

Cadence Minerals

Metals & mining
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Moving ahead with Amapa

Cadence Minerals is an experienced investor in mining projects and companies with a portfolio of early-stage and advanced assets spanning lithium, iron ore and REE industries. The company gained early exposure to lithium and, while it retains stakes in a number of lithium assets, it has recently completed a 20% investment in the Amapa iron ore project, a past producing mine with associated transport infrastructure in Brazil.

Restarting the brownfield iron ore project in Brazil

In 2019, Cadence entered into an agreement to acquire up to 27% in the Amapa iron ore project in Brazil, a JV with Indo Sino, for US\$6m. The initial US\$2.5m for 20% is payable on successful conclusion of the settlement agreement with bank creditors (c \$103m), which was completed in February 2022. According to Cadence, conditions for the second stage of the transaction have already been satisfied. Amapa is a past producing, open-pit mine (majority owned by Anglo American before its sale in 2012) capable of producing c 5–6Mtpa of pellet feed and concentrate. It benefits from access to a private railway and port facilities. According to Cadence, the project's mineral resource is 185Mt at 39% Fe, implying a mine life of c 14 years. Initial estimates suggest FOB opex of c \$21/t, capex of c \$168m and a restart time of 18–24 months. Iron ore market conditions remain favourable, with prices hovering at c \$130/t, potentially benefiting an established, integrated project, with a short time to market and a premium product.

Lithium: Early-mover advantage

Cadence was an early investor in the lithium space, building a portfolio of non-controlling interests in a number of promising projects at attractive prices. It now holds a 30% interest in some of the concessions that form part of the development-stage Sonora lithium project in Mexico: a c 10% interest in European Metals (ASX: EMH), which owns 49% of the large-scale, PFS-stage Cinovec lithium project in the Czech Republic, and a 31% stake in two hard rock lithium prospects in Australia. Following the successful acquisition of Bacanora Lithium, the Sonora project is now owned by Ganfeng Lithium, one of the largest producers of lithium compounds.

Funding strategy and asset monetisation

The recently raised £4.1m (gross) in equity will be used to fund the remaining 7% investment (\$3.5m) in Amapa. Furthermore, Cadence's stake in EMH, its most liquid investment, is currently valued at c US\$15m. The company's asset portfolio is at a relatively mature stage, potentially offering attractive exit opportunities, but visibility on any future disposals remains low. The ongoing PFS on the Amapa project is expected to be funded from Cadence's JV investment, while repayments to creditors are guided to be met from the sale of existing iron ore stockpiles.

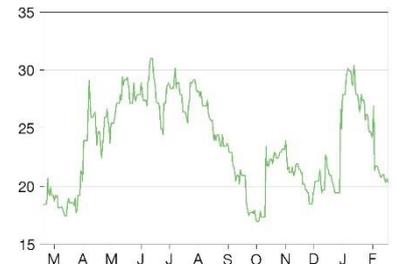
Historical financials

Year end	Revenue (£m)	EBIT (£m)	PBT (£m)	EPS (p)	P/E (x)	Yield (%)
12/19	0.0	(1.7)	(1.9)	(2.2)	N/A	N/A
12/20	0.0	8.9	7.8	6.7	N/A	N/A

Source: Cadence Minerals

Price 20.4p
Market cap £34m

Share price graph



Share details

Code KDNC/KDNCY
Listing AIM/OTC
Shares in issue 168.1m

Business description

Cadence Minerals is an early-stage investment and development company in the mining space, with a strong historical exposure to the lithium segment. In addition, it owns 30% in some tenements related to the Yangibana REE (Rear Earth Elements) project through a JV with Hastings Technology Metals.

Bull

- Early investor in the fast-growing lithium sector.
- Diversified mining portfolio, with mature lithium assets providing exit optionality.
- Favourable iron ore market conditions for an integrated, brownfield project.

Bear

- Low visibility on asset disposals.
- Amapa will require significant funding and is yet to complete.
- Further risk of dilution to fund corporate activity and investments.

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