Zanaga Iron Ore Company – 2014 Annual Report and Accounts

TABLE OF CONTENTS

Business Overview

26 June 2015

Highlights 2014 and post balance sheet events to June 2015

- Zanaga Project Feasibility Study completed in April 2014 confirming robust project economics
    - Operating costs expected to be in the bottom quartile
    - High quality product, aligned with industry expectations for premium pricing
    - Staged development execution plan minimises upfront capital expenditure, maximises project cash flows, and reduces construction complexity
- Announcement of Ore Reserve for Staged Development Project, including maiden Proved Ore Reserve
    - Total Ore Reserves of 2,070Mt at 33.9% Fe
    - Proved Ore Reserves of 774Mt at 37.3% Fe
- Social Environmental Impact Assessment completed and Environmental Permit application for Stage One lodged with the Ministry of Environment
- Mining Licence issued and Mining Convention signed in August 2014
- Work programme and budget for 2015 agreed with Glencore
- Cost reductions implemented at the Zanaga Project, as well as across ZIOC's corporate costs, to align the cost base with current market conditions
- US$110m impairment of the carrying value of the Zanaga Project due to a reduction in global iron ore prices and continuing volatility of the iron ore market
- Cash balance of US$12.5m as at 2014 year end, and a cash balance of $10.4m at 31 May 2015

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

"The Zanaga Project achieved numerous significant milestones during 2014. The Feasibility Study concluded more than six years of detailed study work and confirmed the Project's robust economics. Shortly thereafter, we were delighted that the Project received its Mining Licence and that a Mining Convention was signed which established the fiscal and legal framework for the project.

However, these positive developments have been discounted to some extent by a number of significant changes in the global iron ore industry. A major negative impact has been the substantial fall in iron ore prices due to the slow down in the Chinese economy reducing demand, as well as significant supply increases from the major diversified mining companies. These factors have led to the closure of numerous high cost iron ore mining operations globally.

At the same time, a number of positive developments have provided relief to many miners. Reductions in operating costs have been achieved through lower freight rates and oil prices, while weaker domestic operating currencies have reduced overall input costs in US dollar terms. In additon, those operations producing high quality iron ore products have been the beneficiaries of increased price premiums. The net result is that the competitive landscape for iron ore has shifted, with higher quality iron ore producers being positioned more favourably versus lower quality producers, resulting in major changes to cash margins across the peer group. On this front ZIOC is pleased that the Zanaga Project is aligned with the industry's trends on product quality and pricing.

It is necessary to understand that these developments are continuing to evolve and we have yet to see a new equilibrium in iron ore markets and input costs being attained. Against this background, a number of steps have been taken in relation to the Project, including a scaled down work programme and cost *reductions. Although financing remains difficult in today's iron ore market we are preparing for the market's eventual stabilisation and new price equilibrium, at which point we are confident that Zanaga will be at the forefront of development opportunities. However, given the level of market uncertainty, the company has taken the view that it is necessary to recognise an impairment of the Project to reflect the current level of difficulty in securing project financing to advance the Project through construction.*

Importantly, the Project continues to remain well-positioned in the iron ore industry as a project capable of delivering a high quality, premium-priced, iron ore product at very low operating cost. This critical combination provides the ability 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', and is key to the Project's investment case."

The Company will post its Annual Report and Accounts for the year ended 31 December 2014 ("2014 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 22 July 2015 at 10.00 a.m. BST, the form of proxy and form of instruction for holders of Depositary Interests for use at the AGM to shareholders on 26 June 2015.

A copy of the Notice of AGM and the 2014 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 Christopher Britton +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,

The Zanaga Project achieved numerous important milestones in 2014 including the completion of the Feasibility Study (“FS”), clearly demonstrating the Zanaga Project as a highly attractive and globally competitive iron ore project, and the subsequent receipt of a Mining Licence and signature of a Mining Convention.

Looking back on when Zanaga Iron Ore Company listed on the AIM Market of the London Stock Exchange, the Zanaga Project has delivered well beyond the milestones envisaged at the time. Unfortunately, the major advancements of the Project have come during a period in which the iron ore industry is undergoing a significant transition, predominantly on the supply side. 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 collapse of iron ore prices inevitably impacts the ability of the Zanaga Project to attract new finance and the envisaged timeline to production. Moving forward to a construction decision will be dependent upon a new equilibrium being achieved in the iron ore market, which we expect to see within the next 12 months. It is our belief that provided an 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 these changing industry dynamics have not impacted our desire to advance the Project, while maintaining a prudent level of project expenditure. In an effort to ensure the project is ready for full financing when market conditions improve, and price stabilisation is achieved, we have reduced the Project’s ongoing costs as well as ZIOC’s corporate costs, while tasking the Project team with achieving a number of key objectives. 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 Republic of Congo.

Robust FS Results

The Feasibility Study, announced in May 2014, was the culmination of more than six years of detailed study work and nearly US$350m of expenditure. The results were significant in confirming the Project’s robust economics, substantially driven by very competitive operating costs to deliver high quality, premium-priced, iron ore product to the market.

The staged approach to development provides numerous advantages, including the ability to minimise upfront capital expenditure, maximise project cash flows, and substantially reduce technical risk due to the sequential processing of orebody layers. Importantly, this results in the Stage One development being attractive as a standalone business case with a 30 year life of mine that does not rely on, or require, the Stage Two expansion to justify the initial investment decision. Even in a low iron ore price environment, both stages of the Project would produce competitive cash margins per tonne of ore produced, which supports the Project’s investment case even in a low, but stable, iron ore price environment.

Mining Licence and Mining Convention for the Zanaga Project

In August 2014, the Zanaga Mining Licence was issued and the Mining Convention was signed by the Republic of Congo. These agreements are significant achievements for the Zanaga Project and are demonstrative of the Government of the Republic of Congo’s firm commitment to developing the country’s mining sector and testament to the Project’s strong stakeholder relations.

The Mining Licence and Mining Convention both cover the proposed staged development of the Project, as described in the FS. The Mining Licence provides the exclusive right to mine the relevant minerals within the boundaries of the licence area and the Mining Convention sets out the fiscal and legal terms with respect to the construction and operation of the Zanaga Project pursuant to its Mining Licence. (For further details, and key terms of these agreements please refer to ZIOC’s announcement on 15 August 2014 and also to pages 10 and 17 of this Annual Report which refers to the ratification process of the Mining Convention.)

Iron Ore Market

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

On the supply side, there have been substantial production expansions of the major iron ore miners with the result that an unprecedented level of new supply has been and continues to enter the market. This expansion of supply has to some extent been offset by some producers reducing output or suspending production altogether. The impact of lower frieght rates, lower oil prices, and weaker foreign exchange rates (lowering operating costs in US dollar terms) has provided some relief to a number of producers as they attempt to ride out current weak iron ore pricing conditions. However, with iron ore prices trading around U$50-60/t, the expectation is that numerous marginal producers will be forced to exit the market over the coming months.

Regarding the demand for iron ore, China continues to produce high levels of steel. However the slowing rate of economic growth, 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.

As a result of these movements in supply and demand, the level at which price equilibrium is reached is difficult to predict. Too much of the industry is operating either at a loss or at unsatisfactory financial margins to sustain today's low prices, and the expectation is that there will be an increasing rate of mine closures which will serve to some degree to offset supply expansions. At the same time, there is emerging a clear focus on identifying and accessing higher grade lump or pelletised iron ore product which commands a price premium. Once industry adjustments are complete, iron ore prices will settle at a sustainable equilibrium, although the timing of this is difficult to forecast.

Importantly, 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 critical attribute is expected to make the Project an attractive development opportunity once a new sustainable iron ore price equilibrium is established.

Mineral Ore Reserves

Following completion of the Feasibility Study ("FS") and updated Mineral Resource Estimate (announced 8 May 2014), the Ore Reserve statement for the Zanaga Project was revised to reflect the proposed staged development plan.

A maiden Proved Ore Reserve estimate of 770Mt was announced, which underpins the Stage One project on a standalone basis for more than 25 years. In addition, the total Proved and Probable Ore Reserve Estimate of 2Bt at 33.9% Fe is more than sufficient to support the combined two stage development described above over the scheduled 30 year life of mine.

The significant scale of the Ore Reserve supports the Company's confidence in the quality of the Zanaga Project and is indicative of the rigorous standard that has been applied to all study work conducted to date.

Project Schedule

The collapse of iron ore prices inevitably impacts the ability to attract new finance and the envisaged timeline to production. Going forward the Zanaga Project team is targeting the completion of a number of important preliminary project agreements during 2015. 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 3 years of construction.

Joint Funding Initiative

During 2014 ZIOC, together with its JV partner on the Zanaga Project, Glencore plc ("Glencore"), conducted a series of introductions to potential partners with a view to attracting the financing required for the implementation of Stage One. An encouraging level of interest was obtained from third party debt and equity financing partners, but the significant drop in iron ore prices caused Glencore and ZIOC to postpone this process until pricing stability returns to iron ore markets. We will continue to maintain these relationships going forward pending eventual stabilisation in iron ore markets, which is required for an investment decision to be taken on the Project's development.

Impairment

The current low, and volatile, iron ore price environment has impacted the Project's future financing which resulted in Jumelles assessing the recoverability of the carrying value of the Zanaga Project. A range of outcomes were considered, but based on iron prices at the end of 2014 and continuing price volatility, the Zanaga Project was impaired down to $100m, resulting in an impairment charge within Jumelles of $189.3m, the Company's share being $94.7m. A resulting impairment charge of $110m has therefore been recognised by ZIOC to bring the carrying value of its investment in the Project down to US$50m, which is 50% less 1 share of the carrying value in Jumelles accounts.

Cost Reduction Programme, Cash Reserves and Project Funding

In recognition of the current iron ore price environment, a cost reduction process has taken place at the Zanaga Project which will allow the project to progress off a lower cost base. These cost reduction decisions have been actioned and we are pleased that the project team is confident on its ability to progress the project through the next phase of development off the lower cost base.

Similar to the Supplemental Agreement for 2014 project expenditure, Glencore and ZIOC have agreed a 2015 Project Work Programme and Budget for the Project of US$8.8m. ZIOC has agreed to contribute towards such work programme and budget an amount comprising a fixed sum of US$ 2.5m plus an amount equal to 50% of the Management Team costs (total Management Team costs are estimated to be $0.9m within such US$8.8m figure). In addition, where there are overall savings to the budgeted figure beyond US$0.5m, ZIOC is entitled to share 50/50 in any such savings. Ignoring any entitlement to savings, ZIOC's potential contribution to the Project in 2015 is US$2.95m in total. The levels of Jumelles' committed capital and other expenditure extending beyond this budgeted figure of $8.8m are very limited, with substantially all of any additional expenditure being discretionary.

Separately, ZIOC has taken steps to reduce costs associated with the management of our own business. A number of areas were identified where savings could be achieved and a cost reduction plan has been implemented and the company is now better positioned to weather the current cycle. As part of this overall process, we have also undertaken a streamlining of the ZIOC board. As a result, Dave Elzas, Colin Harris and Alistair Franklin will retire at the 2015 AGM and have confirmed that they will not stand for re-election. The Company will continue to review its board composition and will seek to enlarge the board once the level of operational activity justifies the additional cost. I would like to thank the directors for their substantial contribution to the development of the Project, which has been instrumental in achieving numerous milestones for the Company to date.

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$10.4m as at 31 May 2015 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 are important preparatory steps that will place the Project in a 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, issue of the environmental permit, and ratification of the signed Zanaga Mining Convention by the parliament of the Republic of Congo. ZIOC and Glencore continue to work closely with the Republic of Congo’s government on the conclusion of these workstreams and are pleased to say that the Project continues to enjoy strong support.

The Project is now underpinned by a large, well-defined, resource and a Feasibility Study that demonstrates robust economics. The Project has also been substantially derisked through the receipt of a Mining Licence, and in addition the Project’s Mining Convention was signed and the Project team believes that the Convention is likely to be ratified by the parliament of the Republic of Congo during 2015.

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 compete for attracting the finance which is needed to enable a positive constrution decision to be taken.

Clifford Elphick
Non-Executive Chairman

Strategic Report

Business Review

2014 stands out as a year in which numerous important milestones were achieved at the Zanaga Project. In May 2014, the positive results of the Feasibility Study ("FS") were announced, followed closely by the announcement in August 2014 that the Project's Mining Licence had been issued and a Mining Convention had been signed with the Government of the Republic of Congo ("RoC").

Feasibility Study Overview

The Stage One development plans to produce 12Mtpa of premium quality 66% Fe content iron ore pellet feed product at a forecast operating cost of US$30/t FOB excluding royalty, which positions the Project in the industry's bottom quartile of operating costs. The capital cost is estimated at US$2.2bn, including contingency. The initial cash flows and project returns are maximised by commencing mining of the higher grade near surface ore for the first eight years of operation. Importantly, the Stage One development has been designed as a standalone business case with a 30 year life of mine and does not rely on, or require, the Stage Two expansion to justify the business case. It is of interest to note, even in today's low iron ore price environment, both stages of the project demonstrate the ability to produce at a high cash margin per tonne driven by low operating costs and a high quality product, which is expected to attract a premium price.

The Stage Two expansion of 18Mtpa has been nominally scheduled to suit the project mine development, construction timing and forecast cash flow generation, and will increase the Project's total production capacity to 30Mtpa. The product grade will increase to an even higher premium quality 67.5% Fe content iron ore pellet feed, while operating costs will reduce further to US$23/t FOB excluding royalty, maintaining the Project's ranking in the industry's bottom quartile of operating costs. The US$2.5bn capital expenditure for the additional 18Mtpa production, including contingency, can potentially be financed from the cash flows from Stage One, which is a compelling expansion case.

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

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 now completed a feasibility study on the port development and the Zanaga Project team is engaging 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 will be a key objective during 2015.

Power

The Zanaga Project's strategy is to connect the Project to the national network. The FS for 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. During 2015 the Zanaga Project team will be engaging with potential IPPs and Government departments in order to develop this power supply solution further.

The Stage Two development increases the power demand to approximately 230MW at the mine site and 16MW for the Project's facilities at the proposed new port. The increased mine site demand 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.

Capital Costs

The FS demonstrated significant advantages to the staged development approach. The sequential development of the Project and resultant staged capital profile allow for matching of capital outlay to the mining of incremental orebody layers, significantly lowering capital and execution risk through each stage of development.

Capital cost estimate (US$m)

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

Notes:
Stage One capital costs have been estimated to an FS level of definition.
The Stage Two costs are supported by a lower level of engineering (PFS level) but significantly leverages the work completed for the Stage One development.
Cost escalation is excluded from the capital cost estimate. The capital cost estimate assumes the use of a third party port facility at Pointe-Indienne.

Operating Costs

The average LOM production costs of the Zanaga Project are highly competitive for both Stage One on a standalone basis and Stage Two. The LOM annual cash cost is US$30 per dry metric tonne ("dmt") excluding royalties and freight. Cash costs are lower in years 1 - 8 at US$26/dmt FOB (excluding royalty) driven by the very low strip ratio, higher feed grade and higher plant recovery.

If the Stage Two expansion production commences in Year 9 unit operating costs decrease. The increased efficiency of the expansion case is attributable to economies of scale in all the supporting areas and infrastructure. Average Stage Two cash cost is US$23/dmt excluding royalties and freight.

The Project's forecast low operating costs would place the Zanaga Project in a very competitive position on the seaborne iron ore trade cost curve, especially given the high iron grade of the products and resulting price premium achieved. The net result is that Zanaga would be positioned on an operating cost basis to be able to compete with the major iron ore producers on a cash margin per tonne basis – an important attribute for any asset in the global iron ore industry.

Operating cost estimate (US$/dmt)

	Stage One 30 Year Avg	Stage Two 9 - 30 Year Avg
Mining and Processing	19.1	17.4
Pipeline	2.4	2.1
Port Area	6.5	2.7
G&A	2.0	0.9
Cash Cost	**29.9**	**23.1**

Notes: The figures shown are rounded; they may not sum to the subtotals shown due to the rounding used.
The capital cost estimate assumes the port is built by a third party with a capital charge being included in the operating cost.

Product Pricing and Adjustments

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

Recent market trends indicate that high grade iron products continue to receive substantial price premiums over benchmark 62% IODEX material, predominantly produced by the iron ore majors, reinforcing a key advantage of Zanaga over its competitors. Due to increasing pressure by the Chinese government to reduce levels of pollution, and the evolution of the steel industry towards higher quality steel products we expect high quality product price premiums to remain for the foreseeable future

Shipping

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

The shipping distance between Pointe-Noire and Qingdao is approximately 9,700 nautical miles. Based on the above vessel and port assumptions freight costs of approximately US$24.50/dmt was assumed in the FS estimates. However, due to the collapse in global freight rates since the FS was announced, the equivalent freight rate has dropped to approximately US$15/dmt currently.

Changing dynamics in freight rates, as well as other input costs such as oil and gas, are important contributors to Zanaga's continuous ability to demonstrate its bottom quartile operating cost advantage. As a result, we will be closely monitoring developments in these markets going forward as key drivers of the investment case.

Permitting

The application for the Environmental Permit for Stage One has been lodged with the RoC Ministry of Environment and the Project team believes that this is likely to be received during 2015.

Next Steps

Following a reduction of the cost base in Q1 2015, the Project team will be progressing key value-adding activities on the project. These important preparatory steps will place the Project in a position to seek financing and progress to development once market conditions stabilise. The value adding activities to be progressed will include the establishment of port and power agreements, issue of the environmental permit, and ratification of the Zanaga Mining Convention by the parliament of the Republic of Congo ("RoC").

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$171.1m (2013: profit US$4.0m). The loss for the year comprised:

	2014	2013
	US$000	US$000
General expenses	**(3,531)**	(5,161)
Net foreign exchange (loss)	**(747)**	(32)
Share-based payments	**(1,251)**	(397)
Change in investment carrying value from gain on dilution of shares	**45,521**	-
Share of loss of associate	**(94,731)**	(1,202)
Impairment of Investment in Associate	**(110,082)**	-
Interest income	**51**	97
Loss before tax	**(164,770)**	(6,695)
Tax	**(42)**	(58)
Currency translation	**(38)**	-
Share of other comprehensive (loss)/income of associate –foreign exchange	**(6,221)**	10,706
Total comprehensive (loss)/income	**(171,071)**	3,953

General expenses of US$3.5m (2013: US$5.2m) consists of US$1.0m professional fees (2013: US$2.2m), US$0.6m Directors' fees (2013: US$0.6m) and US$1.9m (2013: US$2.4m) 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. During 2014 2.0 million existing share options were waivered or nullified and 9.0 million new share options were issued direct to recipients. Further details of the LTIP and share options granted can be found in the notes to the financial statements.

The completion of the FS during H1 2014 also completed the consideration required from Glencore to conclude the share option agreement under which Glencore owns 50% plus 1 share shareholding in the Project. The consideration for 50% plus 1 share cost investment in the project of US$150.8m, compared to a US$105.3m 50% plus 1 share reduction in the Company's Zanaga Project asset value at 30 April 2014, realised a surplus of US$45.5m. The Company now owns and accounts for 50% less one share of the Project.

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 before impairment charges, generated a loss of US$189.4m in the year to 31 December 2014 (2013: loss US$1.2m). During the year Jumelles spent a net US$2.4m (2013 US$45.4m) on exploration, net of a currency translation loss US$14.5m (2013: Gain US$10.7m), increasing its capitalised exploration assets to US$289.3m (2013: US$286.9m) before the impairment of US$189.3m (2013: US$nil). The 2014 US$6.2m currency loss of associate Jumelles, results from the weakening against the US$, of Jumelles subsidiary MPD Congo's local currency Fcfa (Symbol XAF – Euro tied currency), where the Project asset is held.

The current low, and volatile, iron ore price environment has impacted the Project's future financing which resulted in Jumelles assessing the recoverability of the carrying value of the Zanaga Project. A range of outcomes were considered, but based on iron prices at the end of 2014 and continuing price volatility, the Zanaga Project was impaired down to $100m, resulting in an impairment charge within Jumelles of $189.3m, the Company's share being $94.7m. A resulting impairment charge of $110m has therefore been recognised by ZIOC to bring the carrying value of its investment in the Project down to US$50m, which is 50% less 1 share of the carrying value in Jumelles accounts.

Financial Position

ZIOC's Net Asset Value (NAV) of US$62.3m (2013: US$232.1m) comprises of US$50.0m (2013: US$208.5m) investment in Jumelles, US$12.5m (2013: US$24.0m) of cash balances and US$0.2m (2013: US$0.5m) of other net current liabilities.

	2014	2013
	US$000	US$000
Investment in associate	**50,000**	208,513
Fixed Assets	**8**	62
Cash	**12,480**	24,009
Other net current liabilities	**(179)**	(455)
Net assets	**62,309**	232,129

Cost of investment

The investment in associate relates to the carrying value of the investment in Jumelles; as a result of the completion of the Feasibility Study, the Company now owns and accounts for 50% less one share of the Project. During 2014, under the existing JVA Supplemental Agreement the company contributed a further US$7.0m (2013: US$10.0m). 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$100m (2013: US$286.9m).

As at 31 December 2014, Jumelles had aggregated assets of US$108.4m (2013: US$299.2m) and aggregated liabilities of US$4.6m (2013: US$8.4m). After an exploration asset impairment of US$189.3m (2013: US$nil), assets consisted of US$100.0m (2013: US$286.9m) of capitalised exploration assets, US$4.3m (2013: US$7.4m) of other fixed assets, US$3.4m cash (2013: US$4.0m) and US$0.8m other assets (2013: US$0.9m). Before the impairment a net total of US$2.4m (2013: US$45.4m) of exploration costs were capitalised during the year.

Cash flow

Cash balances decreased by US$11.5m during 2014 (2013 decrease US$16.4m), net of interest income US$0.05m (2013: US$0.1m) and a foreign exchange loss of US$0.8m (2013: loss US$0.03m) on bank balances held in UK Sterling. Additional investment in Jumelles required under the Supplemental Agreement (outline details in Note 1 to the financial statements) utilised US$7.0m (2013: US$10.0m), operating activities utilised US$3.8m (2013: US$6.1m), and there were no share repurchases (2013: US$0.3m).

Fundraising activities

There were no fundraising activities during 2014 (2013: 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 (2004 and 2012 editions respectively), 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 an IODEX 62% Fe forecast of 100 US$/dmt (162 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, 2004 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 (2004 and 2012 editions) 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 2015. As such agreement relates to 2015, there is a risk that after 31 December 2015 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.

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 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 (e.g. further issuance of ordinary shares or convertible loan notes), 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 Republic of Congo. These operations will be exposed to various levels of political, regulatory, economic, taxation, environmental and other risks and uncertainties. As in many other countries, these 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 Congolese economy; terrorism; hostage taking; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; nationalisation; changes in taxation; illegal mining; restrictions on foreign exchange and repatriation. In addition, the Republic of Congo is an emerging market and, as a result, is generally subject to greater risks than in the case of more developed markets.

HIV/AIDS, malaria and other diseases are prevalent in the Republic of Congo 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 Republic of Congo 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 has been granted and a Mining Convention has been entered into. The Mining Convention still awaits ratification by the Congolese legislature and application has been made for an environmental permit to cover the first stage of planned Project operations. While the Jumelles group is closely monitoring these processes, there can be no guarantee as to their outcome.

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 Republic of Congo as regards the mine operating company and a contingent option for the Government of the Republic of Congo 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 Republic of Congo, mineral deposits are the property of the federal government with the ability to purchase surface rights. Generally speaking, the Republic of Congo 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 Republic of Congo 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 (Déclaration D'utilité Publique) 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 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 Projects'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. 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.

Corporate Social Responsibility

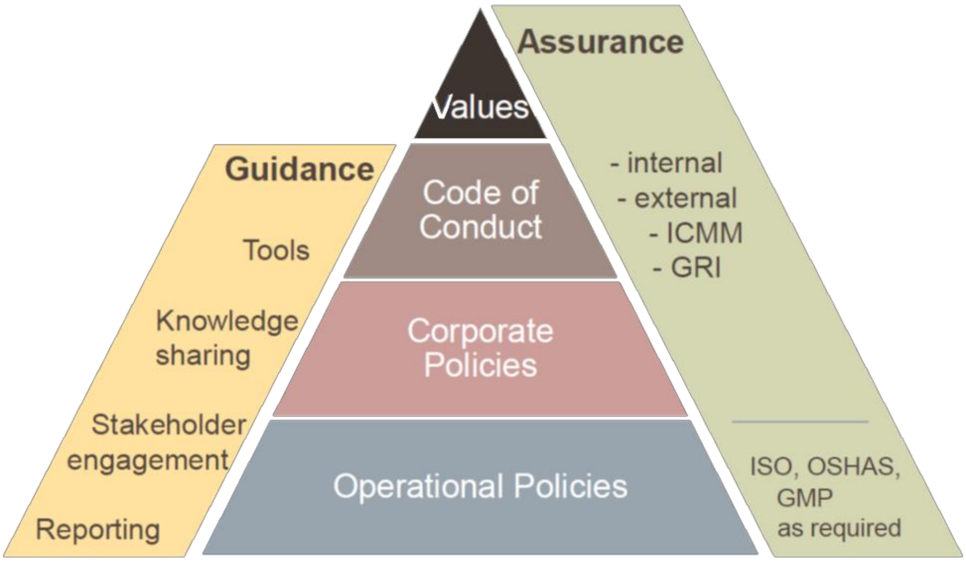
Why is corporate social responsibility important to Zanaga?

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

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

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 2014 and only one Medical Treatment Injury Case was recorded. This is an exceptional result. A total of 201 safety and JSA meetings were held during the year as part of the proactive programme.
- During 2014, 547 community communication meetings took place with approximately 3,000 local stakeholders.
- Another HIV/AIDS awareness outreach campaign was undertaken in 2014 to increase the awareness of the HIV prevention programme. HIV/AIDS awareness outreach campaign sessions were attended by 81 employees, and 328 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 34,000 condoms were distributed from the five condom distribution points around the project site over 2014.
- During the year further emphasis was given to the development of small business opportunities for local entrepreneurs.
- Additional emphasis was also provided to groups aiming at improving agricultural production at the many small farming ventures associated with the local population.
- The Project continued to provide financial support via the village parents-and-teachers associations to voluntary teachers to cover the resource gap in teacher capacity in the schools in the project area.
- Approximately US$129,000 was spent on various social initiatives, community investment programmes and some in-kind support.
- Work continued on the plant nursery at the Zanaga camp and a total of 3,131 plants were in our nursery at the end of the year. The culmination of these efforts was the ability to achieve a large scale planting exercise on the National tree day celebrations at Mbouyi.
- An environmental awareness education programme was attended by more than 200 employees with themes including rational use of water, waste management, apes, forests & deforestation, climate change, bushmeat, ebola, sustainable development, and Congo's wildlife.

The Project's Social and Environmental Impact Assessment

During 2014 the Project's CSR programme concluded the finalisation of the SEIA, which then formed the basis of an application for an Environmental Permit for Stage One with the RoC Ministry of Environment. The SEIA was scoped to provide an integrated approach to the overall project and ensure cumulative impacts from the mine, port and transport infrastructure were taken into consideration. As reported previously, the Zanaga Management Team partnered with a number of conservation NGOs to ensure key stakeholders had direct input into both the quality of the social and environmental baseline as well as contributing to the analysis of impacts.

Management of health and safety incidents

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

Only one Restricted Work Injury was recorded during 2014, 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 the year, risk management training was undertaken to improve skills of employees in this important area.

Supporting local education

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

- Construction work of a new house for the head teacher in the village of Léwala was completed in 2014.
- Payment of 50% of the voluntary teachers' salaries.
- Supply of 1,025 school kits for all school aged children in the eight villages that are within the project area of influence

Corporate Governance

Board of Directors

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

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

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

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

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. Mr Dines is currently a non-executive director of KAZ minerals plc (formerly Kazakhmys plc), which is listed on the Main Market of the London Stock Exchange.

Michael John Haworth
Non-Executive Director
Michael Haworth is a director of Strata Limited (Guernsey), Garbet Limited and is a partner of Greenstone Capital UK LLP. Mr Haworth has 16 years' investment banking experience, predominantly in emerging markets and natural resources. Prior to establishing Strata Limited in 2006, Mr Haworth was a Managing Director at J.P. Morgan and Head of Mining and Metals Corporate Finance in London.

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

Dave John Elzas
Non-Executive Director
Dave Elzas has over 15 years' experience in international investment banking. Between 1994 and 2000, Mr Elzas served as a senior executive and subsequently managing director of the Beny Steinmetz Group. Mr Elzas is currently the 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

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

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

Directors Report

The Directors whose names appear on page 23-24 were members of the Board at the time of approving the Directors' Report and hereby present their 2014 Annual Report to the shareholders of Zanaga Iron Ore Company Limited, together with the full financial statements for the year ended 31 December 2014.

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 Republic of Congo.
- Following both pre and post Admission development funding received from Xstrata, in 2011, Xstrata exercised its Call Option and acquired a 50% plus one share interest in the Project through Jumelles. The Company retains a 50% less one share interest in the Project through Jumelles ("Minority Stake").
- Following their merger in 2013 the 50% plus one share shareholder 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 4-12.

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 15-19. 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 (2013: 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.

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 Republic of Congo.

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

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 the project funding initiative ("Funding Round") 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 Supplemental Agreement for 2014 project expenditure, Glencore and ZIOC have agreed a 2015 Project Work Programme and Budget for the Project of US$8.8m. ZIOC has agreed to contribute towards such work programme and budget an amount comprising a fixed sum of US$ 2.5m plus an amount equal to 50% of the Management Team costs (total Management Team costs are estimated to be $0.9m within such US$8.8m figure). In addition, where there are overall savings to the budgeted figure beyond US$0.5m, ZIOC is entitled to share 50/50 in any such savings. Ignoring any entitlement to savings, ZIOC's potential contribution to the Project in 2015 is US$2.95m in total. The levels of Jumelles' committed capital and other expenditure extending beyond this budgeted figure of $8.8m are very limited, with substantially all of any additional expenditure being discretionary.

In the light of iron ore market conditions, the Company has taken steps to further reduce its own cost base during 2015. At 31 December 2014 the Company had cash reserves of US$12.5m 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 2014 are Clifford Elphick, Michael Haworth, Dave Elzas, Colin Harris, Clinton Dines and Alistair Franklin.

Biographical details of the Directors and the period of each directorship are shown on pages 23-24 and page 29.

Details of Board meetings and Directors' attendance at Board meetings are laid out on page 30.

The Directors' interests in the ordinary shares of the Company as at 31 December 2014 and at the date of signing of this Annual Report are set out on pages 36-37 in the Remuneration Report.

Directors' remuneration

A Directors' Remuneration Report, which shareholders will be asked to approve at the Annual General Meeting, can be found on pages 34-37.

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 29-33.

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 20-22.

Substantial share interests

As at 10 June 2015, 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 45-47 for more details), Liberum Capital Limited, which acts as Nominated Adviser and joint Corporate Broker, Computershare Investor Services (BVI) Limited, which acts as Registrar and Hyposwiss Private Bank Geneve SA, the Company's banker.

Legal proceedings

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

Independent Auditors

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

Disclosure of information to Auditors

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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

By order of the Board

Mr Dave Elzas
Non-Executive Director

Coastal Building, 2nd Floor
Wickham's Cay II
P.O. Box 2221
Road Town, Tortola
British Virgin Islands
25 June 2015

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 2014, the Board was led by a Non-Executive Chairman, Clifford Elphick. The Board consisted of six 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	54	Non-Executive Chairman	26 November 2009
Michael John Haworth	British	49	Non-Executive Director	26 November 2009
Dave John Elzas	Dutch	48	Non-Executive Director	19 November 2009
Colin John Harris	British	68	Non-Executive Director	3 November 2010
Clinton James Dines	Australian	57	Non-Executive Director	3 November 2010
Alistair Eastwood Franklin SC	South African	57	Non-Executive Director	8 February 2013

The biographical profiles of the Directors, which demonstrate their skills and experience, can be found on pages 23-24.

Under the Code, none of the Non-Executive Directors that served during the 2014 financial year would be viewed as independent. However, the Directors believe that independence is not a state of mind that can be measured objectively and, given the character, judgement and decision making process of the individuals concerned, the Directors believe that Clinton Dines, Dave Elzas and Alistair Franklin SC can be considered independent. Clinton Dines, Dave Elzas and Alistair Franklin SC would not be viewed as independent under the Code by virtue of the shares awarded to them under the Company's long-term share incentive scheme and, in the case of Dave Elzas, by virtue of him being on the board of directors of GEM Diamonds Limited with Clifford Elphick.

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

Election of Directors

As per the Company's Articles of Association, one third of Directors are subject to retirement at each AGM by rotation. 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, Clifford Elphick will retire and will stand for re-election at the 2015 AGM, on 22 July 2015. Given that the Board is being streamlined, Dave Elzas, Colin Harris and Alistair Franklin will also retire at the 2015 AGM and have confirmed that they do not wish to stand for re-election.

Attendance at Board meetings

The Company holds at least four Board meetings per year, at which the Directors review the exploration and development progress of the Project and all other important issues to ensure control is maintained over the Company's affairs. In addition, between these formal meetings there is regular contact with the Company's consultants, management and the Nominated Adviser and Broker (details of which can be found in the Administration section on page 63). The Directors are kept fully informed of investment, financial and other matters that are relevant to the business of the Company and that should be brought to the attention of the Directors. The Directors also have access to the Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

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

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

	Total	Board meetings	Committee meetings
Clifford Thomas Elphick	7/8	5/6	2/2
Michael John Haworth	7/10	3/6	4/4
Dave John Elzas	8/8	6/6	2/2
Colin John Harris	3/6	3/6	0/0
Clinton James Dines	6/6	6/6	0/0
Alistair Franklin	7/8	5/6	2/2

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

Boardroom diversity

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

Directors' shareholdings and dealings

The interests of the Directors in the share capital of the Company are disclosed in the Directors' Remuneration Report on pages 34-37.

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

Board committees

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

The Audit Committee

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

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

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

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

Two meetings were held in the year to 31 December 2014.

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

Fees paid to members of the Audit Committee for the year ended 31 December 2014 are set out in the Remuneration Report on page 35.

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

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

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

Financial reporting

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

External Auditor

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

The Audit Committee has continued to be satisfied with the independence and effectiveness of the Auditors and does not at this stage consider it is necessary to require an independent tender process. The Audit Committee will consider this again following publication of the 2014 Annual Report and will keep this under ongoing review.

The Audit Committee met with the Company's Auditor on 16 June 2015 (2014: 11 June). The Audit Committee also has direct access to the Company's Auditor as necessary at other times and the opportunity to meet the Auditor without management being present.

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 Audit Committee is responsible for ensuring that any non-audit services do not jeopardise this independence and objectivity and given the size and stage of development of the Company do this on a case by case basis.

Auditor's remuneration for the Company's Auditor, KPMG LLP, for audit services for the year 2014 are US$65,000 (2013: US$83,000), and US$5,000 for non-audit services (2013: 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 Audit Committee will continue to keep this under ongoing review.

A review of business risks was carried out during 2014. A summary of the principal risks facing the Company can be found on pages 15-19.

Remuneration Committee

The composition, activities and role of the Remuneration Committee is set out in more detail in the Remuneration Report on pages 34-37.

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

Health, Safety, Social and Environment Committee

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

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

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

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

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

Relationships with shareholders

The Code encourages dialogue with institutional shareholders based on the mutual understanding of objectives. The Directors are always available to enter into dialogue with shareholders. All ordinary shareholders will have the opportunity, and indeed are encouraged, to attend and vote at the AGM during which the members of the Board, the Nominated Advisor and 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 2014 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 Company believes it appropriate to continue to do so, and, as a matter of best practice, this report will be subject to an advisory shareholder vote at the AGM.

Remuneration Committee

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

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

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

The Remuneration Committee's key objectives are to:

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

The Remuneration Committee's main responsibilities are to:

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

Remuneration policy

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

Advice

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

Service contracts and notice periods

The Board consisted of six Directors at the year end, all of whom were Non-Executive Directors for the duration of the year. Further details of the Directors and length of directorships are reflected in the table set out on page 29 in the Corporate Governance section of this Report.

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

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

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

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	50.0	–	4.0	–	54.0
Dave Elzas[3]	50.0	10.0	–	–	60.0
Alistair Franklin[4]	50.0	–	–	7.5	57.5

1. *Chairman of Board of Directors.*
2. *Chairman of HSSE Committee.*
3. *Chairman of Audit Committee.*
4. *Chairman of the Remuneration Committee.*

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

Directors' shareholdings

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

Directors (Share options status 31 December 2014)	**31 December 2014** **Number of shares**	**% of issued share capital**	31 December 2013 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 (Options. Unexercised. Unvested 267,284)	**600,000**	**0.21%**	199,076	0.07%
Colin Harris[3] (Options. Unexercised. Unvested 134,566)	**2,590,763**	**0.93%**	2,388,915	0.86%
Clinton Dines (Options. Unexercised. Unvested 134,565)	**600,000**	**0.22%**	398,153	0.14%
Alistair Franklin (Options. Unexercised. Unvested 266,668)	**400,000**	**0.14%**	199,076	0.07%

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

There have been no changes in the Directors' interests up to the time of writing of this report.

Remuneration for the year to 31 December 2014

The emoluments for the Directors who served for the year to 31 December 2014 can be found below:

Director	**Director fee 2014 £000**	**Other emoluments 2014 £000**	**Total emoluments 2014 £000**	Total emoluments 2013 £000
Colin Harris[1]	**54.0**	**–**	**54.0**	54.0
Clifford Elphick	**83.0**	**–**	**83.0**	83.0
Clinton Dines	**57.5**	**–**	**57.5**	57.5
Michael Haworth[2]	**59.0**	**–**	**59.0**	59.0
Dave Elzas	**60.0**	**–**	**60.0**	63.1
Alistair Franklin	**57.5**	**–**	**57.5**	52.7
Total in £	**371.0**	**–**	**371.0**	369.3
	$000	**$000**	**$000**	$000
Total in US$	**611.0**	**–**	**611.0**	578.0

1. *Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £105,000 (US$174,000) for consultancy services provided by Colin Harris during 2014 (2013: £146,000 US$228,000).*
2. *A total of £150,000 (US$245,000) for consultancy services provided by Michael Haworth during 2014 (2013: £314,000 US$493,000) was paid to a limited liability partnership in which Mr Haworth has a significant interest, previously known as Strata Capital UK LLP*

LTIP

At its Admission 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 2014**	Highest and lowest market price in year	Expiry date	**Number vested at 31 Dec 2014**	Vesting criteria
Colin Harris*	2010	1,990,763	£0.0234	**£0.0495**	£0.2600-£0.0480	18 May 2021	**1,990,763**	1 (see below)
	2010	398,152	£0.0234	**£0.0495**	£0.2600-£0.0480	18 May 2021	**398,152**	2 (see below)
	2014	201,848	£0.0001	**£0.0495**	£0.2600-£0.0480	29 July 2024	**67,283**	6 (see below)
Clinton Dines	2010	398,153	£0.0234	**£0.0495**	£0.2600-£0.0480	18 May 2021	**398,153**	2 (see below)
	2014	201,847	£0.0001	**£0.0495**	£0.2600-£0.0480	29 July 2024	**67,283**	6 (see below)
Dave Elzas	2010	199,076	£0.0234	**£0.0495**	£0.2600-£0.0480	18 May 2021	**199,076**	2 (see below)
	2014	400,924	£0.0001	**£0.0495**	£0.2600-£0.0480	29 July 2024	**133,641**	6 (see below)
Alistair Franklin	2014	199,076	£0.0000	**£0.0495**	£0.2600-£0.0480	7 July 2023	**67,283**	6 (see below)
	2014	200,924	£0.0001	**£0.0495**	£0.2600-£0.0480	29 July 2024	**66,975**	6 (see below)

**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).*

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 (part vested)
These awards vest one third on the date of grant (July 2014), one third in February 2015, and one third in February 2016

All of the 2010 options above were vested and outstanding at the beginning of the year. The Directors have not exercised any options during the year (2013: US$nil).

The total charge to the profit and loss account for the awards made to the Directors in the year to 31 December 2014 was US$238,000 (2013: US$21,000). Further details of the LTIP can be found in Note 11 to the Financial Statements on page 55.

By order of the Board

Alistair Franklin
Chairman
Remuneration Committee
25 June 2015

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 2014 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 34.

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 2014, 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’ Responsibilities Statement set out on page 38, 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 12 November 2014 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 2014 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
25 June 2015

Consolidated statement of comprehensive Income
for year ended 31 December 2014

	Note	**2014** US$000	2013 US$000
Administrative expenses		**(5,529)**	(5,590)
Share of loss of associate	6b	**(94,731)**	(1,202)
Operating loss	4	**(100,260)**	(6,792)
Interest income		**51**	97
Change in investment carrying value from gain on dilution of shares	6b	**45,521**	-
Impairment of Investment in Associate	6b	**(110,082)**	-
Loss before tax		**(164,770)**	(6,695)
Taxation	5	**(42)**	(58)
Loss for the year		**(164,812)**	(6,753)
Foreign exchange translation – foreign operations		**(38)**	-
Share of other comprehensive (loss)/income of associate – foreign exchange translation		**(6,221)**	10,706
Other comprehensive (loss)/income		**(6,259)**	10,706
Total comprehensive (loss)/income		**(171,071)**	3,953
(Loss) per share			
Basic (Cents)	12	**(60.0)**	(2.4)
Diluted Cents)	12	**(60.0)**	(2.4)

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

The notes on pages 45 - 61 form an integral part of the financial statements.

Consolidated statement of changes in equity
for year ended 31 December 2014

	Share capital US$000	Retained earnings US$000	Foreign currency translation reserve US$000	Total equity US$000
Balance at 1 January 2013	265,365	(35,529)	(1,729)	228,107
Consideration for share-based payments	397	–	–	397
Share buy backs	(328)	–	–	(328)
Loss for the year	–	(6,753)	–	(6,753)
Other comprehensive income	–	–	10,706	10,706
Total comprehensive loss	–	(6,753)	10,706	3,953
Balance at 31 December 2013	265,434	(42,282)	8,977	232,129
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 (loss)/income	**–**	**–**	**(6,259)**	**(6,259)**
Total comprehensive (loss)/income	**–**	**(164,812)**	**(6,259)**	**(171,071)**
Balance at 31 December 2014	**266,685**	**(207,094)**	**2,718**	**62,309**

The notes on pages 45 - 61 form an integral part of the financial statements.

Consolidated balance sheet
for year ended 31 December 2014

	Note	**2014** US$000	2013 US$000
Non-current assets			
Property, plant and equipment	6a	**8**	62
Investment in associate	6b	**50,000**	208,513
		50,008	208,575
Current assets			
Other receivables	7	**170**	165
Cash and cash equivalents	8	**12,480**	24,009
		12,650	24,174
Total Assets		**62,658**	232,749
Current liabilities			
Trade and other payables	9	**(349)**	(620)
Net assets		**62,309**	232,129
Equity attributable to equity holders of the parent			
Share capital	10	**266,685**	265,434
Retained earnings		**(207,094)**	(42,282)
Foreign currency translation reserve		**2,718**	8,977
Total equity		**62,309**	232,129

The notes on pages 45 - 61 form an integral part of the financial statements.

These financial statements set out on pages 41-61 were approved by the Board of Directors on 25 June 2015 and were signed on its behalf by:

Mr D Elzas
Director

Consolidated cash flow statement
for year ended 31 December 2014

	Note	2014 US$000	2013 US$000
Cash flows from operating activities			
Total comprehensive (loss)/income for the year		**(171,071)**	3,953
Adjustments for:			
Depreciation		**57**	29
Interest receivable		**(51)**	(97)
Taxation expense		**42**	58
Decrease/(Increase) in other receivables		**(5)**	117
(Decrease)/Increase in trade and other payables		**(238)**	(1,027)
Net exchange gain		**747**	32
Gain on part sale of project interest		**(45,521)**	-
Share of Total Comprehensive loss/(income) of associate		**100,952**	(9,504)
Impairment to share of impairment in associate		**110,082**	-
Share-based payments		**1,251**	397
Tax paid		**(55)**	(51)
Net cash from operating activities		**(3,810)**	(6,093)
Cash flows from financing activities			
Repurchase of own shares		**-**	(328)
Net cash from financing activities		**-**	(328)
Cash flows from investing activities			
Interest received		**51**	97
Acquisition of property, plant and equipment		**(3)**	(11)
Investment in associate		**(7,000)**	(10,000)
Net cash from investing activities		**(6,952)**	(9,914)
Net decrease in cash and cash equivalents		**(10,762)**	(16,335)
Cash and cash equivalents at beginning of year		**24,009**	40,383
Effect of exchange rate difference		**(767)**	(39)
Cash and cash equivalents at end of year	8	**12,480**	24,009

The notes on pages 45 – 61 form an integral part of the financial statements.

Notes to the financial statements

1 Business information and going concern basis of preparation

Background

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

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

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

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

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

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

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

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

Xstrata Transaction

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

- a call option deed which gave Xstrata Projects an option to subscribe for 50% plus 1 share of the fully diluted and outstanding shares of Jumelles ("Majority Stake") in return for providing funding towards ongoing exploration of the Zanaga exploration licence area and a pre-feasibility study (the "PFS") subject to a minimum amount of US$50 million (the "Xstrata Call Option"). Under the terms of the Xstrata Call Option, the consideration payable by Xstrata Projects for the option shares that would be issued by Jumelles Limited would comprise (i) a commitment to fund all costs to be incurred by Jumelles Limited in completing a Feasibility Study on the Project (the "FS") (provided such amount shall be greater than US$100 million) or to carry out such a feasibility study at its own cost and (ii) payment of an amount (up to a maximum of US$25 million) equal to the amount that Jumelles Limited owes to Garbet and Guava as loans which would be used to repay the latter; and

- a Joint Venture Agreement which 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

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 Republic of Congo. 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 Republic of Congo.

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

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 the Funding Round initiative 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 Supplemental Agreement for 2014 project expenditure, Glencore and ZIOC have agreed a 2015 Project Work Programme and Budget for the Project of US$8.8m. ZIOC has agreed to contribute towards such work programme and budget an amount comprising a fixed sum of US$ 2.5m plus an amount equal to 50% of the Management Team costs (total Management Team costs are estimated to be $0.9m within such US$8.8m figure). In addition, where there are overall savings to the budgeted figure beyond US$0.5m, ZIOC is entitled to share 50/50 in any such savings. Ignoring any entitlement to savings, ZIOC's potential contribution to the Project in 2015 is US$2.95m in total. The levels of Jumelles' committed capital and other expenditure extending beyond this budgeted figure of $8.8m are very limited, with substantially all of any additional expenditure being discretionary.

In the light of iron ore market conditions, the Company has taken steps to further reduce its own cost base during 2015. At 31 December 2014 the Company had cash reserves of US$12.5m 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 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 to be confirmed).
- IFRS 15 Revenue from Contract with Customers (effective date to be confirmed).
- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (effective date to be confirmed).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective date to be confirmed).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date to be confirmed).
- Sale or Contribution of Assets between and Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be confirmed)
- Annual Improvements to IFRSs – 2010-2012 Cycle (effective date to be confirmed).
- Annual Improvements to IFRSs – 2011-2013 Cycle (effective date to be confirmed).
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective date to be confirmed).

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. Such awards made prior to 2014 have been waivered and replaced during the year.

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. During 2014, share options issued in previous years were waivered and replaced.

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 6.

Subsequent events

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

3 Critical accounting estimates, assumptions and judgements

The Group makes estimates and 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):

	2014 **US$000**	2013 US$000
Share-based payments (see Note 11)	**1,251**	397
Net foreign exchange loss	**747**	32
Directors' fees	**611**	578
Auditor's remuneration	**65**	83
Depreciation	**56**	29

Other than the Company Directors, the Group directly employed six staff in 2014 (2013: five). The six Directors received a total of US$611,000 remuneration for their services as Directors of the Group (2013: US$578,000). The amounts paid as Directors' fees are shown in the Directors' Remuneration Report on page 36. The Directors' interests in the share capital of the Group are shown in the Directors' Remuneration Report on pages 36-37.

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.

	2014 US$000	2013 US$000
Recognised in other comprehensive income:		
Current year	**(42)**	(58)
Reconciliation of effective tax rate		
Loss before tax	**(164,770)**	(6,695)
Income tax using the BVI corporation tax rate of 0% (2013: 0%)	**-**	-
Effect of tax rate in foreign jurisdictions	**(42)**	(58)
	(42)	(58)

The effective tax rate for the Group is 0.03% (2013: 0.9%).

6a Property, Plant and Equipment

	Leasehold property improvements US$000	Fixtures and fittings US$000	Total US$000
Cost			
Balance at 1 January 2014	69	48	117
Additions	-	3	3
Disposals	(69)	(9)	(78)
Balance at 31 December 2014	**-**	**42**	**42**
Depreciation			
Balance at 1 January 2014	26	29	55
Disposals	(71)	(6)	(77)
Charge for period	45	11	56
Balance at 31 December 2014	**-**	**34**	**34**
Net book value			
Balance at 31 December 2014	**-**	**8**	**8**
Balance at 31 December 2013	43	19	62

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

6b Investment in associate

	US$000
Balance at 1 January 2013	189,009
Additions	10,000
Share of post-acquisition comprehensive income	9,504
Balance at 31 December 2013	208,513
Balance at 1 January 2014	**208,513**
Additions	**7,000**
Change in investment carrying value from gain on dilution of shares	**45,521**
Share of post-acquisition comprehensive loss	**(100,952)**
Impairment of investment in associate	**(110,082)**
Balance at 31 December 2014	**50,000**

At 31 December 2014, 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$7.0m of investment agreed in accordance with the Joint Venture Supplemental Agreement (2013 US$10.0m).

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 completion of the Feasibility Study during H1 2014 also completed the consideration required from Glencore to conclude the share option agreement under which Glencore owns 50% plus 1 share shareholding in the Project. The consideration for 50% plus 1 share cost investment in the project of US$150.8m, compared to a US$105.3m 50% plus 1 share reduction in the Company's Zanaga Project asset value at 30 April 2014, realised a surplus of US$45.5m on the transaction.

The current low, and volatile, iron ore price environment has impacted the Project's future financing which resulted in Jumelles assessing the recoverability of the carrying value of the Zanaga Project. A range of outcomes were considered, but based on iron prices at the end of 2014 and continuing price volatility, the Zanaga Project was impaired down to $100m, resulting in an impairment charge within Jumelles of $189.3m, the Company's share being $94.7m. A resulting impairment charge of $110m has therefore been recognised by ZIOC to bring the carrying value of its investment in the Project down to US$50m, which is 50% less 1 share of the carrying value in Jumelles accounts.

As at 31 December 2014, Jumelles had aggregated assets of US$108.4m (2013: US$299.2m) and aggregated liabilities of US$4.6m (2013: US$8.4m). For the year ended 31 December 2014 Jumelles incurred a loss before tax of US$189.4m (2013: US$1.2m) which included an impairment charge of $189.3m (2013: US$nil). Currency translation of the underlying Congolese asset generated a translation loss of US$14.5m (2013: Gain US$10.7m). A summarised consolidated balance sheet of Jumelles Limited for the year ended 31 December 2014, including adjustments made for equity accounting, is included below:

	2014 US$000	2013 US$000
Non-current Assets:		
Property, plant and equipment	**4,264**	7,421
Exploration and other evaluation assets	**100,000**	286,876
Intangible assets	**-**	3
Total non-current assets	**104,264**	294,300
Current Assets	**4,162**	4,948
Current Liabilities	**(4,608)**	(8,416)
Net current liabilities	**(446)**	(3,468)
Net assets	**103,818**	290,832
Share capital	**330,095**	9,593
Share option reserve	**-**	292,584
Capital contribution 1 (ZIOC + Glencore)	**-**	1,030
Capital contribution 2 (ZIOC)	**-**	10,000
Translation reserve	**(6,112)**	8,387
Retained earnings	**(220,165)**	(30,762)
	103,818	290,832

7 Other receivables

	2014 US$000	2013 US$000
Prepayments	**132**	165
Amounts receivable from the Jumelles group	**38**	-
	170	165

8 Cash

	2014 US$000	2013 US$000
Cash and cash equivalents	**12,480**	24,009

9 Trade and other payables

	2014	2013
	US$000	US$000
Accounts payable	**307**	**552**
UK Corporation Tax	**42**	**68**
	349	**620**

No amounts payable are due in more than 12 months (2013: US$nil).

10 Share capital

	Ordinary Shares	Ordinary Shares
In thousands of shares		
	2014	2013
On issue at 1 January – fully paid	**278,777**	279,777
Shares issued	-	-
Shares repurchased and cancelled	-	(1,000)
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 (2013: US$nil).

Share capital changes in 2014

There were no new shares issued in 2014, 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.

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 vest one third on the date of grant (July 2014), one third in February 2015, and one third in February 2016

Award 7 (partly vested)

These awards vest partly on the date of grant, partly upon the achievement of the signed Mining Licence and Mining Convention, and partly in December 2015 or earlier in the event of externally sourced incoming investment into Jumelles Ltd or a decision to proceed with Front End Engineering Phase (FEED) ahead of a potential investment and construction decision.

Award 8 (fully vested)

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

Award 9 (partly vested)

Theis award vests partly on the date of grant, partly upon the achievement of the signed Mining Licence and Mining Convention, and partly in December 2015 or earlier in the event of externally sourced incoming investment into Jumelles Ltd or a decision to proceed with Front End Engineering Phase (FEED) ahead of a potential investment and construction decision.

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

It is currently expected that the awards will vest in full. 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 2013 *	£0.02	3,404,204	£0.02	995,382	N/A	Nil	N/A	Nil	N/A	Nil	£0.02	4,399,586
At 31 December 2013 *	£0.02 (US$0.04)	2,727,345	£0.02 (US$0.04)	995,382	N/A	Nil	N/A	Nil	N/A	Nil	£0.02 (US$0.04)	3,722,727
At 1 January 2014 *	£0.02 (US$0.04)	2,727,345	£0.02 (US$0.04)	995,382	N/A	Nil	N/A	Nil	N/A	Nil	£0.02 (US$0.04)	3,722,727
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 (US$0.04)	2,727,345	£0.02 (US$0.04)	995,382	0.01 (US$0.01)	1,204,619	0.01 (US$0.02)	1,013,418	0.01 (US$0.02)	4,000,000	£0.01 (US$0.02)	9,940,764

	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	401,540	1,013,418	3,200,000	8,337,685
Weigted average remaining contractual life (Days)	Nil	Nil	404	Nil	365	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	0.69% for 12 month expected life 1.12% for 24 month expected life	1.75% for 12 month expected life 2.25% in excess 24 month expected life	1.75% for 12 month expected life 2.25% in excess 24 month expected life	1.75% for 12 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 rateUS$ 1.6944:£1.00.

The total equity-settled share-based payment expense recognised as an operating expense during the year was US$1,251,000 (2013: US$397,000), of which US$238,000 (2013: US$21,000) related to the Directors, US$875,000 related to employees of the group (2013: US$218,000), and US$138,000 (2013: US$158,000) 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 page 37.

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$nil (2013: US$nil).

12 Profit/(Loss) per share

	2014	2013
Loss (Basic and diluted) (US$,000)	**(164,812)**	(6,753)
Weighted average number of shares (thousands)		
Basic		
Issued shares at beginning of period	**278,777**	279,777
Effect of shares issued	**–**	–
Effect of share repurchase and cancellation	-	(997)
Effect of own shares	**(3,956)**	(4,346)
Effect of share split	**–**	–
Weighted average number of shares at 31 December – basic	**274,821**	274,434
Loss per share		
Basic (Cents)	**(60.0)**	(2.4)
Diluted (Cents)	**(60.0)**	(2.4)

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:

	2014	2013
	US$000	US$000
Cash and cash equivalents	**12,480**	24,009

(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 2014 the foreign currency denominated assets include cash balances held in Sterling of US$12,313,000 (2013: US$16,699,000), other receivables denominated in Sterling of US$169,000 (2013: US$161,000), and payables of US$303,000 (2013: US$608,000) denominated in Sterling.

The following significant exchange rates applied during the year:

	Average rate 2014	**Reporting date spot rate 2014**	Average rate 2013	Reporting date spot rate 2013
Against US Dollars	**US$**	**US$**	US$	US$
Pounds Sterling	**1.6476**	**1.5557**	1.5649	1.6557

Sensitivity analysis

A 10% weakening of the following currencies against the US Dollar at 31 December 2014 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 2014 US$000	**Profit or loss 2014 US$000**	Equity 2013 US$000	Profit or loss 2013 US$000
Pounds Sterling	**(1,218)**	**(1,218)**	(1,596)	(1,596)

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

14 Commitments

The Group had no capital commitments or off-balance sheet arrangements at 31 December 2014 (31 December 2013: nil) other than a replacement London office from 1 January 2015 having a minimum rental period of 6 months at a total rental of £45,000 (US$70,000). ZIOC has agreed to contribute towards the funding of a US$8.8m 2015 Project Work Programme and Budget an amount comprising a fixed sum of US$2.5m plus an amount equal to 50% of the Management Team costs (total Management Team costs are estimated to be $0.9m within such US$8.8m figure).

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	
	2014 US$000	2013 US$000	**2014 US$000**	2013 US$000
Associate Jumelles Limited	**38**	25	**38**	-
Associate Jumelles Technical Services UK Limited	**-**	53	**-**	-
Harris GeoConsult Ltd	**(174)**	(228)	**(12)**	(10)
Strata Capital UK LLP	**(245)**	(729)	**(60)**	(8)
Xstrata Services (UK) Ltd	**-**	(9)	**5**	5
Funding:				
To Jumelles Ltd	**7,000**	10,000	**-**	-

In addition to the transactions above, during 2014, the Group also issued share options in respect of consultancy services provided by Strata Capital UK LLP (2010 & 2012 Share Options having been waivered) and Harris GeoConsult. Details of these options can be found in Note 11.

Transactions with key management personnel

	2014 US$000	2013 US$000
Share-based payments *	**238**	21
Directors' fees *	**611**	578
Total	**849**	599

* Harris GeoConsult Ltd, a company in which Colin Harris has a controlling interest, was paid a total of £105,000 (US$174,000) for consultancy services provided by Colin Harris during 2014 (2013: £146,000 US$228,000). In July 2014, 409,237 (2013: Nil) share options, vesting at the Date of Grant, 0.01 pence exercise price, fair value accounted £76,000 (US$128,000) were issued to Harris GeoConsult.

A total of £150,000 (US$245,000) for consultancy services provided by Michael Haworth during 2014 (2013: £314,000 US$493,000) was paid to a limited liability partnership in which Mr Haworth has a significant interest, previously known as Strata Capital UK LLP.

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

Glossary

AL_2O_3	Alumina (Aluminium Oxide)
Fe	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

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

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

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