EDISON

# Cadence Minerals

## Green iron champion

Re-initiation of coverage

Metals and mining

23 January 2026

**Cadence is advancing the past-producing, integrated Amapá iron ore project in Brazil, where it has so far earned a 35.7% interest. The project was brought through a PFS and has recently been granted a preliminary environmental licence. It is expected to deliver a premium direct reduction (DR) grade pellet feed concentrate aimed at the fast-growing and undersupplied 'green iron' market. In a recent change of strategy, Cadence has pivoted towards staged development, looking to restart the small-scale Azteca plant, which will provide vital cash flows to further advance Amapá.**

| Year end | Revenue (£m) | PBT (£m) | EPS (£) | DPS (£) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/23 | 0.0 | (3.0) | (0.02) | 0.00 | N/A | N/A |
| 12/24 | 0.0 | (3.3) | (0.02) | 0.00 | N/A | N/A |
| 12/25e | 0.0 | (1.4) | (0.00) | 0.00 | N/A | N/A |

Note: PBT and EPS are as reported.

## Azteca plant to provide early cash flows

The proposed Azteca plant is part of the Amapá project. Cadence recently secured an offtake and funding to restart the operation, which will produce c 0.4Mtpa of 65% Fe concentrate from tailings for at least three years at a capital cost of US$4.6m, with just a US$0.4m contribution from Cadence. We estimate the project could generate c US$14m in cumulative cash flows to Cadence. These funds will be spent on further advancing the Amapá project and should significantly reduce the risks of further equity dilution for Cadence shareholders.

## Amapá offers exposure to premium 'green' iron

Amapá is expected to produce 5.5Mtpa of 67.5% DR-grade concentrate at a PFS level cash cost of US$27/t and initial capital of US$377m, pointing to strong project economics. Its product is aimed at the fast-growing 'green' iron ore market and should attract a healthy price premium over industry benchmarks. In an important milestone, Cadence recently secured a preliminary environmental licence that covers both projects. It targets a reduced timeframe for obtaining an installation licence, which is crucial for the Azteca restart, guided for end-June 2026.

## Green iron market is significantly undersupplied

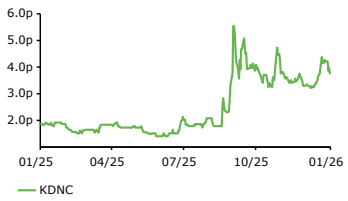
DR grade iron ore can be used in the electric arc furnace steelmaking process, significantly reducing GHG emissions in the steel industry, which currently contributes c 10% of global carbon emissions. However, high-grade deposits are scarce, and CRU estimates a shortage of up to 100Mt of DR grade iron ore by 2050. This represents a significant opportunity for Amapá.

## Valuation: Amapá's potential is not priced in

While Azteca offers near-term cash flow potential, Amapá remains Cadence's main long-term value driver. Our unrisked valuation of the project, adjusted for the restart timing, is US$1.3bn on a 100% basis, implying a value to Cadence of US$458m at 35.7% ownership. We believe Cadence's market cap substantially undervalues Amapá's potential and premium market positioning. We view the upcoming licensing news and the Azteca restart as significant share price catalysts.

| | |
|---|---|
| **Price** | **3.80p** |
| **Market cap** | **£16m** |
| Net cash/(debt) at end-FY25e | £2.0m |
| Shares in issue | 415.6m |
| Code | KDNC |
| Primary exchange | AIM |
| Secondary exchange | N/A |

### Share price performance




| % | 1m | 3m | 12m |
|---|---|---|---|
| Abs | 19.4 | (2.4) | 122.2 |
| 52-week high/low | | 6.1p | 1.5p |

### Business description

Cadence Minerals is an early-stage investment and development company in the mining space. Its main asset is a 35.7% interest in the integrated Amapá iron ore project in Brazil.

### Next events

| | |
|---|---|
| Installation licence | Expected end-Q126 |

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# Investment summary

## Advancing the high-grade Amapá project via staged development

Cadence Minerals is a UK-based early-stage investment and development company in the mineral resource space. It is listed in the UK on the AIM market (AIM: KDNC). The company's focus is on advancing into production its flagship Amapá iron ore project, in which it has so far earned a 35.7% interest. Amapá is a fully integrated, past-producing operation in Brazil comprised of established mine, rail, port and processing infrastructure. The project has been brought through a preliminary feasibility study (PFS) and is expected to produce 5.5Mtpa of premium 67.5% Fe pellet feed concentrate targeting the fast-growing and under-supplied 'green iron' market, aimed at decarbonising the global steel industry. In a significant milestone, the project has recently been granted a preliminary environmental licence. To fund the future work streams, Cadence has announced a pivot towards a staged development approach, which will see it restarting a small-scale tailings processing plant that is part of the integrated Amapá operation.

## Financials: Azteca offers near-term cash flow potential

In late 2025, Cadence executed a binding off-take agreement that will fund a restart of the small-scale Azteca plant. It is expected to produce 380ktpa of 65% Fe concentrate from tailings for three years at an initial capital cost of US $4.6m, of which Cadence will only contribute c US$0.4m. The company guides a restart by end June 2026, subject to obtaining the remaining environmental permits. We estimate that Azteca could generate EBITDA of c US$16m per year and cumulative free cash flow to Cadence of c US$14m post third-party capital repayment. These funds will add to the recently raised gross £2.6m in equity and will be used to further advance the Amapá project through environmental licensing and the remaining technical studies. Importantly, the successful execution of the Azteca project will demonstrate Cadence's ability to run the operations and reduce future equity dilution for its shareholders.

In the longer term, we see Amapá as a highly cash-generative operation with an attractive PFS level cash cost estimate of US$27.3/t and low capital intensity. Thanks to its high-quality product, the project is targeting a niche segment of the iron ore market that should benefit from growing steel industry decarbonisation, growing demand for high-grade ores and premium pricing. On our current estimates, we expect Amapá to generate steady-state revenues and EBITDA of US $645m and US$458m respectively. While project economics may change at the feasibility study (FS) stage, we view the complex permitting process as the main sensitivity, with further progress remaining subject to securing the installation licence and subsequent operating approvals.

## Valuation: Amapá is a long-term value driver

Our valuation of Cadence is based on standalone valuations of the Azteca plant and the integrated Amapá project. The two assets have different scales and serve different purposes, with Azteca primarily being a source of near-term cash flow and proof of the company's ability to run the operations, and Amapá representing the main source of long-term value. Given that Amapá is a past-producing operation, we do not employ a typical development-stage risking approach. Instead, we attempt to model a realistic project restart date, which at this stage we estimate to occur in 2030/31. While visibility remains relatively low, we believe this timeframe will allow the company to complete the required environmental licensing and technical studies, bring the project to the final investment decision (FID) and secure funding.

In all, our unrisked valuation of the Amapá project is US$1.3bn on a 100% basis and adjusted for the project restart timing. This implies a value to Cadence of US$458m at the current 35.7% ownership. We note that Cadence benefits asymmetrically from advancing the project through the permitting and technical studies. Historically, it spent c US$1m per percentage point (pp) of project ownership. On our estimates, a 1pp increase in its Amapá interest boosts Cadence's attributable NPV by c US$13m. We therefore expect the company to continue to benefit from a gradual increase in its project ownership. Overall, we believe that Cadence's current market cap of just £16m does not reflect the upside offered by the staged development approach and Amapá's premium positioning within the iron ore industry.

## Risks and sensitivities: Permitting and lack of control

We believe that the main risks associated with investing in Cadence are the complex permitting process for the Amapá project, commodity price fluctuations, potential equity dilution and the lack of control as the company will only be able to increase its ownership in the project to 49%.

# Azteca: A winning pivot to staged development

In mid-2025, Cadence pivoted from its earlier strategy of solely advancing its flagship, integrated Amapá iron ore project into immediate production to a staged development approach that would result in lower capital intensity and allow for early cash flows. To this end, the company announced its intention to restart the smaller-scale, past-producing Azteca plant, located within the Amapá concession, and in early December executed a binding prepayment off-take agreement with the selected, undisclosed off-take and logistics partner. According to the agreement, the offtaker will provide US $4.2m in total funding required to license and restart the Azteca project, with Cadence contributing only US$0.4m, or c 10% of the total, therefore significantly reducing equity dilution for existing shareholders. The first tranche totals US $2.43m, including Cadence's full contribution, and will be used to obtain the outstanding permits. Once the relevant construction and production licences are granted, the offtaker will provide the remaining US$2.43m in funds, plus US $1.15m in working capital following the commencement of first production. The repayment of the facility will be made on a per tonne of shipped iron ore basis following the restart of the plant.

## Project economics

The Azteca plant is part of the integrated Amapá iron ore project. It is a past-producing operation that utilises a simple magnetic and spiral separation flow sheet. At peak output during Amapá's earlier operational phase, the plant produced 350ktpa of 62% Fe concentrate from tailings. The company undertook a comprehensive technical assessment of the plant and believes that following the refurbishment it will be capable of producing 380ktpa of 65% Fe concentrate from c 2Mt of high-grade material identified within the total of 28Mt of tailings generated during previous operations. This suggests an initial three-year production period, with the potential to extend the project's life should the company be able to identify additional high-grade tailings material.

Thanks to the simple nature of the smaller-scale operation and the availability of mine infrastructure, the pre-production capital expenditure to restart the plant is estimated at c US$3.45m, including the cost of licensing, permitting, refurbishing and commissioning, plus an additional c US$1.15m in sustaining/working capital. The free-on-board (FOB) cost is projected at US$37.0/t and the landed (CFR) cost in China at US$79.0/t. The main reason for the relatively high operating costs is the need to truck the product to the port and to use a private port terminal, as well as the smaller size of vessels to deliver the product to China.

**Exhibit 1: Azteca estimated capex and opex**

| | |
|---|---|
| **Capex, US$m** | |
| Pre-construction capex, licensing and permitting | 1.1 |
| Direct and indirect plant capex | 2.4 |
| Sustaining capex | 1.2 |
| Total | 4.6 |
| **Opex, US$/t** | |
| Mine and processing | 6.8 |
| Transportation and port | 25.5 |
| Overheads and federal royalties | 4.7 |
| FOB cost | 37.0 |
| Freight | 42.0 |
| CFR cost to China | 79.0 |

Source: Cadence Minerals

### Project timeline

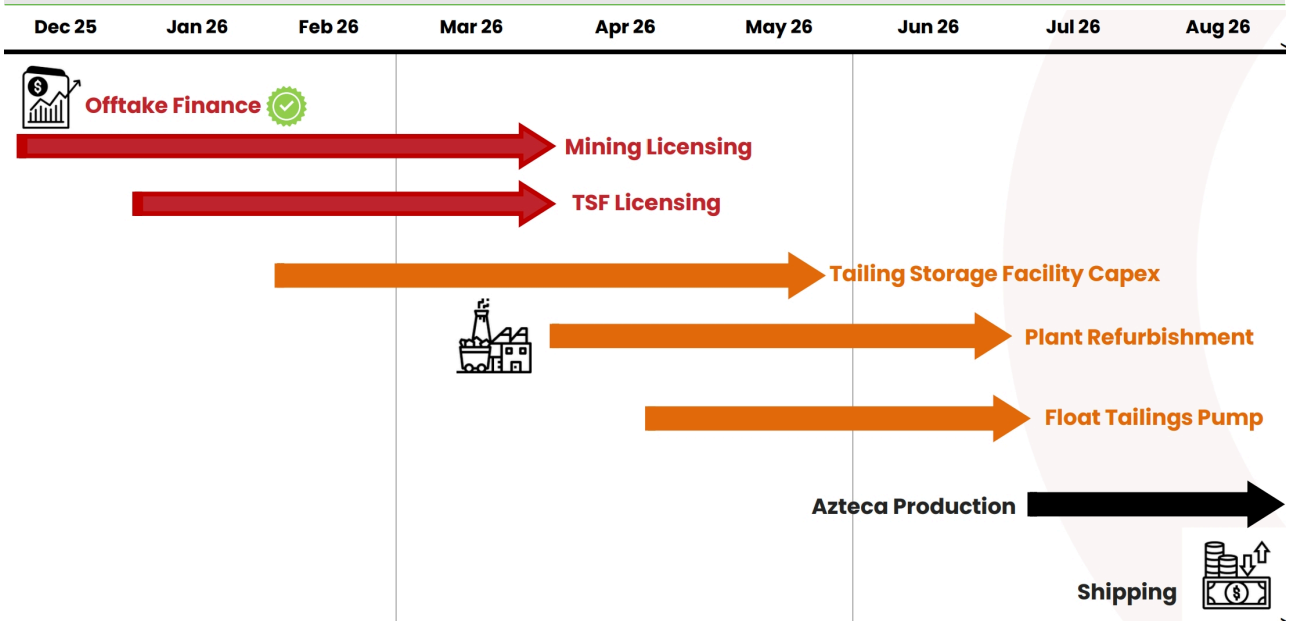
The company expects production at the Azteca plant to commence within three months of securing the required permits, which include the mine Installation Licence and completing the dam break studies. The remaining requirements for obtaining the mine installation licence are a supplementary archaeological study and engineering designs for a water reticulation system and a sewage treatment facility. According to the company, these studies are expected to take approximately two months to complete, followed by a further two-month period for federal review and approval. Importantly, the company does not expect that the archaeological study will uncover any material new findings beyond those already addressed in the initial licence application. The earlier, albeit less detailed, assessment did not identify any archaeological sites that the development or the 15-year mine life of the integrated project would affect. In its most recent investor presentation, Cadence indicated a target of end-March 2026 for the grant of the installation licence, subject to completion of remaining studies and regulatory review, with commissioning and initial production guided by end-June 2026. The project's estimated timeline is shown in Exhibit 2.

### Implications for Cadence

The successful restart of the Azteca plant will achieve two main goals: it will de-risk the company's flagship project, demonstrating Cadence's ability to run the smaller-scale operation and bring Amapá's product to the market, as well as provide early cash flows to further advance the larger-scale project. More specifically, the company plans to use the proceeds from the Azteca sales to undertake a feasibility study and detailed engineering works on the integrated Amapá operation and to fund the ongoing permitting process.

Financially, our model suggests that at a current spot 65% Fe iron ore price of US$120/t and the CFR cash cost of US$79.0/t, the project would generate EBITDA of c US$16m per year at a steady state 380kt production and cumulative pre-tax free cash flow of c US$42m before the off-take facility repayment over three to four years. Based on our estimates, the project will be able to repay the off-take funding within the first year of full production. On a post repayment basis, we estimate the cumulative free cash flow at c US$38m, with Cadence's share equating to c US$14m at 35.7% ownership. As we noted above, we assume that the company will spend these funds on advancing Amapá, therefore further increasing its equity interest in the project and reducing shareholder dilution.

**Exhibit 2: Azteca timeline to production**




Source: Cadence Minerals

## Updated Amapá PFS: Focus on the DR grade premium product

The Amapá iron ore project is a fully integrated iron ore operation in Brazil with established mine, rail, port and processing infrastructure. The project hosts a JORC compliant mineral resource of 276Mt at 38% Fe and a proven and probable ore reserve of 195.8Mt at 39.3% Fe. The project commenced operations in 2007, producing 6.1Mt of concentrate in 2012, before suspension in 2014 following a port geotechnical failure. A more detailed overview of the Amapá project can be found in our initiation report on Cadence.

Despite the change in strategy to a staged development approach, the company's main focus remains on bringing its flagship integrated Amapá iron ore project into production. Cadence has been making visible progress in advancing the project through the complex permitting process and also on improving its economics. In this section we concentrate on the recent developments relating to updated project operating and financial parameters, and cover the project's permitting status in the subsequent section.

In December 2024, Cadence released an updated PFS on the integrated project. The study revealed a crucial change in processing plant design, compared to the revised PFS published in mid-2024, that will see the project producing 5.5Mtpa of a single, premium-grade concentrate product at essentially the same operating cost and a slightly higher capital expenditure. Subsequently, the company provided another update on project operating costs, suggesting additional opex reduction potential and therefore a further improvement in the project's economics. We show a summary of the updated

and revised PFS parameters in Exhibit 3.

**Exhibit 3: Summary of the updated and revised PFS**

| | Updated PFS, Nov 2024 | Revised PFS, July 2024 |
|---|---|---|
| Ore feed to the plant, Mt | 177 | 177 |
| Life of mine, years | 15 | 15 |
| Ore Fe grade, % | 39.3 | 39.3 |
| Iron recovery, % | 75.3 | 76.3 |
| 62.0% Fe concentrate production, mtpa | - | 1.0 |
| 65.4% Fe concentrate production, mtpa | - | 4.5 |
| 67.5% Fe concentrate production, mtpa | 5.5 | - |
| FOB cash cost, US$/t | 33.8 | 33.5 |
| Pre-production capex, US$m | 377.0 | 343.0 |
| Sustaining and deferred capex, US$m | 220.0 | 245.0 |

Source: Cadence Minerals

The original Amapá processing operation featured a complex flow sheet producing four different types of iron ore product, ranging from the highest-grade direct reduction pellet feed to the lowest-grade spiral concentrate. The PFS published by Cadence in early 2023 narrowed the product mix down to two products: blast furnace pellet feed (65.4% Fe) and spiral concentrate (62.0% Fe); while the updated PFS in November 2024 introduced a blended, single product processing flow sheet, effectively moving away from the lower-grade concentrates to higher-value-added DR grade iron ore aimed at the premium, fast-growing 'green iron' market. This product upgrade will be achieved via an additional regrind of the 65% Fe concentrate to liberate finer iron particles, followed by low- and high-intensity magnetic separation circuits as well as floatation to produce two types of concentrates grading 69.4% Fe and 67.2% Fe, respectively. The final blended product is expected to have a grade of 67.5% Fe, with very low combined silica and alumina of less than 2.5% (see Exhibit 4). These results were confirmed by the metallurgical test work programme undertaken by Cadence. Further, the company believes that with appropriate adjustments to the floatation process parameters, the project could yield a premium product with the iron concentrate grade in excess of 68% Fe.

**Exhibit 4: The head assays for two types of concentrate, %**

| | Fe | SiO2 | Al2O3 | S | P | Cu | TiO2 | CaO | MgO |
|---|---|---|---|---|---|---|---|---|---|
| Concentrate 1 | 69.40 | 0.10 | 0.39 | 0.001 | 0.039 | 0.001 | 0.014 | 0.020 | 0.020 |
| Concentrate 2 | 67.20 | 0.71 | 0.92 | 0.002 | 0.089 | 0.002 | 0.025 | 0.030 | 0.026 |
| Product | 67.48 | 0.62 | 0.84 | 0.002 | 0.082 | 0.002 | 0.023 | 0.030 | 0.025 |

Source: Cadence Minerals

The updated PFS estimated the project's FOB opex at US$33.8/t at the port of Santana, which is broadly in line with the previous estimate for a multi product processing flow sheet. Despite the higher grade of the saleable product and the additional processing to achieve it, the beneficiation and associated costs were marginally reduced from US$10.9/t to US$10.5/t, which was mainly a result of the introduction of a concentrate slurry pipeline to replace truck transportation to rail loading. While the mining cost has gone up slightly to US$17.7/t due to lower recovery, in the subsequent announcement made in August 2025, the company reported a reduction in mining cost to US$11.2/t following re-quotation from one of Brazil's largest mining contractors. As a result, the project's overall FOB cash cost was reduced by 19% to US$27.3/t. We note that while the overall cost may increase at the feasibility study stage, in particular if the company opts for third-party operated rail and port, the overall opex looks very competitive when compared to other iron ore producers (eg Champion's Kami DR grade pellet feed project's feasibility stage C1 cash cost of US$58.5/t) and prevailing iron ore prices. This is especially so given the high-quality nature of the Amapá DR grade product and the premium pricing it is expected to attract on the market.

**Exhibit 5: Cash cost breakdown for revised and updated PFS, US$/t**

| | Revised PFS, July 2024 | Updated PFS, Nov 2024 |
|---|---|---|
| Mine * | 16.7 | 11.2 |
| Tailings storage | 0.1 | 0.1 |
| Beneficiation, pipeline, rail loading | 10.9 | 10.5 |
| Rail freight | 2.4 | 2.3 |
| Port | 1.6 | 1.5 |
| G&A | 1.8 | 1.7 |
| **Total FOB cash cost** | **33.5** | **27.3** |

Source: Cadence Minerals. Note: *Mining cost is based on the August 2025 announcement as disclosed by Cadence.

The project's latest pre-production capital cost was estimated at US$377m at the updated PFS stage compared to US$343m for the multiple product operation. Not surprisingly the main increase in capex came from higher spend on the beneficiation plant, which will require an upgrade to accommodate the DR grade, single product flow sheet. At the

same time, the deferred component of the capital cost saw a reduction from US$90.7m to US$77.3m due to the lower estimated spend on the slurry pipeline rather than a conveyor to transport a single stream concentrate from the mine to the rail load-out. As a result, the overall capex, including both pre-production and deferred components, has remained broadly unchanged at US$451m, excluding slightly lower sustaining capital of US$84.4m and an unchanged closure cost of US$62.8m. The total capital cost implies a capital intensity of just US$82/t. Since Amapá is a past-producing operation, its capital intensity is not directly comparable to greenfield projects. However, for reference purposes, we note that the Kami project's capital cost of US$2.97bn implies a more typical capital intensity for a greenfield iron ore project of US$346/t at the FS level of accuracy of estimates.

**Exhibit 6: Amapa capital cost breakdown, US$m**

| | Revised PFS, July 2024 | Updated PFS, Nov 2024 |
|---|---|---|
| Pre-production capital cost | | |
| Direct capex mining | 2.8 | 2.8 |
| Direct capex beneficiation plant | 104.4 | 133.7 |
| Direct capex rail | 28.5 | 28.5 |
| Direct capex port | 113.9 | 113.9 |
| **Subtotal direct capex** | **249.6** | **278.9** |
| Indirect capex | 55.7 | 56.4 |
| Environment and community | 7.1 | 6.8 |
| Less tax credit | (14.6) | (14.0) |
| Contingency | 44.7 | 49.2 |
| **Total pre-production capex** | **342.5** | **377.3** |
| Deferred, sustaining and closure capital cost | | |
| Railway (2nd phase) | 20.0 | 20.0 |
| Tailings storage facility | 9.8 | 9.8 |
| Pipeline constrcution/Conveyor | 60.5 | 33.6 |
| Pipeline construction - EIA/RIMA | 0.4 | 0.3 |
| Contingency | 0.0 | 9.6 |
| **Total deferred capex** | **90.7** | **73.3** |
| Sustaining capital | 90.7 | 84.4 |
| Closure costs | 62.8 | 62.8 |

Source: Cadence Minerals

## Market positioning: High-quality product at a significant premium to benchmarks

Thanks to its low levels of impurities and high iron content, the Amapá product is well suited for the DRI/EAF (direct reduction iron/electric arc furnace) steelmaking process.

Generally, there are two main methods to produce steel: the blast furnace – basic oxygen furnace (BF–BOF) and the electric arc furnace (EAF). In the BF–BOF route, iron ore, coke and limestone are fed into a blast furnace to produce molten pig iron, with coke used as a reducing element to extract oxygen from iron ore. This pig iron is then refined into steel in a basic oxygen furnace. Conversely, the typical EAF method uses electricity to melt recycled steel scrap (often mixed with pig iron or DRI to reduce impurities) to produce steel.

Based on various industry sources, steel production contributes up to c 10% of global carbon emissions. The traditional steelmaking process is still dominated by the BF-BOF method, which accounts for c 70% of total global production. However, EAF steelmaking has been growing consistently due to improving availability of scrap and its lower levels of carbon emissions. It is estimated that the BF–BOF production route emits about 2.3t of $CO_2$ per tonne of steel, whereas the average scrap based EAF steel generates c 0.7t of $CO_2$. Greenhouse gas (GHG) emissions can be further lowered via the direct reduced iron process, which uses green hydrogen as a reducing agent. The gap between the GHG intensity of the BF and EAF steel making largely depends on the source of iron in the EAF steel production. While scrap is considered to be a zero GHG emissions iron input and most modern EAFs plan to utilise more scrap, especially in Europe, its quantities and quality are insufficient to meet growing demand and higher steel quality requirements (eg in higher-margin flat steel products as opposed to long steel used in construction).

This makes DRI an attractive opportunity to reduce emissions without compromising product quality. However, DRI requires high-quality iron ore (typically Fe content of 67% and above with very low levels of impurities). Such ore is scarce, making up only about 5% of global supply against the general backdrop of falling iron ore grades. CRU estimates that by 2050 demand for DR grade pellet feed will reach 310Mt, with a significant supply shortfall of about 100Mt. This bodes well for the Amapá project, as its premium product meets strict DR grade product specifications, as shown in Exhibit 7.

**Exhibit 7: DR-grade iron chemical quality limits versus Amapá product specification**

| | Practical limits, % | Amapa specification, % |
|---|---|---|
| Fe | 66.0 min (67.0 min preferred) | 67.5 |
| Silica and alumina | 3.5 max | 1.4 |
| Calcium oxide | 2.5 max | 0.03 |
| Magnesium oxide | 1.0 max | 0.025 |
| Sulphur | 0.025 max | 0.002 |
| Copper | 0.03 max | 0.002 |
| Phosphorous pentoxide | 0.03 max | 0.08 * |
| Titanium dioxide | 0.35 max | 0.02 |
| Calcium oxide | 2.5 max | 0.03 |

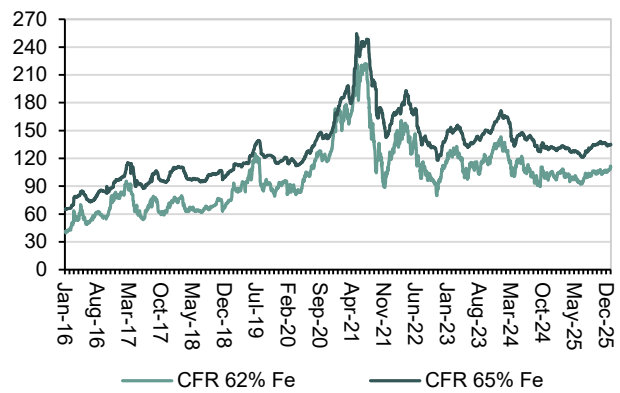
Source: IEEFA.org, Cadence Minerals; *Amapa specification is for phosphorus

After the price spikes and volatility seen during Covid-19, global iron ore prices have stabilised, with the 62% Fe CFR China fines trading in a US$90–120/t range. Current consensus expectations are for the iron ore market to remain relatively stable with some gradual price softening, driven primarily by the growing supply from the Simandou project in Guinea and slower demand in China, as its construction activity has peaked. While Simandou at full capacity of 120Mtpa could propel Guinea to become the third-largest iron ore producer (after Australia and Brazil), its impact is likely to be more pronounced on the more commoditised traditional blast furnace sinter fines segment of the global iron ore market. The under-supplied 'green iron' niche (>67% Fe) targeted by Amapá is unlikely to be directly affected by this supply influx. Consequently, we believe it is reasonable to expect quality price premiums to expand as high-grade DRI supply from the likes of LKAB and Vale continues to lag demand and supply from Russia is being affected due to the war in Ukraine.

Due to the small size and niche nature of the premium DR-grade iron ore market, its pricing mechanism is relatively opaque. For pricing purposes it is therefore customary to use standard pricing indexes with value-in-use (VIU) and normalising adjustments for higher iron content and lower impurities. The closest price benchmark to the Amapá DRI product is the 65% Fe CFR China index. To determine the higher iron content premium for Amapá, we looked at the historical spread between the 62% Fe and 65% Fe price benchmarks. Over the last 10 years, the average premium for 65% Fe versus 62% Fe was c US$29/t (Exhibit 9), equating to approximately US$10 per percentage point of iron content. For Amapá (targeting 67.5% Fe), this implies a premium of c US$25/t over the 65% Fe benchmark for higher iron content alone. Although simplified, this estimate provides a high-level indication of the potential premium.

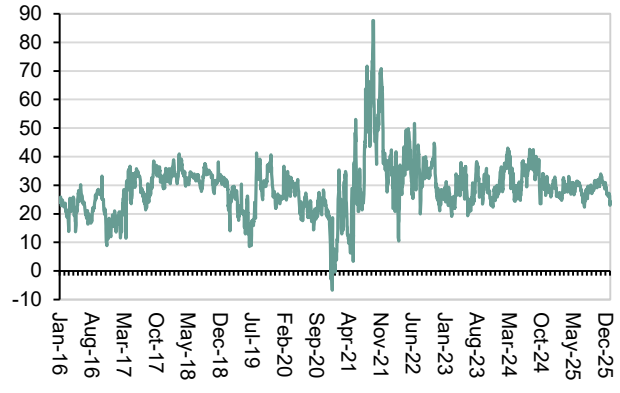
This valuation is further supported by the company's own analysis from December 2024, which compared Amapá product pricing against the 67.6% Fe DR pellet feed from the Kami project (Champion Iron) in Newfoundland, Canada. Cadence's assessment indicated that, even when factoring in penalties and credits for deleterious elements, the Amapá product justifies a robust US$25/t combined price premium. This estimate remains conservative as it excludes any potential 'green premiums' or carbon reduction credits. We note that Champion's assessment as of December 2023 estimated Kami's VIU premium to the 65% Fe index at US$28/t as a DR pellet feed product and US$40/t using an EAF VIU approach from CRU that includes green premium. We show the Amapá and Kami concentrate specifications in Exhibit 10.

**Exhibit 8: Iron ore price performance, US$/t**




Source: LSEG Data & Analytics

**Exhibit 9: 65% Fe versus 62% Fe price premium, US$/t**




Source: LSEG Data & Analytics

**Exhibit 10: Amapa and Kami product specifications comparison**

| | Fe, % | SiO2, % | Al2O3, % | P, % | TiO2, % | CaO, % | MgO, % |
|---|---|---|---|---|---|---|---|
| Amapa concentrate | 67.5 | 0.60 | 0.84 | 0.08 | 0.02 | 0.03 | 0.03 |
| Kami concentrate | 67.6 | 2.10 | 0.25 | 0.02 | 0.03 | 0.30 | 0.35 |

Source: Cadence Minerals

# Amapá permitting: Preliminary licence grant is a major milestone

Amapá is an integrated project comprising mine, rail and port, with all three operations requiring extensive environmental licensing, followed by the application for the mine extraction and processing permit. Although a past-producing operation, the project will have to secure full environmental and mining licences. The mining and environmental permit pathways are managed by separate and independent public authorities. The Mineral National Agency (ANM) and the Amapá State Environmental Agency (SEMA) are key regulatory bodies relevant to the project's permitting process. The environmental licensing process includes the following main steps:

- **Preliminary licence** (LP) must be obtained at the planning stage of the project. It involves preparation of a social and environmental impact assessment (EIA RIMA), followed by public hearings and the subsequent approval of the issue of the LP by SEMA. The LP usually imposes conditions that the mining company must comply with.
- **Installation licence** (LI) is the second stage of the environmental licensing process. It involves producing an environmental control plan (PCA) among other documents. Once the PCA is approved and the LI is granted, the mining company can start construction of the mine and infrastructure. The ANM can only grant a mining permit once the LI is obtained by the mining company.
- **Operating licence** (LO) is the last stage of the environmental permitting process. It is granted once the authorities are satisfied that the development and construction were completed in accordance with the conditions imposed by the LI and that the PCA is implemented correctly. The LO authorises a mining company to mine, process and sell from an environmental viewpoint.
- **Alternative land use authorisation** and **water use concession right** (authorises the abstraction or deviation of water resources).

Before the suspension of mining in 2014, the Amapá project had 25 operating licences across the mining, rail and port operations. However, these licences expired between 2013 and 2018. It had also had its EIA RIMA studies and the environmental control plan approved. In 2022, the project began the regularisation of the expired environmental permits and requested a waiver of the requirement to submit a new EIA RIMA based on the justification that the project will be operating pre-existing facilities. However, the SEMA dismissed the request for Amapá to be exempted from the presentation of a new environmental impact assessment. Subsequently, the project proposed to develop an environmental control report and an environmental control plan (RCA/PCA) to identify legal environmental non-conformities and potential or actual environmental impacts from the construction and operation of the requested licences.

In September 2023, Cadence announced that as a result of the discussions between various state authorities and the Amapá project, it was agreed with SEMA that the project will submit an RCA and a PCA on the mine and railway, thereby potentially significantly shortening the timeline and simplifying the licensing process. At the same time, the port will require a full environmental assessment.

In a significant regulatory milestone, on 6 January 2026, Cadence announced that SEMA granted the LP for the mining operations of the Amapá project. The licence covers the entire mine development envelope, including the Azteca processing plant, confirming the project's environmental feasibility. Importantly, since the product from the Azteca plant is expected to be trucked to an existing port facility, its restart does not require completion of the rail and private port environmental permitting. The granted licence is contingent upon the submission of supplementary technical studies, including archeological and engineering works, and completion of water abstraction and affluent discharge authorisations. The company reported that the archeological studies have now been completed and submitted to the federal authority for cultural heritage. The railway and port components of the Amapá project continue to progress through their respective licensing steps.

Overall, the grant of the LP significantly de-risks the project, establishing a clear regulatory pathway towards construction and production. As noted above, the next stage of the permitting process is obtaining the LI, which authorises construction, refurbishment and installation of mine infrastructure, including processing and tailings

facilities. The company envisages a relatively short timeframe for securing the LI, guided by end March 2026 subject to completion of remaining studies and regulatory review. At the same time, the LO is expected to be phased and is likely to cover the Azteca plant first, with the subsequent amendments and additions to accommodate the full restart of the integrated Amapá project.

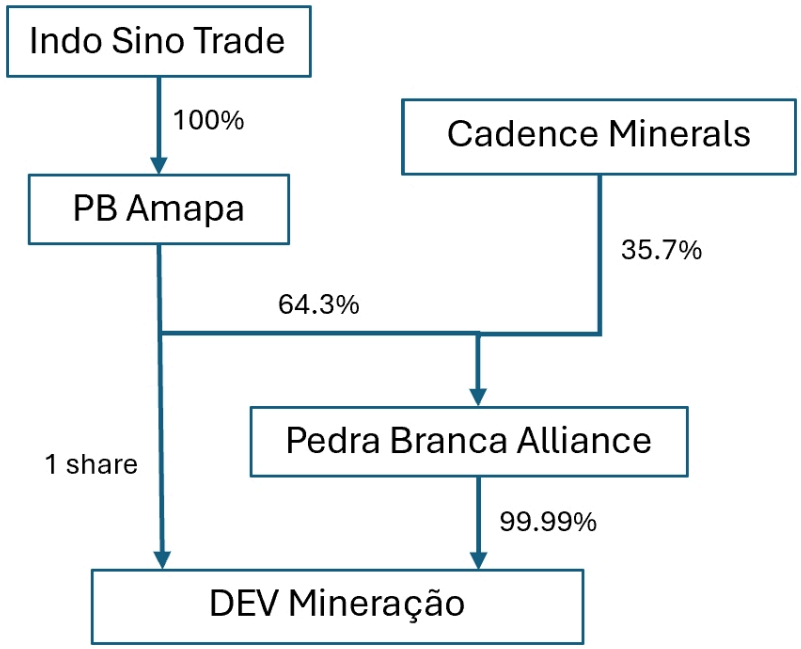
## Project ownership and other assets

The Amapá project is 100% owned by Pedra Branca Alliance (PBA), a joint venture between Cadence Minerals and Indo Sino, a Singaporean-based commodity trader. Indo Sino entered into its ownership through the acquisition and conversion of debt from Zamin, and we understand that it sees Cadence as the right partner to focus on de-risking the asset through advancing the approvals and licensing process.

In 2019, Cadence entered into a binding investment agreement to invest in and acquire up to 27% of the Amapá iron ore mine, processing plant, railway, and private port owned by DEV Mineração (see Exhibit 11). To acquire its 27% interest, Cadence has invested US$6m in the Amapá project over two stages. The first stage acquired 20% of PBA for US$2.5m, and the second stage acquired an additional 7% for US$3.5m. These investments were completed in the first quarter of 2022. As of the end of June 2025, Cadence had invested a total of c US$15.5m in the project, giving it a 35.7% equity interest, with the remainder controlled by Indo Sino. The board of PBA consists of five members, with two appointed by each joint venture (JV) party and one jointly appointed by Cadence and Indo Sino.

Based on the JV agreement, Cadence has the first right of refusal to increase its stake in the Amapá project to 49% should Indo Sino seek further investors or an investment in the JV. If Cadence does not exercise its first right of refusal, Indo Sino has a 12-month option to buy the shares held by Cadence for 1.5x the price paid by Cadence for these shares. We assume that Cadence will continue to gradually earn into the project by advancing it through the permitting process and technical studies up to the final investment decision.

**Exhibit 11: Simplified Amapa ownership structure**




Source: Cadence Minerals

### Other assets

Cadence is an investment entity whose principal activity is acquiring and holding assets involved in the identification, investment and development of mineral resources. The company operates an investment strategy that involves investing in private projects through a combination of private and public equity models. In both investment classes, it takes either an active or a passive role. The Amapá iron ore project is the company's key active private investment. Cadence's only passive private investment is its interest in the Sonora lithium project controlled by Ganfeng. In 2024, the company sold its stakes in its two largest public equity investments – European Metals Holdings and Hasting Technology Metals –

realising £1.6m in net proceeds (FY23: £2.2m). Further, in H225 it disposed of its remaining 5.1% interest in Evergreen Lithium (price undisclosed). These funds were slated for advancing the Amapá project and/or the repayment of the mezzanine debt facility (see below).

**Sonora lithium project**

Cadence holds a 30% interest in the Sonora lithium project in Mexico through the joint ventures Mexalit and Megalit, alongside majority partner Ganfeng Lithium. The concessions historically comprised nine licence areas, with Ganfeng developing plans for an open pit mine and lithium hydroxide processing facility. In 2022 and 2023, the Mexican government amended its mining law to prohibit new lithium concessions, classifying lithium as a strategic resource reserved for state ownership. Although, concessions granted prior to the reforms – such as those held by Mexalit and Megalit – were expected to remain valid, in August 2023, the General Directorate of Mines (GDM) cancelled nine concessions, including those belonging to Mexalit and Megalit, citing alleged non-compliance with minimum investment obligations. Both Cadence and Ganfeng strongly refuted this claim, asserting that the required investment thresholds were not only met but exceeded, with all supporting documentation and annual filings submitted in accordance with Mexican mining regulations. In May 2024, Ganfeng initiated arbitration before the International Centre for Settlement of Investment Disputes (ICSID), challenging the cancellations and broader legislative measures as violations of international law. In parallel, Cadence has decided to pursue its own international arbitration under the UK-Mexico Bilateral Investment Treaty. While the company remains fully committed to protecting its ownership in Sonora and to pursuing all available options to protect shareholder value, we currently do not include this asset in our valuation of the company.

# Financials

Cadence's financials reflect the pre-production stage of the Amapá project and the investment nature of the company's business. All investments, including the Amapá project, are recognised on its balance sheet as financial assets at fair value through profit or loss. In H125, Cadence reported an operating loss of £0.8m, including £0.2m in realised and unrealised losses on financial investments (FY24: £3.3m and £2.1m, respectively). The reduction in losses is primarily a function of asset divestments as discussed above. Otherwise, the company maintains good cost control, with admin expenses of just £0.5m in H125 and £1.1m in FY24. It ended H125 with £0.03m in cash.

At the end of June 2025, Cadence raised £0.4m with a single sophisticated investor, placing 31.7m shares at 1.3p per share. Subsequently, at the end of September 2025, the company announced an equity subscription raising £2.3m in gross cash by placing 78.0m new ordinary shares at 3p per share. In addition, Cadence undertook an oversubscribed retail offer placing 10.0m new shares and raising £0.3m in gross proceeds. The company intends to spend these proceeds on financing its share in the Azteca plant restart, the Amapá project costs as well as repaying the outstanding convertible debt facility.

At end June 2025, Cadence had £0.58m in borrowings, which represented the remainder of the mezzanine debt facility entered by the company in 2023 to finance the Amapá project. The first tranche of US$2.0m (£1.6m) had a 24-month term and was secured against the company's investments, in particular European Metals Holdings, as well as the issue of 8.3m shares as part of the non-cash repayment option. In 2024, the company repaid £0.84m in capital and interest, including £0.12m in shares. It also renegotiated the repayment terms, extending the final repayment date from May to November 2025. In addition, in 2024, the company entered into a short-term loan agreement for US$0.25m, which was repaid via the transfer of the Ferro Verde asset to the lender.

In addition, as part of securing 100% ownership of Amapá, the JV owners have executed a settlement agreement with the secured bank creditors of the project. The original credit facility provided to DEV had a principal amount outstanding of US$135m. The settlement agreement settled the principal amount plus all interest, default interest, outstanding costs and fees, reducing the total principal amount owed to all creditors from c US$231m to c US$103m. The settlement amount was expected be paid over two years from the effective date of the agreement using the net profits from the sale of DEV's iron ore stockpiles. The agreement is secured over all of DEV's equity and assets and creditors have no recourse of repayment of the settlement amount to either Cadence or Indo Sino.

In its 2024 annual disclosure, Cadence noted that net proceeds from one shipment made in 2022 and approximately half of the net proceeds from shipments in 2021 have been utilised to pay the secured bank creditors. The company has maintained a productive dialogue with the secured bank creditors regarding the best approach to repay the historical lender amounts. It believes that a one-time settlement using DEV's stockpile of iron ore as collateral would be the optimal solution and has been progressing discussions with the secured bank creditors on this matter.

# Valuation

Our combined valuation of Cadence is based on the standalone valuations of the Azteca plant and the integrated Amapá project. The two assets have different scales and serve different purposes, with Azteca primarily being a source of near-term cash flow and a proof of the company's ability to restart and run the operations, and Amapá representing the main source of long-term value for the company. We discuss our approach to valuing both projects and our assumptions below.

## Azteca: A near-term source of cash flows

The Azteca project is envisaged as a small-scale operation, processing c 2Mt of high-grade iron ore tailings material over three years, with the potential to expand beyond the initial scope. Its main purpose is to provide initial cash flows that will be used to advance the flagship Amapá project through the remaining permitting steps and technical studies. We believe that the successful restart would also demonstrate the company's ability to execute on its strategy and to run the producing operations, thereby further de-risking the larger operation.

Our operating and cost assumptions for Azteca are similar to those provided by the company. In particular, we model an FOB cash cost of US$37/t, FOB iron ore price of US$78/t (CFR price landed in China of US$120/t for 65% Fe) and capex of US$4.7m (c US$0.4m from Cadence). These assumptions yield an estimated annual EBITDA of c US$16m at full capacity of 0.38ktpa and cumulative free cash flow to Cadence post repayment of third-party financing of c US$14m. As noted before, we expect these funds to be invested in Amapá, further increasing the company's share in the project. Overall, our net present value estimate for Azteca is US$10m on an attributable basis at a 10% discount rate. Our base case assumption is that the project will be commissioned in H226, with the first concentrate shipment made before the end of 2026 or in early 2027.

## Amapá: Key longer-term valuation driver

Our valuation of Amapá is based on a net present value approach. Given that the project is a past-producing operation, albeit requiring significant refurbishment/upgrade, environmental permitting and completing an FS, we do not employ a typical risk-adjusted mechanism based on the stage of the project's development. Instead, we attempt to model a realistic project restart date, which at this stage we estimate to occur in 2030/31. While visibility still remains relatively low at this stage, we believe this timeframe will allow the company to complete the required steps, notably the remaining licensing and the FS, in order to bring the project to the FID and potentially to secure funding. We therefore apply a 10% discount rate to future cash flows, which we discount to end 2026.

At the updated PFS stage, Cadence valued Amapá at US$1.97bn at an FOB cash cost of US$33.7/t, benchmark 65% Fe iron ore price of US$120/t and a VIU adjustment of US$25/t. Our valuation of the project based on the updated PFS and adjusted for the lower mining cost estimate is US$1.71bn, with the main difference stemming from the higher applied tax rate, as discussed below. Our main modelling assumptions are as follows:

- We expect project commissioning in 2030 and first product shipment in 2031. This is based on the assumption that the company will rely on cash flows from the Azteca plant as the main source of funds to complete the required permitting and undertake the FS. We expect the Azteca plant to operate from 2027 to 2029 and at present consider this timeframe as sufficient for the company to bring Amapá to the FID and to secure the required funding for the project restart.
- Our operating and capital cost assumptions are based on the updated PFS as we expect the project to produce 5.5Mtpa of the 67.5% Fe DR-grade pellet feed concentrate based on the ore reserves of 196Mt (at 39% Fe), implying an Fe recovery of 75% and a mine life of 15 years. We model pre-production capex of US$377m, deferred capex of US$73m, sustaining capital of US$84m and a closure cost of US$63m.
- Our opex assumptions are also broadly in line with the updated PFS except for the mining cost, which we adjusted down from US$18/t to US$11/t to align with the revised estimate provided by the company in August 2025. This gives us an FOB cash cost of US$27/t compared to the PFS estimate of US$34/t.
- We model a long-term iron ore price of US$120/t for 65% Fe delivered to China (long-term consensus forecast of US$95/t for 62% Fe CFR, plus US$25/t premium for 65% Fe) and a VIU premium of US$25/t. We believe these are relatively conservative assumptions given the quality of the Amapá product and the anticipated shortage of the DR-grade iron ore. Our pricing and cost assumptions imply a steady-state Amapá revenue and EBITDA of US$645m

and US$458m, respectively. Assuming a freight rate of US$28/t as per the PFS, our FOB price estimate is US$117/t.

- At the bottom line level, we model a combined profit tax of 34%, consisting of the corporate income tax in Brazil of 25% and a social contribution tax of 9%. The company assumed that it would be able to use a SUDAM/SUDENE income tax reduction of 75%, which we believe is too premature to expect at this stage and therefore exclude it from our modelling for now. This accounts for the main discrepancy between our and Cadence's PFS-based NPV estimates for the project.

All in all, our unrisked valuation of the Amapá project is US$1.3bn on a 100% basis and adjusted for the project restart timing. This implies a value to Cadence of US$458m at the current 35.7% ownership, or c £320m (78p per share) when adjusted for Azteca and pro rata funds owed to creditors at a JV level. This valuation implies a 95% discount to Cadence's current share price. Our earlier analysis (see our initiation report) suggested an appropriate valuation discount of up to 84% for the PFS stage projects, falling to 55% for the BFS level studies. However, as we noted above, since Amapa is a past producing operation, we consider the biggest project sensitivity to be the permitting. While arbitrary, we leave it to investors to apply a specific risking based on their risk appetite but we consider the current valuation discount as excessive. We provide sensitivity analysis to changes in discount rate and iron ore price in Exhibit 13.

We note that from a valuation perspective the company benefits asymmetrically from advancing the project through the permitting and technical studies (subject to a positive FID). Since its acquisition of a 27% interest in the JV for US $6m, Cadence has invested an additional c US$10m to gain an extra 8.7% in the project, which equates to c US$1m spend per percentage point (pp) of ownership. On our estimates, a 1pp increase in its project interest boosts Cadence's attributable NPV by c US$13m. We therefore expect the company to continue benefiting from a gradual increase in its project ownership (up to the defined 49% levels). Overall, we believe that Cadence's current market cap of just £16m does not reflect the upside offered by the staged development of Amapá and the project's premium positioning within the iron ore industry.

**Exhibit 12: Amapa NPV summary, US$m**

| | |
|---|---|
| **PFS based NPV estimate @100%** | **1,709** |
| Less project start-up timing adjustment (2030/31 commissioning) | 425 |
| Adjusted project valuation at 100% | 1,284 |
| **Adjusted project valuation at 35.7%** | **458** |
| Add value of Azteca project | 10 |
| Less value owed to creditors at 35.7% | 37 |
| **Total attributable valuation** | **432** |
| Total attributable valuation, £m | 320 |

Source: Edison Investment Research

**Exhibit 13: Adjusted project NPV sensitivity to changes in discount rate and benchmark iron ore price**

| | 65% Fe benchmark price, US$/t | | | | |
|---|---|---|---|---|---|
| Discount rate, % | **80** | **100** | **120** | **150** | **180** |
| **8** | 718 | 1,155 | 1,593 | 2,250 | 2,907 |
| **10** | 561 | 923 | 1,284 | 1,826 | 2,369 |
| **12** | 440 | 741 | 1,042 | 1,494 | 1,945 |
| **15** | 305 | 537 | 770 | 1,119 | 1,468 |
| **20** | 162 | 319 | 476 | 712 | 947 |

Source: Edison Investment Research

# Risks and sensitivities

Cadence is exposed to a number of risks associated with a typical pre-production mining company. These include:

- **Commodity price fluctuations.** The company's valuation is sensitive to changes in iron pricing, with the downward pressure on prices potentially negatively affecting its ability to raise funds and further advance the Amapá project.
- **Complex permitting process and execution.** While the company has made encouraging progress on the permitting front, the scale of the Amapá project, which includes mine, port and rail, involves a complex permitting process. Any licensing delays are likely to negatively affect project execution timelines. Further near-term progression remains subject to obtaining the installation licence and subsequent operating approvals.

- **Equity dilution.** Cadence is a small company, with a current market cap of just £16m. While the company is planning to mitigate equity dilution risks to shareholders via commissioning of the Azteca plant, it may still need to raise additional equity to further advance the Amapá project.
- **Lack of control.** Cadence currently owns 35.7% of the Amapá project and its share in the project is limited to 49% by the JV agreement. This is likely to prevent the company from exercising control over future project restart decisions, which will essentially rest with Indo Sino. That said, the current composition of the JV board (two members from each company, plus one jointly appointed) suggests a more equal distribution of the decision-making process at the JV level. Our valuation of the company does not take into account any discounts relating to the lack of control.

**Exhibit 14: Financial summary**

| £m | 2023 | 2024 | 2025e |
|---|---|---|---|
| P&L | | | |
| Revenue | 0.0 | 0.0 | 0.0 |
| Admin costs | (1.3) | (1.1) | (1.1) |
| Impairments | (0.9) | (0.1) | 0.0 |
| Unrealised loss on investments | (3.1) | (1.0) | (0.2) |
| Realised loss on investments | (2.8) | (1.1) | (0.0) |
| Other | 4.8 | 0.0 | (0.1) |
| **Operating loss** | **(3.3)** | **(3.3)** | **(1.4)** |
| Finance cost and forex | 0.3 | (0.0) | 0.0 |
| PBT | (3.0) | (3.3) | (1.4) |
| Tax | 0.0 | 0.0 | 0.0 |
| Net profit | (3.0) | (3.3) | (1.4) |
| EPS, £ | (0.0) | (0.0) | (0.0) |
| Average number of shares, m | 171.3 | 201.4 | 349.4 |
| Balance sheet | | | |
| Financial assets | 11.7 | 13.3 | 13.8 |
| **Total non-current assets** | **11.7** | **13.3** | **13.8** |
| Trade and other receivables | 3.9 | 4.0 | 3.9 |
| Financial assets | 4.2 | 0.5 | 0.2 |
| Cash and cash equivalents | 0.2 | 0.7 | 2.0 |
| **Total current assets** | **8.3** | **5.1** | **6.1** |
| Trade and other payables | 0.3 | 0.5 | 0.7 |
| Borrowings | 0.9 | 0.8 | 0.6 |
| **Total current liabilities** | **1.2** | **1.2** | **1.2** |
| Borrowings | 0.3 | 0.0 | 0.0 |
| **Total non-current liabilities** | **0.3** | **0.0** | **0.0** |
| Issued capital | 2.2 | 3.4 | 4.2 |
| Premium | 37.7 | 38.6 | 40.6 |
| Retailed earnings | (21.6) | (24.9) | (26.3) |
| Other | 0.2 | 0.2 | 0.2 |
| **Total equity** | **18.5** | **17.2** | **18.6** |
| Cash flows | | | |
| **Net cash outflow from operating activities** | **(1.3)** | **(0.8)** | **(0.5)** |
| Payments for non-current financial investments | (2.1) | (1.8) | (1.0) |
| Receipts on sale of current investments | 2.2 | 1.6 | 0.1 |
| **Net cash outflow from financing acticities** | **0.1** | **(0.2)** | **(0.9)** |
| Net proceeds from share issue | 0.0 | 1.9 | 2.8 |
| Net borrowings | 1.4 | (0.5) | 0.1 |
| Net finance cost | 0.0 | (0.0) | 0.0 |
| **Net cash outflow from investing activities** | **1.4** | **1.4** | **2.9** |
| Net change in cash and cash equivalents | 0.2 | 0.4 | 1.4 |
| Forex | (0.0) | 0.0 | (0.1) |
| Cash at beginning of period | 0.1 | 0.2 | 0.7 |
| **Cash at end of period** | **0.2** | **0.7** | **2.0** |

Source: Cadence Minerals, Edison Investment Research

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## Revenue by geography

N/A

## Management team

### Non-executive chairman: Andrew Suckling

Andrew has over 25 years' experience in the commodity industry. He began in 1994 as a trader on the London Metal Exchange, and subsequently became a founding partner, research analyst and trader with the multi billion fund management group Ospraie. Andrew is a graduate of Brasenose College, Oxford University earning a BA (Hons) in Modern History in 1993 and an MA in Modern History in 2000

### Director and CEO: Kiran Morzaria

Kiran holds a B.Eng. from the Camborne School of Mines and an MBA (Finance). He has over 25 years of experience in the mineral resource industry, both in operational and management roles. The first four years of his career were spent in exploration, mining and civil engineering, after which he was involved in the acquisition, recommissioning and eventual sale of the Vatukoula gold mine. Kiran was appointed as CEO of Cadence in 2015 and is a Non-Executive Director of European Metals Holdings.

### Finance director and company secretary: Donald Strang

Donald is a member of the Australian Institute of Chartered Accountants and has been in business over 20 years, holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. He has considerable corporate and international expertise, and over the past decade has focused on mining and exploration activities. He is an Executive Director of Gunsynd.

### Non-executive director: Adrian Fairbourn

Adrian began his career as an investment analyst before moving to build and manage the highly successful alternative fund-of-funds operation at the Bank of Bermuda. Adrian has co-managed a multi-family office in London, responsible for hedge fund investments, direct investments and also asset-raising for co-investment opportunities. He has successfully assisted in over US$1bn of structuring, capital and fundraising projects for private companies and alternative funds.

## Principal shareholders

| | % |
|---|---|
| Hargreaves Lansdown (Nominees) | 12.8 |
| Hargreaves Lansdown (Nominees) | 8.9 |
| Interactive Investor Services Nominees | 8.9 |
| Lynchwood Nominees | 7.3 |
| Interactive Investor Services Nominees | 5.3 |
| Hargreaves Lansdown (Nominees) | 5.0 |
| Barclays Direct Investing Nominees | 4.9 |
| HSDL Nominees | 4.8 |
| Redmayne (Nominees) | 4.4 |
| Vidacos Nominee | 3.8 |

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