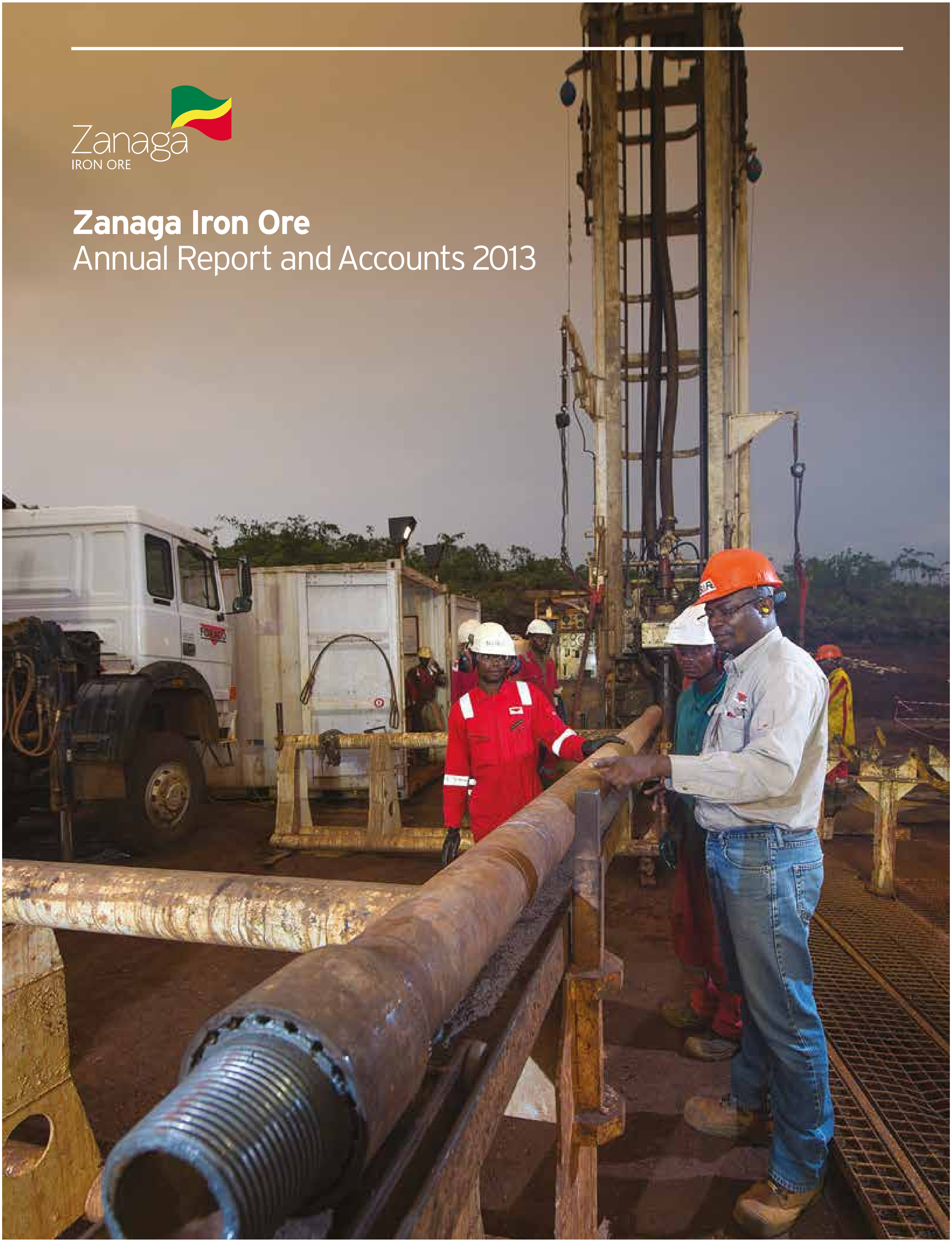
Zanaga Iron Ore
Annual Report and Accounts 2013



Zanaga Iron Ore Company Limited ("ZIOC") is an iron ore exploration and development company, which listed on the AIM Market of the London Stock Exchange 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" or the "Zanaga Project") in the Republic of Congo, also commonly known as Congo-Brazzaville. Following Glencore plc's ("Glencore") merger with Xstrata plc ("Xstrata") in May 2013, Glencore owns the other 50% plus one share interest in the Project. Since February 2011 when this interest was acquired, the Project has been managed by Glencore (previously by Xstrata).

Content

Visit: www.zanagairon.com

For regular updates and additional information on the Company and its activities.

Highlights and post balance sheet events

2013 to May 2014

- In May 2013, Glencore became the new JV partner, following the merger of Xstrata with Glencore
- Zanaga Project scope revised to a staged development approach
- Supplemental Agreement to the JVA signed in September 2013
  - Feasibility Study progressed on a staged development scope
  - Work programme and budget agreed until the end of 2014
  - Investigation of early direct shipping ore opportunities
- Feasibility Study completed in April 2014, confirming attractive project economics
  - Stage One 12Mtpa initial operation
    US$32/t FOB bottom quartile operating costs including royalty
    US$2.2bn capital expenditure
    Premium quality 66% Fe content iron ore pellet feed product
  - Stage Two expansion to 30Mtpa operation
    US$2.5bn capital expenditure for additional 18Mtpa production
    US$26/t FOB bottom quartile operating costs including royalty
    Premium quality 67.5% Fe content iron ore pellet feed product
- Benefits of staged development
  - Lowers capital and execution risk
  - Reduces financing requirements
  - Maximises return on capital
- Mining Licence Application submitted to Ministry of Mines in May 2014
- Social Environmental Impact Assessment completed in April 2014
- Environmental Permit application for Stage One lodged with Ministry of Environment in May 2014
- Mining Convention negotiations underway
- Cash balance of US$24m, as at 2013 year end

At a Glance

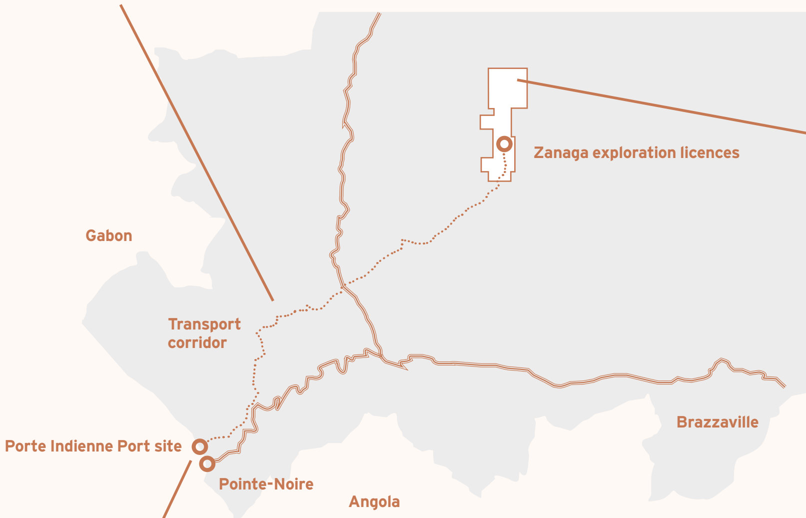
Located in the Republic of Congo, the Zanaga Project is planned to be a large scale iron ore operation, which will be developed in two stages.

Stage One consists of a 12Mtpa operation, with Stage Two expanding the operation by a further 18Mtpa to produce a total 30Mtpa of high quality iron ore pellet feed product over a 30-year mine life. Transportation to port will be via a slurry pipeline, where it will be exported to the global sea-borne iron ore market.

Location

The ore will be transported to port via a 366km slurry pipeline.

Stages One and Two will involve the construction of separate pipelines, running along the same pipeline route.



The mining process will be a conventional excavator and truck operation using contractor mining.

The Stage One operation will mine the higher grade upper hematite ores with a strip ratio of 0.47:1 over 30 years.

The Stage Two expansion to 30Mtpa of total production will involve mining of the magnetite orebody at a reduced average strip ratio of 0.37:1.

Stage One port infrastructure will include a shallow berth jetty for self-unloading shuttle ships to serve a transhipping operation for loading of capesize ocean-going vessels in deeper water.

To handle the increased production from Stage Two, the Project envisages that the marine facility will be expanded into a deep water port with direct loading capability of capesize ocean-going vessels.

Project Schedule

The indicative Stage One Project Development Schedule is shown below, subject to a positive investment decision at the appropriate time.

Activity	Key Date
FS & SEIA completed	April 2014
Mining licence application submitted	May 2014
Preparation for FEED	H2 2014
Front end engineering ("FEED") phase	2015
Finalise all necessary licences, approvals, infrastructure access & user agreements, and financing	2015
Construction phase	2016-2018
Mining commences	End 2018
First shipment	Q1 2019

Chairman's Statement

The Zanaga Project achieved an important milestone in Q2 2014 with the completion of the Feasibility Study ("FS"), which clearly demonstrates the Zanaga Project is a highly attractive and globally competitive iron ore project, and the subsequent submission of a Mining Licence Application to the Republic of Congo ("RoC") Ministry of Mines.

Dear Shareholder,
This is the culmination of over six years of comprehensive study work, as borne out by the depth and quality of the FS, which along with the completed Social Environmental Impact Assessment ("SEIA") is a tremendous achievement by the Project team.

We now enter the next phase of development, in which the Project team will be progressing permits, negotiating the Mining Convention, which will establish the Project's fiscal regime, advancing project financing initiatives and preparing to commence Front End Engineering Design ("FEED"), ahead of a potential investment and construction decision.

Staged Development Approach
The scope of the FS was modified in September 2013, following a review of the Project, discussions between Glencore and ZIOC and the negotiation of the Supplemental Agreement (the "Supplemental Agreement") which modified the existing Joint Venture Agreement (the "JVA"). As part of that review, the JV partners also agreed to jointly explore funding options with a view to attracting third party debt and equity financing for project implementation.

Unlocking Value through Staged Development
Glencore's staged approach to development has yielded substantial value add for the Zanaga Project. It has lowered the capital and execution risks, thereby significantly reducing the Project's financing requirements whilst maximising capital returns.

Compared to the Pipeline Pre-Feasibility Study ("Pipeline PFS") announced in November 2012, which considered a single stage 30Mtpa development at a capital cost of US$7.5bn, the results of the FS on a staged development basis have demonstrated significant advantages. Development costs of the project have been substantially reduced to US$2.2bn for the Stage One operation, and US$2.5bn for the Stage Two expansion, while ultimately achieving the same production rate of 30Mtpa. But importantly, the Project's forecast bottom quartile operating costs presented by the Pipeline PFS have been maintained. In addition, phasing the capital cost provides the potential to finance the Stage Two expansion through existing Project cash flows from Stage One to achieve a total 30Mtpa scale operation, thereby limiting the level of additional equity required.

Highly Attractive FS Results

The Stage One development has been designed as a stand-alone business case and does not rely on, or require, the Stage Two expansion. Stage One plans to produce 12Mtpa of premium quality 66% Fe content iron ore pellet feed product at a forecast operating cost of US$32/t FOB including royalty, which positions the Project in the industry's bottom quartile of operating costs. The capital cost is estimated at US$2.2bn, including contingency. The initial cash flows and project returns are maximised by commencing mining of the higher grade near surface ore for the first eight years of operation.

The Stage Two expansion of 18Mtpa has been nominally scheduled to suit the project mine development, construction timing and forecast cash flow generation and will increase the Project's total production capacity to 30Mtpa. It will produce a premium quality 67.5% Fe content iron ore pellet feed product at a forecast operating cost of US$26/t FOB including royalty, maintaining the Project's ranking in the industry's bottom quartile of operating costs. The US$2.5bn capital expenditure for the additional 18Mtpa production, including contingency, can potentially be financed from the cash flows from Stage One, which is a compelling expansion case.

The high grade pellet feed products that the Project will produce under Stage One and Stage Two will have an iron grade of 66% and 67.5% respectively, similar to existing high grade Brazilian supply. Impurities are expected to be low. It is anticipated that the products would command a price premium relative to the 62% Fe IODEX, both as a function of the Fe content and the low impurities, and will be attractive feed for pellet plants or as part of a sinter feed blend.

Iron Ore Market

Before I discuss the potential funding option for the Project, I'd like to comment on the iron ore market, which at the time of writing is experiencing a period of relative weakness, with iron ore prices currently trading between US$90/t and US$100/t and much market commentary about forecast oversupply.

Looking back over 2013, many were surprised by the buoyancy of iron ore prices which averaged around US$135/t (CIF China), in spite of the threat of looming expansion of supply. Although significant investments in new production from the major iron ore producers did come onstream, it was mainly Chinese demand that drove prices higher to unexpectedly high levels. Interestingly, despite talk of a slowdown in China, Chinese crude steel production grew by 9% in 2013, outpacing GDP as monetary stimulus measures and expansion of the shadow banking system increased credit availability and growth in the Chinese economy.

Whilst prices in 2013 surprised to the upside, I believe we are looking ahead to a lower price environment in the second half of the decade. This will put pressure on more marginal producers. Fortunately, the Zanaga Project's competitive operating costs, premium quality product, and resulting high profit margins, ensure that it will still be able to deliver a strong return on capital, even in a weak iron ore price environment of US$80/t. Indeed, we expect that the Zanaga Project will be able to compete, on a benchmark 62% iron ore price equivalent basis, with some of the lowest cost mining operations in Australia and Brazil.

Joint Funding Initiative

Low operating costs, a high quality premium product and a long mine life combine to make the Zanaga Iron Ore Project a very attractive investment opportunity to potential investors who are looking to gain a foothold in the iron ore sector.

A joint funding process has been initiated with our JV partner Glencore and we have been encouraged by the level of interest the Project has received. This funding process continues and we will update the market in due course.

The JV partners are looking to finance Stage One through a combination of equity and debt. A number of attractive opportunities have been identified in the debt market, such as debt-backed infrastructure agreements as well as export-credit finance, which could be linked to proposals from EPC contractors with whom the Project team is currently engaging.

Cash Reserves

We have cash reserves of US$24m as at 31 December 2013, and continue to be prudent with our cash. Following the Supplemental Agreement with our JV partner Glencore in September 2013, at the year end, a further US$7m contribution was required (of which US$5m paid June 2014) of the Company to complete its US$17m contribution total to extend project development preparatory work from September 2013 to the end of 2014. ZIOC believes it has sufficient funds to meet its working capital requirements up to, and well beyond, the end of 2014.

Outlook

As mentioned earlier, the Project is progressing through the next phase of development. Applications for both the Mining Licence and Environmental Permit to the relevant ministries have been submitted. Negotiations have started on the Mining Convention that will establish the Project's fiscal regime. We expect to update the market as to progress on these developments during the course of 2014. Separately, the Project team will shortly be engaging with international contractors in preparation for commencing the FEED phase.

We continue to engage regularly across all relevant Congolese government ministries and are pleased to say that the Project enjoys strong support for its activities.

Finally, I would like to take this opportunity to extend a very heartfelt thank you to the Zanaga Project team and all the local and international consultants who worked on the FS, the SEIA and related documentation. A huge amount of creative thinking, long hours, attention to detail and study work have gone into producing the Project's FS and the SEIA. I would also like to thank my fellow Board members and ZIOC staff for their support.

Whilst we have achieved a significant milestone, the Project's development schedule maintains significant momentum and I look forward to updating you on our progress during the course of the year.

Clifford Elphick
Non-Executive Chairman

Business Review

The Stage One development has been designed as a stand-alone business case.

The FS, managed by ZIOC's JV partner Glencore, has been completed on the basis of a staged development of the Zanaga Iron Ore Project. Stage One consists of a 12Mtpa operation, with Stage Two expanding the operation by a further 18Mtpa to produce a total 30Mtpa of high quality iron ore product over a 30-year life of mine ("LOM"). Transportation to port will be via a slurry pipeline in both stages, which facilitates the low cost delivery solution.

A mine design and schedule has been completed for the Stage One development to allow this to be evaluated as a stand-alone business case. A second set of designs and schedules have then been developed incorporating the Stage Two expansion. This allows for evaluation of the combined development stages as well as the incremental value of Stage Two.

Feasibility Study Overview

The Stage One development has been designed as a stand-alone business case and does not rely on, or require, the Stage Two expansion. The Stage One operation will mine the higher grade upper hematite ores which supports a 12Mtpa operation over a 30-year mine life, producing a 66% Fe content, premium quality iron ore pellet feed product with low impurities.

The initial open pit mining operation will use contractor mining to exploit free dig material with a very low strip ratio, with simpler processing requirements resulting in low initial power demand. The ore will be upgraded into a high grade pellet feed using conventional gravity and flotation concentration methods before being pumped to the port via a slurry pipeline. The Project's "on-shore" port facilities and nfrastructure will include a filter plant for dewatering of the concentrate and a covered ore storage facility located at a proposed new third party port to be constructed 9km north of the existing port of Pointe-Noire ("Pointe Indienne"). Operating costs are estimated at US$32 per tonne FOB, including royalty, which would position Zanaga at the bottom quartile of the industry's cost curve. The capital cost is estimated at US$2.2bn including contingency.

The Stage Two 18Mtpa expansion to 30Mtpa of total production will involve open pit mining of the magnetite orebody. The strip ratio will be lower than Stage One as the upper hematite cap will have been mined. The processing plant will be expanded with a second concentrator using magnetic separation to produce a blended 67.5% Fe content, premium quality iron ore pellet feed product. The increased power requirements are expected to be supplied by planned power generation expansion projects in RoC. A second slurry pipeline will be constructed to transport the ore to port where the port facilities will be expanded as part of the proposed deepwater port development.

Mining

The mining process will be a conventional excavator and truck operation using contractor mining. For the initial years the operation will be free dig, after which both waste and ore will require drilling and blasting prior to excavation. A very low strip ratio contributes significantly to the low operating costs of the Project.

The Stage One operation will mine the higher grade upper hematite ores with a strip ratio of 0.47:1 over 30 years. During the first eight years of operation the strip ratio is less than 0.2:1 with greater than 50% process plant recovery. The hematite ore types in the defined mineral resource will support the Stage One process plant for approximately 30 years.

The Stage Two expansion to 30Mtpa of total production will involve mining of the magnetite orebody at a reduced average strip ratio of 0.37:1. There is sufficient magnetite ore within the defined mineral resource to extend the mine life beyond the planned 30 years, which only consumes approximately 2Bt of the Project's 2.5Bt Ore Reserves and 6.9Bt Mineral Resource.

Process Plant

The Zanaga deposit is composed of shallow and friable hematite zones and deeper more competent magnetite zones. The staged development of the process plants allows for the sequential treatment of the upper hematite ores in Stage One, followed by the treatment of the magnetite zones in the Stage Two expansion through the construction of a separate plant. The sequencing of the processing of the different ores provides advantages in the allocation of capital as well as the reduction of technical risk.

Stage One Process Plant

A single process plant has been designed to treat the shallow hematite ore types to produce 12Mtpa of a 66% Fe content pellet feed concentrate with low impurities (approximately 4% combined silica and alumina). The plant will utilise a gravity separation circuit with flotation to treat feed grades of 30% to 50% iron. The base case flowsheet consists of semi-autogenous mills and two spiral circuits, followed by further size reduction and final separation through flotation. Due to the fact that the operation will be processing higher grade ores in the initial years the Stage One plant will be able to produce at a rate of 13.2Mtpa during the

first five years of operation, which will subsequently reduce to 12Mtpa for the remaining mine life (see pipeline section below).

Stage Two Process Plant
Stage Two targets the treatment of the deeper magnetite ore types/layers using an autogenous milling circuit followed by regrinding and magnetic separation using low intensity magnetic separation equipment. The second process plant will produce an additional 18Mpta of 68.5% Fe content pellet feed concentrate with similarly low impurities as Stage One. It is envisaged that this will be blended with the Stage One product to produce a total 30Mtpa of 67.5% Fe pellet feed, however there is an option to sell two distinct products.

Tailings
The design of the Project's tailings storage facility accommodates international best practice including requirements for the safe, efficient, and environmentally acceptable disposal of the tailings waste products.

Two main tailings dams will be constructed during the Project's 30-year LOM, the timing and scale of which will be dependent on the decision to proceed with the Stage Two expansion. In Stage One the two dams will provide storage for a tailings mine life tonnage of 664Mt. In a scenario where Stage Two is developed the two dams will contain a tailings mine life tonnage of 1,338Mt.

Pipeline
The transport option considered in the FS is a 366km slurry pipeline from the Project site to a port facility at Pointe Indienne, 9km north of the existing port of Pointe-Noire. Stages One and Two of the Project will involve the construction of separate pipelines, running along the same pipeline route.

The Stage One pipeline will have a diameter of 500mm which will be sufficient to transport 12Mtpa over the 30-year mine life. The Stage One pipeline has been designed to accommodate a higher production level of 13.2Mtpa in the first five years of operation through the inclusion of a corrosion allowance and thicker initial pipeline wall to accommodate the increased pumping pressure associated with this capacity. This is in line with the higher initial production rate of the Stage One process plant.

To pump the slurry from the mine site to the port, one primary pumping station at the mine site and a further intermediate pumping station will be constructed, the capacities of which will be increased for the Stage Two expansion.

In Stage Two the pipeline will require a diameter of 600mm to transport an additional 18Mtpa, increasing total production capacity to 30Mtpa.

Port Infrastructure and Development
Currently there is no suitable bulk material handling port facility in the RoC. In March 2013 the RoC signed a Memorandum of Understanding with China Communications Construction Company ("CCCC"), and its subsidiary China Road and Bridge Corporation ("CRBC"), for the development of a new multi-user port facility 9km north of the existing port of Pointe-Noire at Pointe Indienne, including a deepwater bulk export facility for the iron ore industry. CRBC is in the process of completing a feasibility study on this port development.

The FS provides for the construction of new "on-shore" portside facilities and infrastructure at Pointe Indienne, including a filter plant and stockyard, which will be owned and operated by the Zanaga Project and will be located within the proposed new multi-user port facility. The FS economics have been based on the "marine" port area and infrastructure required by the Zanaga Project being a third party facility with a capital charge based upon the estimated capital for the construction of such required port area.

To cover all eventualities, the Zanaga Project FS also incorporates a design for a staged marine port development to suit the Project's production profile. This includes a Stage One transhipping solution and Stage Two direct loading port solution, which are described below. In other words, the Project can proceed with a multi-user, state sponsored mineral port development, which is both the Project and the RoC's preference, however, the Project also has the option of a standalone interim development which remains both practical and attractive.

In the event that the marine infrastructure is constructed by the Zanaga Project, and not by a third party, the capital charge and associated return would be transferred to the Zanaga Project, with minimal change to overall economics.

In either scenario, finalisation of a port access agreement with the RoC will be a key objective prior to taking a construction decision.

Stage One Port and Facilities
The basis for the "marine" infrastructure required for Stage One is a relatively shallow berth jetty for self-unloading shuttle ships to serve a transhipping operation for loading of capesize ocean-going vessels in deeper water.

The shuttle distance to deepwater suitable for capesize vessels up to 250k DWT is three nautical miles. The complete transhipping cycle is approximately 10 hours which enables a loading rate of up to 60,000 tonnes per day.

The Project's planned on-shore port facilities consist of three main areas: process plant and ponds, stockyard and support infrastructure. The filter plant and stockyard is designed to dewater the pipeline concentrate to 8% moisture before stockpiling ready for export. The stockpile is covered to ensure that the pellet feed product is not exposed to rain and will not exceed the transportable moisture limit.

Stage Two Port and Facilities
To handle the increased production from Stage Two, the Project envisages that the marine facility will be expanded into a

The FS has demonstrated significant advantages from the staged development approach. The sequential development of the Project and resultant staged capital profile provides major improvements on the previous Pipeline PFS capital cost estimate.

deep water port with direct loading capability of capesize ocean going vessels.

The relevant on-shore portside facilities would be expanded to accommodate the 30Mtpa capacity, including the installation of a second covered stockpile. Such facilities will be expanded to de-water and handle an additional 18Mtpa of concentrate.

Additionally, space has been proposed within the port boundary area design for the development of possible future pelletisation plants, which may be considered an opportunity by potential partners for the Project.

Power

The power sector in the RoC has seen significant investment over the past five years, including construction of new power plants and extension and rehabilitation of the transmission grid. ENI has constructed and commissioned the first 300MW phase of a gas fired power station at Djeno, near Pointe-Noire. Plans are in place to expand capacity to 450MW, and ultimately 900MW.

In addition to this, there are multiple options for new hydro-electric generation projects. The RoC has potential for up to 3,000MW of power generated from hydro-electric schemes and the Government has confirmed its intention to develop these as the next stage of generation.

Power Supply

The initial Stage One power demand totals 100MW, with 90MW at the mine site, mostly consumed by the process plant facilities, and 10MW for the Project's port site facilities which can be supplied by existing and planned power generation capacity in the country. The intermediary slurry pump station is assumed to include a local diesel power generation plant, however there remains the opportunity that this could also be connected to the grid in the future.

Connection points to the current 220kV transmission network are available within

160km and 200km of a proposed new transmission line to the east and south of the mine site respectively. The proposed new port site area at Pointe Indienne lies within 15km of a potential connection point to the existing 220kV network. For Stage One the options exist for a power offtake agreement to be concluded directly with the government power agency ("SNE") or with an existing or new power provider.

The FS is based upon power being supplied at the mine site based on the current national electrical tariff rates. This is considered a conservative assumption given the significance of the Zanaga Project as a base load consumer. The strategy to connect the Project to the national network gives the potential for provision of regional power in the vicinity of the mine area. The Zanaga Project is committed to cooperate with the RoC government to ensure the Project's development is coordinated with regional power development.

The Stage Two development increases the power demand to approximately 230MW at the mine site and 16MW for the Project's facilities at the proposed new port. The increased mine site demand cannot be supported by the existing network and will require significant new generation and transmission infrastructure. The timing of the Stage Two development will need to be co-ordinated with the availability of power and aligned with the envisaged major power infrastructure developments that are planned. If the required power is not available for Stage Two, alternative solutions, including the construction of a separate power plant will be required.

Capital Costs
The FS has demonstrated significant advantages from the staged development approach. The sequential development of the Project and resultant staged capital profile provides major improvements on the previous Pipeline PFS capital cost estimate of US$7.5bn for a single stage 30Mtpa development, announced in November 2012.

The staged development FS has reduced initial development costs to US$2.2bn and significantly lowered capital and execution risk, while providing a pathway to achieving the same 30Mtpa production scale presented by the Pipeline PFS.

Total Stage One capital expenditures are estimated to be US$2.2bn, with US$1.2bn of direct costs and US$1bn of indirect costs and contingency.

Total Stage Two capital expenditures are estimated to be US$2.5bn, with US$1.5bn of direct costs and US$1bn of indirect costs and contingency.

Capital cost estimate (US$m)

	Stage One	Stage Two
Front End Engineering (FEED)	22	11
Pre-Production	23	-
Mine Area	614	814
Transport Corridor	399	467
Port Yard Facilities	173	243
Total Direct Costs	**1,231**	**1,535**
Construction Indirects & Owner's costs	529	353
Engineering Procurement & Construction Management ("EPCM")	203	236
Contingency	256	365
Total Costs	**2,219**	**2,489**

Notes:

Stage One capital costs have been estimated to an FS level of definition.

The Stage Two costs are supported by a lower level of engineering (PFS level) but significantly leverages the work completed for the Stage One development.

Cost escalation is excluded from the capital cost estimate. The capital cost estimate assumes the use of a third party port facility at Pointe-Indienne.

Operating Costs

The average LOM production costs of the Zanaga Project are highly competitive for both Stage One on a standalone basis and Stage Two. The LOM annual cash cost is US$30 per dry metric tonne ("dmt") excluding royalties and freight. Cash costs are lower in years 1–8 at US$28/dmt FOB (including royalty) driven by the very low strip ratio, higher feed grade and higher plant recovery.

Stage One LOM CFR costs to China are estimated at US$57/t, ensuring robust free cash flow generation even in a low price environment. Stage One CFR costs for years 1–8 are estimated at US$53/dmt. If the Stage Two expansion production commences in year 9 unit operating costs decrease. The increased efficiency of the expansion case is attributable to economies of scale in all the supporting areas and infrastructure. Average Stage Two cash cost is US$23/dmt excluding royalties and freight, with average CFR costs to China, including royalty, estimated at US$50/t.

The Project's forecast low operating costs would place Zanaga in a highly competitive position on the seaborne iron ore trade cost curve, especially given the high iron grade of the products. The ability to maintain the Project's bottom quartile operating cost position, presented by the previous Pipeline PFS estimates, under the revised staged development approach, has been a significant outcome of the FS.

Operating cost estimate (US$/dmt)

	Stage One 30 Year Avg	Stage Two 9–30 Year Avg
Mining and Processing	19.1	17.4
Pipeline	2.4	2.1
Port Area	6.5	2.7
G&A	2.0	0.9
Cash Cost	**29.9**	**23.1**
Royalty	2.3	2.5
Cost – FOB	**32.1**	**25.7**
Shipping	24.5	24.5
Cost – CFR China (not adjusted for product premium received)	**56.6**	**50.1**

Notes: The figures shown are rounded; they may not sum to the subtotals shown due to the rounding used.

The capital cost estimate assumes the port is built by a third party with a capital charge being included in the operating cost.

The capital charge is based on the capital cost of the port development and allows for a theoretical 12% unlevered real rate of return to the port investor over the life of the Project.

Economic returns

The Zanaga Project economic outcomes have been reviewed across a range of long-term IODEX 62% Fe prices from US$80/dmt to US$140/dmt. A summary of the unlevered internal rates of return ("IRR") is presented below.

The Stage One operation demonstrates the potential to self-finance the Stage Two expansion through project cash flows, thereby limiting the level of additional equity required from the Project owners, while ultimately resulting in the same 30Mtpa production scale outlined by the Pipeline PFS.

Stage One returns

Iron Ore Price (62% IODEX)	US$/dmt	80	90	100	110	120	130	140
Internal Rate of Return	**%**	**12.7%**	**17.1%**	**21.0%**	**24.7%**	**27.9%**	**31.1%**	**34.1%**

Stage One and Two returns

Iron Ore Price (62% IODEX)	US$/dmt	80	90	100	110	120	130	140
Internal Rate of Return	**%**	**15.0%**	**19.0%**	**22.3%**	**25.6%**	**28.8%**	**31.7%**	**34.6%**

Zanaga Project Product Specification

The indicative product specifications, which will vary over the LOM, for the Zanaga Project are as follows:

Pellet Feed Specification

	Stage One 12Mtpa Hematite	Stage Two expansion 18Mtpa Magnetite	Stage One & Two combined 30Mtpa Blend
Fe%	**66.0**	**68.5**	**67.5**
FeO%	1-5	26-29	17-19
SiO_2%	3.0	3.3-3.7	3.2-3.4
Al_2O_3%	0.8	0.3-0.4	0.5-0.6
CaO%	<0.01	0.2	0.12
MgO%	0.04	0.2	0.14
P	0.04	<0.01	0.02
S	0.014	0.015	0.015
Na_2O	0.015	0.015	0.015
K_2O	<0.01	0.036	0.025
Mn	0.11	0.10	0.10
TiO_2	0.07	0.02	0.04
V	<0.01	<0.01	<0.01
LOI	1.6 to 2.0	-2.9 to -3.2	–0.9 to –1.3

Product size: approximately 80% passing 45 microns (suitable for direct feed to pellet plants)

The Stage One operation will produce a hematite concentrate, while the Stage Two expansion will produce 18Mtpa of incremental magnetite concentrate. While the intention is to market a blended product, it will be possible to keep all or part of the products separate.

Product Pricing and Adjustments

The Zanaga pellet feed product is expected to receive a significant price premium relative to the 62% Fe IODEX reference price. This will be supported by its superior iron grade, low level of impurities, and its product sizing being suitable for direct feed to pellet plants.

Shipping

The Stage One transhipping solution and the Stage Two direct loading port solution as proposed by the FS will be able to load capesize vessels up to 250kDWT. It has been assumed that the average size vessel will be approximately 180kDWT.

The shipping distance between Pointe-Noire and Qingdao is approximately 9,700 nautical miles. Based on the above vessel and port assumptions a cost of US$22.50 per wet metric tonne has been assumed which is equivalent to approximately US$24.50 on a dry basis for the pellet feed product at 8% moisture. By way of comparison the distance from Tubarao, Brazil to Qingdao is approximately 11,100 nautical miles.

Project Schedule

The indicative Stage One Development Project Schedule is shown below, subject to a positive investment decision at the appropriate time.

Activity	Key Date
Mining Licence Application Submitted	May 2014
Preparation for Front End Engineering (FEED)	H2 2014
FEED	2015
Finalise all necessary licences, approvals, infrastructure access & user agreements, and financing	2015
Construction Phase	2016–2018
Mining Commences	Q4 2018
First Shipment	Q1 2019

The Stage Two development is subject to a separate investment decision and, if proceeded with, has a similar three-year construction period to the Stage One development. The Stage Two development has nominally been scheduled to commence five years following first production from Stage One. Based on this nominal schedule, production from Stage Two is targeted to commence in Q1 2027 and, depending on prevailing iron ore prices, this expansion demonstrates the potential to be self-financed by existing project cash flows.

Permitting

The Mining Licence Application has been submitted to the RoC Ministry of Mines and the application for the Environmental Permit for Stage One has also been lodged with the RoC Ministry of Environment. Negotiations of the Mining Convention which will establish the Project's fiscal regime are in progress.

Potential DSO

An opportunity has been identified to supplement the Project's pipeline pellet feed production with up to 2Mtpa of direct shipping ore ("DSO"). The defined mineral resource includes some high grade material that can be classified as DSO and an area of the deposit has been identified that includes a concentration of material at surface which can be simply crushed and screened to produce a saleable iron ore lump and/or fines product without any requirement for beneficiation.

Further information on the DSO opportunity will be provided during H2 2014. Any decision to proceed will be dependent upon confirmation of a suitable transport solution, including obtaining access to rail and port infrastructure on acceptable terms.

Next Steps

The Project team have commenced the permitting phase and is progressing the establishment of the Project's fiscal regime. The Project team will shortly be engaging with international contractors in advance of commencing FEED engineering. The JV partners, supported by the Project team are actively pursuing the funding round initiative in connection with the financing of Stage One and preparatory work for this stage.

Financial Review

Results from operations

The financial statements contain the results for the Group's fourth full year of operations following its incorporation on 19 November 2009. The Group made a profit in the year of US$4.0m (2012: profit US$0.5m). The profit for the year comprised:

	2013 US$000	2012 US$000
General expenses	**(5,161)**	(6,020)
Net foreign exchange (loss)/gain	**(32)**	1,673
Share-based payments	**(397)**	(723)
Share of loss of associate	**(1,202)**	(765)
Interest income	**97**	154
Loss before tax	**(6,695)**	(5,681)
Tax	**(58)**	(47)
Currency translation	**-**	(36)
Share of other comprehensive income of associate – foreign exchange	**10,706**	6,250
Total comprehensive income	**3,953**	486

General expenses of US$5.2m (2012: US$6.0m) consists of US$2.2m professional fees (2012: US$3.5m), US$0.6m Directors' fees (2012: US$0.5m) and US$2.4m (2012: US$2.0m) of other general operating expenses.

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 2013 reductions in LTIP costs in the Company are the result of the previously unvested remaining options issued under the 2010 LTIP scheme having vested during 2013.

The share of loss of associate reflected above relates to ZIOC's investment in the Project (through the Jumelles group) which generated a loss of US$1.2m in the year to 31 December 2013 (2012: loss US$0.7m). US$1.1m restructuring costs were incurred during the year (2012: US$nil).

During the year Jumelles spent US$45.4m (2012 US$74.7m) on exploration (includes currency gain US$10.7m (2012: gain US$6.3m)), increasing its capitalised exploration assets to US$286.9m (2012: US$241.5m). The 2013 $10.7m currency gain of associate Jumelles, results from the strengthening against the US$, of Jumelles subsidiary MPD Congo's local currency Fcfa (Symbol XAF – Euro tied currency), where the Project asset is held.

Financial Position

ZIOC's Net Asset Value ("NAV") of US$232.1m (2012: US$228.1m) comprises of US$208.5m (2012: US$189.0m) investment in Jumelles, US$24.0m (2012: US$40.4m) of cash balances and US$0.5m (2012: US$1.4m) of other net current liabilities.

	2013 US$000	2012 US$000
Investment in associate	**208,513**	189,009
Fixed Assets	**62**	80
Cash	**24,009**	40,383
Other net current liabilities	**(455)**	(1,365)
Net assets	**232,129**	228,107

Cost of investment

The investment in associate relates to the carrying value of the investment in Jumelles which as at 31 December 2013 owned 100% of the Project. The carrying value of this investment has increased by US$19.5m (2012 increase US$6.0m) due to the US$10.0m funding provided by the Company under the JVA Supplemental Agreement (2012: US$0.5m under agreement to 50% fund the survey of an additional land area), and the Jumelles Total Comprehensive Income of US$9.5m (2012: Income US$5.5m).

As at 31 December 2013, Jumelles had aggregated assets of US$299.2m (2012: US$266.5m) and aggregated liabilities of US$8.4m (2012: US$8.9m). Assets consisted of US$286.9m (2012: US$241.5m) of capitalised exploration assets, US$7.4m (2012: US$10.4m) of other fixed assets, US$nil related party receivable from XPS (2012: US$8.5m), US$4.0m cash (2012: US$4.9m) and US$0.9m other assets (2012: US$1.2m). A total of US$45.4m (2012: US$74.7m) of exploration costs were capitalised during the year.

Cash flow

Cash balances decreased by US$16.4m during 2013 (2012 decrease US$4.7m), net of interest income US$0.1m (2012 US$0.2m) and a foreign exchange loss of US$0.03m (2012 gain US$1.6m) on bank balances held in UK Sterling. Additional investment in Jumelles required under the Supplemental Agreement (outline details in Note 1 to the financial statements) utilised US$10.0m (2012: US$nil), operating activities utilised US$6.1m (2012: US$5.5m), and share repurchases utilised US$0.3m (2012: US$0.4m).

Fundraising activities

There were no fundraising activities during 2013 (2012: nil).

Reserves and Resource Statement

As part of the FS, CSA Global (UK) Ltd, has produced an updated Mineral Resource Estimate for the Zanaga Project as at 30 September 2013.

The Project has defined a 6.9bn tonne Mineral Resource and a 2.5Bt Ore Reserve, reported in accordance with the 2004 JORC Code, and defined from only 25km of the 47km orebody identified.

Ore Reserve Statement

The Ore Reserve Statement is a key milestone for the Project and supports the economic viability of mining at least 2.5Bt of the 4.7Bt 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 PFS which is based on the August 2012 resource estimate, not the 2013 updated resource estimate update presented below.

As stipulated by the 2004 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 Project progresses.

Ore Reserve Statement (1 November 2012)

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 (equivalent to US$77.5/dmt for 62% 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 (30 September 2013)

The Project has defined a 6.9Bt Mineral Resource, inclusive of Ore Reserves, reported in accordance with the 2004 JORC Code, of which 69% is in the Measured & Indicated category.

Classification	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	Mn (%)	LOI (%)
Measured	2,330	33.7	43.1	3.4	0.05	0.11	1.46
Indicated	2,460	30.4	46.8	3.2	0.05	0.11	0.75
Inferred	2,100	31	46	3	0.1	0.1	0.9
Total	**6,900**	**32**	**45**	**3**	**0.05**	**0.11**	**1.05**

Note: The figures shown are rounded; they may not sum to the subtotals shown due to the rounding used.

Resource modelling for the Zanaga Project has been updated for the entire resource area using additional drilling data and geological interpretation to produce a resource within a lithological boundary (and therefore at 0% Fe cut-off) as at 30 September 2013.

The Mineral 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.

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 48km length and 0.5 to 3km 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 25m 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.

Principal Risks and Uncertainties

The principal risks facing ZIOC are set out below. A summary of risks associated with ZIOC was set out in Part V of ZIOC's AIM Admission Document of 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 Zanaga Project, which is majority controlled at both a shareholder and Director level by Glencore, and monitoring the development of the Project.

The successful development of the Zanaga Project depends on adequate infrastructure: 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

Under the amended JVA with Glencore, Glencore has an obligation to solely fund the Work Programme over the period 1 January 2013 to 31 December 2014 (but taking into account the Company's contribution of US$17m). Thereafter there is no obligation on the Company or Glencore to provide further funding to Jumelles. There is a risk that after 31 December 2014 Jumelles may be subjected to funding constraints and this could have an adverse impact upon the Project.

Risks relating to future development and funding

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, including the taking of preparatory steps associated with the construction of the mine and related infrastructure, such as front end engineering and design. The Board of Jumelles is controlled by Glencore, 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 construction of the mine and related infrastructure proceeds (including any preparatory steps associated with the construction of the mine and related infrastructure), and ZIOC elects to fund its pro rata equity share of construction capital expenditure, there is no certainty as to its 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.

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 where there are economically recoverable deposits, delays in the construction and commissioning of mining projects or other difficulties, including relating to infrastructure and/or permitting and/or financing, may make the deposits difficult to exploit or may delay exploitation of deposits.

Risk relating to Ore Reserves estimation

Ore Reserves estimates include diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. 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 the existence of adequate infrastructure and the terms on which the Project can own, use or access such infrastruture. The region in which the Project is located is sparsely populated and difficult to access. Central to the Zanaga 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 access a port at Pointe-Indienne, which is still to be constructed, and build a pipeline and on-shore facilities at the proposed new port for which permits, authorisations and land rights will be required and substantial finance will be required. In relation to the pipeline and facilities at the proposed new port and (to the extent needed) other infrastructure, the necessary permits, authorisations and access, usage or ownership rights have not yet been obtained. Failure to construct the proposed pipeline and/or facilities at the proposed port and/or other needed infrastructure or a failure to obtain access to and use of other needed infrastructure or a failure to do this in an economically viable manner or in the required timescale 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, markets and products	The principal business of the Zanaga 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. Although the Feasibility Study identifies the product from the Project and the potential demand for such product 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 Zanaga 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. These risks could be relevant both as regards day-to-day operations and the raising of debt and equity finance for the Project.

Principal Risks and Uncertainties
continued

Risks relating to the Project's licences

The Project's exploration licences are now fully extended. An application has been made for a mining licence. There can be no guarantee that the mining licence will be granted or, if it is, the terms on which it is 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 mining 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 the Mining Convention are the subject of current negotiations; there can be no guarantee as to the outcome of such negotiations and the eventual terms of 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 participatory 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.

Risks relating to financing

Although the recently completed Feasibility Study confirms the potential technical and economic viability of the Zanaga Project, there can be no guarantee that funding for carrying out the Project or any stage of it will be forthcoming.

Risks relating to outsourcing

The recently completed Feasibility Study envisages that certain aspects of the Zanaga Project will be carried out by third parties pursuant to contracts to be negotiated with such third parties. There is a risk that agreement might not be reached with such third parties or that the terms of any such agreement are more stringent than currently anticipated; this could adversely impact upon the Project and/or the proposed timescale for carrying out the Project.

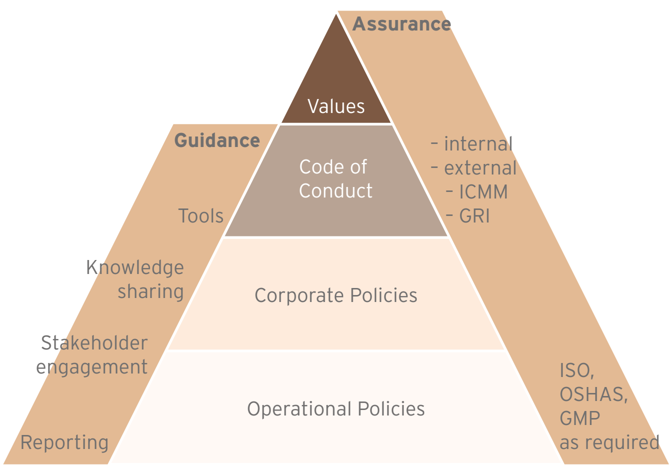
Corporate Social Responsibility

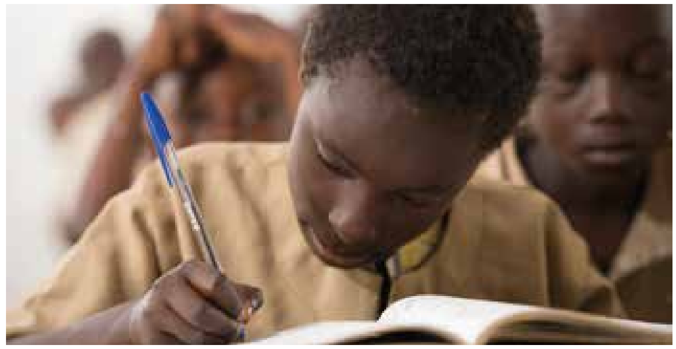
Why is corporate social responsibility important to Zanaga?
Corporate social responsibility ("CSR") is integral to the way that a company conducts its business. ZIOC's licence to operate, access to finance, ability to attract and retain the right employees and ability to maintain good relations with all stakeholders are all closely linked to the manner in which ZIOC conducts its business.

From the early days of exploration, ZIOC developed a basic HSEC management system based on the principles of ISO 14001 and the IFC's Performance Standards for the extractive industry. This ensured a seamless transition to the Xstrata and subsequently Glencore's systems when they took a managing stake in the Project. The Zanaga Project's performance is closely monitored via internal weekly and monthly inspections and periodic external audits, the results of which are reported to senior management via the weekly project report.

Glencore's Policies
In February 2011, Xstrata exercised its 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 and subsequently those of Glencore, following the merger between Glencore and Xstrata in 2013.

The overall Framework for HSEC management in Glencore is based on the following structure:





Glencore's Values statement includes the following commitment with respect to corporate social responsibility:

Sustainability as standard
We believe that our long-term success requires us to prioritise health and safety and environmental management as well as the welfare of all our workers, contribute to the development and well-being of the communities in which we work, and engage in open dialogue with our stakeholders.

Safety
Our first priority in the workplace is to protect the health and well-being of all our workers. We take a proactive approach to health and safety; our goal is continuous improvement in the prevention of occupational disease and injuries.

Responsibility
We recognise that our work can have an impact on our society and the environment. We care profoundly about our performance in compliance, environmental protection, human rights and health and safety.

Openness
We value relationships and communication based on integrity, co-operation, transparency and mutual benefit, with our people, our customers, our suppliers, governments and society in general.

Glencore has recently issued a series of new HSEC Policies for the combined company. The Zanaga HSEC team will implement any additional requirements associated with these new policies during the course of 2014.

Corporate Social Responsibility
continued

Management systems
The Zanaga Project operates comprehensive management systems to ensure that it conforms to the overall Glencore framework. The system is risk based to address all aspects of the Project's activities and includes regular reporting of developments and progress to ensure that management is able to monitor performance.

A detailed weekly flash report is produced for the Project's managers and joint venture partners. This details the Project's activities and incorporates information about its environmental, health and safety performance as well as details of local stakeholder engagement activities.

Key performance indicators
- No Lost Time Injuries were recorded in 2013 and only one Restricted Work Injury and one Medical Treatment Case.
- During 2013, 788 meetings took place with 3,966 local stakeholders.
- HIV/AIDS awareness outreach campaign sessions were attended by 218 employees (200 men and 18 women) and 275 members of the local community (142 women and 133 men).
- Over 12,000 condoms were distributed from the five condom distribution points around the project site..
- Additional tables and chairs were supplied to a number of schools bringing the total to over 200 school desks and chairs supplied to the schools to date.
- Two further school buildings were completed in 2013, one new school block in the village of Douakani and a new house for the head teacher at Léwala.
- The Project continued to provide financial support via the village parents-and-teachers associations to voluntary teachers to cover the resource gap in teacher capacity in the schools in the project area. Support for the 2012–2013 school year totalled over US$10,000.
- Approximately US$250,000 was spent on various social initiatives and community investment programmes.

The Project's Social and Environmental Impact Assessment
A key element of the Project's CSR programme at this phase of development is the finalisation of the SEIA. The SEIA was scoped to provide an integrated approach to the overall project and ensure cumulative impacts from the mine, port and transport infrastructure were taken into consideration.

As reported previously, the Zanaga Management Team have partnered with a number of conservation NGOs to ensure key stakeholders had direct input into both the quality of the social and environmental baseline as well as contributing to the analysis of impacts. This partnership approach culminated with the organisation of a Biodiversity Workshop for the main project partners in late 2013 prior to the finalisation of the SEIA in early 2014.

Another significant element of the SEIA was the incorporation into the report of the findings of the Human Rights risk assessment conducted in 2012. Key elements and mitigating actions were built into the impact assessment and associated Management Plans.

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.

Only one Medical Treatment Case and one Restricted Work Injury were recorded during 2013. This is an excellent result for the Project, even taking into consideration the reduction in exploration activities at the mine site. The focus for the Health and Safety programme remains on the implementation of the Fatal Hazard Protocols and the 10 Golden Rules.

Risk Management Training
During the course of the year, a programme of risk identification and management training was rolled out across the Project. This training will help improve the quality of the Job Safety Analysis exercises that are conducted prior to any work related tasks. It should also raise awareness of changes that can influence the importance/severity of a particular risk.

Supporting local education
As in previous years, the Zanaga Project continues to support the schools and school teachers in the eight villages in the immediate vicinity of the Project camp at Lefoutou. This support has a number of different elements:

- Construction of a new house for the head teacher in the village of Léwala.
- Payment of 50% of the voluntary teachers' salaries.
- Supply of school kits for all school aged children in the eight villages.

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 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 (Guernsey), Garbet Limited and is a partner of Greenstone Capital UK LLP. Mr Haworth has 16 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 23 were members of the Board at the time of approving the Directors' Report and hereby present their 2013 Annual Report to the shareholders of Zanaga Iron Ore Company Limited, together with the full financial statements for the year ended 31 December 2013.

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. Formation, changes and project ownership history:

- 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.
- At Admission, 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 both pre and post Admission development funding received from Xstrata, in 2011, Xstrata exercised its Call Option and acquired a 50% plus one share interest in the Project through Jumelles. The Company retains a 50% less one share interest in the Project through Jumelles ("Minority Stake").
- Following their merger in 2013 the 50% plus one share shareholder became Glencore Xstrata, now renamed Glencore plc.

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

During Q2 2014, the Feasibility Study and SEIA were completed, the Mining Licence Application was submitted to the RoC Ministry of Mines and the Environmental Permit application for Stage One was lodged with the RoC Ministry of Environment. Negotiations of the Mining Convention which will establish the Project's fiscal regime are in progress.

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 2 to 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 18 to 20. 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 (2012: US$nil).

Going concern

Pursuant to the JVA, as amended by the Supplemental Agreement, the staged production FS prepared by Jumelles has been finalised and the Mining Licence Application has been submitted to the Ministry of Mines of the Republic of Congo.

Based on its management's own internal evaluation, Jumelles believes the proposed staged development of the Zanaga project (as set out in the FS) offers high grade ore at competitive cost, thereby offering an attractive rate of return, at an acceptable level of risk, although substantial capital expenditure will be required both at the prospective mine site and in respect of transportation and other associated infrastructure. Revenues from mining are not forecast to be earned for several years.

The current exploration licences, which were due to expire in August 2014, are extended pending the outcome of the Mining Licence Application. Based on information received and the provisions of the Congolese Mining Code, Jumelles believes that there is a reasonable expectation that the Mining Licence application will be successfully completed by Q4 2014.

Jumelles has a preferred development plan. In relation to such development plan, discussions have already commenced with several parties regarding investment through the raising of debt or the introduction of additional investors. It is believed that, given the attractiveness of the proposed staged development of the Project, the raising of debt or additional investment can be secured. However, given the absence of formal agreements with prospective lenders and investors, it is recognised that there is no certainty that additional funding will be secured in the necessary timescale.

As provided in the Supplemental Agreement, there is committed funding from the shareholders of Jumelles of the approved Work Programme and Budget of Jumelles up until 31 December 2014. The levels of Jumelles' committed capital and other expenditure extending beyond this point are limited, with substantially all of future expenditure being discretionary.

While there is no obligation of the shareholders of Jumelles to provide funding to the Project after 31 December 2014, the Directors of the Company are of the view that it is likely to be in the interests of the shareholders of Jumelles to make the necessary funds available to Jumelles in order to continue the Project after 31 December 2014 pending the outcome of approaches to potential equity investors and debt providers.

At 31 December 2013 the Company had cash reserves of US$24.0m after funding US$10m of the US$17m total required under the Supplemental Agreement. Other than the remaining US$7m contribution required under the above mentioned Supplemental Agreement, of which US$5m has now been paid, the cost of the Company's personnel and activities to secure future funding for the Project are the only significant expenditures currently envisaged during the period up to end December 2014.

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 2013 are Clifford Elphick, Michael Haworth, Dave Elzas, Colin Harris and Clinton Dines and Alistair Franklin who was appointed to the Board on 8 February 2013.

Biographical details of the Directors and the period of each directorship are shown on pages 23 and 27.

Details of Board meetings and Directors' attendance at Board meetings are laid out on page 28.

The Directors' interests in the ordinary shares of the Company as at 31 December 2013 and at the date of signing of this Annual Report are set out on page 32 in 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 31 to 34.

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 27 to 30.

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 21 to 22.

Substantial share interests
As at 31 May 2014, 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%

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 (see Note 1 of the Financial Statements on pages 42 to 44 for more details), Liberum Capital Limited, which acts as Nominated Adviser and 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 Company's auditor, KPMG Audit Plc, has instigated an orderly wind down of business. A resolution to appoint KPMG LLP and to authorise the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

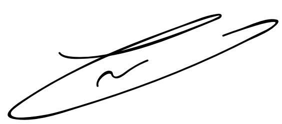
Directors' Report
continued

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 Auditor is 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 Auditor is 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 Dave Elzas
Non-Executive Director

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

24 June 2014

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 2013, 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	53	Non-Executive Chairman	26 November 2009
Michael John Haworth	British	48	Non-Executive Director	26 November 2009
Dave John Elzas	Dutch	47	Non-Executive Director	19 November 2009
Colin John Harris	British	67	Non-Executive Director	12 November 2010
Clinton James Dines	Australian	56	Non-Executive Director	12 November 2010
Alistair Eastwood Franklin SC	South African	56	Non-Executive Director	8 February 2013

The biographical profiles of the Directors, which demonstrate their skills and experience, can be found on page 23.

Under the Code, none of the Non-Executive Directors that served during the 2013 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, Colin Harris and Michael Haworth will retire and stand for re-election at the 2014 AGM, on 23 July 2014.

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 in the Administration section on page 56). 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	6/6	6/6	0
Michael John Haworth	5/6	5/6	0
Dave John Elzas	5/6	5/6	0
Colin John Harris	5/6	5/6	0
Clinton James Dines	5/6	5/6	0
Alistair Franklin	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 pages 32 to 34.

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.

Three meetings were held in the year to 31 December 2013.

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 2013 are set out in the Remuneration Report on page 32.

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 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 has continued to be 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 2013 Annual Report and will keep this under ongoing review.

The Audit Committee met with the Company's Auditors on 11 June 2014 (2013: 25 June). 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.

Auditors' remuneration for the Company's Auditor, KPMG Audit Plc, for audit services for the year 2013 are US$83,000 (2012: US$108,000). KPMG Audit Plc did not perform any non-audit services.

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 Call Option in February 2011, 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 Call Option in February 2011 the Jumelles group is included in the Glencore 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 2013. A summary of the principal risks facing the Company can be found on pages 18 to 20.

Remuneration Committee

The composition, activities and role of the Remuneration Committee is set out in more detail in the Remuneration Report on pages 31 to 34.

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 2013 sets out the policies under which Non-Executive Directors are remunerated.

As an AIM listed company this report is not intended to comply with the new 2013 regulations applicable to quoted companies covered by the scope of those regulations. Whilst under no obligation to provide a remuneration report, the Company believes it appropriate to continue to do so, and, as a matter of best practice, this report will be subject to an advisory shareholder vote at the AGM.

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.

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 Fulbright LLP.

Service contracts and notice periods

The Board consisted of six Directors at the year end, all of whom were Non-Executive Directors for the duration of the year excepting Alistair Franklin SC who was appointed on 8 February 2013. Further details of the Directors and length of directorships are reflected in the table set out on page 27 in 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 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	–	–	60.0
Alistair Franklin[4]	50.0	–	–	7.5	57.5

1. Chairman of Board of Directors.
2. Chairman of HSSE Committee.
3. Chairman of Audit Committee.
4. Alistair Franklin was appointed on 8 February 2013 and 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 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 2013		31 December 2012	
Directors	**Number of shares**	**% of issued share capital**	Number of shares	% of issued share capital
Clifford Elphick[1]	**88,730,397**	**31.83%**	88,730,397	31.71%
Michael Haworth[2]	**115,671,186**	**41.49%**	115,671,186	41.34%
Dave Elzas	**199,076**	**0.07%**	199,076	0.07%
Colin Harris	**2,388,915**	**0.86%**	2,388,915	0.85%
Clinton Dines	**398,153**	**0.14%**	398,153	0.14%
Alistair Franklin	**199,076**	**0.07%**	–	–

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 during 2013 (save 199,076 new share options awarded direct to Alistair Franklin upon his appointment as a Director in February 2013), nor up to the time of writing of this report.

Remuneration for the year to 31 December 2013

The emoluments for the Directors who served for the year to 31 December 2013 can be found below:

Director	Director fee 2013 £000	Other emoluments 2013 £000	Total emoluments 2013 £000	Total emoluments 2012 £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	**63.1**	**-**	**63.1**	67.5
Alistair Franklin	**52.7**	**-**	**52.7**	–
Total in £	**369.3**	**-**	**369.3**	321.0
	$000	**$000**	**$000**	$000
Total in US$	**578.0**	**-**	**578.0**	509.0

1. Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £146,000 (US$228,000) for consultancy services provided by Colin Harris during 2013.
2. A total of £314,000 (US$493,000) for consultancy services provided by Michael Haworth during 2013 (2012: £311,000 (US$497,000)) was paid to a limited liability partnership in which Mr Haworth has a significant interest, previously known as Strata Capital UK LLP.

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 mainly 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.

A subsequent award of share options was made by the Company direct to Alistair Franklin on his appointment as Director on 8 February 2013.

The following is a summary of awards made to Directors of the Company:

Director	Award year	Number of shares	Exercise price	Market price at 31 Dec 2013	Highest and lowest market price in year	Expiry date	Number vested at 31 Dec 2013	Vesting criteria
Colin Harris	2010	1,990,763	£0.0234	**£0.1975**	£0.2875-£0.0970	18 May 2021	**1,990,763**	1 (see below)
Colin Harris	2010	398,152	£0.0234	**£0.1975**	£0.2875-£0.0970	18 May 2021	**398,152**	2 (see below)
Clinton Dines	2010	398,153	£0.0234	**£0.1975**	£0.2875-£0.0970	18 May 2021	**398,153**	2 (see below)
Dave Elzas	2010	199,076	£0.0234	**£0.1975**	£0.2875-£0.0970	18 May 2021	**199,076**	2 (see below)
Alistair Franklin	2013	199,076	£0.0000	**£0.1975**	£0.2875-£0.0970	07 Jul 2023	**-**	5 (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.

Award 5 (none vested)
These awards vest in three equal instalments over three years from appointment.

All of the 2010 options above were vested and outstanding at the beginning of the year. The Directors have not exercised any options during the year (2012: US$nil).

The total charge to the profit and loss account for the awards made to the Directors in the year to 31 December 2013 was US$21,000 (2012: US$345,000). Further details of the LTIP can be found in Note 11 to the Financial Statements on page 50.

By order of the Board

Alistair Franklin
Chairman
Remuneration Committee

24 June 2014

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 2013 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 31.

Financial Statements

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 2013, 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 35, 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 15 May 2014 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. In addition we read all the financial and non-financial information in the 2013 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 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
100 Temple Street
Bristol BS1 6AG

24 June 2014

Consolidated Statement of Comprehensive Income
for year ended 31 December 2013

	Note	2013 US$000	2012 US$000
Administrative expenses		**(5,590)**	(5,070)
Share of loss of associate		**(1,202)**	(765)
Operating loss	4	**(6,792)**	(5,835)
Interest income		**97**	154
Loss before tax		**(6,695)**	(5,681)
Taxation	5	**(58)**	(47)
Loss for the year		**(6,753)**	(5,728)
Foreign exchange translation – foreign operations		**-**	(36)
Share of other comprehensive income of associate – foreign exchange translation		**10,706**	6,250
Other comprehensive income		**10,706**	6,214
Total comprehensive income		**3,953**	486
Loss per share (basic and diluted) (Cents)	12	**(2.4)**	(2.1)

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

Consolidated Statement of Changes in Equity
for year ended 31 December 2013

	Share capital US$000	Retained earnings US$000	Foreign currency translation reserve US$000	Total equity US$000
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 year	–	(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
Balance at 1 January 2013	**265,365**	**(35,529)**	**(1,729)**	**228,107**
Consideration for share-based payments	**397**	**–**	**–**	**397**
Share buy backs	**(328)**	**–**	**–**	**(328)**
Loss for the year	**–**	**(6,753)**	**–**	**(6,753)**
Other comprehensive income	**–**	**–**	**10,706**	**10,706**
Total comprehensive loss	**–**	**(6,753)**	**10,706**	**3,953**
Balance at 31 December 2013	**265,434**	**(42,282)**	**8,977**	**232,129**

Consolidated Balance Sheet
for year ended 31 December 2013

	Note	2013 US$000	2012 US$000
Non-current assets			
Property, plant and equipment	6a	**62**	80
Investment in associate	6b	**208,513**	189,009
		208,575	189,089
Current assets			
Other receivables	7	**165**	282
Cash and cash equivalents	8	**24,009**	40,383
		24,174	40,665
Total assets		**232,749**	229,754
Current liabilities			
Trade and other payables	9	**(620)**	(1,647)
Net assets		**232,129**	228,107
Equity attributable to equity holders of the parent			
Share capital	10	**265,434**	265,365
Retained earnings		**(42,282)**	(35,529)
Foreign currency translation reserve		**8,977**	(1,729)
Total equity		**232,129**	228,107

These financial statements set out on pages 38 to 54 were approved by the Board of Directors on 24 June 2014 and were signed on its behalf by:

Mr D Elzas
Director

Consolidated Cash Flow Statement
for year ended 31 December 2013

	Note	2013 US$000	2012 US$000
Cash flows from operating activities			
Total comprehensive income for the year		**3,953**	486
Adjustments for:			
Depreciation		**29**	23
Interest receivable		**(97)**	(154)
Taxation expense		**58**	47
Decrease/(Increase) in other receivables		**117**	(178)
(Decrease)/Increase in trade and other payables		**(1,027)**	761
Net exchange gain/(loss)		**32**	(1,673)
Share of Total Comprehensive Income of associate		**(9,504)**	(5,485)
Share-based payments		**397**	723
Tax paid		**(51)**	(27)
Net cash from operating activities		**(6,093)**	(5,477)
Cash flows from financing activities			
Repurchase of own shares		**(328)**	(383)
Net cash from financing activities		**(328)**	(383)
Cash flows from investing activities			
Interest received		**97**	154
Acquisition of property, plant and equipment		**(11)**	(90)
Investment in associate		**(10,000)**	(515)
Net cash from investing activities		**(9,914)**	(451)
Net decrease in cash and cash equivalents		**(16,335)**	(6,311)
Cash and cash equivalents at beginning of year		**40,383**	45,047
Effect of exchange rate difference		**(39)**	1,647
Cash and cash equivalents at end of year	8	**24,009**	40,383

The notes on pages 42 to 54 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.

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.

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$50m (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$100m) or to carry out such a feasibility study at its own cost and (ii) payment of an amount (up to a maximum of US$25m) 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 regulated the respective rights of the Company, Jumelles and Xstrata Projects in relation to Jumelles following exercise of the Xstrata Call Option. Subsequently:
  - Xstrata merged with Glencore on 2 May 2013 to form Glencore Xstrata which then took the role of JV partner in place of Xstrata, and has subsequently changed its name to Glencore plc.
  - Under the terms of the Supplemental Agreement announced on 13 September 2013, the scope of the above mentioned FS was modified to a staged development basis, and the revised basis FS was completed in May 2014. The Supplemental Agreement also extended the work programme beyond the conclusion of the FS, up to December 2014 (towards which the Company has agreed to contribute US$17m from existing resources), and the Glencore call option over the Company's remaining 50% less one share shareholding in Jumelles Ltd has been deleted.

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 at 31 December 2013 were the completion of the Feasibility Study and costs thereof.

1 Business information and going concern basis of preparation continued

Relationship between Jumelles and its shareholders after exercise of the Xstrata Call Option

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 has such number of votes as represents the appointing shareholder's voting rights in the general meetings of Jumelles.

As a consequence, following exercise of the Xstrata Call Option in February 2011, Xstrata's merger with Glencore to form Glencore Xstrata (May 2013) and the renaming of Glencore Xstrata to Glencore (May 2014), Glencore controls Jumelles at both a shareholder and director level and therefore controls what was the Company's sole mineral asset, the Zanaga Project. Going forward the Company has a strategic partnership in respect of the Project with Glencore.

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.

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.

Pursuant to the JVA, as amended by the Supplemental Agreement, the staged production FS prepared by Jumelles has been finalised and the Mining Licence Application has been submitted to the Ministry of Mines of the Republic of Congo.

Based on its management's own internal evaluation, Jumelles believes the proposed staged development of the Zanaga project (as set out in the FS) offers high grade ore at competitive cost, thereby offering an attractive rate of return, at an acceptable level of risk, although substantial capital expenditure will be required both at the prospective mine site and in respect of transportation and other associated infrastructure. Revenues from mining are not forecast to be earned for several years.

The current exploration licences, which were due to expire in August 2014, are extended pending the outcome of the Mining Licence Application. Based on information received and the provisions of the Congolese Mining Code, Jumelles believes that there is a reasonable expectation that the Mining Licence application will be successfully completed by Q4 2014.

Jumelles has a preferred development plan. In relation to such development plan, discussions have already commenced with several parties regarding investment through the raising of debt or the introduction of additional investors. It is believed that, given the attractiveness of the proposed staged development of the Project, the raising of debt or additional investment can be secured. However, given the absence of formal agreements with prospective lenders and investors, it is recognised that there is no certainty that additional funding will be secured in the necessary timescale.

As provided in the Supplemental Agreement, there is committed funding from the shareholders of Jumelles of the approved Work Programme and Budget of Jumelles up until 31 December 2014. The levels of Jumelles' committed capital and other expenditure extending beyond this point are limited, with substantially all of future expenditure being discretionary.

While there is no obligation of the shareholders of Jumelles to provide funding to the Project after 31 December 2014, the Directors of the Company are of the view that it is likely to be in the interests of the shareholders of Jumelles to make the necessary funds available to Jumelles in order to continue the Project after 31 December 2014 pending the outcome of approaches to potential equity investors and debt providers.

At 31 December 2013 the Company had cash reserves of US$24.0m after funding US$10m of the US$17m total required under the Supplemental Agreement. Other than the remaining US$7m contribution required under the above mentioned Supplemental Agreement, (of which US$5m has now been paid), the cost of the Company's personnel and activities to secure future funding for the Project are the only significant expenditures currently envisaged during the period up to end December 2014.

1 Business information and going concern basis of preparation continued

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, 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 Adopted IFRSs have been issued but have not been applied in these financial statements.

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Investment Entities. Amendments to IFRS 10, IFRS 12 and IAS 27
- Transition Guidance. Amendments to IFRS 10, IFRS 11 and IFRS 12
- IFRS 9 Financial Instruments
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"
- IFRIC Interpretation 21 Levies

Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

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. The Board took particular account of the Glencore Xstrata merger and the share price decline and decided not to impair the asset.

2 Accounting policies continued

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 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 have been 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.

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.

2 Accounting policies continued

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.

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.

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 were not considered to have vested until the Feasibility study had been completed in May 2014. Up until that point in time the Group continued to account for a 100% interest in Jumelles and further details at December 2013 may be found under "Investment in associate" Note 6b.

During 2014 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):

	2013 US$000	2012 US$000
Share-based payments (see Note 11)	**397**	723
Net foreign exchange loss/(gain)	**32**	(1,673)
Directors' fees	**578**	509
Auditor's remuneration	**83**	108
Depreciation	**29**	23

Other than the Company Directors, the Group directly employed five staff in 2013 (2012: 5). The Directors (six in number from 8 February 2013) received a total of US$578,000 remuneration for their services as Directors of the Group (2012: five directors total US$509,000). The amounts paid as Directors' fees are shown in the Directors' Remuneration Reports on page 32. The Directors' interests in the share capital of the Group are shown in the Directors' Remuneration Report on pages 32 to 34.

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.

	2013 US$000	2012 US$000
Recognised in other comprehensive income:		
Current year	**(58)**	(47)
Reconciliation of effective tax rate		
Loss before tax	**(6,695)**	(5,681)
Income tax using the BVI corporation tax rate of 0% (2012: 0%)	**–**	–
Effect of tax rate in foreign jurisdictions	**(58)**	(47)
	(58)	(47)

The effective tax rate for the Group is 0.9% (2012: 0.8%).

6a Property, plant and equipment

	Leasehold property improvements US$000	Fixtures and fittings US$000	Total US$000
Cost			
Balance at 1 January 2013	65	41	106
Additions	4	7	11
Balance at 31 December 2013	**69**	**48**	**117**
Depreciation			
Balance at 1 January 2013	12	14	26
Charge for period	14	15	29
Balance at 31 December 2013	**26**	**29**	**55**
Net book value			
Balance at 31 December 2013	**43**	**19**	**62**
Balance at 31 December 2012	53	27	80

Leasehold property improvements relate to 1 Albemarle 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 2012	182,977
Additions	547
Share of post-acquisition comprehensive income	5,485
Balance at 31 December 2012	**189,009**
Balance at 1 January 2013	**189,009**
Additions	**10,000**
Share of post-acquisition comprehensive income	**9,504**
Balance at 31 December 2013	**208,513**

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, were due to US$10,000,000 of additional investment agreed in accordance with the Joint Venture Supplemental Agreement (2012 US$515,000 – Aeromag survey, plus US$32,000 for the completion of LTIP awards to Jumelles employees).

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 (now renamed Glencore 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 Glencore Projects. However, as the shares issued on exercise of the option were not considered to vest until the provision of the services relating to the FS was completed in May 2014, the Group will continue to account for a 100% interest in Jumelles Limited until then. Going forwards from that time, the Group will account for a reduction in its interest in Jumelles.

6b Investment in associate continued

The Group financial statements account for the Glencore Projects transaction as an in-substance equity-settled share-based payment for the provision of services by Glencore 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 2013, Jumelles had aggregated assets of US$299.2m (2012: US$266.5m) and aggregated liabilities of US$8.4m (2012: US$8.9m). For the year ended 31 December 2013 Jumelles incurred a loss before tax of US$1.2m (2012: US$0.7m) which included costs of US$1.1m on restructuring costs (2012: US$0.9m on the survey of the additional land area), other expenses of US$0.3m (2012: US$0.2m) and related party interest income of US$0.2m (2012: US$0.4m). There was no tax charge for 2013 (2012: US$Nil). Currency translation of the underlying Congolese asset generated a translation gain of US$10.7m (2012: Gain US$6.3m). A summarised consolidated balance sheet of Jumelles Limited for the year ended 31 December 2013, including adjustments made for equity accounting, is included below:

	2013 US$000	2012 US$000
Non-current assets:		
Property, plant and equipment	**7,421**	10,405
Exploration and other evaluation assets	**286,876**	241,498
Related party receivable from Xstrata Project Services	**-**	8,531
Intangible assets	**3**	45
Total non-current assets	**294,300**	260,479
Current assets	**4,948**	5,988
Current liabilities	**(8,416)**	(8,915)
Net current liabilities	**(3,468)**	(2,927)
Net assets	**290,832**	257,552
Share capital	**9,593**	9,593
Share option reserve	**292,584**	278,808
Capital contribution 1 (ZIOC + Glencore)	**1,030**	1,030
Capital contribution 2 (ZIOC)	**10,000**	-
Translation reserve	**8,387**	(2,319)
Retained earnings	**(30,762)**	(29,560)
	290,832	257,552

7 Other receivables

	2013 US$000	2012 US$000
Prepayments	**165**	282

8 Cash

	2013 US$000	2012 US$000
Cash and cash equivalents	**24,009**	40,383

9 Trade and other payables

	2013 v2 US$000	2012 US$000
Accounts payable	**552**	1,522
Amounts payable to the Jumelles group	**-**	78
UK Corporation Tax	**68**	47
	620	1,647

No amounts payable are due in more than 12 months (2012: US$nil).

10 Share capital

In thousands of shares	Ordinary Shares 2013	Ordinary Shares 2012
On issue at 1 January – fully paid	**279,777**	280,416
Shares issued	**–**	–
Shares repurchased and cancelled	**(1,000)**	(639)
On issue at 31 December – fully paid	**278,777**	279,777

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 (2012: US$nil).

Share capital changes in 2013
There were no new shares issued in 2013.

A share buy-back programme was initiated in October 2012 and at 31 December 2013 a total of 1,639,000 shares had been repurchased and cancelled. There have been no share repurchases since 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 forfeit's 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 also granted a number of awards of share options to middle management. Under these awards the employee was not required to pay an exercise price for the shares, which have all vested and the options exercised.

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 on 2 March 2012, subject to the vesting conditions under Award 4 below.

A fifth award was made to Mr Alistair Franklin upon his appointment to the Board on 8 February 2013.

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 have fully vested since the end of 2013. The vesting criteria was the completion of the Feasibility Study showing the economic feasibility of the Mining Licences. The Mining Licence application was submitted in May 2014.

Award 5
An award of 199,076 options (being structured as standard share options) at a strike price of zero, to vest in three equal instalments over three years, was made to Alistair Franklin upon his appointment as a Director on 8 February 2013.

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 (Awards 1-4 already fully vested, award 4 since the end of 2013).

	Award 1 (2010)		Award 2 (2010)		Award 3 (2010)		Award 4 (2012)		Award 5 (2013)		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	Weighted Average Exercise Price (£)	Number
At 1 January 2012*	£0.02	4,260,235	£0.02	995,382	£1.58	199,076	N/A	Nil	N/A	Nil	£0.08	5,454,693
At 31 December 2012*	£0.02 (US$0.03)	3,404,204	£0.02 (US$0.04)	995,382	£1.58 (US$2.45)	199,076	£1.02 (US$1.61)	800,000	N/A N/A	Nil	£0.23 (US$0.36)	5,398,662
At 1 January 2013*	£0.02 (US$0.03)	3,404,204	£0.02 (US$0.04)	995,382	£1.58 (US$2.45)	199,076	£1.02 (US$1.61)	800,000	N/A N/A	Nil	£0.23 (US$0.36)	5,398,662
Granted	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	£0.00	199,076	£0.00	199,076
Forfeited	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
Exercised	0.02	(676,859)	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	0.02	(676,859)
Lapsed	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
At 31 December 2013*	£0.02 (US$0.04)	2,727,345	£0.02 (US$0.04)	995,382	£1.58 (US$2.45)	199,076	£1.02 (US$1.61)	800,000	£0.00 (US$0.00)	199,076	£0.25 (US$0.39)	4,920,879

	Award 1 (2010)	Award 2 (2010)	Award 3 (2010)	Award 4 (2012)	Award 5 (2013)	Total
Range of exercise prices*	£0.00-£0.02 (US$0.00-US$0.04)	£0.02 (US$0.04)	£1.58 (US$2.45)	£1.02 (US$1.61)	£0.00 (US$0.00)	£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	N/A	£0.23 ($0.36)	£0.23 ($0.36)
Weighted average share price at date of exercise (£)	£0.11	N/A	N/A	N/A	N/A	£0.11
Total share awards vested	2,727,345	995,382	199,076	Nil	Nil	3,921,803
Weighted average remaining contractual life (Days)	Nil	Nil	Nil	126	768	N/A
Expiry date	18 May 2021	18 May 2021	18 May 2021	02 Mar 2017	07 Jul 2023	N/A

* Sterling amounts have been converted into US Dollars at the grant dates exchange rates of: Awards 1,2,3 US$1.547:£1.00, Award 4 US$ 1.5835:£1.00, Award 5 US$ 1.5801:£1.00.

The following information is relevant in the determination of the fair value of options granted during 2010, 2012 and 2013 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)	Award 5 (2013)
Option pricing model used	Black-Scholes	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)	£0.23 (US$0.36)
Weighted average expected option life	0.7 years	1.0 years	1.5 years	4.0 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%	47%
Dividend growth rate (%)	Zero	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%	0.708%

* Sterling amounts have been converted into US Dollars at the grant dates exchange rates of: Awards 1,2,3 US$1.547:£1.00, Award 4 US$ 1.5835:£1.00, Award 5 US$ 1.5801:£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
02 March 2012	£1.03 (US$1.64)	£0.37 (US$0.58)	4.0 years	01 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$397,000 (2012: US$723,000), of which US$21,000 (2012: US$345,000) related to the Directors, US$218,000 related to employees of the group (2012: US$182,000), and US$158,000 (2012: US$196,000) 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 33.

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$nil (2012: US$32,000).

12 Loss per share

	2013	2012
Loss (Basic and diluted) (US$,000)	**(6,753)**	(5,728)
Weighted average number of shares (thousands)		
Basic		
Issued shares at beginning of period	**279,777**	280,416
Effect of shares issued	**-**	–
Effect of share repurchase and cancellation	**(997)**	(87)
Effect of own shares	**(4,346)**	(4,988)
Effect of share split	**-**	–
Weighted average number of shares at 31 December – basic	**274,434**	275,341
Loss per share (Cents)		
Basic and diluted	**2.4**	2.1

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.

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:

	2013 US$000	2012 US$000
Cash and cash equivalents	**24,009**	40,383

(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 2013 the foreign currency denominated assets include cash balances held in sterling of US$16,699,000 (2012: US$34,671,000), other receivables denominated in sterling of US$161,000 (2012: US$282,000), and payables of US$608,000 (2012: US$585,000) denominated in sterling.

The following significant exchange rates applied during the year:

	Average rate 2013	**Reporting date spot rate 2013**	Average rate 2012	Reporting date spot rate 2012
Against US Dollars	**US$**	**US$**	US$	US$
Pounds Sterling	**1.5649**	**1.6557**	1.5852	1.6255

Sensitivity analysis

A 10% weakening of the following currencies against the US Dollar at 31 December 2013 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 2013 US$000	**Profit or loss 2013 US$000**	Equity 2012 US$000	Profit or loss 2012 US$000
Pounds Sterling	**(1,596)**	**(1,596)**	(3,437)	(3,437)

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.

13 Financial instruments continued

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 2013 (31 December 2012: nil). The Joint Venture Supplemental Agreement requires the Company to contribute US$17m towards works to the end of 2014. US$10m of this was funded in 2013, leaving US$7m (of which US$5m has now been paid) to be funded during 2014.

15 Related parties

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

The following transactions occurred with related parties during the period:

	Transactions for the period		Closing balance (payable)/receivable	
	2013 US$000	2012 US$000	**2013 US$000**	2012 US$000
Intercompany Jumelles Limited	**25**	39	**-**	(25)
Intercompany Jumelles Technical Services UK Limited	**53**	(32)	**-**	(53)
Harris GeoConsult Ltd	**(228)**	(308)	**(10)**	(48)
Strata Capital UK LLP	**(729)**	(780)	**(8)**	(5)
Xstrata Services (UK) Ltd	**(9)**	14	**5**	14
Funding:				
To Jumelles Ltd	**10,000**	515	**-**	–

In addition to the transactions above, during 2012, the Group also issued share options in respect of consultancy services provided by Strata Capital UK LLP. Details of these options can be found in Note 11.

Transactions with key management personnel

	2013 US$000	2012 US$000
Share-based payments	**21**	345
Directors' fees*	**578**	509
Total	**599**	854

* Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £146,000 (US$228,000) for consultancy services provided by Colin Harris during 2012 (2012: £193,000 US$308,000).

A total of £314,000 (US$493,000) for consultancy services provided by Michael Haworth during 2013 (2012: £311,000 (US$497,000)) was paid to a limited liability partnership in which Mr Haworth has a significant interest, previously known as Strata Capital UK LLP.

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

Glossary

AL_2O_3	Alumina (Aluminium Oxide)
Fe	Iron
FS	Feasibility Study
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
LOI	Loss on ignition
LOM	Life of mine
Mineral Resource	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
Mn	Manganese
Ore Reserve	the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit
P	Phosphorus
PFS	Pre-feasibility Study
SiO_2	Silica

Advisors

Nominated Advisor and joint Corporate Broker
Liberum Capital Limited
Ropemaker Place
Level 12
25 Ropemaker Street
London EC2Y 9LY
United Kingdom

Company Secretary
Elysium Fund Management Limited
PO Box 650
1st Floor
Royal Chambers
St Julian's Avenue
Guernsey GY1 3JX
Channel Islands

Auditors and Reporting Accountants
KPMG Audit Plc
100 Temple Street
Bristol BS1 6AG

Legal
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
United Kingdom

Legal
Norton Rose Fulbright LLP
3 More London Riverside
London SE1 2AQ
United Kingdom

Registrars
Computershare Investor Services (BVI) Ltd
Woodbourne Hall
PO Box 3162
Road Town
Tortola
British Virgin Islands

Financial PR
Bell Pottinger
5th Floor Holborn Gate
330 High Holborn
London WC1V 7QD
United Kingdom

Zanaga Iron Ore Company Limited
2nd Floor, Wickham's Cay II
PO Box 2221
Road Town
Tortola
British Virgin Islands

www.zanagairon.com