22 September 2017

INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2017

Zanaga Iron Ore Company Limited ("ZIOC" or the "Company") (AIM: ZIOC) is pleased to announce its unaudited interim results for the six months ended 30 June 2017.

Highlights

- As reported in the Company's annual report dated 28 June 2017, investigations commenced into assessing the opportunity for a small scale early production start-up project
- Additional cost reductions implemented at the Zanaga Project, as well as across ZIOC's corporate costs, to align the cost base with current market conditions
- Cash balance of US$4.4m as at 30 June 2017 and US$4.2m at 31 August 2017

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

"The global iron ore market continues to demonstrate better than expected fundamentals from a demand perspective, particularly in relation to pricing for higher quality products. However, we remain concerned by the continuing build up in Chinese iron ore port stocks which may have a negative effect on iron ore pricing through the end of the year if Chinese steel mill consumption slows.

The Project team is actively investigating the potential for the early development of a small-scale, low capex, low opex project utilising road and potentially rail transportation solutions as well as existing port infrastructure. We intend to be in a position to provide more detail on the outcomes of this study work by the end of this year."

Copies of the unaudited interim results for the six months ended 30 June 2016 are available on the Company's website at www.zanagairon.com.

For further information, please contact:

Zanaga Iron Ore

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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 investment in associate. 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.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Business Review - Operations

Cash Reserves and Project Funding

Similar to the Funding Agreement for 2016 project expenditure, Glencore and ZIOC agreed a 2017 Project Work Programme and Budget for the Project of US$1.4m plus US$0.3m of discretionary spend dependent on certain workstreams requiring capital. ZIOC agreed to contribute towards the work programme and budget an amount comprising US$0.7m plus 49.99% of all discretionary items approved jointly with Glencore. Ignoring any entitlement to savings, ZIOC's potential contribution to the Project in 2017 is US$0.9m in total.

We are pleased to report that the Project's activities are currently running in line with the 2017 budget forecast.

As at 30 June 2017, we had cash reserves of US$4.4m and continue to take a very prudent approach to the management of the business.

Permitting

The application for the Environmental Permit for the Project's first phase of development has been lodged with the Republic of Congo ("RoC") Ministry of Environment and the Project team believes that this is likely to be received during the second half of the 2017 fiscal year.

Early stage Pellet Project opportunity

As reported in the Company's annual results published on 28 June 2017, the Project team commenced the process of actively investigating the potential for the early development of a small-scale, low capex, low opex project utilising road and potentially rail transportation solutions as well as existing port infrastructure. The objective of the Project team is to determine the feasibility of a project that demonstrates attractive economics even in a low iron ore price environment. We intend to be in a position to provide more detail on the outcomes of this study work by the end of this year.

Iron Ore Market

Iron ore prices continue to trade at a higher range than the market expected to see in this period of 2017. We remain particularly encouraged by current record price premiums being paid for higher quality products and maintain our view that this is a structural shift for the industry, rather than a cyclical occurrence.

On the supply side, we expect substantial production expansions to enter the market in the second half of the year, with only a small number of these acting as replacement projects for mines entering the final phases of their lives. It is difficult to forecast the net new tonnage expected to enter the seaborne market in the next few months, but guidance from the major iron ore mining companies indicates that these tonnages will continue to provide net overall increases in global seaborne supply. This should result in a reduction in benchmark iron ore prices, but Zanaga does not expect a significant contraction of the attractive price premiums being achieved by high quality products – the product market on which we are focused.

From a demand perspective, we are pleased to see robust consumption of high quality iron ore products, but are concerned by the continuing build up in Chinese iron ore port stocks which may have a negative effect on iron ore pricing through the end of the year if Chinese steel mill consumption slows.

Outlook and next steps

The global iron ore market continues to demonstrate better than expected fundamentals from a demand perspective, particularly in relation to pricing for higher quality products.

The project team remains encouraged by improving iron ore market conditions for premium products. Port and power arrangements remain under constant review and progress is being made on securing the environmental permit.

We look forward to providing further information to shareholders towards the end of the year.

Financial review

Results from operations

The financial statements contain the results for ZIOC for the first half of 2017. ZIOC made a loss in the half-year of US$0.6m compared to a loss of US$3.1m in the year to 31 December 2016. The loss for the 2016 half-year period comprised:

	1 January to 30 June 2017 Unaudited US$000	1 January to 30 June 2016 Unaudited US$000	1 January to 31 December 2016 Audited US$000
General expenses	**(357)**	**(776)**	(1,257)
Net foreign exchange (loss)/gain	**242**	**(655)**	(1,083)
Share-based payments		**(2)**	(2)
Share of loss of associate	**(382)**	**(883)**	(619)
Interest income	**3**	**11**	16
(Loss)/Gain before tax	**(494)**	**(2,305)**	(2,945)
Tax	**-**	**(6)**	(15)
Currency translation	**-**	**(23)**	9(103)
Share of other comprehensive income of associate – foreign exchange	**(84)**	**731**	7
Total Comprehensive income	**(578)**	**(1,603)**	(3,056)

General expenses of US$0.4m (2016: US$0.8m), Directors' fees of US$0.1m (2016: US$0.1m), professional fees of US$0.2m (2016: US$0.1m) and US$0.1m (2016: US$0.2m) of other general operating expenses.

The share-based payment charges reflect the expense associated with share options granted in previous years.

The share of loss of associate of US$0.4m (2016: US$0.9m) relates to ZIOC's investment in Jumelles Limited ("Jumelles"), the joint venture company in respect of the Zanaga Project. From May 2014, as a result of the completion of the Feasibility Study and thus consideration to complete the Glencore share option, only 50% (less one share) of the Jumelles results are now included above.

During the half year period, Jumelles' project expenditure was US$0.9 including the effects of currency translation of $0.1m loss. Capitalised exploration assets however, remain at US$80.0m.

Financial position

ZIOC's net asset value ("NAV") of US$42.1m is comprised of a US$37.6m investment in Jumelles and US$4.4m of cash balances.

	30 June 2017 Unaudited US$m	30 June 2016 Unaudited US$m	31 December 2016 Audited US$m
Investment in associate	**37.6**	**38.1**	37.9
Fixed assets	**-**	**-**	-
Cash	**4.4**	**6.0**	4.9
Other net current assets/(liabilities)	**0.1**	**-**	(0.1)
Net assets	**42.1**	**44.1**	42.7

Cost of investment

The investment in associate relates to the carrying value of the investment in Jumelles, which as at 30 June 2017 owned 50% less one share of the Project. The carrying value of this investment is unchanged in 2017 due to:

- Company funding per the Supplemental Agreements of US$0.2m; and
- The Company's US$0.5m share of the comprehensive loss US$ 0.98m made by Jumelles during the half-year.

As at 30 June 2017, Jumelles had aggregated assets of US$81.7m (June 2016: US$82.9m) and aggregated liabilities of US$0.8m (June 2016: US$1.3m). Non-current assets consisted of US$80.0m (June 2016: US$80.0m) of capitalised exploration assets and US$1.7m (June 2016: US$2.0m) of other fixed assets including property, plant and equipment. Cash balances totaled US$0.4m (June 2016: US$0.7m) and other current assets were US$0.1m (June 2016: US$0.1m).

Cash flow

Cash balances have decreased by US$0.5m since 31 December 2016. Additional investment in Jumelles required under Funding Agreements (details set out in note 1 to the financial statements) utilised US$0.2m, operating activities US$0.5m, and foreign exchange gains were US$0.2m as the value of UK Sterling strengthened against the US Dollar, thus increasing the US Dollar value of the UK Sterling denominated cash balances.

	30 June 2017 Unaudited US$000	30 June 2016 Unaudited US$000	31 December 2016 Audited US$000
GBP Balances	**3.4**	**4.5**	3.9
USD value of GBP balances	**4.4**	**6.0**	4.9
USD value of other currencies	**-**	**-**	-
USD balances	**-**	**-**	-
Cash Total	**4.4**	**6.0**	4.9

Consolidated Statement of Comprehensive Income for the six months ended 30 June 2017

	Note	**1 January to 30 June 2017 Unaudited US$000**	1 January to 30 June 2016 Unaudited US$000	1 January to 31 December 2016 Audited US$000
Administrative expenses		**(115)**	**(1,433)**	(2,342)
Share of (loss)/profit associate		**(382)**	**(883)**	(619)
Operating loss		**(496)**	**(2,316)**	(2,961)
Interest Income		**3**	**11**	16
(Loss) before tax		**(494)**	**(2,305)**	(2,945)
Taxation	5	**-**	**(6)**	(15)
(Loss) for the period		**(494)**	**(2,311)**	(2,960)
Foreign exchange translation – foreign operations		**-**	**(23)**	(103)
Share of other comprehensive (loss)/income of associate – foreign exchange translation		**(84)**	**731**	7
Other comprehensive (loss)/gain		**(84)**	**708**	(96)
Total comprehensive (loss)/gain		**(578)**	**(1,603)**	(3,056)
(Loss)/Earnings per share (Cents)				
Basic	7	**(0.2)**	**(0.5)**	(1.1)
Diluted	7	**(0.2)**	**(0.5)**	(1.1)

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

Consolidated Statement of changes in equity

for the six months ended 30 June 2017

	Share capital US$000	Retained earnings US$000	Foreign currency translation reserve US$000	Total Equity US$000
Balance at 1 January 2016	**267,010**	**(224,702)**	**3,418**	**45,726**
Consideration for share-based payments - other services	2	-	-	2
Share buy backs	-	-	-	-
Loss for the period	-	(2,311)	-	(2,311)
Other comprehensive (loss)/ income	-	-	708	708
Total comprehensive (loss)/income	-	(2,311)	708	(1,603)
Balance at 30 June 2016	**267,012**	**(227,013)**	**4,126**	**44,125**
Consideration for share-based payments - other services		-	-	
Share buy backs	-	-	-	-
Loss for the period	-	(649)	-	(649)
Other comprehensive (loss)/income	-	-	(804)	(804)
Total comprehensive (loss)/income	-	(649)	(804)	(1,453)
Balance at 31 December 2016	**267,012**	**(227,662)**	**3,322**	**42,672**
Consideration for share-based payments - other services	-	-	-	-
Share buy backs	-	-	-	-
Loss for the period	-	(494)	-	(494)
Other comprehensive (loss)/income	-	-	(84)	(84)
Total comprehensive loss	-	(494)	(84)	(578)
Balance at 30 June 2017	**267,012**	**(228,156)**	**3,238**	**42,094**

Consolidated Balance sheet

as at 30 June 2017

	Note	**30 June 2017 Unaudited US$000**	30 June 2016 Unaudited US$000	31 December 2016 Audited US$000
Non-current asset				
Property, plant and equipment		**-**	**1**	-
Investment in associate	6	**37,636**	**38,146**	37,873
		37,636	**38,147**	37,873
Current assets				
Other receivables		**65**	**95**	60
Cash and cash equivalents		**4,435**	**6,025**	4,852
		4,500	**6,120**	4,912
Total Assets		**42,136**	**44,267**	42,785
Current liabilities				
Trade and other payables		**(42)**	**(142)**	(113)
Net assets		**42,094**	**44,125**	42,672
Equity attributable to equity holders of the parent				
Share capital		**267,012**	**267,012**	267,012
Retained earnings		**(228,156)**	**(227,013)**	(227,662)
Foreign currency translation reserve		**3,238**	**4,126**	3,322
Total equity		**42,094**	**44,125**	42,672

These financial statements were approved by the Board of Directors on 21 September 2017.

Consolidated Cash flow statement

for the six months ended 30 June 2017

	1 January to 30 June 2017 Unaudited US$000	1 January to 30 June 2016 Unaudited US$000	1 January To 31 Dec 2016 Audited US$000
Cash flows from operating activities			
Loss for the year	**(494)**	**(2,311)**	(2,960)
Adjustments for:			
Depreciation	**-**	**1**	3
Interest received	**(3)**	**(11)**	(16)
Taxation expense	**-**	**6**	15
Decrease in other receivables	**(6)**	**363**	398
Decrease in trade and other payables	**(71)**	**(4)**	(21)
Net exchange (profit)/loss	**(242)**	**1,363**	895
Gain on part sale of associate	**-**	**-**	-
Share of Total Comprehensive income of associate	**382**	**152**	619
Impairment to share of investment in associate	**-**	**-**	-
Share-based payments	**-**	**2**	2
Tax paid	**-**	**(6)**	(27)
Net cash from operating activities	**(434)**	**(445)**	(1,092)
Cash flows from financing activities			
Repurchase of own shares	**-**	**-**	-
Net cash from financing activities	**-**	**-**	-
Cash flows from investing activities			
Interest received	**3**	**11**	16
Acquisition of property, plant and equipment	**-**	**-**	-
Investment in associate	**(229)**	**(488)**	(676)
Net cash from investing activities	**(226)**	**(477)**	(660)
Net decrease in cash and cash equivalents	**(660)**	**(922)**	(1,752)
Cash and cash equivalents at beginning of period	**4,852**	**7,602**	7,602
Effect of exchange rate difference	**242**	**(655)**	(998)
Cash and cash equivalents at end of period	**4,434**	**6,025**	4,852

Notes to the financial statements

1. Business information and going concern basis of preparation

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

Following completion of the Feasibility Study in April 2014, modified to a staged development basis under the terms of the Supplemental Agreement announced on 13 September 2013, the consideration for the Call Option whereby Glencore owns 50% plus one share shareholding in the project, is now satisfied. The Mining Licence was granted in August 2014 and a Mining Convention was signed with the Government of the Republic of Congo. This has now been ratified by the Republic of Congo and adopted as law. Under the 2016 funding agreement entered into by the Company and Glencore, the Company's funding obligations for the 2017 work programme and budget are for a sum of US$0.59m, plus a percentage share of discretionary costs. Such share for the Company would be US$0.15m if all the discretionary costs were approved jointly by the Company and Glencore. On current projections, it is estimated that the cash amounts payable by the Company to Jumelles during 2017 will be between approximately US$0.59m and US$0.74m. As regards ZIOC's corporate costs for the 2017 financial year, it is estimated that such costs will be of the order of US$0.6m and US$0.8m. 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.

2. Accounting policies

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

3. Basis of preparation

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

In accordance with the AIM Rules for Companies, the condensed set of financial statements has been prepared in applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2016. The comparative figures for the financial year ended 31 December 2016 are not the Company's statutory accounts for that financial year. The 2016 accounts have been reported on by the Company's auditors. The report of the auditors was (i) unqualified and (ii) did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report.

Up until 30 April 2014, the company accounted for 100% of the Jumelles group Comprehensive Income. From May 2014, as a result of completion of the Feasibility Study (note 1 above) and thus consideration to complete the Call Option, the Company has accounted for 50% less one share shareholding portion of that Comprehensive Income.

4. Segmental reporting

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

5. Taxation

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

	30 June 2017 Unaudited US$000	30 June 2016 Unaudited US$000	31 December 2016 Audited US$000
Recognised in profit and loss:			
Current year	**-**	**(6)**	(15)
Reconciliation of effective tax rate			
Profit/(Loss) before tax	**(494)**	**(2,305)**	(2,945)
Income tax using the BVI corporation tax rate of 0% (2015: 0%)	**-**	**-**	-
Effect of tax rate in foreign jurisdictions	**-**	**(6)**	(15)
	-	**(6)**	(15)

The effective tax rate for the Group is 0.00% (December 2016: 0.26%).

6. Investment in associate

	US$000
Balance at 1 January 2016	**37,809**
Additions	**488**
Share of comprehensive loss	**(152)**
Balance at 30 June 2016	**38,145**
Additions	**188**
Share of comprehensive loss	**(460)**
Balance at 31 December 2016	**37,873**
Additions	**229**
Share of comprehensive loss	**(466)**
Balance at 30 June 2017	**37,636**

From 30 April 2014, the investment represents a 50% less one share shareholding (previously 100%) in Jumelles for 2,000,000 shares of 4,000,001 total shares in issue.

On 11 February 2011, Xstrata Projects (now renamed Glencore Projects) exercised the Xstrata Call Option and from that date owns 50% plus one share of Jumelles and Jumelles is controlled at both a shareholder and director level by Glencore Projects. However, as the shares issued on exercise of the option were not considered to vest until provision of the services relating to the Preliminary Feasibility Study and the Feasibility Study had been completed, the Group continued to account for a 100% interest in Jumelles until the Feasibility Study was completed in April 2014. From May 2014 the Group has accounted for the reduction of its interest in Jumelles. The Group's interest remains accounted for as an associate using the equity method of accounting.

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

As at 30 June 2017, Jumelles had aggregated assets of US$82.1m (June 2016: US$82.9m) and aggregated liabilities of US$0.8m (June 2016: US$1.6m). For the 6 months ended 30 June 2017, Jumelles incurred no taxation charge (June 2016: US$nil). A summarised consolidated balance sheet of Jumelles for the 6 months ended 30 June 2017, including adjustments made for equity accounting, is included below:

	30 June 2017 Unaudited US$000	30 June 2016 Unaudited US$000	31 December 2016 Audited US$000
Non-current assets			
Property, plant and equipment	**1,697**	**2,053**	1,842
Exploration and other evaluation assets	**80,000**	**80,000**	80,000
Total non-current assets	**81,697**	**82,053**	81,842
Current assets	**495**	**859**	756
Current liabilities	**(838)**	**(1,326)**	(846)
Net current liabilities	**(343)**	**(467)**	(90)
Net assets	**81,354**	**81,586**	81,752
Share capital	**337,627**	**336,011**	337,096
Translation reserve	**(4,894)**	**(3,280)**	(4,728)
Retained earnings	**(251,379)**	**(251,145)**	(250,616)
	81,354	**81,586**	81,752

7. Earnings per share	**30 June 2017 Unaudited US$000**	30 June 2016 Unaudited US$000	31 December 2016 Audited US$000
Profit/(Loss) (Basic and diluted) (US$000)	**(494)**	**(1,603)**	(2,960)
Weighted average number of shares (thousands)			
Basic and diluted			
Issued shares at beginning of period	**278,777**	**278,777**	278,777
Effect of shares issued	**-**	**-**	-
Effect of share repurchase	**-**	**-**	-
Effect of own shares	**(3,842)**	**(3,842)**	(3,842)
Effect of share split	**-**	**-**	-
Weighted average number of shares at end of period – basic	**274,935**	**274,935**	274,935
(Loss)/Earnings per share (Cents)			
Basic	**(0.2)**	**(0.5)**	(1.1)
Diluted	**(0.2)**	**(0.5)**	(1.1)

8. Related parties

The following transactions occurred with related parties during the period:

	Transactions for the period			Closing balance		
	30 June 2017 Unaudited US$000	30 June 2016 Unaudited US$000	31 December 2016 Audited US$000	**30 June 2017 Unaudited US$000**	30 June 2016 Unaudited US$000	31 December 2016 Audited US$000
Funding:						
To Jumelles Limited	**229**	**135**	357	**35**	**41**	35
