costs thereof.

Relationship between Jumelles and its shareholders

The Company, Jumelles and Xstrata Projects agreed to regulate their respective rights in relation to the Project following exercise of the Call Option under the terms of the JVA. Under the terms of the JVA, all significant decisions regarding the conduct of Jumelles' business (other than certain protective rights which require the agreement of shareholders holding at least 95% of the voting rights in Jumelles) are made by the Board of Directors.

Each shareholder holding 15% or more of the votes in Jumelles has the right to appoint a director to the Board of that company. At any Board meeting, each such director will have such number of votes as represents the appointing shareholder's voting rights in the general meetings of Jumelles.

1 Business information and going concern basis of preparation continued

As a consequence, following exercise of the Xstrata Call Option (which completed on 11 February 2011), Xstrata Projects controls Jumelles at both a shareholder and director level and therefore controls what was the Company's sole mineral asset, the Project, and going forward the Company has a strategic partnership in respect of the Project with Glencore Xstrata.

Following exercise of the Xstrata Call Option, the principal business of the Company has comprised managing its 50% less one share interest in the Project and monitoring both the finalisation of the pre-feasibility study and the preparation of the feasibility study.

In addition, under the terms of the JVA, following exercise of the Xstrata Call Option, Xstrata Projects has the right to require all the other shareholders in the Company to sell their shares to Xstrata Projects, at an agreed cash price or price based on net present value, for a period of 90 days following completion of the FS. Therefore Xstrata Projects could elect to acquire 100% of the Project following completion of the FS. The JVA has provisions governing how any dispute as to the price to be paid would be resolved. The exercise of this right is not subject to the approval of the Company's shareholders.

Future funding requirements and going concern basis of preparation

In common with many exploration and development companies in the mining sector, the Company raises funding in phases as its projects develop.

Following Xstrata's exercise of its First Call Option, and implementation of the JVA, Glencore Xstrata is obliged to fund the costs of a FS in accordance with international best practice and its internal guidelines. Glencore Xstrata must use reasonable efforts to deliver the FS no later than three months prior to the expiration of the licences in August 2014, subject to there being no material adverse change. Under the Republic of Congo Mining code, after its initial three-year period, an exploration licence is permitted two extensions of two years, each of which are renewable upon request. The application for the second extension of the Zanaga exploration licences was submitted in March 2012 and the licence was duly renewed in August 2012. The cost of the Company's personnel and the technical experts appointed to monitor the Company's investment in the Project are the only significant expenditures currently envisaged during the period of the FS work programme and the Company has significant cash resources available. In the circumstances, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. For these reasons, the financial statements of the Company have been prepared on a going concern basis.

In the event that a decision is taken to develop a mine at Zanaga (and assuming that Xstrata Projects has not acquired the Company's interest in Jumelles), the Company will need to raise further funds.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS"). Adopted IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the European Union.

The financial statements consolidate those of the Company and its subsidiary Zanaga UK Services Limited (together, the "Group") and the Company's investment in an associate which is accounted for using the equity method.

New standards, amendments and interpretations

The following Standards and Interpretations were issued during the year, but were not effective at the balance sheet date:

- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Amendments to IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits
- IAS 27 – Separate Financial Statements
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- IFRS 9 – Financial Instruments

These standards have not been applied in preparing the financial statements for the year ended 31 December 2012.

It is not anticipated that the adoption of these standards will have any significant impact on the financial statements.

Notes to the financial statements continued

2 Accounting policies continued

Measurement convention

These financial statements have been prepared on the historical cost basis of accounting.

The preparation of financial statements in conformity with Adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

Associates

Investments in associates are recorded using the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the associate. The Group profit or loss and other comprehensive income includes the Group's share of the associate's profit or loss and other comprehensive income. The investment is considered for impairment annually.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from the intra-group transactions, are eliminated in preparing the financial statements.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Share-based payments

The Group makes equity-settled share-based payments to certain employees and similar persons as part of a long-term incentive plan ("LTIP"). The fair value of the equity-settled share-based payments is determined at the date of the grant and expensed, with a corresponding increase in equity, on a straight line basis over the vesting period, based on the Group estimate of the awards that will eventually vest, save for any changes resulting from any market-performance conditions.

Where awards are granted to employees of the Group's associate and similar persons, the equity-settled share-based payment is recognised by the Group as an increase in the cost of the investment with a corresponding increase in equity over the vesting period of the award. In equity accounting for the Group's share of its associate, the Group has accounted for the cost of equity settled share-based payments as if it were a subsidiary.

The shares to be issued under the LTIP are acquired by an Employee Benefit Trust which has to date subscribed for the shares at zero value. These shares are held by the Employee Benefit Trust until the vesting conditions have been met. Information on the share awards are provided in Note 11 to these financial statements.

Share-based payments to non-employees

Where the Group received goods or services from a third party in exchange for its own equity instruments and the amount of equity instruments is fixed, the equity instruments and related goods or services are measured at the fair value of the goods or services received and are recognised as the goods are obtained or the services rendered. Equity instruments issued under such arrangements for the receipt of services are only considered to be vested once provision of services is complete. Such awards are structured as standard share options.

Non-derivative financial instruments

Non-derivative financial instruments in the balance sheet comprise other receivables, cash and cash equivalents, and trade and other payables.

Other receivables

Other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

2 Accounting policies continued

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Ordinary shares issued to the Employee Benefit Trust under the LTIP or to non-employees for services provided to the Company, are included within Share Capital.

When share capital recognised as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are cancelled.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the Group's investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Expenses

Financing income and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Segmental Reporting

The Group has one operating segment, being its investment in the Project, held through Jumelles Limited. Financial information regarding this segment is provided in Note 6.

Notes to the financial statements continued

2 Accounting policies continued

Subsequent events

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3 Critical accounting estimates, assumptions and judgements

The Group makes estimates and assumption concerning the future that are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of investment in associate

The value of the Group's investment in Jumelles depends very largely on the value of Jumelles' interest in the Project. Jumelles assesses at least annually whether or not its exploration projects may be impaired. This assessment can involve significant judgement as to the likelihood that a project will continue to show sufficient commercial promise to warrant the continuation of exploration and evaluation activities. The Board took particular account of the Glencore Xstrata merger and the share price decline, and despite those factors, determined that there was still no indication of impairment.

Accounting for the Company's interest in Jumelles Limited

Significant judgement has been applied in arriving at the accounting treatment of the Group's interest in Jumelles. Though the exercise of the Xstrata Call Option on 11 February 2011 gave Xstrata Projects a shareholding of 50% plus one share, and then effective director level control of Jumelles, those shares are not considered to vest until provision of the services relating to the PFS and FS has been completed. Accordingly, the Group will continue to account for a 100% interest in Jumelles until the FS has been completed. Further details may be found under 'Investment in associate' Note 6b.

Upon completion of the FS the Company will account for a reduction in its interest in Jumelles to 50% less one share.

4 Note to the comprehensive income statement

Operating loss before tax is stated after charging/(crediting):

	2012 US$000	2011 US$000
Share-based payments (see Note 11)	**723**	2,425
Net foreign exchange gain	**(1,673)**	(274)
Directors' fees	**509**	514
Auditor's remuneration	**108**	93
Depreciation	**23**	3

Other than the Company Directors, the Group directly employed five staff in 2012 (2011: three). The Directors received US$509,000 remuneration for their services as Directors of the Group (2011: US$514,000). The amounts paid as Directors' fees are shown in the Directors' Remuneration Report on page 28. The Directors' interests in the share capital of the Group are shown in the Directors' Remuneration Report on pages 28 and 29.

5 Taxation

The Group is exempt from most forms of taxation in the BVI, provided the Group does not trade in the BVI and does not have any employees working in the BVI. All dividends, interest, rents, royalties and other expense amounts paid by the Company, and capital gains are realised with respect to any shares, debt obligations or other securities of the Company, are exempt from taxation in the BVI.

The tax charge in the period relates to the Company's subsidiary, Zanaga UK Services Limited.

	2012 US$000	2011 US$000
Recognised in other comprehensive income:		
Current year	**(47)**	(28)
Reconciliation of effective tax rate		
Loss before tax	**(5,681)**	(14,351)
Income tax using the BVI corporation tax rate of 0% (2011: 0%)	**-**	-
Effect of tax rate in foreign jurisdictions	**(47)**	(28)
	(47)	(28)

The effective tax rate for the Group is 0.8% (2011: 0.2%).

6a Property, Plant and Equipment

	Leasehold property improvements US$000	Fixtures and fittings US$000	Total US$000
Cost			
Balance at 1 January 2012	–	16	16
Additions	65	25	90
Balance at 31 December 2012	**65**	**41**	**106**
Depreciation			
Balance at 1 January 2012	–	3	3
Charge for period	12	11	23
Balance at 31 December 2012	**12**	**14**	**26**
Net book value			
Balance at 31 December 2012	53	27	80
Balance at 31 December 2011	**-**	**13**	**13**

Leasehold property improvements relate to 1 Albermarle Street, London. Property improvement costs are being amortised over five years to December 2016.

There are no assets held under finance leases or hire purchase contracts.

6b Investment in associate

	US$000
Balance at 1 January 2011	192,799
Additions	6,498
Share of post-acquisition comprehensive income	(16,320)
Balance at 31 December 2011	182,977
Balance at 1 January 2012	**182,977**
Additions	**547**
Share of post-acquisition comprehensive income	**5,485**
Balance at 31 December 2012	**189,009**

The investment represents a 100% holding in Jumelles for the entire share capital of 2,000,000 shares. The shares were acquired in exchange for shares in the Company and have been recorded at fair value of the interest acquired.

The additions to the investment during the year are due to US$515,000 of additional investment (2011: US$nil), funded jointly (50/50) with Xstrata, for the survey of an additional land area, and US$32,000 (2011: US$6,498,000) for the completion of LTIP awards made to employees of Jumelles. Though Jumelles acquired the non-exclusive prospecting licence for the additional land area, it does not form part of the existing ZIOC Glencore Xstrata joint venture agreement.

Since its acquisition and up to 11 February 2011, the investment in Jumelles did not represent an investment in a subsidiary due to the call option held by Xstrata described in Note 1 above which throughout that period gave Xstrata Projects potential voting rights which would have been sufficient for Xstrata Projects to control Jumelles. Following exercise of the Xstrata Call Option, the residual rights retained by the Group are sufficient in the view of the Directors to provide the Group with the power to participate significantly in the financial and operating decisions affecting Jumelles. As a consequence the Group's interest is accounted for as an associate using the equity method of accounting.

As explained in Note 1, on 11 February 2011, Xstrata Projects exercised the Xstrata Call Option and from that date owns 50% plus one share of Jumelles and Jumelles is controlled at both a shareholder and director level by Xstrata Projects. However, as the shares issued on exercise of the option are not considered to vest until the provision of the services relating to the FS has been completed, the Group will continue to account for a 100% interest in Jumelles Limited until the FS has been completed. Only at that time will the Group account for a reduction in its interest in Jumelles.

Notes to the financial statements continued

6b Investment in associate continued

The Group financial statements account for the Xstrata Projects transaction as an in-substance equity-settled share-based payment for the provision of services by Xstrata Projects to Jumelles in relation to the PFS and the FS. These services largely are provided through third party contractors and are measured at the cost of the services provided.

As at 31 December 2012, Jumelles had aggregated assets of US$266,467,000 (2011: US$200,396,000) and aggregated liabilities of US$8,915,000 (2011: US$37,461,000). For the year ended 31 December 2012 Jumelles incurred a loss before tax of US$733,000 (2011: US$1,305,000) which included costs of US$948,000 on the survey of the additional land area (2011: US$Nil) and income of US$393,000 from Xstrata Project Services (2011: US$Nil). There was no tax charge for 2012 (2011: US$Nil). Currency translation of the underlying Congolese asset generated a translation gain of US$6,250,000 (2011: Loss US$8,517,000). A summarised consolidated balance sheet of Jumelles Limited for the year ended 31 December 2012, including adjustments made for equity accounting, is included below:

	2012 US$000	2011 US$000
Non-current Assets:		
Property, plant and equipment	**10,405**	12,704
Exploration and other evaluation assets	**241,498**	166,815
Related party receivable from Xstrata Project Services	**8,531**	-
Intangible assets	**45**	145
Total non-current assets	**260,479**	179,664
Current Assets	**5,988**	20,732
Current Liabilities	**(8,915)**	(37,461)
Net current liabilities	**(2,927)**	(16,729)
Net assets	**257,552**	162,935
Share capital	**9,593**	9,561
Share option reserve	**278,808**	190,738
Capital contribution	**1,030**	-
Translation reserve	**(2,319)**	(8,569)
Retained earnings	**(29,560)**	(28,795)
	257,552	162,935

7 Other receivables

	2012 US$000	2011 US$000
Prepayments	**282**	104

8 Cash

	2012 US$000	2011 US$000
Cash and cash equivalents	**40,383**	45,047

9 Trade and other payables

	2012 US$000	2011 US$000
Accounts payable	**1,522**	780
Amounts payable to the Jumelles group	**78**	85
UK Corporation Tax	**47**	27
	1,647	892

The net amount payable to the Jumelles group comprises US$25,000 payable to Jumelles Limited (2011: US$64,000) and US$53,000 payable to Jumelles Technical Services (UK) Limited (2011: US$21,000). No amounts payable are due in more than 12 months (2011: US$nil).

10 Share capital

In thousands of shares	Ordinary Shares 2012	Ordinary Shares 2011
On issue at 1 January – fully paid	**280,416**	280,416
Shares repurchased and cancelled	**(639)**	–
On issue at 31 December – fully paid	**279,777**	280,416

The Company is able to issue an unlimited number of no par value shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. No dividends have been paid or declared in the current year (2011: US$nil).

Share capital changes in 2012

There were no new shares issued in 2012.

A share buy-back programme was initiated in October 2012 and at 31 December 2012 a total of 639,000 shares had been repurchased and cancelled. A further 1,000,000 shares were repurchased and cancelled in January 2013.

11 Share-based payments

Employees

As stated under Note 2 above the Group has implemented a LTIP in order to recruit and retain key officers and employees of the Group and the Group's associate. For all key management personnel, the LTIP is structured as a split interest scheme. On the date of the award, the employee and the Employee Trust enter into an agreement to acquire shares as joint owners with the employee's proportion of ownership of each share being 0.001% of the total value up to a given hurdle and 99.999% of the total value above the hurdle. The hurdle is determined on advice of the Remuneration Committee. The employee will pay the market value for his joint ownership of the shares. If the vesting conditions are not met, the employee forfeits joint ownership of the shares. If the award meets the vesting conditions, the employee has the right to exercise the option and become the sole owner of the shares. The Group has also granted a number of awards of share options to middle management. Under these awards the Trust grants the employee the right to acquire shares if certain vesting conditions are achieved. The employee is not required to pay an exercise price for these shares.

Three sets of separate awards were made on 18 November 2010, each having several different vesting conditions. These vesting conditions have now been satisfied and, as a result, all of these awards have fully vested.

A fourth set of awards was made in the current year on 2 March 2012, subject to the vesting conditions under Award 4 below.

There are specific provisions that apply to all awards in respect of takeover and corporate transaction provisions and provisions relating to cessation of employment or ceasing to provide services.

Award 1 (fully vested)

These awards vested on the publication of the results of the VEE, which was achieved in October 2011.

Award 2 (fully vested)

These awards fully vested in 2012 on the expiry of two years following Admission.

Award 3 (fully vested)

These awards fully vested in 2012 on the expiry of two years following Admission.

Award 4

Structured as standard share options, these awards vest on completion of the Bankable Feasibility Study being the completion of a detailed report showing the economic feasibility of the Mining Licences to the satisfaction of the Board prior to 31 May 2014.

The application of the vesting criteria is subject to the discretion of the board of directors.

It is currently expected that the awards will vest in full.

Notes to the financial statements continued

11 Share-based payments continued

	Award 1 (2010)		Award 2 (2010)		Award 3 (2010)		Award 4 (2012)		Total	
	Weighted Average Exercise Price (£)	Number	Weighted Average Exercise Price (£)	Number	Weighted Average Exercise Price (£)	Number	Weighted Average Exercise Price (£)	Number	Weighted Average Exercise Price (£)	Number
At 1 January 2011	£0.02	4,260,235	£0.02	995,382	£1.58	199,076	N/A	Nil	£0.08	5,454,693
At 31 December 2011*	£0.02	4,260,235	£0.02	995,382	£1.58	199,076	N/A	Nil	£0.08	5,454,693
	(US$0.03)		(US$0.04)		(US$2.45)				(US$0.12)	
At 1 January 2012*	£0.02	4,260,235	£0.02	995,382	£1.58	199,076	N/A	Nil	£0.08	5,454,693
	(US$0.03)		(US$0.04)		(US$2.45)		N/A		(US$0.12)	
Granted	N/A	Nil	N/A	Nil	N/A	Nil	£1.02	800,000	£1.02	800,000
Forfeited	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
Exercised	0.01	(856,031)	N/A	Nil	N/A	Nil	N/A	Nil	0.01	(856,031)
Lapsed	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
At 31 December 2012*	£0.02	3,404,204	£0.02	995,382	£1.58	199,076	£1.02	800,000	£0.23	5,398,662
	(US$0.03)		(US$0.04)		(US$2.45)		(US$1.64)		(US$0.36)	

	Award 1 (2010)	Award 2 (2010)	Award 3 (2010)	Award 4 (2012)	Total
Range of exercise prices*	£0.00–£0.02 (US$0.00–US$0.03)	£0.02 (US$0.04)	£1.58 (US$2.45)	£1.015 (US$1.61)	£0.00–£1.58 (US$0.00–US$2.45)
Weighted average fair value of share awards granted in the period*	N/A	N/A	N/A	£0.39 ($0.61)	£0.39 ($0.61)
Weighted average share price at date of exercise (£)	£0.98	N/A	N/A	N/A	£0.98
Total share awards vested	3,404,204	995,382	199,076	Nil	4,598,662
Weighted average remaining contractual life (Days)	Nil	Nil	Nil	516	516
Expiry date	16 Nov 2020**	16 Nov 2020	16 Nov 2020	2 Mar 2017	N/A

* Sterling amounts have been converted into US Dollars at the grant dates exchange rates of: Awards 1,2,3 US$1.547:£1.00 and Award 4 US$ 1.5835:£1.00.
** Excepting one leaver with 676,859 share options expiring 10 October 2013.

The following information is relevant in the determination of the fair value of options granted during 2010 and 2012 which has applied option valuation principles during the year under the above equity-settled schemes:

	Award 1 (2010)	Award 2 (2010)	Award 3 (2010)	Award 4 (2012)
Option pricing model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Weighted average share price at date of grant	£1.56 (US$2.41)	£1.56 (US$2.41)	£1.56 (US$2.41)	£1.03 (US$1.64)
Weighted average expected option life	0.7 years	1.0 years	1.5 years	4.0 years
Expected volatility (%)	50%	50% for less than 1 year expected life, 55% for more than 1 year expected life	50% for less than 1 year expected life, 55% for more than 1 year expected life	47%
Dividend growth rate (%)	Zero	Zero	Zero	Zero
Risk-free interest rate (%)	0.51% for 6 month expected life 0.69% for 12 month expected life	0.69% for 12 month expected life 1.12% for 24 month expected life	0.69% for 12 month expected life 1.12% for 24 month expected life	0.708%

* Sterling amounts have been converted into US Dollars at the grant dates exchange rates of: Awards 1,2,3 US$1.547:£1.00 and Award 4 US$ 1.5835:£1.00.

The volatility assumption is measured by reference to the historic volatility of comparable companies based on the expected life of the option.

11 Share-based payments continued

Non-employees

The Company has also granted awards of share options in respect of consultancy services provided by Strata Capital UK LLP:

Share option award grant date	Weighted average share price at date of grant*	Weighted average fair value of share awards*	Weighted average expected life of option	Expiry date	Other LTIP terms, valuation model and assumptions applicable
17 November 2010	£1.56 (US$2.54)	£0.39 (US$0.63)	1.4 years	16 Nov 2020	Award 3 above
2 March 2012	£1.03 (US$1.64)	£0.37 (US$0.58)	4.0 years	1 Mar 2017	Award 4 above

* Sterling amounts have been converted into US Dollars at the grant dates exchange rates of: Awards 1,2,3 US$1.547:£1.00 and Award 4 US$ 1.5835:£1.00.

The total equity-settled share-based payment expense recognised as an operating expense during the year was US$723,000 (2011: US$2,425,000), of which US$345,000 (2011: US$2,268,000) related to the Directors, US$182,000 related to employees of the group (2011: US$nil), and US$196,000 (2011: US$157,000) related to consultancy services provided by Strata Capital UK LLP. Further details of share-based payments awarded to Directors of the Group can be found in the Remuneration Report on page 29.

The total charge during the year for equity-settled share-based payments awarded to employees of companies in which the Group has a significant interest totals US$32,000 (2011: US$6,498,000) and has been added to the cost of investment in those companies.

12 Loss per share

	2012	2011
Loss (Basic and diluted) (US$,000)	**(5,728)**	(14,379)
Weighted average number of shares (thousands)		
Basic		
Issued shares at beginning of period	**280,416**	280,416
Effect of shares issued	**-**	-
Effect of share repurchase and cancellation	**(87)**	-
Effect of own shares	**(4,988)**	(5,574)
Effect of share split	**-**	-
Weighted average number of shares at 31 December – basic	**275,341**	274,842
Loss per share (Cents)		
Basic and diluted	**2.1**	5.2

There are potential ordinary shares outstanding, refer to Note 10 and 11 for details of these potential ordinary shares.

13 Financial instruments

Fair values of financial instruments

Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. The fair values approximate book values.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. The fair values approximate book values.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Notes to the financial statements continued

13 Financial instruments continued

Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising currency risk and interest rate risk). The Group seeks to minimise potential adverse effects of these risks on the Group's financial performance. The Board has overall responsibility for managing the risks and the framework for monitoring and coordinating these risks. The Group's financial risk management policies are set out below:

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group receivables related parties. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. At 31 December, the financial assets exposed to credit risk were as follows:

	2012 US$000	2011 US$000
Cash and cash equivalents	**40,383**	45,047

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group evaluates and follows continuously the amount of liquid funds needed for business operations, in order to secure the funding needed for business activities and loan repayments. The availability and flexibility of the financing is needed to assure the Group's financial position. The Group funding requirements are detailed in Note 1.

Details of the maturity of financial liabilities are provided in Note 9.

(c) Market risk

(i) Foreign currency risk

The foreign currency denominated financial assets and liabilities are not hedged, thus the changes in fair value are charged or credited to profit and loss.

As at 31 December 2012 the foreign currency denominated assets include cash balances held in sterling of US$34,671,000 (2011: US$38,746,000), other receivables denominated in sterling of US$282,000 (2011: US$102,000), and payables of US$585,000 (2011: US$768,000) denominated in sterling.

The following significant exchange rates applied during the year:

	Average rate 2012	Reporting date spot rate 2012	Average rate 2011	Reporting date spot rate 2011
Against US Dollars	**US$**	**US$**	US$	US$
Pounds Sterling	**1.5852**	**1.6255**	1.604	1.554

Sensitivity analysis

A 10% weakening of the following currencies against the US Dollar at 31 December 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity 2012 US$000	Profit or loss 2012 US$000	Equity 2011 US$000	Profit or loss 2011 US$000
Pounds sterling	**(3,437)**	**(3,437)**	(3,814)	(3,814)

A 10% strengthening of the above currencies against the US Dollar at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence. Capital consists of share capital and retained earnings.

The Directors do not intend to declare or pay a dividend in the foreseeable future but, subject to the availability of sufficient distributable profits, intend to commence the payment of dividends when it becomes commercially prudent to do so.

The Company has a LTIP which is administered by the Remuneration Committee. The LTIP is discretionary and the Remuneration Committee will decide whether to make share awards under the LTIP at any time. Either the Group Employee Benefit Trust buys the shares in the Company to be issued under the LTIP or, share options awards are made direct to individuals as appropriate.

14 Commitments

The Group had no capital commitments or off-balance sheet arrangements at 31 December 2012 (31 December 2011: nil).

15 Related parties

The Group's relationships with Jumelles and Glencore Xstrata are described in Note 1 above.

The following transactions occurred with related parties during the period:

	Transactions for the period		Closing balance	
	2012 US$000	2011 US$000	**2012 US$000**	2011 US$000
Intercompany payable Jumelles Limited	**(39)**	234	**25**	64
Intercompany payable Jumelles Technical Services UK Limited	**32**	(17)	**53**	21
Harris GeoConsult Ltd	**308**	131	**48**	-
Strata Capital UK LLP	**780**	52	**5**	5
Funding to Jumelles Limited	**515**	-	**515**	-

In addition to the transactions above, the Group has also issued share options to Strata Capital UK LLP. Details of these options can be found in Note 11.

Transactions with key management personnel

	2012 US$000	2011 US$000
Share-based payments	**345**	2,268
Directors' fees *	**509**	514
Total	**854**	2,782

* Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £193,000 (US$308,000) for consultancy services provided by Colin Harris during 2012 (2011: £131,000 US$205,000).

Strata Capital UK LLP, a limited liability partnership in which Michael Haworth has a significant interest, was paid a total of £311,000 (US$497,000) for consultancy services provided by Michael Haworth during 2012 (2011: £104,000 US$162,000).

The Directors have no material interest in any contract of significance subsisting during the financial year, to which the Group is a party.

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