Zanaga Iron Ore Company – 2015 Annual Report and Accounts

Table of Contents

Business Overview

30 June 2016

Highlights 2015 and post balance sheet events to June 2016

- Mining Convention ratified by the Parliament of the Republic of Congo ("RoC"), promulgated by the President of the Republic as a law, and published in the Official Gazette of the RoC
- Work programme and budget for 2016, and 2016 Funding Agreement agreed with Glencore
- Additional cost reductions implemented at the Zanaga Project, as well as across ZIOC's corporate costs, to align the cost base with current market conditions
- Share of loss of Associate of US$14m due to a US$20m impairment of the carrying value of the Zanaga Project due to a reduction in global iron ore prices and continuing uncertainty in iron ore market supply and demand fundamentals
- Cash balance of US$7.6m as at 2015 year end, and a cash balance of US$6.9m at 31 May 2016

Clifford Elphick, Non-Executive Chairman of Zanaga Iron Ore Company Limited, commented:

"Despite the current challenges presented by continued uncertainty in the global iron ore industry, particularly as regards pricing and supply and demand dynamics, the Zanaga Project has made important progress during 2015. Importantly, the Project's Mining Convention has been ratified by the Parliament of the Republic of Congo, promulgated as a law, and published in the Official Gazette of the RoC on 28 June 2016; this establishes the fiscal and legal framework for the Project.

The slowdown in the Chinese economy has led to uncertainty in demand for iron ore, coupled with the negative impact on pricing through significant supply increases from the major diversified mining companies. These factors have led to the closure of a number of high cost iron ore mining operations globally and we expect the seaborne iron ore market will continue to be affected by this uncertainty.

Much needed support has come via reductions in operating costs across the sector, which have been achieved due to lower freight rates, lower oil prices, weaker domestic currencies versus the US dollar, and more competitive pricing from contractors.

It is necessary to understand that these developments are continuing to evolve and we have yet to see an equilibrium in iron ore markets, and input costs, being attained. Against this background, further steps have been taken in relation to the Project, including increased scrutiny and reduction of costs, as well as cost reductions at a corporate level.

While financing remains difficult in today's iron ore market, we are conscious of the need to prepare the Project for the market's eventual stabilisation and a stable price equilibrium, at which point we are confident that Zanaga will be at the forefront of development opportunities. However, given the level of continued market uncertainty, and lower forecast iron ore prices, a decision has been taken at the Jumelles level to recognise an impairment of the Project.

The Project remains underpinned by globally significant iron ore Reserves and Resources and is positioned as a project capable of delivering a high quality, premium-priced, iron ore product at very low operating cost. The capability of the Project, even in a low iron ore price environment, to compete with the major iron ore producers on the basis of 'cash margin per tonne', remains a key attribute of the Project's investment case."

The Company will post its Annual Report and Accounts for the year ended 31 December 2015 ("2015 Annual Report and Accounts"), together with the Notice of its Annual General Meeting ("AGM"), which will be held at Adelaide House, London Bridge, London EC4R 9HA, England on 16 August 2016 at 09.00 a.m. BST, the form of proxy and form of instruction for holders of Depositary Interests for use at the AGM to shareholders on 30 June 2016.

A copy of the Notice of AGM and the 2015 Annual Report and Accounts will be available on the Company's website www.zanagairon.com.

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 Corporate Broker	Richard Crawley and Neil Elliot +44 20 3100 2000

Bell Pottinger

Financial PR	Marianna Bowes and Daniel Thole +44 20 7861 3232

About us:

Zanaga Iron Ore Company Limited (AIM ticker: ZIOC) is the owner of 50% less one share in the Zanaga Iron Ore Project based in the Republic of Congo (Congo Brazzaville) through its joint venture partnership with Glencore. The Zanaga Iron Ore Project is one of the largest iron ore deposits in Africa and has the potential to become a world-class iron ore producer.

Chairman's Statement

Dear Shareholder,

Despite the numerous challenges facing the iron ore industry today, and the mining industry as a whole, the Zanaga Project has made significant progress through these challenging times and is ever closer to reaching its goal of securing all permitting and licences which would allow the Project to seek financing. The ratification of the Project's Mining Convention by the Parliament of the Republic of Congo is a major milestone and is a significant step forward for the Project.

Unfortunately, the iron ore industry continues to suffer from significant uncertainty. The substantial production expansions of the major iron ore miners have resulted in an unprecedented level of new supply entering the market alongside decelerating industrial growth in China. The fall of iron ore prices has inevitably impacted the ability of the Zanaga Project to secure financing and maintain the envisaged timeline to production. In order to progress towards a construction decision we will need to see a new equilibrium being achieved in the iron ore market. Once price equilibrium is achieved, which takes account of objective and longer term economic indicators, the Zanaga Project is likely to be very well placed as an attractive project for finance and development.

At the Zanaga Project we are determined to maintain progress and advance the Project, while maintaining a prudent level of project expenditure. We have significantly reduced the Project's ongoing costs as well as ZIOC's corporate costs, while ensuring the Project team is motivated to secure a number of key objectives. The establishment of port and power agreements with relevant developers remains a key objective, while significant progress is being made on securing the environmental permit. It has been critical for the Zanaga Project that the Mining Convention has now been ratified by the Parliament of the RoC, promulgated as a law, and published in the Official Gazette of the RoC. We are very pleased to now have this Convention confirmed as an act of law.

Mining Licence and Mining Convention for the Zanaga Project

With effect from 20 May 2016, the Zanaga Mining Convention has been promulgated as a law of the RoC (Law No 15-2016 of 29 April 2016), following ratification by the Parliament of the RoC and publication in the Official Gazette on 28 June 2016. The confirmation of the Mining Convention as a law further secures the stability the Project's fiscal and legal regime for the life of the mine. (For further details, and key terms of the Mining Convention please refer to ZIOC's announcement on 29 June 2016 and also to page 14 of this Annual Report which refers to the ratification of the Mining Convention.)

The ratification of the Mining Convention demonstrates the Government of the RoC's firm commitment to developing the country's mining sector and is testament to the Project's strong stakeholder relations.

Iron Ore Market

The iron ore market is currently transitioning through a period of significant change in supply and demand dynamics.

The substantial production expansions of the major iron ore miners have led to an unprecedented level of new supply entering the market. In addition, other expansions, from projects where capital was committed during a higher iron ore price environment will result in further supply entering the seaborne system during 2016 and 2017. This new supply has been counteracted to some extent by a number of producers reducing output or suspending production altogether. A number of marginal producers have however been rescued by lower freight rates, lower oil prices, and weaker foreign exchange rates (lowering operating costs in US dollar terms) which is allowing a number of producers to weather current weak iron ore pricing conditions. However, with iron ore prices trading around US$50-60/t, the expectation is that a number of marginal producers will exit the market as seen during 2015.

Regarding the demand for iron ore, the deceleration of economic growth in China, and impact of tighter pollution controls on steel mills, is having a negative impact on demand from the world's largest consumer of iron ore and driving a shift towards lump and pelletised iron ore. This market trend is expected to act in

Zanaga's favour in the long term as the Zanaga product is well suited to higher quality steel production with lower environmental impact due to lower impurity levels.

Whilst the level at which price equilibrium is eventually reached is difficult to predict, we certainly feel confident that we are reaching a point of increased stability in the industry. Too much of the industry continues to operate at a loss or at unsatisfactory financial margins to sustain low long-term prices, and we continue to expect an increasing rate of mine closures which will serve to some degree to offset supply expansions.

As we consistently observe, the combination of Zanaga's competitive operating costs and high quality iron ore product, which is expected to attract a premium price, would allow the Project to compete with some of the lowest cost mining operations in the world. This is a key element to Zanaga's competitive advantage as a long term prospect for the iron ore industry.

Project Schedule

The fall of iron ore prices has inevitably impacted the ability to attract new finance and the envisaged timeline to production. Going forward the Zanaga Project team has been tasked with securing the final permitting and operational agreements during 2016. This will position the project to move into financing discussions to secure the required development finance once market conditions improve. The envisaged timeline to production from financial close is then expected to entail one year of Front End Engineering and Design (FEED), followed by three years of construction.

Impairment

The continuing low, and uncertain, iron ore price environment has impacted the Project's future financing which has resulted in Jumelles assessing the recoverability of the carrying value of the Zanaga Project (both as regards Stages One and Two). Based on an assessment of long term iron prices at the end of 2015 and persistent uncertainty in supply and demand dynamics in the iron ore market, the Zanaga Project was impaired down to US$80m, resulting in an impairment charge within Jumelles of US$20m, the Company's share being US$10m. The impairment does not have any impact upon the Group's cash flows.

Cost Reduction Programme, Cash Reserves and Project Funding

Cognisant of the current iron ore price environment, further cost reductions have taken place at the Zanaga Project which will allow the project to progress off a lower cost base. We are pleased to report that the project team is confident in its ability to progress the project through to the next phase of development utilising the lower cost base.

Similar to the Supplemental Agreement for 2015 project expenditure, Glencore and ZIOC have agreed a 2016 Project Work Programme and Budget for the Project of US$2.3m plus US$0.6m of discretionary spend dependent on certain workstreams requiring capital. ZIOC has agreed to contribute towards such work programme and budget an amount comprising US$2.3m plus 49.99% of all discretionary items approved jointly with Glencore. Ignoring any entitlement to savings, ZIOC's potential contribution to the Project in 2016 is US$1.45m in total.

Separately, ZIOC has taken steps to reduce costs associated with the management of its own business. A number of savings initiatives have been actioned which are expected to achieve a significant cost reduction going forward, and the Company is expected to be in a better position to weather the current cycle as a result of these initiatives. Following the reduction of the cost base at the Zanaga Project, as well as the costs associated with the management of ZIOC, the Board is of the view that ZIOC has sufficient funds to meet its working capital requirements up to, and beyond, twelve months from the approval of these accounts.

We had cash reserves of US$6.9m as at 31 May 2016 and continue to be prudent with our cash.

Outlook

During the current period of price weakness and price volatility in the iron ore market, ZIOC and Glencore have chosen to continue to progress a number of key preliminary value-adding activities on the Project. These important preparatory steps will place the Project in a stronger position to seek financing once market conditions stabilise and become more favourable.

The value adding activities to be progressed will include the establishment of port and power agreements, and receipt of the environmental permit. ZIOC and Glencore continue to work closely with the RoC's government on the conclusion of these workstreams and are pleased to say that the Project continues to enjoy strong support.

The Project is underpinned by a globally significant, well-defined, resource and a Feasibility Study that demonstrates robust economics. The Project has also been substantially derisked through the ratification of the Project's Mining Convention by the Parliament of the RoC.

However, as mentioned above, developments in the global iron ore market have affected and continue to affect the raising of finance for the development of the Project. Once market conditions stabilise and become more favourable, it is our belief that the Zanaga Project is likely to be in a good position to attract the finance which is needed to enable a positive construction decision to be taken.

Clifford Elphick
Non-Executive Chairman

Strategic Report

Business Review

During 2015 a number of important milestones were achieved at the Zanaga Project. Furthermore, with effect from 20 May 2016, the Zanaga Mining Convention has been promulgated as a law of the RoC, following ratification by the Parliament of the RoC and publication in the Official Gazette. The confirmation of the Mining Convention as a law further secures the stability the Project's fiscal and legal regime for the life of the mine.

In addition, the Zanaga Project successfully transitioned to a significantly lower cost base which is expected to result in substantial savings going forward.

Port Infrastructure and Development

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 has conducted a significant amount of work on this major project, including a feasibility study on the port development. The Zanaga Project team continues to engage with CRBC with a view to ensuring technical compatibility with our operations as well as sustainable terms of usage. Advancing a port access agreement with the RoC is a key objective for the Project team and we will remain proactive in our engagement with CRBC.

Power

The Zanaga Project's strategy is to connect the Project to the national network. The Feasibility Study on the Project (the "FS"), for the Project's 12Mtpa Stage One is based upon a power offtake agreement being concluded directly with the government power agency ("SNE") or with an existing or new power provider in order to meet the Project's 100MW power requirement. Power would be supplied by existing and planned power generation capacity in the country, which is made possible today through the existence of more than 100MW of excess capacity.

Power would be delivered to the mine site through two connection points to the current 220kV transmission network within 160km and 200km of a proposed new transmission line to the east and south of the mine site respectively. The Zanaga Project team has been engaging with potential IPPs and Government departments in order to develop a power supply for the Project. The team will be conducting an increased amount of work during 2016 on the potential for a power solution to be defined.

The Project's Stage Two ramp up to 30Mtpa is expected to increase 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 is sufficient to support independent power generation from locally available energy sources and we will plan this development in coordination with other planned regional power infrastructure developments.

Permitting

The application for the Environmental Permit for the Project's first phase of development has been lodged with the RoC Ministry of Environment and the Project team believes that this is likely to be received during the second half of the 2016 fiscal year.

Next Steps

During 2016, the Project team will be progressing a number of important value-adding activities. These activities will be important next steps in allowing the Project to reach a position to seek financing and progress to development once market conditions stabilise. These activities include advancement of port and power agreements, and issuance of the environmental permit.

Financial Review

Results from operations

The financial statements contain the results for the Group's fifth full year of operations following its incorporation on 19 November 2009. The Group made a loss in the year of US$16.9m (2014: loss US$171.1m). The loss for the year comprised:

	2015	2014
	US$000	US$000
General expenses	**(2,143)**	**(3,531)**
Net foreign exchange (loss)/gain	**(534)**	**(747)**
Share-based payments	**(325)**	**(1,251)**
Gain on part sale of associate	**-**	**45,521**
Share of loss of associate (including impairment by associate)	**(14,608)**	**(94,731)**
Additional impairment of Investment in Associate	**-**	**(110,082)**
Interest income	**27**	**51**
Loss before tax	**(17,583)**	**(164,770)**
Tax	**(25)**	**(42)**
Currency translation	**15**	**(38)**
Share of other comprehensive income of associate –foreign exchange	**685**	**(6,221)**
Total comprehensive income	**(16,908)**	**(171,071)**

General expenses of US$2.1m (2014: US$3.5m) consists of US$0.1m professional fees (2014: US$1.0m), US$0.5m Directors' fees (2014: US$0.6m) and US$1.5m (2014: US$1.9m) of other general operating expenses.

The share-based payment charge reflects the expense associated with the grant of share 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 three of ZIOC's consultants. Further details of the LTIP and share options granted can be found in the notes to the financial statements.

The share of loss of associate reflected above (100% to 30 April 2014, 50% less one share from 1 May 2014) relates to ZIOC's investment in the Project, through the Jumelles group, which, due to an impairment adjustment of US$20.0m (2014: US$189.3m) to the carrying value of its exploration asset, generated a loss of US$29.2m in the year to 31 December 2015 (2014: loss US$189.4m). During the year Jumelles spent a net US$9.2m (2014 US$2.4m) on exploration, net of a currency translation gain US$1.4m (2014: loss US$14.5m), before the impairment of US$20m (2014: US$189.3). The 2015 US$1.4m currency gain of associate Jumelles, results from the strengthening against the US$, of Jumelles subsidiary MPD Congo's local currency the CFA Franc (Symbol XAF – Euro tied currency), where the Project asset is held.

Financial Position

ZIOC's Net Asset Value (NAV) of US$45.7m (2014: US$62.3m) comprises of US$37.8m (2014: US$50m) investment in Jumelles, US$7.6m (2014: US$12.5m) of cash balances and US$0.3m (2014: US$0.2m net current liabilities) of other net current assets.

	2015	2014
	US$000	US$000
Investment in associate	**37,809**	**50,000**
Fixed Assets	**3**	**8**
Cash	**7,602**	**12,480**
Net current assets/(liabilities)	**312**	**(179)**
Net assets	**45,726**	**62,309**

Cost of investment

The investment in associate relates to the carrying value of the investment in Jumelles which as at 31 December 2015 continued to own 100% of the Project. During 2015, under the existing 2015 Funding Agreement between the Company and Glencore, the Company contributed a further US$1.7m (2014: US$7.0m). Though a long term project, in the light of currently forecast market conditions, the carrying value

of the exploration asset has been impaired in Jumelles to US$80m (2014 US$100m). The Company accounts for 50% less one share of the Project since May 2014.

As at 31 December 2015, Jumelles had aggregated assets of US$84.0m (2014: US$108.4m) and aggregated liabilities of US$3.0m (2014: US$4.6m). After an exploration asset impairment of US$20.0m (2014: US$189.3), assets consisted of US$80.0m (2014: US$100m) of capitalised exploration assets, US$3.0m (2014: US$4.3m) of other fixed assets, US$0.9m cash (2014: US$3.4m) and US$0.2m other assets (2014: US$0.8m). Before the impairment, and net of a currency translation gain of US$1.9m (2014: loss US$14.5m) a net total of US$9.2m (2014: US$2.4m) of exploration costs were capitalised during the year.

Cash flow

Cash balances decreased by US$4.9m during 2015 (2014 decrease US$11.5m), net of interest income US$0.02m (2014 US$0.05m) and a foreign exchange loss of US0$.5m (2014 loss US$0.8m) on bank balances held in UK Sterling. Additional investment in Jumelles required under the 2015 Funding Agreement (outline details in Note 1 to the financial statements) utilised US$1.7m (2014: US$7.0m), operating activities utilised US$2.7m (2014: US$3.8m), and there were no share repurchases (2014: nil).

Fundraising activities

There were no fundraising activities during 2015 (2014: nil).

Reserves & Resource Statement

The Project has defined a 6.9bn tonne Mineral Resource and a 2.1bn tonne Ore Reserve, reported in accordance with the JORC Code (2012), and defined from only 25km of the 47km orebody identified.

Ore Reserve Statement

The Ore Reserve estimate (announced by the Company on 30 September 2014) was undertaken by independent consultants, SRK Consulting (UK) Ltd ("SRK") and is based on the 30Mtpa Feasibility Study and the 6,900Mt Mineral Resource (announced by the Company on 8 May 2014).

As stipulated by the JORC Code, Proven and Probable Ore Reserve are 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.

Classification	Tonnes (Bt)	Fe (%)
Proved Ore Reserves	0.77	37.3
Probable Ore Reserves	1.29	31.8
Total Ore Reserves	**2.07**	**33.9**

Notes:
Long term price assumptions are based on a CFR IODEX 62% Fe forecast of 60 US$/dmt (97 US¢/dmtu at 62% Fe) with adjustments for quality, deleterious elements, moisture and freight.
Discount Rate 10%
Mining dilution ranging between 5% and 6%
Mining losses ranging between 1% and 5%
Note : The full Ore Reserve Statement is available on the Company's website (www.zanagairon.com)

Mineral Resource

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**

Reported at a 0% Fe cut-off grade within an optimised Whittle shell representing a metal price of 130 USc/dmtu. Mineral Resources are inclusive of Reserves. A revised Mineral Resource, prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 Edition) was announced on 8 May 2014 and is available on the Company's website (www.zanagairon.com).

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

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 48 km length and 0.5 to 3 km width.

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

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

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

Competent Persons

The statement in this report relating to Ore Reserves is based on information compiled by Mr Gabor Bacsfalusi who is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy. He is a mining engineer and Senior Consultant of SRK Consulting (UK) Ltd. He has sufficient experience 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 as defined in the JORC Code (2012). The Competent Person, Mr Gabor Bacsfalusi, has reviewed the Ore Reserve Estimate and has given his consent to the inclusion in the report of the matters based on his information in the form and context within which it appears.

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 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) 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 & Uncertainties

The principal business of ZIOC currently comprises managing ZIOC's interest in the Zanaga Project, including the Jumelles group, and monitoring the development of the Project and engaging in discussions with potential investors. The principal risks facing ZIOC are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

Risks relating to the agreement with Glencore and development of the Zanaga Project

The Zanaga Project is majority controlled at both a shareholder and Director level by Glencore. The ability of the Company to control the Zanaga Project and its operations and activities, including the future development of the Project and the future funding requirements of Jumelles, is therefore limited.

The future development of the mine and related infrastructure 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.

Risks relating to future funding of the Zanaga Project

Under the amended JVA with Glencore, there is no obligation on the Company or Glencore to provide further funding to Jumelles. The Company and Glencore have reached agreement on a work programme and funding of the Zanaga Project for 2016. As such agreement relates to 2016, there is a risk that after 31 December 2016 Jumelles may be subjected to funding constraints and this could have an adverse impact upon the Project.

Risks relating to iron ore prices, markets and products

The ability to raise finance for the Project is largely dependent on movements in the price of iron ore. Iron ore prices have historically been volatile and are primarily affected by the demand for and price of steel and the level of supply of iron ore. Such prices are also affected by numerous other factors beyond the Company's and the Jumelles group's control, including the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand, political and economic conditions, production levels and costs and transportation costs in major iron ore producing regions.

While it is anticipated that there will be a stabilisation of iron ore prices in the global market for iron ore, the timing of such stabilisation and the level of iron ore prices which eventually emerges is uncertain. Although the Feasibility Study completed in mid-2014 identifies the product from the Project and the potential demand for such product within a range of iron ore prices, 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 or to enable finance for the development of the Project to be raised. Furthermore, the range of iron ore prices in the FS will need to be reviewed so as to reflect changed market conditions and changed expectations relating to the supply and demand for iron ore.

Risks relating to financing the Zanaga Project

Any decision of the Board of Jumelles to proceed with construction of the mine and related infrastructure is itself dependent upon the ability of Jumelles to raise the necessary debt and equity to finance such construction and the initial operation of the mine. Jumelles may be unable to obtain debt and/or equity financing in the amounts required, in a timely manner, on favourable terms or at all and should this occur, it is highly likely to pose challenges to the proposed development of the Zanaga Project and the proposed timeline for its development. Moreover, the global credit environment may pose additional challenges to the ability of Jumelles to secure debt finance or to secure debt finance on acceptable terms, including as to rates of interest.

Risks relating to financing of the Company

The Company will not generate any material income until the first stage of the Project has been constructed and mining and export of the iron ore has successfully commenced at commercial volumes. In the meantime the Company will continue to expend its cash reserves. Should the Company seek to raise additional finance, it may be unable to obtain debt and/or equity financing in the amounts required, in a timely manner, on favourable terms or at all.

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 (including for the purpose of funding the construction of the Project) 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.

If the Company fails to generate or obtain sufficient financial resources to develop and operate its business, this could materially and adversely affect the Company's business, results of operations, financial condition and prospects.

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. Estimated mineral reserves or mineral resources may also have to be recalculated based on changes in iron ore or other commodity prices, further exploration or assessment or development activity and/or actual production experience.

Host country related risks

The operations of the Zanaga Project are located mainly in the RoC. 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 can include, but are not limited to: political, military or civil unrest; fluctuations in global economic and market conditions impacting on the 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 RoC is an emerging market and, as a result, is generally subject to greater risks than in the case of more developed markets.

HIV/AIDS, malaria and other diseases are prevalent in the RoC and, accordingly, the workforce of the ZIOC group and of the Jumelles group will be exposed to the health risks associated with the country. The operating and financial results of such entities could be materially adversely affected by the loss of productivity and increased costs arising from any effect of HIV/AIDS, malaria and other diseases on such workforce and the population at large.

Weather conditions in the RoC can fluctuate severely. Rain storms, flooding and other adverse weather conditions are common and can severely disrupt transport in the region where the Jumelles group operates and other logistics on which the Jumelles group is dependent.

The host country related risks described above could be relevant both as regards day-to-day operations and the raising of debt and equity finance for the Project. The occurrence of such risks could have a material

adverse effect on the business, prospects, financial condition and results of operations of the Company and/or the Jumelles group.

Risks relating to the Project's licences and the regulatory regime

The Project's Mining Licence was granted in August 2014 and a Mining Convention has been entered into. With effect from 20 May 2016, the Zanaga Mining Convention has been promulgated as a law of the RoC, following ratification by the Parliament of the RoC and publication in the Official Gazette.

The holder of a Mining 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%. Under the terms of the Mining Convention, there is a contingent statutory 10% free participatory interest in favour of the Government of the RoC as regards the mine operating company and a contingent option for the Government of the RoC to buy an additional 5% stake at market price.

The granting of required approvals, permits and consents may be withheld for lengthy periods, not given at all, or granted subject to conditions which the Jumelles group may not be able to meet or which may be costly to meet. As a result, the Jumelles group may incur additional costs, losses or lose revenue and its business, result of operations, financial condition and/or growth prospects may be materially adversely affected. Failure to obtain, renew, enforce or comply with one or more required approvals, permits and consents could have a material adverse effect on the business, prospects, financial condition and results of operations of the Company and/or the Jumelles group. Mitigation of such risks is in part dependent upon the terms of the Mining Convention and compliance with its terms.

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 infrastructure. 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. The nature and timing of construction of the proposed new port are still under discussion with the government of the RoC and other interested parties. In relation to the pipeline and Project 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 the proposed port and/or 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 can be produced and transported to the proposed port and will impact on the economic viability of the Project.

Reliable and adequate infrastructure (including an outlet port, roads, bridges, power sources and water supplies) are important determinants which affect capital and operating costs and the ability of the Jumelles group to develop the Project. Failure or delay in putting in place or accessing infrastructure needed for the development of the Zanaga Project could have a material adverse effect on the business, prospects, financial condition and results of operations of the Company and/or the Jumelles group.

Risks associated with access to land

Pursuant to the laws of the RoC, mineral deposits are the property of the government with the ability to purchase surface rights. Generally speaking, the RoC has not had a history of native land claims being made against the state's title to land. There is no guarantee, however, that such claims will not occur in the future

and, if made, such claims could have a deleterious effect on the progress of development of the Project and future production.

The Mining Convention envisages that the RoC will carry out a process to expropriate the land required by the Zanaga Project and place such land at the disposal of the holder of the Mining Licence in order to build the mine and the infrastructure, including the pipeline, required for the realisation of the Zanaga Project. This means that the rights of the Jumelles company which holds the Mining Licence to the relevant land will be subject to negotiation between the Congolese government and such company. Alternatively, if the land is not declared DUP then the Jumelles group will have to reach agreement with the local land owners which may be a more time consuming and costly process.

Risks relating to timing

Any delays in (i) obtaining rights over and access to land and infrastructure (ii) obtaining the necessary permits and authorisations (iii) the construction or commissioning of the mine, the pipeline or facilities at the port or power transmission lines or other infrastructure, or (iv) negotiating the terms of access to the port and supply of power and other infrastructure, or (v) raising finance to fund the development of the mine and associated infrastructure, could prevent altogether or impede the development of the Zanaga Project, including the ability of the Zanaga Project to export its future iron ore products whether on the anticipated timelines or at projected volumes and costs or otherwise. Such delays or a failure to complete the proposed infrastructure or the terms of access to infrastructure or to do this in an economically viable manner, could have a material adverse effect on the business, results of operations, financial condition and prospects of the Company and/or the Jumelles group.

Environmental risks

The operations and activities of the Zanaga Project are subject to potential risks and liabilities associated with the pollution of the environment and the disposal of waste products that may occur as a result of its mineral exploration, development and production, including damage to preservation areas, over-exploitation and accidental spills and leakages. Such potential liabilities include not only the obligation to remediate environmental damage and indemnify affected third parties, but also the imposition of court judgments, administrative penalties and criminal sanctions against the relevant entity and its employees and executive officers. Awareness of the need to comply with and enforcement of environmental laws and regulations continues to increase. Notwithstanding precautions taken by entities involved in the development of the Project, breaches of applicable environmental laws and regulations (whether inadvertent or not) or environmental pollution could materially and adversely affect the financial condition, business, prospects and results of operations of the Company and/or the Jumelles group.

Health and safety risks

The Jumelles group is required to comply with a range of health and safety laws and regulations in connection with its business activities and will be required to comply with further laws and regulations if and when construction of the Project commences and the mine goes into operation. A violation of health and safety laws relating to the Project's operations, or a failure to comply with the instructions of the relevant health and safety authorities, could lead to, amongst other things, a temporary shutdown of all or a portion of the Project's operations or the imposition of costly compliance measures. If health and safety authorities require the Project to shut down all or a portion of its operations or to implement costly compliance measures, whether pursuant to applicable health and safety laws and regulations, or the more stringent enforcement of such laws and regulations, such measures could have a material adverse effect on the financial condition, business, prospects, reputation and results of operations of the Company and/or the Jumelles group.

Risks relating to third party claims

Due to the nature of the operations to be undertaken in respect of the development of the Zanaga Project, there is a risk that substantial damage to property or injury to persons may be sustained during such development. Any such damage or injury could have a material adverse effect on the financial condition, business, prospects, reputation and results of operations of the Company and/or the Jumelles group.

Risks relating to outsourcing

The 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.

Fluctuation in exchange rates

The Jumelles group's functional and reporting currency is the U.S. dollar, and most of its in country costs are and will be denominated in CFA francs and Euros. Consequently, the Jumelles group must translate the CFA franc and Euro denominated assets and liabilities into U.S. dollars. To do so, non-U.S. dollar denominated monetary assets and liabilities are translated into U.S. dollars using the closing exchange rate at the balance sheet date. Consequently, increases or decreases in the value of the U.S. dollar versus the Euro (and consequently the CFA franc) and other foreign currencies may affect the Jumelles group's financial results, including its assets and liabilities in the Jumelles group's balance sheets. These factors will affect the financial results of the Company. In addition, ZIOC holds the majority of its funds in Pounds Sterling, and incurs the majority of its corporate costs in Pounds Sterling, but its contributions to funding the Jumelles Group in 2016 are calculated in U.S. dollars. Consequently, any fluctuation in exchange rates between Pounds Sterling versus the U.S. dollar or the Euro, could also adversely affect the financial results of the Company.

Cash resources

The Company has limited cash resources. Although the Company has taken steps to conserve its cash resources, there is a risk that depletion of such cash resources will adversely affect the Company. Continuing volatile and uncertain economic conditions in the global iron ore market means that there can be no certainty as to when the Zanaga resource is likely to be developed. The difficult prevailing economic conditions also impact upon the ability of the Jumelles group to raise new finance for the project. The Company's cash resources will come under increasing pressure unless a more benign investment and trading climate materialises in the foreseeable future. As to when such a climate might materialise, there is still a lack of consensus.

Corporate Social Responsibility

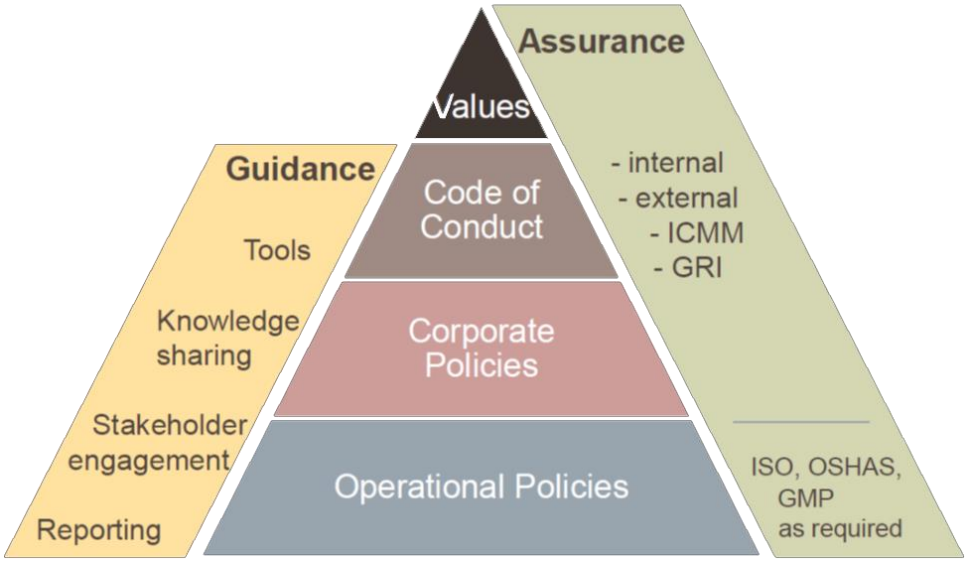
Why is corporate social responsibility important to Zanaga?

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 regular inspections and periodic external audits, the results of which are reported to senior management.

Glencore's Policies

The Project's approach to corporate responsibility is governed by Glencore's Framework for HSEC management, which 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.

Management systems

The Zanaga Project operates Health Safety Environment and Community management systems to practice management systems that conform 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 periodic 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 2015 and only one Medical Treatment Injury Case was recorded. This is an exceptional result. A total of 65 safety and JSA meetings were held during the year as part of the proactive program.
- In September 2015, the health centre at Lefoutou was opened and is now fully functional. MPD Congo equipped the health centre with medical equipment, medical supplies, and currently pays half of the salaries of the employees of the health centre every month.
- Environmental education for 53 employees (52 men and 1 woman) was completed with the objective of achieving awareness and increases in responsibility of employees towards our biophysical environment, minimising our impact and managing environmental risks associated with our business. Themes include rational water management, waste management, climate change, renewable energy, protection of wildlife.
- A donation to the directorate Departmental Forest Economy Lékoumou, a stock of seedlings from our nursery (100 Millettia Laurentii, 10 Persea americana (Avocado) and 10 citrus (orange and tangerine) during the celebration of the 29th National Tree Day (November 6, 2015) under the theme "plant trees to mitigate the impacts of climate change".
- During 2015, 286 community communication meetings took place with approximately 1,106 local stakeholders.
- Another HIV/AIDS awareness outreach campaign was undertaken in 2015 to increase the awareness of the HIV prevention programme. The HIV/AIDS awareness outreach campaign sessions were attended by 13 employees, and 232 members of the local community.
- MPD also celebrated the World HIV Awareness day in the last quarter in the villages around the camp. As a result of this communication effort, over 6,110 condoms were distributed at the work place and in the eight villages within the project area over 2015.
- During 2015, the Project has provided financial support to voluntary nurses working at Léfoutou health centre and to teachers' assistants via the village parents-and-teachers associations to cover the resource gap in nurse and teacher capacity at Léfoutou health centre and in the schools of the villages surrounding the project.
- Approximately US$18,837 was spent on various social initiatives, community investment programmes and some in-kind support.

The Project's Social and Environmental Impact Assessment

- During 2015 the Project team had numerous meetings with the Ministry of Environment and significant progress has been made in advancing the Project's Social and Environmental Impact Assessment.

Management of health and safety incidents

- A single case of medical treatment and restricted access to work was recorded in 2015 and no recorded Medically Treated Incident took place in 2015.
- No Restricted Work Injury was recorded during 2015, and no Lost Time Injuries occurred. 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 2015, a program of risk identification and management training was rolled out at the exploration camp. This training is designed to 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:

- Payment of 50% of the voluntary teachers' salaries.
- Supply of 812 school kits for all school aged children in the eight villages that are within the project area of influence.

Corporate Governance

Board of Directors

The Board of Directors currently comprises of 3 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.

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 of BHP Billiton China, a position from which he retired in 2009.

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.

The following individuals served as directors for part of the period covered by the report but as part of a cost reduction/streamlining of the Board resigned during the period.

Dave John Elzas
Non-Executive Director (resigned 22 July 2015)
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 executive chairman 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 (resigned 22 July 2015)
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.

Colin John Harris

Non-Executive Director (resigned 22 July 2015)

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.

Directors' Report

The current Directors of the Company (Clifford Elphick, Clinton Dines and Michael Haworth) , who were members of the Board at the time of approving the Directors' Report, hereby present their 2015 Annual Report to the shareholders of Zanaga Iron Ore Company Limited, together with the full financial statements for the year ended 31 December 2015.

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 to trading on the AIM Market ("AIM") of the London Stock Exchange ("Admission").
- 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 RoC.
- 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 has become 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.

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 4-7.

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 12-16. 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 (2014: US$nil).

Going concern

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

Based on its management's own internal evaluation, Jumelles believes the proposed staged development of the Zanaga project 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.

Jumelles has a preferred development plan. In relation to such development plan, discussions 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. During previous Project funding discussions, conducted jointly by ZIOC and Glencore, a number of entities expressed an interest in discussing an investment in the Project alongside the joint venture partners. Engagement with interested entities is expected to continue, however, it is believed that current iron ore market conditions need to stabilise before formal discussions can resume.

Similar to the Funding Agreement for 2015 project expenditure, Glencore and ZIOC have agreed a Funding Agreement for the 2016 Project Work Programme and Budget for the Project of US$2.3m plus US$0.6m of discretionary spend dependent on certain workstreams requiring capital. ZIOC has agreed to contribute towards such work programme and budget an amount comprising US$2.2m plus 49.99% of all discretionary items approved jointly with Glencore. Ignoring any entitlement to savings, ZIOC's potential contribution to the Project in 2016 is US$1.45m in total.

In light of iron ore market conditions, the Company has taken steps to further reduce its own cost base during 2016. At 31 December 2015 the Company had cash reserves of US$7.6m and therefore has sufficient cash resources to support both its own operating costs and the agreed contribution to the Project set out above.

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 and the Project will need to raise further funds.

Directors

Members of the Board who served as Directors throughout 2015 are Clifford Elphick, Michael Haworth and Clinton Dines.

Biographical details of the Directors and the period of each directorship are shown on pages 20 - 21 and page 26.

Details of Board meetings and Directors' attendance at Board meetings are laid out on page 27.

The Directors' interests in the ordinary shares of the Company as at 31 December 2015 and at the date of signing of this Annual Report are set out on page 31 in the Remuneration Report.

As of 22 July 2015, Dave Elzas, Colin Harris and Alistair Franklin ceased to be Directors.

Directors' remuneration

A Directors' Remuneration Report, which shareholders will be asked to approve at the Annual General Meeting, can be found on pages 30 - 33.

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 20 - 21.

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 17 - 19.

Substantial share interests

As at 10 June 2016, 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 41 - 43 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.

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.

Directors' confirmation

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

Clifford Elphick
Non-Executive Director

Coastal Building, 2nd Floor
Wickham's Cay II
P.O. Box 2221
Road Town, Tortola
British Virgin Islands
29 June 2016

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 2015, the Board was led by a Non-Executive Chairman, Clifford Elphick. The Board consisted of three Directors at year end, all of whom were Non-Executive Directors and held office for the duration of the year. 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	55	Non-Executive Chairman	26 November 2009
Michael John Haworth	British	50	Non-Executive Director	26 November 2009
Clinton James Dines	Australian	58	Non-Executive Director	3 November 2010
Dave John Elzas	Dutch	49	Non-Executive Director (resigned 22 July 2015)	19 November 2009
Colin John Harris	British	69	Non-Executive Director (resigned 22 July 2015)	3 November 2010
Alistair Eastwood Franklin SC	South African	58	Non-Executive Director (resigned 22 July 2015)	8 February 2013

The biographical profiles of the Directors, which demonstrate their skills and experience, can be found on pages 20 - 21.

Under the Code, none of the Non-Executive Directors that served during the 2015 financial year would be viewed as independent. However, although Clinton Dines would not be viewed as independent under the Code by virtue of the shares awarded to him under the Company's long-term share incentive scheme, 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 individual concerned, the Directors believe that Clinton Dines can be considered independent.

During 2015, Dave Elzas, Colin Harris and Alistair Franklin ceased to be Directors leaving Clinton Dines as the only director that the board considers to be independent. Given the current size and level of operational activity of the Company the board currently considers its composition to be appropriate. 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. 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. A retiring Director shall be eligible for re-election unless he has indicated that he does not wish to stand for re-election.

Accordingly, Clinton James Dines will retire and will stand for re-election at the 2016 AGM, on 16 August 2016.

Attendance at Board meetings

The Company aims to hold a number of Board meetings per year, in order that the Directors are able to review the exploration and development progress of the Project and all other important issues so as to ensure control is maintained over the Company's affairs. In addition, between these formal meetings there is regular contact between the members of the Board as well as with the Company's consultants,

management and the Nominated Adviser and Broker (details of which can be found on page 72). 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, three 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.

During 2015, three Board meetings were held. In addition there was one meeting of the Audit Committee.

	Total	Board meetings	Committee meetings
Clifford Thomas Elphick	3	3	0
Michael John Haworth	4	3	1
Dave John Elzas	3	2	1
Colin John Harris	2	2	0
Clinton James Dines	3	3	0
Alistair Franklin	2	2	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. Given the level of uncertainty in iron ore markets, and the need to maintain a low cost base, the Company intends to maintain the board composition currently in place. In the event that iron ore markets improve and the Company is able to attract new financing then the diversity of the board will be addressed through the appointment of new Board members.

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 30 - 33.

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

As part of the process of streamlining the operations of the Company and to reduce costs, the committees of the Board have been discontinued. This included the Audit Committee and the Remuneration Committee. As these committees have now been discontinued, the tasks previously undertaken by these committees have now reverted to the Board. Consequently, the Board's responsibilities include the monitoring of 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. The Board is also responsible for monitoring the activities of the executive management.

External Auditor

The Board is now also responsible for managing the relationship with the Company's Auditors, including approval of their remuneration and terms of engagement. KPMG LLP has been the Company's Auditor since incorporation.

The Board 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 Board will consider this again following publication of the 2015 Annual Report and will keep this under ongoing review.

The Company's Auditor is permitted to provide non-audit services that are not in conflict with Company's Auditor's independence and objectivity. The Board 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.

Auditor's remuneration for the Company's Auditor, KPMG LLP, for audit services for the year 2015 are US$56,000 (2014: US$69,000), and US$Nil for non-audit services (2014: US$5,000).

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 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 Board will continue to keep this under ongoing review.

A review of business risks was carried out during 2015. A summary of the principal risks facing the Company can be found on pages 12 - 16.

Remuneration Committee

In view of the discontinuance of the Remuneration Committee, the Remuneration Report on pages 30 - 33 has been produced under the auspices of the Board.

The terms of reference which the Board follows in relation to remuneration 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 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 2015 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 2013 regulations applicable to quoted companies covered by the scope of those regulations. Whilst under no obligation to provide a remuneration report, the Board 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 policy terms of reference

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

The key objectives of the remuneration policy 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 main responsibilities of the Board in relation to remuneration are to:

- determine 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.

Advice

During the year the Company received legal services from its solicitors, the independent law firm Berwin Leighton Paisner LLP.

Service contracts and notice periods

The Board consisted of three Directors at the year end, all of whom were Non-Executive Directors for the duration of the year. Further details of the Directors and length of directorships are reflected in the table set out on page 26 in the Corporate Governance section of this Report.

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.

Non-Executive Directors' remuneration package

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

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

Non-Executive Director	Annual fee £000	Annual fee Audit Committee £000	Annual fee HSSE Committee £000	Annual fee Remuneration Committee £000	Total annual fee £000
Clifford Elphick[1]	75.0	–	4.0	4.0	83.0
Clinton Dines[2]	50.0	–	7.5	–	57.5
Michael Haworth	50.0	5.0	–	4.0	59.0
Colin Harris (ceased to be a Director during 2015)	37.5	–	3.0	–	40.5
Dave Elzas[3] (ceased to be a Director during 2015)	37.5	7.5	–	–	45.0
Alistair Franklin[4] (ceased to be a Director during 2015)	37.5	–	–	5.6	43.1

1. *Chairman of Board of Directors.*
2. *Chairman of HSSE Committee.*
3. *Chairman of Audit Committee (until 22 July 2016).*
4. *Chairman of the Remuneration Committee (until 22 July 2016).*

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 who served during the year to 31 December 2015 in the share capital of the Company, all of which are beneficial unless otherwise stated, are as follows:

	31 December 2015		31 December 2014	
Directors (Share options status 31 December 2015)	**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**	**31.83%**
Michael Haworth[2]	**115,671,186**	**41.49%**	**115,671,186**	**41.49%**
Dave Elzas[4] (Options. Unexercised.)	**600,000**	**0.21%**	**600,000**	**0.21%**
Colin Harris[3 4] (Options. Unexercised)	**2,590,763**	**0.93%**	**2,590,763**	**0.93%**
Clinton Dines (Options. Unexercised. Unvested67,281)	**600,000**	**0.22%**	**600,000**	**0.21%**
Alistair Franklin[4] (Options. Unexercised)	**400,000**	**0.14%**	**400,000**	**0.14%**

1. *Clifford Elphick is indirectly interested in these ordinary shares, which are registered in the name of Guava Minerals Limited, by virtue of his interest as a potential beneficiary in a discretionary trust which has an indirect interest in those ordinary shares.*
2. *Michael Haworth is indirectly interested in these ordinary shares, which are registered in the name of Garbet Limited, by virtue of his interest as a potential beneficiary in a discretionary trust which has an indirect interest in those ordinary shares.*
3. *In July 2014, 409,237 (2013: Nil) share options were issued to Harris GeoConsult, a company in which Colin Harris has a controlling interest. These share options vested at the Date of Grant, 0.01 pence exercise price, fair value accounted £76,000 (US$128,000)*
4. *During 2015, Colin Harris, Dave Elzas and Alistair Franklin ceased to be directors.*

Since 31 December 2015, there have been no changes in the current Directors' interests up to the time of writing of this report.

Remuneration for the year to 31 December 2015

The emoluments for the Directors who served for the year to 31 December 2015 can be found below:

Director	**Director fee 2015 £000**	**Other emoluments 2015 £000**	**Total emoluments 2015 £000**	Total emoluments 2014 £000
Colin Harris[12]	**40.5**	**–**	**40.5**	54.0
Clifford Elphick	**83.0**	**–**	**83.0**	83.0
Clinton Dines	**57.5**	**–**	**57.5**	57.5
Michael Haworth	**59.0**	**–**	**59.0**	59.0
Dave Elzas[2]	**45.0**	**–**	**45.0**	60.0
Alistair Franklin[2]	**43.1**	**–**	**43.1**	57.5
Total in £	**328.1**	**–**	**328.1**	371.0
	$000	**$000**	**$000**	$000
Total in US$	**502.7**	**–**	**502.7**	611.0

1. *Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £73,735,000 (US$112,703,000) for consultancy services provided by Colin Harris during 2015 (2014: £105,000 US$174,000).*

2. During 2015, Colin Harris, Dave Elzas and Alistair Franklin ceased to be directors.

LTIP

At its Admission in 2010, the Company approved and implemented an LTIP in order to recruit and retain key officers and employees of the Company and the Company's associate. In recognition of the achievement of key corporate and project milestones since 2012, and to incentivise key employees and consultants to achieve certain new performance targets, the Board approved the grant of 9,027,274 standard share options to certain Directors, key employees and Consultants to the Company.

The 2010 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 2010 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.

Standard share options award 5 disclosed in 2013 as applicable to Alistair Franklin on his appointment as a Director on 8 February 2013, are formally issued as part of 29 July 2014 award 6.

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 2015**	Highest and lowest market price in year	Expiry date	**Number vested at 31 Dec 2015**	Vesting criteria
Colin Harris[1,2]	2010	1,990,763	£0.0234	**£0.0143**	£0.2600-£0.0480	18 May 2021	**1,990,763**	1 (see below)
	2010	398,152	£0.0234	**£0.0143**	£0.2600-£0.0480	18 May 2021	**398,152**	2 (see below)
	2014	201,848	£0.0001	**£0.0143**	£0.2600-£0.0480	29 July 2024	**201,848**	6 (see below)
Clinton Dines	2010	398,153	£0.0234	**£0.0143**	£0.2600-£0.0480	18 May 2021	**398,153**	2 (see below)
	2014	201,847	£0.0001	**£0.0143**	£0.2600-£0.0480	29 July 2024	**134,566**	6 (see below)
Dave Elzas[2]	2010	199,076	£0.0234	**£0.0143**	£0.2600-£0.0480	18 May 2021	**199,076**	2 (see below)
	2014	400,924	£0.0001	**£0.0143**	£0.2600-£0.0480	29 July 2024	**400,924**	6 (see below)
Alistair Franklin[2]	2014	199,076	£0.0000	**£0.0143**	£0.2600-£0.0480	7 July 2023	**199,076**	6 (see below)
	2014	200,924	£0.0001	**£0.0143**	£0.2600-£0.0480	29 July 2024	**200,924**	6 (see below)

1. *In July 2014, 409,237 (2013: Nil) share options were issued to Harris GeoConsult, a company in which Colin Harris has a controlling interest. These share options vested at the Date of Grant, 0.01 pence exercise price, fair value accounted £76,000 (US$128,000).*

2. *During 2015, Colin Harris, Dave Elzas and Alistair Franklin ceased to be directors.*

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 6 (partly vested)
These awards have now partly vested.

All of the 2010 options above were vested and outstanding at the beginning of the year. The Directors (and the individuals who ceased to be Directors during 2015) have not exercised any options during the year (2014: US$nil).

The total charge to the profit and loss account for the awards made to the Directors in the year to 31 December 2015 was US$150,000 (2014: US$238,000). Further details of the LTIP can be found in Note 11 to the Financial Statements on page 50 - 52.

By order of the Board

Clifford Elphick
Director

29 June 2016

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 2015 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 30 -33.

Financial Statements

Independent Auditor's report

KPMG LLP
100 Temple Street
Bristol BS1 6AG

Independent Auditor's report to Zanaga Iron Ore Company Limited

We have audited the group financial statements of Zanaga Iron Ore Company Limited for the year ended 31 December 2015, comprising the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Company those matters we have been engaged to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibility Statement set out on page 34, 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 3 June 2016 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 group'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 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 2015 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

KPMG LLP
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
29 June 2016

Consolidated statement of comprehensive Income

for year ended 31 December 2015

	Note	2015 US$000	2014 US$000
Administrative expenses		**(3,002)**	**(5,529)**
Share of loss of associate (2015 including impairment by associate)	6b	**(14,608)**	**(94,731)**
Operating loss	4	**(17,610)**	**(100,260)**
Interest income		**27**	**51**
Gain on part sale of associate		**-**	**45,521**
Additional impairment of Investment in Associate	6b		**(110,082)**
Loss before tax		**(17,583)**	**(164,770)**
Taxation	5	**(25)**	**(42)**
Loss for the year		**(17,608)**	**(164,812)**
Foreign exchange translation – foreign operations		**15**	**(38)**
Share of other comprehensive income of associate – foreign exchange translation		**685**	**(6,221)**
Other comprehensive income/(loss)		**700**	**(6,259)**
Total comprehensive loss		**(16,908)**	**(171,071)**
Profit/(Loss) per share			
Basic (Cents)	12	**(6.4)**	**(60.0)**
Diluted Cents)	12	**(6.4)**	**(60.0)**

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

The notes on pages 41 - 55 form an integral part of the financial statements.

Consolidated statement of changes in equity

for year ended 31 December 2015

	Share capital US$000	Retained earnings US$000	Foreign currency translation reserve US$000	Total equity US$000
Balance at 1 January 2014	**265,434**	**(42,282)**	**8,977**	**232,129**
Consideration for share-based payments	**1,251**	**–**	**–**	**1,251**
Loss for the year	**–**	**(164,812)**	**–**	**(164,812)**
Other comprehensive income	**–**	**–**	**(6,259)**	**(6,259)**
Total comprehensive loss	**–**	**(164,812)**	**(6,259)**	**(171,071)**
Balance at 31 December 2014	**266,685**	**(207,094)**	**2,718**	**62,309**
Balance at 1 January 2015	**266,685**	**(207,094)**	**2,718**	**62,309**
Consideration for share-based payments	**325**	**–**	**–**	**325**
Loss for the year	**–**	**(17,608)**	**–**	**(17,608)**
Other comprehensive income	**–**	**–**	**700**	**700**
Total comprehensive loss	**–**	**(17,608)**	**700**	**(16,908)**
Balance at 31 December 2015	**267,010**	**(224,702)**	**3,418**	**(45,726)**

Consolidated balance sheet

for year ended 31 December 2015

	Note	2015 US$000	2014 US$000
Non-current assets			
Property, plant and equipment	6a	**3**	**8**
Investment in associate	6b	**37,809**	**50,000**
		37,812	**50,008**
Current assets			
Other receivables	7	**458**	**170**
Cash and cash equivalents	8	**7,602**	**12,480**
		8,060	**12,650**
Total Assets		**45, 872**	**62,658**
Current liabilities			
Trade and other payables	9	**(146)**	**(349)**
Net assets		**45,726**	**62,309**
Equity attributable to equity holders of the parent			
Share capital	10	**267,010**	**266,685**
Retained earnings		**(224,702)**	**(207,094)**
Foreign currency translation reserve		**3,418**	**2,718**
Total equity		**45,726**	**62,309**

The notes on pages 41 - 55 form an integral part of the financial statements.

These financial statements set out on pages 37 - 55 were approved by the Board of Directors on 29 June 2016 and were signed on its behalf by:

Mr Clifford Elphick
Director

Consolidated cash flow statement

for year ended 31 December 2015

	Note	2015 US$000	2014 US$000
Cash flows from operating activities			
Total comprehensive income for the year		**(16,908)**	**(171,071)**
Adjustments for:			
Depreciation		**6**	**57**
Interest receivable		**(27)**	**(51)**
Taxation expense		**25**	**42**
Decrease/(Increase) in other receivables		**(288)**	**(5)**
(Decrease)/Increase in trade and other payables		**(217)**	**(238)**
Net exchange gain/(loss)		**535**	**747**
Gain on part sale of project interest		**-**	**(45,521)**
Share of Total Comprehensive Income of associate		**13,923**	**100,952**
Impairment to share of impairment in associate		**-**	**110,082**
Share-based payments		**325**	**1,251**
Tax paid		**(36)**	**(55)**
Net cash from operating activities		**(2,662)**	**(3,810)**
Cash flows from financing activities			
Cash flows from investing activities			
Interest received		**27**	**51**
Acquisition of property, plant and equipment		**(1)**	**(3)**
Investment in associate		**(1,732)**	**(7,000)**
Net cash from investing activities		**(1,706)**	**(6,952)**
Net decrease in cash and cash equivalents		**(4,368)**	**(10,762)**
Cash and cash equivalents at beginning of year		**12,480**	**24,009**
Effect of exchange rate difference		**(510)**	**(767)**
Cash and cash equivalents at end of year	8	**7,602**	**12,480**

The notes on pages 41 - 55 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 RoC (subject to a minimum 10% free carried interest in MPD Congo in favour of the Government of the RoC).

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$50 million (the "Xstrata Call Option"). Under the terms of the Xstrata Call Option, the consideration payable by Xstrata Projects for the option shares that would be issued by Jumelles Limited would comprise (i) a commitment to fund all costs to be incurred by Jumelles Limited in completing an FS (provided such amount shall be greater than US$100 million) or to carry out such a feasibility study at its own cost and (ii) payment of an amount (up to a maximum of US$25 million) equal to the amount that Jumelles Limited owes to Garbet and Guava as loans which would be used to repay the latter; and

- a Joint Venture Agreement which 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 contributed US$17m from existing resources), and the Glencore call option over the Company's remaining 50% less one share shareholding in Jumelles Ltd was 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.

Xstrata Projects exercised the Xstrata Call Option on 11 February 2011 and the founding shareholder loans were repaid. The final elements of the call option price consideration were the completion of the Feasibility Study and costs thereof, and these were completed in April 2014.

Relationship between Jumelles and its shareholders after exercise of the Xstrata Call Option (Post February 2011)

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 (as amended), 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.

Glencore has the right to appoint three directors to the Board of Jumelles while ZIOC has a right to appoint two directors. At any Board meeting, the directors nominated by Glencore have between them such number of votes as represents Glencore's voting rights in the general meetings of Jumelles and the directors nominated by ZIOC have between them such number of votes as represents ZIOC's voting rights in the general meetings of Jumelles.

As a consequence of the provisions of the JVA (in its original version and as subsequently amended), 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 been to manage its 50% less one share interest in the Project. Initially this involved the monitoring of both the finalisation of the pre-feasibility study and the preparation of the feasibility study. Going forward emphasis has been placed on progressing the key objectives of the Project team. These objectives include the establishment of port and power agreements with relevant developers, issue of the environmental permit, and ratification of the Zanaga Mining Convention by the Parliament of the RoC. These items form important milestones as the Project moves toward attracting the finance required for the implementation of Stage One.

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 project develops.

Pursuant to the JVA, as amended by the Supplemental Agreement, during 2014, the staged production FS prepared by Jumelles was completed, the Project's Mining Licence Application was issued and a Mining Convention was signed with the Government of the RoC.

Based on its management's own internal evaluation, Jumelles believes the proposed staged development of the Zanaga project 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.

Jumelles has a preferred development plan. In relation to such development plan, discussions 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. During previous Project funding discussions, conducted jointly by ZIOC and Glencore, a number of entities expressed an interest in discussing an investment in the Project alongside the joint venture partners. Engagement with interested entities is expected to continue, however, it is believed that current iron ore market conditions need to stabilise before formal discussions can resume.

Current iron ore market conditions have also resulted in a scaled down work programme and a reduction in the cost base of the Project.

Similar to the Funding Agreement for 2015 project expenditure, Glencore and ZIOC have agreed a Funding Agreement to fund the 2016 Project Work Programme and Budget for the Project of US$2.3m plus US$0.6m of discretionary spend dependent on certain workstreams requiring capital. ZIOC has agreed to contribute towards such work programme and budget an amount comprising US$2.3m plus 49.99% of all discretionary items approved jointly with Glencore. Ignoring any entitlement to savings, ZIOC's potential contribution to the Project in 2016 is US$1.45m in total.

At 31 December 2015 the Company had cash reserves of US$7.6m, and in the light of iron ore market conditions, the Company has taken steps to further reduce its own cost base during 2016.

The Company's current cash reserves are sufficient to support both the Company's own operating costs and the agreed contribution to the Project set out above.

In the current 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 and the Project 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 by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective date 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (effective date 1 January 2016).
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective date 1 January 2016).
- Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective date 1 January 2016).
- Disclosure Initiative – Amendments to IAS 1 (effective date 1 January 2016).

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 agreed to impair the asset to the level of the Company's shareholding in the Jumelles impaired asset valuation.

Transactions eliminated on consolidation

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

Foreign currency

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

Share-based payments

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

Where awards were granted to employees of the Group's associate and similar persons, the equity-settled share-based payments were 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 awards. 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 2010 LTIP were 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 and the share options are exercised.

Subsequent awards of share options have been structured as standard share options and did not involve the use of an employee benefit trust.

Information on the share awards is 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. No awards were issued in 2015.

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.

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 6b.

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 assumptions 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 at the end of April 2014. Up until that point in time the Group continued to account for a 100% interest in Jumelles. Further details at December 2014 may be found under 'Investment in associate' Note 6b.

From 1 May 2014 the Company accounted for the 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):

	2015	2014
	US$000	US$000
Share-based payments (see Note 11)	**325**	**1,251**
Net foreign exchange loss/(gain)	**535**	**747**
Directors' fees	**503**	**611**
Auditor's remuneration	**56**	**65**
Depreciation	**6**	**56**

Other than the Company Directors, the Group directly employed four staff in 2015 (2014: six). The six Directors received a total of US$502,600 remuneration for their services as Directors of the Group (2014: US$611,000). The amounts paid as Directors' fees are shown in the Directors' Remuneration Report on page 31 - 33. The Directors' interests in the share capital of the Group are shown in the Directors' Remuneration Report on pages 30 - 33.

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.

	2015	2014
	US$000	US$000
Recognised in other comprehensive income:		
Current year	**(25)**	**(42**)
Reconciliation of effective tax rate		
Profit/(Loss) before tax	**(17,583)**	**(164,770)**
Income tax using the BVI corporation tax rate of 0% (2014: 0%)	**-**	**-**
Effect of tax rate in foreign jurisdictions	**(25)**	**(42)**
	(25)	**(42)**

The effective tax rate for the Group is 0.17 % (2014: 0.03%).

6a Property, Plant and Equipment

	Leasehold property improvements	Fixtures and fittings	Total
	US$000	US$000	US$000
Cost			
Balance at 1 January 2015	-	42	42
Additions		1	1
Disposals	-		-
Balance at 31 December 2015	**-**	**43**	**43**
Depreciation			
Balance at 1 January 2015	-	34	34
Charge for period		6	6
Balance at 31 December 2015	**-**	**40**	**40**
Net book value			
Balance at 31 December 2015	**-**	**3**	**3**
Balance at 31 December 2014	-	8	8

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

6b Investment in associate

	US$000
Balance at 1 January 2014	208,513
Additions	7,000
Share of post-acquisition comprehensive loss	(100,952)
Change in investment carrying value from gain on dilution of shares	45,521
Impairment of investment in associate	(110,082)
Balance at 31 December 2014	50,000
Balance at 1 January 2015	**50,000**
Additions	**1,732**
Share of post-acquisition comprehensive loss	**(14,608)**
Share of post-acquisition currency translation reserve	**685**
Balance at 31 December 2015	**37,809**

At 31 December 2015, the investment represents a 50% less one share shareholding in Jumelles being 2,000,000 shares of the total share capital of 4,000,001 shares. The shares were acquired in exchange for shares in the Company. Originally recorded at fair value, the investment is now valued at the Company's share of the impaired value declared in the accounts of the associate.

The additions to the investment during the year were due to the additional US$1.7m of investment agreed in accordance with the 2015 Funding Agreement (2014 US$7m).

As the Company's investment in Jumelles did not represent an investment in a subsidiary due to the call option held by Glencore (previously Xstrata) described in Note 1 above, the Group's interest was, and continues to be, accounted for as an associate using the equity method of accounting. The Company accounted for 100% of post-acquisition comprehensive income up to the completion of the FS during H1 2014, and 50% less one share proportion thereafter.

The Group financial statements accounted 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 were provided through third party contractors, measured at the cost of the services provided.

As at 31 December 2015, Jumelles had aggregated assets of US$84.1m (201: US$108.4m) and aggregated liabilities of US$3.0m (2014: US$4.6m). For the year ended 31 December 2015 Jumelles implemented an impairment charge of US$20.0 (2014: US$189.3) and incurred a loss before tax of US$29.2m (2014: US$189.4m). There was no tax charge for 2015 (2014: US$nil). Currency translation of the underlying Congolese asset generated a translation gain of US$1.4m (201: loss US$14.5m). A summarised consolidated balance sheet of Jumelles Limited for the year ended 31 December 2015, including adjustments made for equity accounting, is included below:

	2015	2014
	US$000	US$000
Non-current Assets:		
Property, plant and equipment	**2,968**	**4,264**
Exploration and other evaluation assets	**100,000**	**289,310**
Impairment of exploration asset	**(20,000)**	**(189,310)**
Total non-current assets	**82,968**	**104,264**
Current Assets	**1,126**	**4,162**
Current Liabilities	**(2,954)**	**(4,608)**
Net current liabilities	**(1,828)**	**(446)**
Net assets	**81,140**	**103,818**
Share capital	**335,261**	**330,095**
Translation reserve	**(4,741)**	**(6,112)**
Retained earnings	**(249,380)**	**(220,165)**
	81,140	**103,818**

7 Other receivables

	2015	2014
	US$000	US$000
Prepayments and receivables	**118**	**132**
Amounts receivable from the Jumelles group	**343**	**38**
Other receivables	**458**	**170**

8 Cash

	20154	2014
	US$000	US$000
Cash and cash equivalents	**7,602**	**12,480**

9 Trade and other payables

	2015	2014
	US$000	US$000
Accounts payable	**121**	**307**
UK corporation tax	**25**	**42**
	146	**349**

No amounts payable are due in more than 12 months (2014: US$nil).

10 Share capital

In thousands of shares	**Ordinary Shares**	Ordinary Shares
	2015	2014
On issue at 1 January – fully paid	**278,777**	**278,777**
Shares issued	-	-
Shares repurchased and cancelled	-	
On issue at 31 December – fully paid	**278,777**	**278,777**

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 (2014: US$nil).

Share capital changes in 2015

There were no new shares issued in 2015, nor were there any share repurchases.

11 Share-based payments

Employees

As stated under Note 2 above the Group has implemented an 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 2010 LTIP is structured as a split interest scheme. On the date of the award, the employee and the Employee Trust enter into an agreement to acquire shares as joint owners with the employee's proportion of ownership of each share being 0.001% of the total value up to a given hurdle and 99.999% of the total value above the hurdle. The hurdle is determined on advice of the Remuneration Committee. The employee will pay the market value for his joint ownership of the shares. If the vesting conditions are not met, the employee forfeits joint ownership of the shares. If the award meets the vesting conditions, the employee has the right to exercise the option and become the sole owner of the shares. The Group 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, a fourth set of awards was made on 2 March 2012 and a fifth award was disclosed in 2013, applicable upon the appointment to the Board of Mr Alistair Franklin. All awards made after 2010 are issued as standard share options.

Replacing awards 3, 4 and 5, on 29 July 2014, the Board approved the grant of 9,027,274 share options to certain Directors, key employees and Consultants to the Company in recognition of the achievement of key corporate and project milestones since 2012, and to incentivise key employees and consultants to achieve certain new performance targets.

No awards were issued in 2015.

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.

Awards currently in operation are as follows:

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 6 (partly vested)

These awards have partly vested.

Award 7 (fully vested)

These awards have fully vested.

Award 8 (fully vested)

These awards vested on the date of grant in July 2014.

Award 9 (fully vested)

These awards have fully vested.

The application of the vesting criteria is subject to the discretion of the Board of Directors.

Details of current awards are as follows:

	Award 1 (2010)		Award 2 (2010)		Award 6 (2014)		Award 8 (2014)		Award 9 (2014)		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 2014 *	£0.02	2,727,345	£0.02	995,382	N/A	Nil	N/A	Nil	N/A	Nil	£0.02	3,722,727
	(US$0.04)		(US$0.04)								(US$0.04)	
Granted	N/A	Nil	N/A	Nil	0.01	1,204,619	0.01	1,013,418	0.01	4,000,000	0.01	6,218,037
Forfeited	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
Exercised	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
Lapsed	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
At 31 December 2014 *	£0.02	2,727,345	£0.02	995,382	0.01	1,204,619	0.01	1,013,418	0.01	4,000,000	£0.01	9,940,764
	(US$0.04)		(US$0.04)		(US$0.01)		(US$0.02)		(US$0.02)		(US$0.02)	
At 1 January 2015 *	£0.02	2,727,345	£0.02	995,382	0.01	1,204,619	0.01	1,013,418	0.01	4,000,000	£0.01	9,940,764
	(US$0.04)		(US$0.04)				(US$0.02)		(US$0.02)		(US$0.02)	
Granted	N/A	Nil	N/A	Nil	N/A	NIL	N/A	Nil	N/A	Nil	N/A	Nil
Forfeited	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
Exercised	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
Lapsed	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil	N/A	Nil
At 31 December 2015 *	£0.02	2,727,345	£0.02	995,382	0.01	1,204,619	0.01	1,013,418	0.01	4,000,000	£0.01	9,940,764
	(US$0.04)		(US$0.04)		(US$0.01)		(US$0.02)		(US$0.02)		(US$0.02)	

	Award 1 (2010)	Award 2 (2010)	Award 6 (2014)	Award 8 (2014)	Award 9 (2014)	Total
Range of exercise prices *	£0.00–£0.02 (US$0.00–US$0.04)	£0.02 (US$0.04)	£0.00–£0.01 (US$0.00–US$0.02)	£0.01 (US$0.02)	£0.01 (US$0.02)	£0.00 – £0.02 (US$0.00–US$0.04)
Weighted average fair value of share awards granted in the period *	N/A	N/A	£0.18 ($0.31)	£0.18 ($0.31)	£0.18 ($0.31)	£0.18 ($0.31)
Weighted average share price at date of exercise (£)	N/A	N/A	N/A	N/A	N/A	N/A
Total share awards vested	2,727,345	995,382	1,137,338	1,013,418	4,000,000	8,337,685
Weighted average remaining contractual life (Days)	Nil	Nil	39	Nil	Nil	N/A
Expiry date	18 May 2021	18 May 2021	29 July 2024**	29 July 2024	29 July 2024	N/A

* Sterling amounts have been converted into US Dollars at the grant dates exchange rates of: Awards 1,2, US$1.547:£1.00, Subsequent awards US$ 1.6944:£1.00.

** Excepting 199,076 share options with expiry date 7 July 2023

The following information is relevant in the determination of the fair value of options granted during 2010 and 2014 which has applied option valuation principles during the year under the above equity-settled schemes:

	Award 1 (2010)	Award 2 (2010)	Award 6 (2014)	Award 8 (2014)	Award 9 (2014)
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)	£0.19 ($0.31)	£0.19 ($0.31)	£0.19 ($0.31)
Weighted average expected option life	0.7 years	1.0 years	5.0 years	4.0 years	4.6 years
Expected volatility (%)	50%	50% for less than 1 year expected life, 55% for more than 1 year expected life	91%	91%	91%
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	1.75% for 12 month expected life	1.75% for 12 month expected life	1.75% for 12 month expected life
	0.69% for 12 month expected life	1.12% for 24 month expected life	2.25% in excess 24 month expected life	2.25% in excess 24 month expected life	2.25% in excess 24 month expected life

* Sterling amounts have been converted into US Dollars at the grant dates exchange rates of: Awards 1,2, US$1.547:£1.00, Subsequent awards US$ 1.6944:£1.00.

The volatility assumption of awards 1 & 2 were measured by reference to the historic volatility of comparable companies based on the expected life of the option. Subsequent awards referenced the volatility of ZIOC's own history since the 2010 flotation.

Non-employees

Replacing awards made previously, or as new awards, on 29 July 2014 the Company also granted awards of share options in respect of consultancy services provided by Strata Capital UK LLP, Harris GeoConsult Ltd and Renroc International Ltd.

Consultancy	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
Strata Capital	£0.19 (US$0.31)	£0.12 (US$0.20)	4 years	29 July 2024	Award 8 above
Harris GeoConsult	£0.19 (US$0.31)	£0.18 (US$0.31)	4 years	29 July 2024	Award 8 above
Renroc International	£0.19 (US$0.31)	£0.18 (US$0.31)	4 years	29 July 2024	Award 7 above

* Sterling amounts have been converted into US Dollars at the grant date exchange rate US$ 1.6944:£1.00.

The total equity-settled share-based payment expense recognised as an operating expense during the year was US$325,000 (2014: US$1,251,000), of which US$150,000 (2014: US$238,000) related to the Directors, US$176,000 related to employees of the group (2014: US$875,000), and US$nil (2014: US$138,000) related to consultancy services provided by consultants. Further details of share-based payments awarded to Directors of the Group can be found in the Remuneration Report on pages 30-33.

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$nil (2014: US$nil).

12 Profit/(Loss) per share

	2015	2014
Profit/(Loss) (Basic and diluted) (US$,000)	**(17,608)**	**(164,812)**
Weighted average number of shares (thousands)		
Basic		
Issued shares at beginning of period	**278,777**	**278,777**
Effect of shares issued	**-**	**-**
Effect of share repurchase and cancellation	**-**	**-**
Effect of own shares	**(3,842)**	**(3,956)**
Effect of share split	**-**	**-**
Weighted average number of shares at 31 December – basic	**274,935**	**274,821**
Profit/(Loss) per share		
Basic (Cents)	**(6.4)**	**(60.0)**
Diluted (Cents)	**(6.4)**	**(60.0)**

There are potential ordinary shares outstanding, refer to Notes 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.

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:

	2015	2014
	US$000	US$000
Cash and cash equivalents	**7,602**	**12,480**

(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 2015 the foreign currency denominated assets include cash balances held in Sterling of US$7,569,000 (2014: US$12,313,000), other receivables denominated in Sterling of US$115,000 (2014: US$169,000), and payables of US$116,000 (2014: US$303,000) denominated in Sterling.

The following significant exchange rates applied during the year:

	Average rate 2015	**Reporting date spot rate 2015**	Average rate 2014	Reporting date spot rate 2014
Against US Dollars	**US$**	**US$**	US$	US$
Pounds Sterling	**1.5285**	**1.4736**	1.6476	1.5557

Sensitivity analysis

A 10% weakening of the following currencies against the US Dollar at 31 December 2015 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 2015	**Profit or loss 2015**	Equity 2014	Profit or loss 2014
	US$000	**US$000**	US$000	US$000
Pounds Sterling	**(757)**	**(757)**	(1,218)	(1,218)

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

Capital management

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

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

The Company has a share incentive programme which is now administered by the Board. The share incentive programme is discretionary and the Board will decide whether to make share awards under the share incentive programme at any time. Either the Group Employee Benefit Trust buys the shares in the Company to be issued under the LTIP split interest scheme 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 2015 (31 December 2014: nil).

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	
	2015	2014	**2015**	2014
	US$000	US$000	**US$000**	US$000
Associate Jumelles Limited	**5**	**38**	**353**	**38**
Harris GeoConsult Ltd	**(110)**	**(174)**	**(9)**	**(12)**
Funding:				
To Jumelles Ltd	**1,732**	**7,000**	**-**	**-**

Transactions with key management personnel

	2015	2014
	US$000	US$000
Share-based payments *	**150**	**238**
Directors' fees *	**502**	**611**
Total	**652**	**849**

* Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £73,735 (US$110,000) for consultancy services provided by Colin Harris during 2015 (2014: £105,000 US$174,000).

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

*** End of Financial Statements ***

Glossary

AL_2O_3	Alumina (Aluminium Oxide)
Fe	Total Iron
JORC Code	the 2004 or 2012 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
SiO2	Silica

Resource Appendix

JORC Code, 2012 Edition Table 1 for Zanaga Iron Ore Project, located in Republic of Congo, as at September 2013

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	The deposit was sampled between 2007 and 2013 by diamond and reverse circulation ("RC") drilling on an average grid of 100 x 400 m at the northern end of the deposit and 200 x 400 m at the southern end of the deposit. The central area is more densely drilled to 100 x 200 m, 100 x 100 m and 100 x 50 m grids, with the tighter drilling east-west along the sections. A total of 323 diamond holes were drilled for 74,614 m and 908 RC holes for 103,439 m. Drill holes are inclined to the west typically at an angle of 60° to intercept the true thickness of mineralisation where possible. Drilling at the closest spacing give intersections around 100 x 100 m apart. The maximum number of intersections into the fresh material on any one section is 5, averaging 1-2 intersections per unit. The diamond core was sampled at 1 m intervals to the lithological contacts and the RC chips were sampled at 2 m intervals (with a few exceptions where samples are 1 m). A paint line on the mast allowed drillers to identify the 2 m intervals adequately. RC samples were split twice at the drill site using a three tier splitter to produce A and B samples, each of which represent 6.25% of the original sample. The A and B sample weights vary between 2.5 and 3.5 kg each depending on the horizon intersected. Samples A and B are then tagged and labelled.

Criteria	JORC Code explanation	Commentary
		Diamond drill ("DD") samples were split using a core saw or where too friable for sawing, were cut or cleaved in half. CSA Global (UK) Ltd ("CSA") reviewed the drilling and sampling procedures prior to the Mineral Resource Estimate ("MRE") being completed and concludes that the sampling techniques are suitable, of good practise for the style of mineralisation so as to ensure reliable and representative data is collected for downstream MRE use. 54 RC holes were twinned by DD to validate RC data and this is described in more detail in "*Verification of sampling and assaying*".
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	DD drilling commenced using PQ or PQ3 rods to produce 85 / 83.1 mm diameter core from surface which reduced to HQ or HQ3 (63.5 / 61.1 mm diameter) and in some cases to NQ / NQ3 (47.6 /45.1 mm diameter) with depth. All DD drilling was completed using triple tube. DD core was oriented by means of a Reflex ACE tool with three levels of confidence in the orientation recorded in the database, indicating high, moderate and low confidence. This enables interrogation of the oriented data using the appropriate level of confidence. RC holes have the bit type and bit size (mm) recorded in the database. Often a wider bit was used for the pre-collar and a smaller diameter bit for the remainder of the hole. The average depth of the PQ/PQ3 pre-collar was 50 m but varied between 14 m and 99 m, with depth being a function of the oxidation profile and depth of friable materials.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential*	DD core recoveries were recorded per drilled run by measuring the length recovered compared to the length drilled.

Criteria	JORC Code explanation	Commentary
	loss/gain of fine/coarse material.	In the competent lithologies (competent itabirite ("ITC"), transitional itabirite ("ITT") and banded iron formation ("BIF"), the core recovery was excellent with mean recoveries of 92%, 92% and 97% respectively. Recovery was poorer in the friable materials (colluvium and canga "COL", goethitic itabirite "ITG" and friable itabirite "ITF") with mean recoveries for DD core of 69% for COL, 74% for ITG and 86% for ITF. CSA did not see drilling actively take place during the site visit (the drill program had just ended), however, a review of the procedures was completed, and they state that shorter runs should be employed through the more friable material. For RC samples, recovery was measured by comparing the actual weight of sample drilled and the theoretical weight of the material. Of 38,645 RC samples, 38,406 had sample weights, and therefore recovery data for near 100% of data could be reviewed. Sample recovery for RC drilling was approximately 50%, which is considered low, particularly with respect to fresh BIF material. The reason for the low recovery is believed to be due to the presence of water in samples, with no auxiliary booster in place to keep the samples drilled at depth dry. A review of recovery by sample condition (dry, moist, wet) showed that recovery was best for dry samples. A review of Fe grade by sample condition showed good compatibility and suggests that no bias was introduced by the inclusion of moist and wet samples. However, if further drilling is conducted, CSA recommends that efforts are made to keep samples dry through the use of an auxiliary booster. CSA investigated the relationship between iron grade and recovery and found there was no definable relationship between recovery and grade. In addition, the comparison between DD core, where there is very good recovery and RC chips shows excellent correlation. In conclusion, the low

Criteria	JORC Code explanation	Commentary
		recovery observed in RC chips does not introduce bias into the resource, and are suitable for use in the MRE.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	RC chip samples were logged for lithology on 2 m intervals at the rig. Magnetic susceptibility readings were measured at the rig. All RC chips were logged for lithology and chip trays were stored to preserve the record. DD core was orientated and lithologically and geotechnically logged at the Mining Project Development Congo ("MPD") Camp core shed where it was also photographed. Magnetic susceptibility readings were taken. DD logging was completed on 1 m intervals or <1 m where contacts between geological units were encountered (<5% total records). All DD core was logged. Core was photographed on completion of logging, and prior to sampling. Pathways to core photographs are stored in the database. The level of information gained from the sampling is of sufficient quality and consistency to be used for the basis of Mineral Resource Estimation, mining studies and metallurgical studies.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material*	Core was orientated and sampled on 1 m intervals. Where core was not orientated, samples are between 0.5 and 1.5 m in length. Some samples (<0.3% of total number) are less than 0.5 or greater than 1.5 m in length. 31% of DD core was split in half using a core saw and sampled along the apex of the structures in the core. 69% of DD core was quarter split, due to the requirement to retain samples for metallurgical test work. If the apex line coincided with the orientation line, the core was sampled 5 mm to the right of the line. Where half core samples were submitted for

Criteria	JORC Code explanation	Commentary
	being sampled.	preparation and analysis, the remaining half was stored for reference. Where quarter core samples were submitted for preparation and analysis, one half was available for metallurgical test work, and the remaining one quarter was stored for reference. Checks on the compatibility of sample types was completed – quarter core vs half core, chips vs core, and samples showed a very high level of correlation. Where core was too friable for sawing, it was sampled using a machete. The majority (98%) of RC chips were sampled at 2 m intervals. Dry RC samples were split twice at the rigs using a three tier splitter and wet samples were collected in bulk, dried in the sun, and then split by a three tier Jones Riffle splitter into approximately 3 kg samples. The sample weights were recorded at each stage of the process to enable recoveries be calculated. Original sample condition (dry, moist, wet) is recorded in the database. The samples were prepared at the on-site ALS Chemex facility where they were crushed to 70% passing 2 mm then split to obtain 1,000 g sample (through a 50:50 Jones riffle splitter). The 1,000 g samples were then pulverised to 85% passing 75 µm with the remaining crushed sample retained for reference purposes. 100 g of the pulp was submitted to ALS Chemex in Perth for XRF analysis. The remaining pulp was stored on site for reference. Lab standards, duplicates and blanks were reviewed and no issues were identified. 100 g pulps were analysed on site by portable XRF using a desktop Niton. Comparison of Niton and laboratory analyses showed an excellent correlation. Field duplicates were sampled and analysed using both portable XRF Niton and laboratory XRF methods. They were collected at the same time as the primary sample, using the same sampling protocol and were used

Criteria	JORC Code explanation	Commentary
		to measure the precision of the sample preparation and analysis and results indicate that the procedures in place are working. The sample preparation procedures are appropriate for the iron ore mineralisation at Zanaga.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	The primary samples were analysed by multi-element XRF (fused disc) at ALS Chemex (Perth, Australia) for Al_2O_3, As, Ba, CaO, Cl, Co, Cr_2O_3, Cu, Fe, K_2O, MgO, Mn, MnO, Na_2O, Ni, P, Pb, S, SiO_2, Sn, Sr, TiO_2, V, Zn, Zr and Loss on Ignition at 105°C, 400°C, 650°C and 1,000°C. 1,166 samples from the magnetite bearing material (ITC, ITT and BIF) were also analysed by Davis Tube Recovery at ALS Perth. A portable XRF (Niton XL3t) was used on site to collect additional oxide analyses from 100 g of the remaining pulp after sample preparation. Calibration of the machine was done at the beginning of each day. Field duplicates were used to assess the precision of the Niton results. Niton results were reviewed against laboratory assays, and were found to have an excellent correlation, but were not used in the MRE, since laboratory assays were available for all samples. Blanks, Field Duplicates and Certified Reference Materials ("CRMs") were used to monitor the precision and accuracy of the analytical data through insertion into the sample stream before submission to the laboratory. 1,938 of the primary samples (approximately 2%) were analysed by XRF at umpire laboratories (Ultratrace and ALS Perth). Field duplicates were inserted into the sample stream at a rate of 5%, field blanks at a rate of 3.4%, CRMs at a rate of 2.5% constituting an overall 10.9% check on the original data. 17 different standards were used to cover the expected ranges of iron mineralisation. In addition, the

Criteria	JORC Code explanation	Commentary
		laboratory quality assurance and quality control ("QAQC") material was reviewed (17% CRMs and blanks and 13% pulp splits). On analysis of the results of the QAQC system CSA concluded: There was good correlation (correlation coefficient of 0.98) between the Niton and laboratory results. High analytical precision was demonstrated by good correlation between duplicate and original samples. Accuracy was demonstrated by the majority of CRMs. A small number of QC samples appeared to have been affected by contamination and misallocation of standard IDs. The proportion was small enough to be considered not material. The results of blanks analysis suggested that there may have been an issue of sample switching in the laboratory preparation since two samples showed noticeable contamination. Overall, the blanks performed well and showed no material contamination (noting that the field blanks were uncertified sands sourced locally). Overall, the laboratory procedures and analysis were considered appropriate and did not indicate bias.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	Two umpire laboratories (Ultratrace and ALS Perth) were used to verify samples during the drilling campaigns. Other QAQC checks were employed as outlined above.

Criteria	JORC Code explanation	Commentary
		Sampling, Logging, Niton and Data Management Procedures were documented and have been reviewed by CSA and are considered fit for purpose. Maria O'Connor verified logged intercepts from several DD and RC drill holes while on site. Collar locations were field checked, database spot checks conducted, and geological interpretation and review were completed during the site visit. The site visit lasted four days from 4th May until 7th May 2012 inclusive. Drilling had stopped during the site visits completed by CSA, and therefore, drilling procedures were not verified first hand. However, sample preparation and logging were still ongoing, and CSA verified that these were being completed as outlined in the procedures. The information collected from the drill site, core shed and laboratory was digitally entered and imported into DataShed software (a data management system by Maxwell GeoServices). 54 RC holes were twinned and results were reviewed and show good correlation. No adjustments were made to the data.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	Drill collars are surveyed on completion of the hole using a Total Station (Sokkia) differential GPS in the WGS84 projection and UTM coordinate system. The topographical survey used is a LiDAR based digital terrain model which gives a very high level of accuracy. Downhole surveys were recorded at the end of the hole using a gyro survey. The data was also collected at regular intervals of 2 m, 3 m or 5 m in the majority of cases. Older data recorded downhole surveys by a

Criteria	JORC Code explanation	Commentary
		camera shot tool at the end of the hole and at approximately 30 m intervals. Where drill holes collars were picked up by hand held GPS, and the difference between the surveyed RL and topography was greater than 2 m, the collars were draped onto the topography, since the reliability of a hand held GPS in the RL can be considered low. Where collars were ±2 m from the topography, coordinates were sent to site for verification. The level of topographic control and accuracy of the drill hole and sample locations is suitable for the reporting of Mineral Resources.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	The deposit was sampled between 2007 and 2013 by DD and RC drilling on an average grid of 100 x 400 m at the northern end of the deposit and 200 x 400 m at the southern end of the deposit. The central area is more densely drilled to 100 x 200 m, 100 x 100 m and 100 x 50 m grids, with the tighter drilling east-west along the sections. The drilling pattern is sufficiently dense to interpret the geometry and boundaries of the iron mineralisation with confidence. The data quantity and distribution is considered appropriate for the reporting of Inferred, Indicated and Measured Mineral Resources. Samples were composited to 2 m within each of the different lithological zones for the majority of drilling, which CSA believes is appropriate given the original sample size and support of the RC and DD drilling.
Orientation of data in relation to	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a*	The majority of the drill holes have been orientated perpendicular to the dipping lenses so that sampling bias is not introduced although the

Criteria	JORC Code explanation	Commentary
geological structure	*sampling bias, this should be assessed and reported if material.*	geometry of the iron mineralisation indicates there are faults that offset the mineralisation that are sometimes sub- parallel to the sections. The sampling configuration has not introduced any material bias to the grade and tonnage estimation.
Sample security	• *The measures taken to ensure sample security.*	Core samples taken from surface holes are kept in secure storage on the Zanaga camp until submission to the laboratory for analysis. The Chain of Custody is managed by Glencore Iron Ore ("Glencore") personnel on site.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	CSA visited site to review and audit the drilling, logging and sampling on site in March 2012 and May 2012. CSA considers the sample collection and assaying techniques to be appropriate for the style of geometry and style of mineralisation and the data is suitable for use in the Mineral Resource Estimate.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	The licences are owned by MPD, a company wholly owned by Zanaga Iron Ore Company ("ZIOC"). Glencore is majority joint venture partner with ZIOC and has effective management control of the project. On 14th August 2014, a mining licence was awarded over a single permit area – Zanaga – covering 499.3 km^2. This mining licence replaces two exploration licences that had previously covered the same area (Zanaga-Bambama and Zanaga- Mandzoumou). The mining licence has been granted for a duration of 25 years, with options to extend as per the

Criteria	JORC Code explanation	Commentary
		Mining Code of Republic of Congo. The Zanaga deposit lies wholly within the licence boundary. The licence name is 2014-443 and the coordinates are in the following table (extracted from the 'Permis Zanaga' mining licence document). SOMMETS / LONGITUDES / LATITUDES A 13° 32' 14" E 2° 27' 36" S B 13° 32' 13" E 2° 35' 22" S C 13° 34' 37" E 2° 35' 22" S D 13° 34' 37" E 2° 37' 29" S E 13° 34' 18" E 2° 37' 29" S F 13° 34' 17" E 2° 45' 31" S G 13° 34' 46" E 2° 45' 31" S H 13° 34' 46" E 2° 49' 55" S I 13° 34' 26" E 2° 49' 55" S J 13° 34' 26" E 2° 52' 34" S K 13° 35' 08" E 2° 52' 34" S L 13° 35' 08" E 2° 57' 37" S M 13° 35' 42" E 2° 57' 37" S N 13° 35' 42" E 2° 58' 40" S O 13° 38' 17" E 2° 58' 40" S P 13° 38' 17" E 2° 53' 00" S Q 13° 37' 50" E 2° 53' 00" S R 13° 37' 51" E 2° 48' 53" S S 13° 37' 21" E 2° 48' 53" S T 13° 37' 22" E 2° 40' 17" S U 13° 37' 59" E 2° 40' 17" S V 13° 38' 00" E 2° 35' 22" S W 13° 41' 35" E 2° 35' 22" S X 13° 41' 35" E 2° 27' 37" S
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	Resistivity survey work was undertaken by the United Nations Development Programme between 1967 and 1969 which reported a strong resistivity contrast between the mineralised and unmineralised lithologies.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The mineralisation of the Zanaga deposit comprises a series of Itabirite sequences steeply dipping to the east at 60-65°.

Criteria	JORC Code explanation	Commentary
		The deposit is overprinted by a horizontal weathering profile with colluvium and canga at surface (40-60% Fe, 4-8 m), underlain by goethitic itabirite (45% Fe, 6-10 m), friable itabirite (40-45% Fe, 10-26 m), competent itabirite (35-40% Fe, 6-24 m), transition material (30-35% Fe in places, 4-12 m thick) and the primary unweathered magnetite BIF (25-30% Fe). Overall, the eastern units are higher grade than the western units. The geological descriptions reveal that the Canga, Colluvium and goethitic units are structureless and do not have a prominent banding in the rock which implies that the base of oxidation is at the base of the goethitic clay. Immediately below this, the units may still display some oxidation but are more similar to saprock with the original mineralised structures still visible, until the fresh BIF is reached. The contacts between the different weathering profiles are generally transitional over a distance of up to 5 m in places but more usually 1-2 m.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		It is the Competent Person's opinion that listing this material would not add any further material understanding of the deposit and Mineral Resource. The Project is at an advanced stage of exploration, resource development and mine planning. Furthermore, no Exploration Results are specifically reported.
		
		However, all available drill hole data is contained in the SQL database.
		
		The following table summarises drilling data used in the MRE. It has been adapted from "JORC Technical Report on the September 2013 Mineral Resource Update of the Zanaga Iron Ore Project, Republic of Congo" (referred to hereafter as the "2013 JORC Technical Report").

Criteria	JORC Code explanation	Commentary
		<table><tr><th rowspan="2">Area</th><th rowspan="2">Hole Type</th><th colspan="3">Total 2013 MRE Update</th></tr><tr><th># Drill holes</th><th>Metres</th><th># 2m Composites</th></tr><tr><td rowspan="2">North</td><td>DD</td><td>198</td><td>49,841</td><td>12,425</td></tr><tr><td>RC</td><td>512</td><td>63,368</td><td>18,036</td></tr><tr><td rowspan="2">Central</td><td>DD</td><td>91</td><td>19,268</td><td>3,529</td></tr><tr><td>RC</td><td>325</td><td>33,295</td><td>8,832</td></tr><tr><td rowspan="2">South</td><td>DD</td><td>34</td><td>5,504</td><td>952</td></tr><tr><td>RC</td><td>71</td><td>6,777</td><td>1,506</td></tr><tr><td rowspan="2">Total</td><td>DD</td><td>323</td><td>74,614</td><td>16,906</td></tr><tr><td>RC</td><td>908</td><td>103,439</td><td>28,374</td></tr><tr><td colspan="2">Grand Total</td><td>1,231</td><td>178,053</td><td>45,280</td></tr></table> Drill holes ranged from 8 to 318 m for RC holes, and 14 to 657 m for DD holes. The average depth for RC holes was 114 m and for DD holes was 231 m. 178,053 m of drilling was available for use in the MRE, with 74,614 m coming from 323 DD holes and 103,439 m coming from 908 RC holes. The vast majority of holes were drilled between 55° and 70° to the west.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	Samples were composited to 2 m intervals for use in the estimation. No bottom cut for Fe was applied. Al2O3, SiO2, %S, %P, LOI, MnO, MgO, CaO, K2O and Na2O composite values were top-cut in some domains, where necessary.
Relationship between mineralisation widths and	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there*	Drill holes are inclined to the west, typically at an angle of 60° in order to try to intercept the true thickness of mineralisation.

Criteria	JORC Code explanation	Commentary
intercept lengths	*should be a clear statement to this effect (eg 'down hole length, true width not known').*	The drilling was generally perpendicular to the geometry of the orebody. In a small number of cases, there may be sub-optimal intersections due to locally changing orientations of the orebody due to faulting and intrusions, but the proportion is considered low relative to the amount of data, and is not likely to introduce bias into the dataset.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Maps and sections showing the location of the mineralisation are presented in the 2013 Technical Report, which includes plan views, cross sections showing the location of the deposit, the data, interpretations, resistivity and block model.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	Exploration Results are not reported here, but data used in the resource is representative of mineralisation. Sample intercepts have been composited so that all data is weighted equally. High grade outliers are managed through top cutting prior to grade estimation.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	Resistivity surveying was undertaken between 1967 and 1969 by the United Nations Development Programme. A small program of down-hole geophysical logging was completed in 2012. This comprised of 29 holes. This data has not been reviewed in the context of the Mineral Resource and has therefore not been used. Evaluation of Landsat Enhanced Thematic Mapper Satellite and SRTM elevation data of the licence area. Select pitting and trenching. Detailed ground mapping.

Criteria	JORC Code explanation	Commentary
		Airborne magnetic survey and interpretation. Bulk density was measured on an ongoing basis during the drill programs using the water displacement method on billets of core. QAQC was completed on bulk density measurements through spot-checks of the bulk density dataset and re-measurement using the same procedures.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	The project is currently in the advanced exploration / resource development / mine planning phase. A figure showing the magnetic anomaly and its 47 km extent at Zanaga is presented in the 2013 JORC Technical Report. It remains partially unexplored, but no further work is planned at present.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	Data validation procedures are in place to ensure integrity of the data in the geological database which is housed in an SQL database with inbuilt validations, constraints and triggers. Assays were merged into the database from the laboratory assay certificates. The drill hole data was checked for errors and validated in Datamine before modelling of the deposit. Any apparent errors were discussed with personnel on site and investigated, with the database being corrected on site, and re-exported, prior to further work.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	Maria O'Connor, Senior Resource Geologist, CSA, and Robyn Belcher, Principal Database Geologist, CSA, visited site on separate visits during May 2012 and March 2012 respectively. Robyn Belcher visited site

Criteria	JORC Code explanation	Commentary
		between 27th and 30th March 2012. During the site visit, a review and audit of the drilling, logging, sampling and data management procedures was completed. Malcolm Titley, Principal Consultant, CSA, and Competent Person for the MRE has not visited site. However, he supervised the site visit completed by Maria O'Connor, between 4th and 7th May 2012. Collar locations, DD core and RC chips were checked against logs, the procedure of measuring density was observed, the sample preparation procedures were observed and the sample preparation facility was inspected. The conclusions from the site visit were that sample collection procedures are to industry standard or better, and that data collected was fit for use in the MRE. Note: no drilling was observed during the site visit. The drill program for the MRE had finished in February 2012.
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	The geological modelling of the iron-bearing zones is based on the geological logging codes of DD core and RC chips. 2D sectional interpretations of these units, snapped to drill hole intersections, were completed on drill sections at 100 and 200 m spacing along strike (over 25 km) within the defined resource area. The deposit was modelled in three contiguous blocks, termed North, Central and South. The majority of interpretation was completed on site and any anomalous logging was checked against chips and core. The mineralised units dip to the east at between 60-70°. The units have been modelled between 1 and 300 m in thickness, with the average downhole length being approximately 45 m. The northern units are the thickest, between 150 and 200 m, the central units are between 20 and 150 m, and the southern units are between 10 and 60 m in thickness. Internal waste of greater than 5 m thickness was modelled separately. In addition, the surfaces between the six material type zones were

Criteria	JORC Code explanation	Commentary
		generated, based on lithological logging codes, COL, ITG, ITF, ITC, ITT and BIF. The interpretation of colluvium differs from ITG, ITF, ITC, ITT and BIF in that mineralisation is not solely focused directly above BIF. The reason for this is that extreme weathering has mobilised it to drape over a wider area than that defined by the mineralisation wireframes. The interpretation was extended beyond the BIF units by 50 m where supported by drill data and resistivity. A waste surface was digitised to define sub-grade material close to surface, whose thickness was between 1 and 5 m. Major units were extended down to the 100 and 0 mRL based on the deepest intercept encountered along strike. Minor units, particularly in the west, which were less well supported by data, were extended to the 400 and 200 mRL. The continuity of grade in the other units is directly related to the continuity of the BIF units, and Fe grades decrease with depth through the various units. There are faults, some which offset or terminate mineralisation in places. There is a mapped ultramafic body that terminates mineralisation between the Central and Northern units, and several dykes are noted in the logging. Overall, there is good confidence in the geological interpretation of the deposit.
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	The MRE has a strike length of over 25 km. The depth below surface is approximately 500 to 600 m, while the plan width extent is approximately 1,200 m at its widest point, made up of several sub-parallel vertical units. Individual units range from approximately 5 to 500 m width.

Criteria	JORC Code explanation	Commentary
		The deepest mineralised drill intercept was at 0 mRL in the North, 180 mRL in the Central and 140 mRL in the south.
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	The MRE was constrained by the wireframes as detailed in the "Geological Interpretation" section above. The samples within the mineralised wireframe were composited to 2 m which, given the potential bench height and average sample length is considered appropriate. No bottom cut was considered necessary for Fe. The composites were then considered for top cutting in the case of Al2O3, SiO2, %S, %P, LOI, MnO, MgO, CaO, K2O, Na2O. Anomalous values were reduced to the cut value and the pre and post capping statistics for these variables do not have a significant effect on the mean grade in the majority of cases. 17 domains were used for estimation, divided by lithology and geographically into the west and east units. In addition, the COL domain was subdivided into a low Fe grade and high Fe grade domain, and the ITG into low Fe, moderate Fe and high grade Fe domains. The geological interpretation was central to domaining, with hard boundaries modelled between COL, ITG, ITF, ITC, ITT and BIF. Variography was performed on the composites. Directional variograms were modelled for Fe and were modelled for the six lithological domains. The ranges varied along strike between 650 and 2,050 m, across strike between 130 and 640 m and down dip between 9 and 82 m. All variograms were horizontally orientated, except those for the BIF which were orientated with an azimuth of 010° and a dip of -70° to the east. Variograms were modelled for Al2O3, S, P, SiO2 and LOI in the COL, ITG and ITF horizons, where deleterious elements are most concentrated. The normalised Fe variogram parameters were used for interpolation of

Criteria	JORC Code explanation	Commentary

Al_2O_3, SiO_2, %S, %P, LOI, MnO, MgO, CaO, K_2O and Na_2O where variograms were not modelled in the ITC, ITT and BIF.

The estimation was completed in Micromine Software. The block model, was not rotated and has a parent cell size of 50 m x 50 m x 10 m (X, Y, Z), which is considered compatible with the drill spacing in Measured and Indicated areas. The minimum sub-block size was set as 5 m x 5 m x 1 m to honour the volume of the wireframes more accurately. The grades were interpolated by Ordinary Kriging in three search passes with increasing search radii and decreasing minimum number of samples, including a minimum number of four holes for interpolation. The zones were interpolated with samples from the lithological code. The search ellipse for estimation was orientated in the same direction as the variograms.

Sample search rotations and neighbourhoods are presented in the following tables.

Material	Orientation	Axes		
		Azimuth	Plunge	Rotation
Colluvium	All	0	0	0
ITG	All	0	0	0
ITF	All	0	0	-36
ITC/ITT/BIF	100	5	0	-55
	200	325	0	-45
	300	10	0	-45
	400	0	0	-50
	500	350	0	-60
	600	0	0	-50
	700	10	0	-60

Criteria	JORC Code explanation	Commentary

Run	Material	Search Radii			Samples used			
		1	2	3	Min	Max	Angular Sectors	Min Holes
1	Colluvium	300	50	12	6	40	4	4
	ITG	300	50	12	6	40	4	
	ITF	300	50	12	6	40	4	
	ITC/ITT/BIF	200	135	10	12	40	4	
2	Colluvium	600	100	24	6	40	4	
	ITG	600	100	24	6	40	4	
	ITF	600	100	24	6	40	4	
	ITC/ITT/BIF	400	270	20	12	40	4	
3	Colluvium	1500	250	60	3	40	4	1
	ITG	1500	250	60	3	40	4	
	ITF	1500	250	60	3	40	4	
	ITC/ITT/BIF	2000	1350	20	5	40	4	

Grade estimation was completed for Fe, SiO_2, Al_2O_3, S, P, LOI, Mn, MgO, CaO, K_2O and Na_2O to fully characterise the mineralisation in terms of product specifications.

The model was validated by visual checks, comparing the global average grade against the output block model grades and the generation of swath plots by easting and northing. (For further details see the JORC Technical Report 2013).

Production has not commenced at Zanaga, and therefore there is no production data available for reconciliation.

A previous MRE was completed by SRK in 2011. A further 284 holes for 51,044 m were drilled and assays returned from a further 135 holes that had not been available for that MRE. The geological interpretation was in line with the original MRE and completed on site, updated to reflect the new data, and extended at depth (100 m beyond intercepts) where drilling supported continuity of the BIF units. A check estimate using IDW

Criteria	JORC Code explanation	Commentary
		was completed alongside the MRE and compared closely with the reported MRE. Recovery of by-products is not considered relevant for this style of deposit. Work completed during Variography to assess the use of the Fe variogram for other variables showed correlation with Fe varies by unit. The following table shows the correlation coefficient results of cross-validation of other variables using the Fe variogram. The correlation between Fe and CaO, MnO and MgO is poor in certain units, and this may be related to the presence of mafic/intermediate intrusives or faulting, resulting in a different control on the distribution. Further work could be completed on this by modelling different orientations on for these variables, which would be unlikely to have a major effect on the total chemistry of the block. However, these elements do not appear to impact the overall DTR recovery and concentrate grade which counters any urgency on this work.
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	The resource estimates are expressed on a dry tonnage basis and in-situ moisture content is not estimated.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	Grade or deleterious element cut-off was not applied in the MRE. The MRE was reported on a global basis.

Lith	Al_2O_3	CaO	SiO_2	S	P	LOI	MnO	MgO	K_2O	Na_2O
Colluvium	0.72	0.30	0.78	0.79	0.78	0.72	0.27	0.26	0.54	0.39
ITG	0.79	0.20	0.86	0.84	0.64	0.82	0.45	0.34	0.61	0.17
ITF	0.81	0.14	0.89	0.65	0.74	0.84	0.43	0.42	0.53	0.21
ITC	0.79	0.73	0.91	0.52	0.68	0.81	0.57	0.65	0.60	0.69
ITT	0.75	0.86	0.94	0.45	0.74	0.74	0.49	0.70	0.65	0.63
BIF	0.75	0.81	0.95	0.49	0.81	0.69	0.80	0.73	0.69	0.65

Criteria	JORC Code explanation	Commentary
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	CSA undertook a preliminary Whittle optimisation on the grade model prior to classification to satisfy the criteria that the resource reported is "potentially economic". This was used to constrain the mineralisation for reporting purposes. Benchmarked costs were used against a selling price of 130 USD/dmtu with 5% mining dilution. The Whittle parameters used are listed in the 2013 JORC Technical Report and reproduced below.

Criteria	JORC Code explanation	Commentary
		Revenue / **units** / **Model** Iron price (USDc/dmtu) 130 Government royalty (%) 3% Discount rate (%) 0% **Mining** Mining recovery (%) 95.0% Mining Dilution (%) 5.0% Operation mining cost at surface (waste) (USD/t) 1.04 Operation mining cost at surface (ore free dig) (USD/t) 0.99 Operation mining cost at surface (ore D&B) (USD/t) 1.12 Incremental mining cost ($USD/t/10m_{bench}$) 0.025 **Processing** Hematite processing cost (USD/t_{ore}) 3.11 Magnetite processing cost (USD/t_{ore}) 2.41 Tailing cost ($USD/t_{tailings}$) 0.99 Total Hematite Processing Cost (USD/t_{ore}) 3.66 Total Magnetite Processing Cost (USD/t_{ore}) 3.07 General & administrative cost (USD/t_{ore}) 0.29 Transport (USD/t_{conc}) 5.84 Port (USD/t_{conc}) 1.06 Total Transport (USD/t_{ore}) Total Transport Hematite (USD/t_{ore}) 3.09 Total Transport Magnetite (USD/t_{ore}) 2.32 Total Cost Hematite (USD/t_{ore}) 7.04 Total Cost Magnetite (USD/t_{ore}) 5.68 COL Fe recovery (%) 59.2% ITG Fe recovery (%) 72.4% ITF Fe recovery (%) 69.9% ITC Fe recovery (%) 53.3% ITT Fe recovery (%) 65.1% BIF Fe recovery (%) 74.8%
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	Davis Tube Recovery test work was completed on 1,166 samples which covered ITC, ITT and BIF (the magnetite bearing lithologies). Bench scale grind-recovery tests were completed to determine the optimum grind size required to produce a saleable quality magnetite concentrate. Based on this test work, samples have a P97 of 75 microns with an expected P80 of 45 microns. The average mass recovery for the samples was 41% for a recovered concentrate grade of 68%. More detail has been provided in Section 4 Estimation and Reporting of Ore Reserves, which was reported in the Updated Reserve Statement for Zanaga Iron Ore Project, 30th September 2014.
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	Detail regarding Environmental factors or assumptions has been provided in Section 4 Estimation and Reporting of Ore Reserves, which was reported in the Updated Reserve Statement for Zanaga Iron Ore Project, 30th September 2014.
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	In-situ dry bulk density measurements were estimated from DD core using the water displacement method which is considered appropriate for the characteristics of the majority of mineralisation at Zanaga i.e. competent core with very low permeability. Core was coated in wax as part of the procedures. In-situ dry bulk density ("BD") data was collected in a systematic way throughout the deposit and there is a substantial dataset from all material types to adequately ascertain the tonnage factor and be considered representative of the deposit. 21,451 BD values were available and BD values less than 1.5 t/m3 and greater than 4.0 t/m3 were removed as outliers in the dataset. CSA reviewed density by grade and by lithology unit and results suggested that variations in bulk density were most sensitive to lithology.

Criteria	JORC Code explanation	Commentary
		Variability was low within lithological units, and there was no obvious relationship between grade and density within these units. Where density was a function of grade, it appeared to be with depth, which correlated to lithological boundaries. CSA assigned densities by lithology unit. Other methods of estimating density were considered e.g. regression and block estimation. On balance, CSA decided to assign average densities due to the lack of variability within lithological units. Regressions can be strongly influenced by the existence of outliers, while estimation of density through Kriging for example, can result in problems during production and reconciliation. Where lithologies are more friable, and likely to crumble when cored during DD drilling, densities may be difficult to verify. The volume of such material is a relatively small proportion of the resource but in situ dry bulk density can be estimated for bulk samples obtained during any small scale excavations for mining or metallurgical test work. Simple volume and mass checks should be taken and bulk density values compared with those already produced.
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	The MRE for the Zanaga Project has been classified as Measured, Indicated and Inferred Mineral Resources, based on the guidelines specified in the JORC Code (2012 Edition). CSA has considered the following in determining the classification of the MRE: • Adequate validation of drilling, sampling and geological process completed during two site visits by Robyn Belcher, Principal Data Geologist, and Maria O'Connor, Senior Resource Geologist, CSA, in March and May 2012. The site visits included validation of tenement data, drill data, drilling and sampling procedures (note: no drilling was taking place during either visit), review of the

Criteria	JORC Code explanation	Commentary
		geological mapping and core/chip logging and field checks on existing hole collars and outcrop; • Adequate geological evidence for continuity of mineralisation in the reporting of the mineral resource; • Completion of a sampling and multi element assaying program suitable to estimate the grade of the mineralised material; • Adequate DD core and RC chip sampling; • Adequate QAQC controls in place to validate data used and ensure control on the estimation of the in-situ grade of mineralised material; • Adequate drill spacing nominally at 100 m east-west and 100 m north-south to define Measured material, 200 m east-west and 200 m north-south to define Indicated material and a whittle shell to assist in constraining what deep material is classified as Inferred Mineral resources; • Robust variography with good cross validation results which supported the ranges of Fe grade continuity indicated by drilling as well as the continuity of Al2O3, SiO2, S, P and LOI in COL, ITG and ITF where variability in these deleterious variables are likely to be at their highest; • Adequate twinning of RC drill holes to validate grades; • Adequate DD core sampling to determine the dry in situ bulk density in order to estimate the tonnage of mineralisation; • Completion of Davis Tube Recovery test work demonstrating the potential processing requirements, indicative recovery factors

Criteria	JORC Code explanation	Commentary
		and potential quality of a saleable magnetite concentrate suggesting that Fe can be recovered from the lithology units with minimal contaminant issues. The additional criteria used to classify this MRE as Indicated and Measured Mineral Resources were: For Indicated Mineral Resources: • Block grade estimated using an average sample distance of between 100 and 200 m; • Slope >0.4. For Measured Mineral Resources: • Block grade estimated using an average sample distance ≤ 100 m; • Slope >0.6. Block-by-block estimates of slope were smoothed into geologically reasonable and coherent zones that reflect a realistic level of geological and grade estimation confidence taking into account the amount, distribution and quality of data by wireframing. The remaining blocks have been classified as Inferred Mineral Resources if: • they are within the resource shell guided by the whittle optimisation; and

Criteria	JORC Code explanation	Commentary
		• they do not meet the criteria specified above for Indicated or Measured Mineral Resources. The only exception to point (a) are units close to the surface, namely COL, ITG and ITF, which fall outside the conceptual pit shell, but have been included in the MRE as Inferred Mineral resources. CSA is satisfied that the shallow nature of these units means that these units can be considered as having potential to be economically extracted, as required under JORC (2012) and therefore satisfy the criteria of being included as resources in the MRE. The classification of the MRE reflects the Competent Person's view of the deposit
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	In house CSA reviews have been conducted prior to the release of the MRE to Glencore. SRK completed a review of the MRE prior to work commencing on the estimation of ore reserves. This is outlined in JORC Table 1 Section 4 Estimation and Reporting of Ore Reserves, reported in the Updated Reserve Statement for Zanaga Iron Ore Project, 30th September 2014.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the*	The MREs have been prepared, classified and reported in accordance with the JORC (2012) code by CSA. Resource modelling has been completed using drilling data and geological interpretation to produce a resource within a lithological boundary (and therefore at a 0% Fe cut-off). The total Mineral Resource (as at 30th September 2013) comprises 2.33 Bt of Measured Mineral Resources at 33.7% Fe, 2.46 Bt of Indicated

Criteria	JORC Code explanation	Commentary
	estimate should be compared with production data, where available.	Mineral Resources at 30.4% Fe and 2.1 Bt of Inferred Mineral Resources at 31.0% Fe. The risks with respect to grade variability are considered low due to the low variability of Fe grade particularly in the magnetite bearing material where the majority of the resource lies. The confidence level is reflected in the MRE classification of the resource. If excavations are completed to estimate in-situ dry bulk density, particularly in the friable, less competent hematite units (representing 11% of the M&I material), this information can be used to verify the density data used in the MRE. The high level of drilling density and modelling of the deposit show its geological and grade continuity and provides a high level of confidence for the MRE. Mining of the deposit has not commenced and therefore production data is not available. The MRE models are provided as a basis for long term planning and mine design, and are not designed to be sufficient for short term planning and scheduling.

Advisors

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

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

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

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

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

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