

Zanaga Iron Ore

Metals and mining
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Approaching stage two of project development

Zanaga Iron Ore (Zanaga) is an exploration and development company focused on iron ore, with its flagship asset being the 100%-owned Zanaga Iron Ore Project in the Republic of the Congo. This project is designed to advance in stages, reducing capital costs, lowering execution risk and maximising capital returns. The first stage consists of a 12Mtpa operation, with a second stage expanding production by an additional 18Mtpa, culminating in a total output of 30Mtpa of high-quality iron ore pellet feed over a 30-year lifespan. Both stages employ a single slurry pipeline for low-cost transportation to the port. The Glencore holding of 43% in ZIOC has just been replaced by a 52% ownership via multiple iron ore related strategic partners, a major coup for ZIOC.

Project overview

The Zanaga Project is in the south-west of the Republic of the Congo, near the Gabon border, approximately 300km north-east of the port city of Pointe-Noire and 250km north-west of the capital, Brazzaville. Planned as a large-scale iron ore mine, the project includes processing and infrastructure to produce 30Mtpa of high-grade iron ore concentrate (pellet feed) over a 30-year life. The primary facilities include an open-pit mining operation, associated processing plant, mine infrastructure and a slurry pipeline to transport the iron ore concentrate from the mine to port facilities. These port facilities will handle dewatering and the export of iron ore products to the global seaborne iron ore market.

Reserve and operational matters

The Zanaga Project boasts a 6,900Mt mineral resource and a 2,100Mt ore reserve, with an average 33.9% Fe grade, compliant with the JORC code and reported by SRK Consulting. About 56% of the reserve consists of magnetite ore, with hematite the remainder, making Zanaga one of the largest iron ore deposits. The proposed mining method uses a standard truck and shovel technique on a 15m bench height, with drilling and blasting required. Overland conveyors will transport ore from the four main collection points to a central plant. A single buried slurry pipeline (30Mtpa capacity) will transport the initial 12Mtpa of concentrate and the second-stage expansion to 30Mtpa. The pipeline will be 367km long to a new port facility 30km from Pointe Noire. Initially, concentrate will be transported along a 625m jetty and loaded onto 12,500DWT transshipment vessels to be transferred onto 250,000DWT Capesize ocean-going vessels c 3km from shore. The jetty will be extended for direct loading of Capesize vessels in stage two. Stage one is estimated to cost \$2.0bn, resulting in a FOB operating cost of \$32/tonne for a 66.0% Fe pellet feed product. Stage two would require an additional \$2.0bn, with an estimated FOB cost of \$25/tonne for a 68.5% Fe product, both including a 3% government royalty.

Historical financials

Year end	Revenue (\$m)	PBT (\$m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
12/21	0.0	(1.9)	(0.60)	0.00	N/A	N/A
12/22	0.0	8.1	0.30	0.00	34.6	N/A
12/23	0.0	(2.7)	(0.40)	0.00	N/A	N/A

Source: Company data

Price 8.04p
Market cap \$70m

Share price performance



Share details

Code	ZIOC
Listing	LSE
Shares in issue	675.8m
Net cash/(debt)	\$0.1m

Business description

Zanaga Iron Ore is an iron ore exploration and development company at stage two of project development and is ready to raise finance for the building and construction of the large mine. The project will be advanced on a two-staged development basis and its total production of iron ore pellets will be exported.

Bull points

- World-class deposit with low impurities compared to global majors.
- Secured its mining licence, environmental permit and mining convention from the government.
- Currently debt free.

Bear points

- Political instability, weak institutional capacity and poor governance in neighbouring DRC.
- The project is far from port with no infrastructure.
- Needs development finance.

Analysts

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