30 September 2013

Zanaga
IRON ORE

INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2013

Zanaga Iron Ore Company Limited ("ZIOC" or the "Company") (AIM: ZIOC) is pleased to announce its unaudited interim results for the six months ended 30 June 2013.

Highlights

- Zanaga Iron Ore Project, Republic of Congo – world class iron ore Reserves & Resources
  - Overall Mineral Resource of 6.8Bt at 32.0% Fe
  - Probable Ore Reserves of 2.5Bt at 34% Fe
- Staged Development Scope announced
- Feasibility Study (“FS”) now advancing on revised Staged Development Scope basis
- Social and Environmental Impact Assessment underway (“SEIA”)
- Application for Mining Licence on schedule for Q2 2014, to be supported by FS & SEIA
- Joint Venture Agreement (“JVA”) with Glencore Xstrata (“Glencore”) amended to reflect Staged Development Scope
- Joint Project Funding search with Glencore to seek development finance
- Cash balance of US$35.1 million, as at 30 June 2013

Clifford Elphick, Non-Executive Chairman of ZIOC, commented:

“The opportunity for staged development enhances the ability to finance the Project and represents a significant opportunity for ZIOC alongside its partner Glencore. Reducing initial capital expenditure, whilst maintaining attractive operating costs is key to delivering value in the current market environment. The Project continues to offer the prospect of a low cost, long life and expandable operation capable of producing a premium, high-quality iron ore product.”

Copies of the unaudited interim results for the six months ended 30 June 2013 are available on the Company's website at www.zanagairon.com.

Note: Mineral Resources are inclusive of Reserves. Mineral Reserves and Resource referred to above, announced by ZIOC on 4 September 2012 and 1 November 2012 is consistent with the terms and definitions included in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 edition).

For further information please contact:

Zanaga Iron Ore Corporate Development and Investor Relations Manager	Andrew Trahar +44 20 7399 1105
Liberum Capital Limited Nominated Adviser, Financial Adviser and Joint Corporate Broker	Simon Atkinson and Christopher Britton +44 20 3100 2000
Bell Pottinger-Pelham Financial PR	James MacFarlane and Daniel Thöle +44 20 7861 3232

Business Review - Operations

Staged Development Plan

The Zanaga Project Pipeline Pre-Feasibility Study ("Pipeline PFS"), announced in Q3 2012, presented an attractive business case for a large scale 30 million tonne per annum ("Mtpa") open pit mine and pipeline operation producing a high quality iron ore product, albeit with US$7.4 billion of capital expenditure required for the development of the full-scale project.

Following completion of the Pipeline PFS, during H1 2013 the Zanaga Project team reviewed opportunities for a staged development of the proposed 30Mtpa mining operation. The objective of this work was to reduce the Project's initial capital expenditure whilst maintaining the competitive operating costs and high quality iron ore product, as well as investigation of Direct Shipping Ore ("DSO") opportunities.

The results of the review were announced by ZIOC and Glencore, on 13 September 2013, and the Feasibility Study is now being advanced on the basis of a staged development scope: Stage One is targeting a 12Mtpa slurry pipeline based 66% Fe pellet feed operation, supplemented by a truck and/or rail based DSO operation of up to 2Mtpa with potential for early cash flows. It is anticipated that Stage Two will involve the subsequent expansion of the Zanaga Project to the 30Mtpa scale recommended by previous studies.

Stage One mining would target only the upper hematite ores, which are free dig ore layers with a low strip ratio. This also simplifies ore processing and significantly reduces power requirements thus enabling competitive production costs, notwithstanding the reduction in scale.

Estimated Stage One capital expenditure has now been reduced to approximately $2.5-3.0 billion, some one third of the previous estimate for a larger development, whilst maintaining attractive operating costs.

Based on preliminary studies so far completed and subject to confirmation in the Feasibility Study, the strengths of the reduced initial development scale project are expected to include:

	Indicative 12+2Mtpa Stage One	Previous 30Mtpa PFS
Initial capital cost reduced to 1/3rd	c.$2.5-3.0bn	$7.4bn
Improved capital cost intensity	c.$200/annual tonne	$245/annual tonne
Attractive LOM operating costs	c.$37-40/t	$23/t
Premium product maintained	60-62% Fe (DSO) 66% Fe (pellet feed)	68% (pellet feed)
Leverage existing infrastructure	Existing road/rail for DSO, existing grid power	Scale made this impossible
Slurry pipeline maintained	Low opex solution, appropriate for direct remote route	
Low capex port solution	Transship from low draft service harbor	Large scale deep water port

DSO opportunity

The project team is assessing the feasibility for up to 2Mtpa of DSO production, envisaged as part of the first stage development of the Project, which would utilise existing road and rail infrastructure. As part of such assessment, the project team is investigating the potential to bring forward this DSO production which would have the benefits of generating early cash flows and gaining valuable operating experience.

Mining Exploitation Licence Application and Future Development Timeline

Zanaga is working closely with the Republic of Congo Government to advance the Project's development and support the Government's objectives for infrastructure and mining development in the country. The Feasibility Study is due for completion in Q2 2014, and will then form the basis for an application to the Republic of Congo Government for a Mining Exploitation Licence. Any investment decision for the Project would follow the conclusion of the Feasibility Study.

Joint Venture Agreement

Under the terms of the supplemental agreement announced on 13 September 2013, the FS has been modified to incorporate the staged development scope. Glencore remains committed to completing the revised FS to the existing timeframe of Q2 2014.

The supplemental agreement also extends the work programme up to December 2014. ZIOC has agreed to contribute US$17 million from existing resources towards this work. The Glencore call option over the Company's shareholding in Jumelles Ltd, the joint venture company in respect of the Zanaga Project, has been deleted.

Project Funding Round

The decision to proceed in a staged manner significantly enhances the deliverability and financeability of the Project and therefore Glencore and ZIOC have agreed to jointly explore funding options with a view to attracting third party debt and equity financing for potential project implementation. This process has already commenced.

Outlook

The investment case for ZIOC continues to be supported by strong industry fundamentals, while work to date suggests the scale and high quality of the Project offers value and world-class potential.

The 2013-14 work programme includes the Project's SEIA and FS staged development workstreams along with the mining licence application, as well as ongoing interaction with the Government of the Republic of Congo on the Project's development.

Under the management of Glencore, the Project continues to move towards the development and construction. With the revised scope FS and extension of work programmes, the Company has agreed to contribute US$17 million from existing resources towards the cost of those activities. The cost of ZIOC personnel, financial advisors and technical experts engaged or appointed by ZIOC in relation to the Project, remain as the Company's own budgeted expenditures through to the end of 2014. ZIOC expects the substantial investment programme being undertaken on the Project to continue to build shareholder value.

For further details of the Staged Development plan, please refer to the September 2013 Presentation on the Company's website: www.zanagairon.com

Financial review

Results from operations

The financial statements contain the results for ZIOC for the first half of 2013. ZIOC made a loss in the half-year of US$9.0m compared to a profit of US$0.5m in the year to 31 December 2012. The loss for the half-year comprised:

	1 January to 30 June 2013	1 January to 30 June 2012	1 January to 31 December 2012
	Unaudited	Unaudited	Audited
	US$000	US$000	US$000
General expenses	**(2,504)**	(2,499)	(6,020)
Net foreign exchange (loss)/profit	**(2,166)**	417	1,673
Share-based payments	**(197)**	(343)	(723)
Share of loss of associate	**157**	(21)	(765)
Interest income	**53**	83	154
Loss before tax	**(4,657)**	(2,363)	(5,681)
Tax	**(28)**	(20)	(47)
Currency translation	**(4)**	1	(36)
Share of other comprehensive income of associate – foreign exchange	**(4,276)**	(5,037)	6,250
Total comprehensive loss	**(8,965)**	(7,419)	486

General expenses of US$2.5m (2012: US$2.5m) consist of staff costs of US$0.5m (2012: US$0.3m), Directors fees of US$0.3m (2012: US$0.3m), professional fees of US$1.1m (2012: US$1.4m) and US$0.6m (2012: US$0.5m) of other general operating expenses.

The foreign exchange loss of US$2.2m (2012: US$0.4m gain) can be attributed to the impact of the weakening of UK sterling against the US Dollar during the half-year on the cash balances that are held in UK Sterling.

The share-based payment charge reflects the expense associated with the grant of options under ZIOC's long-term incentive plan ("LTIP") and other options to ZIOC's directors, two key employees and one of ZIOC's consultants.

The share of loss of associate reflected above relates to ZIOC's investment in Jumelles Limited, the joint venture company in respect of the Zanaga Project, which generated a surplus of US$0.2m (2012: US$0.02m loss) in the six months to 30 June 2013.

During the half year period, Jumelles Limited spent US$14.4m on exploration (net of foreign currency revaluation), increasing its capitalised exploration assets to US$255.9m.

Financial position

ZIOC's net asset value ("NAV") of US$219.0m comprises of a US$184.9m investment in Jumelles Limited, US$35.1m of cash balances and US$1.1m of other net current liabilities.

	30 June 2013 Unaudited US$m	30 June 2012 Unaudited US$m	31 December 2012 Audited US$m
Investment in associate	**184.9**	178.5	189.0
Fixed assets	**0.1**	-	0.1
Cash	**35.1**	42.5	40.4
Other net current liabilities	**(1.1)**	(0.8)	(1.4)
Net assets	**219.0**	220.2	228.1

Cost of investment

The investment in associate relates to the carrying value of the investment in Jumelles, which as at 30 June 2013 owned 100% of the Project. The carrying value of this investment has decreased by US$4.1m due to the US$4.1m comprehensive loss made by Jumelles Limited during the half-year, which included a $4.3m currency translation adjustment. The investment includes the 2012 US$0.5m additional investment, funded jointly (50/50) with Xstrata, for the survey of an additional land area. Though Jumelles acquired the non-exclusive prospecting licence for this area, it does not form part of the existing ZIOC Glencore JVA.

As at 30 June 2013, Jumelles Limited had aggregated assets of US$267.7m (June 2012: US$219.5m) and aggregated liabilities of US$6.0m (June 2012: US$48.0m). Assets consisted of US$255.9m (June 2012: US$195.0m) of capitalised exploration assets and US$8.9m (June 2012: US$15.2m) of other fixed assets including property, plant and equipment. A total of US$14.4m (2012: US$28.2m) of exploration costs (net of currency revaluation) were capitalised during the half year period. Cash balances totaled US$1.7m (June 2012: US$6.3m) and other current assets totaled US$1.1m (June 2012: US$2.9m).

Cash flow

Cash balances have decreased by US$5.3m since 31 December 2012. Operating activities utilised US$2.9m, share buyback activity US$0.3m and foreign exchange differences US$2.1m as the value of UK sterling weakened against the US Dollar, thus reducing the US Dollar value of the UK Sterling denominated cash balances.

	30 June 2013 Unaudited	30 June 2012 Unaudited	31 December 2012 Audited
GBP Balances	**19.7**	23.4	21.3
	US$000	US$000	US$000
USD value of GBP balances	**29.9**	36.7	34.7
USD value of other currencies	**-**	-	-
USD balances	**5.2**	5.8	5.7
Cash Total	**35.1**	42.5	40.4

Statement of comprehensive income

for the six months ended 30 June 2013

	Note	**1 January to 30 June 2013 Unaudited US$000**	1 January to 30 June 2012 Unaudited US$000	1 January to 31 December 2012 Audited US$000
Administrative expenses		**(4,867)**	(2,425)	(5,070)
Share of profit/(loss) of associate		**157**	(21)	(765)
Operating loss		**(4,710)**	(2,446)	(5,835)
Interest income		**53**	83	154
Loss before tax		**(4,657)**	(2,363)	(5,681)
Taxation	5	**(28)**	(20)	(47)
Loss for the period		**(4,685)**	(2,383)	(5,728)
Foreign exchange translation – foreign operations		**(4)**	1	(36)
Share of other comprehensive income of associate – foreign exchange translation		**(4,276)**	(5,037)	6,250
Other comprehensive loss		**(4,280)**	(5,036)	6,214
Total comprehensive loss		**(8,965)**	(7,419)	486
Loss per share (basic and diluted) (Cents)	7	**(1.7)**	(0.9)	(2.1)

The loss for the period is attributable to the equity holders of the parent company. All other comprehensive income may be classified as profit and loss in the future.

Statement of changes in equity

for the six months ended 30 June 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 - other services	362	-	-	362
Loss for the period	-	(2,383)	-	(2,383)
Other comprehensive income	-	-	(5,036)	(5,036)
Total comprehensive loss	-	(2,383)	(5,036)	(7,419)
Balance at 30 June 2012	265,355	(32,184)	(12,979)	220,192
Consideration for share-based payments - other services	393	-	-	393
Share buy backs	(383)	-	-	(383)
Loss for the period	-	(3,345)	-	(3,345)
Other comprehensive income	-	-	11,250	11,250
Total comprehensive loss	-	(3,345)	11,250	7,905
Balance at 31 December 2012	**265,365**	**(35,529)**	**(1,729)**	**228,107**
Consideration for share-based payments - other services	**197**	**-**	**-**	**197**
Share buy backs	**(328)**	**-**	**-**	**(328)**
Loss for the period	**-**	**(4,685)**	**-**	**(4,685)**
Other comprehensive income	**-**	**-**	**(4,280)**	**(4,280)**
Total comprehensive loss	**-**	**(4,685)**	**(4,280)**	**(8,965)**
Balance at 30 June 2013	**265,234**	**(40,214)**	**(6,009)**	**219,011**

Balance sheet

as at 30 June 2013

	Note	**30 June 2013 Unaudited US$000**	30 June 2012 Unaudited US$000	31 December 2012 Audited US$000
Non-current asset				
Property, plant and equipment		**66**	74	80
Investment in associate	6	**184,890**	178,452	189,009
		184,956	178,526	189,089
Current assets				
Other receivables		**145**	160	282
Cash and cash equivalents		**35,066**	42,529	40,383
		35,211	42,689	40,665
Total Assets		**220,167**	221,215	229,754
Current liabilities				
Trade and other payables		**(1,156)**	(1,023)	(1,647)
Net assets		**219,011**	220,192	228,107
Equity attributable to equity holders of the parent				
Share capital		**265,234**	265,355	265,365
Retained earnings		**(40,214)**	(32,184)	(35,529)
Foreign currency translation reserve		**(6,009)**	(12,979)	(1,729)
Total equity		**219,011**	220,192	228,107

These financial statements set out on pages 7 to 14 were approved by the Board of Directors on 27 September 2013:

Cash flow statement

for the six months ended 30 June 2013

	1 January to 30 June 2013 Unaudited US$000	1 January to 30 June 2012 Unaudited US$000	1 January to 31 Dec 2012 Audited US$000
Cash flows from operating activities			
Total comprehensive loss for the period	**(8,965)**	(7,419)	486
Adjustments for:			
Depreciation	**11**	8	23
Interest received	**(53)**	(83)	(154)
Taxation expense	**28**	20	47
Decrease/(Increase) in other receivables	**137**	(56)	(178)
(Decrease)/ Increase in trade and other payables	**(524)**	134	761
Net exchange loss/(profit)	**2,166**	(417)	(1,673)
Share of loss of associate	**4,119**	5,058	(5,485)
Share-based payments	**197**	343	723
Tax paid	**-**	-	(27)
Net cash from operating activities	**(2,884)**	(2,412)	(5,477)
Cash flows from financing activities			
Proceeds from the issue of share capital	**-**	-	-
Share issue costs	**-**	-	-
Repurchase of own shares	**(328)**	-	(383)
Net cash from financing activities	**(328)**	-	(383)
Cash flows from investing activities			
Interest received	**53**	83	154
Acquisition of property, plant and equipment	**(4)**	(69)	(90)
Investment in associate	**-**	(515)	(515)
Net cash from investing activities	**49**	(501)	(451)
Net decrease in cash and cash equivalents	**(3,163)**	(2,913)	(6,311)
Cash and cash equivalents at beginning of period	**40,383**	45,047	45,047
Effect of exchange rate difference	**(2,154)**	395	1,647
Cash and cash equivalents at end of period	**35,066**	42,529	40,383

Notes to the financial statements

1. Business information and going concern basis of preparation

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

Following exercise of the Xstrata First Call Option, Glencore was required to fund and implement the FS in accordance with the original Xstrata Joint Venture Agreement. Under the terms of the supplemental agreement announced on 13 September 2013, the scope of the FS has been modified to a staged development basis and is due to be completed by 31 March 2014. The supplemental agreement also extends 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 shareholding in Jumelles Ltd has been deleted. 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, Glencore and the company have agreed to jointly explore funding options with a view to attracting third party debt and equity financing for project implementation.

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.

3. Basis of preparation

The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

In accordance with the AIM Rules for Companies, the condensed set of financial statements has been prepared in applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2012. The comparative figures for the financial year ended 31 December 2012 are not the Company's statutory accounts for that financial year. The accounts have been reported on by the Company's auditors. The report of the auditors was (i) unqualified and (ii) did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report.

4. Segmental reporting

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

5. Taxation

The Company is exempt from most forms of taxation in the British Virgin Islands ("BVI"), provided the Company 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 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.

	30 June 2013 Unaudited US$000	30 June 2012 Unaudited US$000	31 December 2012 Audited US$000
Recognised in other comprehensive income:			
Current year	**(28)**	(20)	(47)
Reconciliation of effective tax rate			
Loss before tax	**(4,657)**	(2,363)	(5,681)
Income tax using the BVI corporation tax rate of 0% (2012: 0%)	**-**	-	-
Effect of tax rate in foreign jurisdictions	**(28)**	(20)	(47)
	(28)	(20)	(47)

The effective tax rate for the Group is 0.6% (December 2012: 0.8%).

6. Investment in associate

	US$000
Balance at 1January 2012	**182,977**
Additions	**533**
Share of comprehensive income	**(5,058)**
Balance at 30 June 2012	**178,452**
Additions	**14**
Share of comprehensive income	**10,543**
Balance at 31 December 2012	**189,009**
Additions	**-**
Share of comprehensive income	**(4,119)**
Balance at 30 June 2013	**184,890**

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 2012 are due to the Group granting awards under the LTIP and other options to employees of Jumelles (US$0.03m), and a US$0.5m additional investment funded jointly (50/50) with Glencore for the survey of an additional land area. Though Jumelles acquired the non-exclusive prospecting licence for this area, it does not form part of the existing ZIOC Glencore joint venture agreement.

From 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 for a 50% + one share shareholding in Jumelles 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.

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

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

As at 30 June 2013, Jumelles Limited had aggregated assets of US$267.7m (June 2012: US$219.5m) and aggregated liabilities of US$6.0m (June 2012: US$48.0m). For the 6 months ended 30 June 2013, it received interest income net of administrative expenses of US$157k (June 2012 loss: US$21k) and incurred no taxation charge (June 2012: US$nil). A summarised consolidated balance sheet of Jumelles Limited for the 6 months ended 30 June 2013, including adjustments made for equity accounting, is included below:

	30 June 2013 Unaudited US$000	30 June 2012 Unaudited US$000	31 December 2012 Audited US$000
Non-current assets			
Property, plant and equipment	**8,672**	15,089	10,405
Exploration and other evaluation assets	**255,896**	195,024	241,498
Related party receivable from Xstrata Project Services	**-**	-	8,531
Intangible assets	**207**	146	45
	264,775	210,259	260,479
Current assets	**2,890**	9,235	5,988
Current liabilities	**(6,019)**	(47,982)	(8,915)
Net current liabilities	**(3,129)**	(38,747)	(2,927)
Net assets	**261,646**	171,512	257,552
Share capital	**9,593**	9,580	9,593
Share option reserve	**287,021**	203,324	278,808
Capital Contribution	**1,030**	1,030	1,030
Translation reserve	**(6,595)**	(13,606)	(2,319)
Retained earnings	**(29,403)**	(28,816)	(29,560)
	261,646	171,512	257,552

7 Loss per share	**30 June 2013 Unaudited**	30 June 2012 Unaudited	31 December 2012 Audited
Loss (Basic and diluted)	**(4,685)**	(2,383)	(5,728)
Weighted average number of shares (thousands)			

Basic and diluted			
Issued shares at beginning of period	**279,777**	280,416	280,416
Effect of shares issued	-	-	–
Effect of share repurchase	**(994)**	-	(87)
Effect of own shares	**(4,655)**	(5,010)	(4,988)
Effect of share split	**-**	-	–
Weighted average number of shares at end of period - basic	**274,128**	275,406	275,341
Loss per share (Cents)			
Basic and diluted	**1.7**	0.9	2.1

8 Related parties

The following transactions occurred with related parties during the period:

	Transactions for the period			**Closing balance**		
	30 June 2013 Unaudited US$000	30 June 2012 Unaudited US$000	31 December 2012 Audited US$000	**30 June 2013 Unaudited US$000**	30 June 2012 Unaudited US$000	31 December 2012 Audited US$000
Intercompany payable Jumelles Limited	**20**	-	(39)	**45**	64	25
Intercompany payable Jumelles Technical Services UK Limited	**(4)**	-	32	**49**	21	53
Harris GeoConsult Ltd[1] payable	**106**	-	308	**27**	-	48
Strata Capital[2] payable	**352**	170	780	**183**	175	5
Funding to Jumelles Limited	**-**	-	515	**515**	-	515

1. Harris GeoConsult is a consulting company in which director Colin Harris has a controlling interest.
2. Strata Capital (Strata Ltd) is an investment and consulting company in which director Michael Haworth has an interest.

In addition to the transactions above, The Company has also granted awards of share options in respect of consultancy services provided by Strata Capital. For further details, please refer to the Non Employees section of Share-based payments Note 11 in the Company's 2012 Annual Report.
