

Initiation: Andromeda Metals (ASX:ADN)

A World-class Halloysite-Kaolin Project in a Tier 1 Jurisdiction

Andromeda Metals (ADN) is developing the Great White Project (GWP) in South Australia. The project is well advanced with a Definitive Feasibility Study (DFS) completed and released in April 2022. The GWP will be Australia's largest and highest quality halloysite-kaolin project.

Kaolin - a large, steadily growing market with diverse end uses

Kaolin is a white industrial clay used in ceramics, paper, paints, concrete additives, and as a potential feedstock for High Purity Alumina (HPA). The total market for kaolin is large at approximately 24Mtpa. The outlook for global demand growth for kaolin between 2023 and 2030 is 3.1% CAGR by volume, adding approximately 6.3Mt to the market over this period.

A geologically superior deposit producing premium products

Kaolin from the GWP has exceptional purity, brightness and strength. The presence of halloysite nanotubes in the GWP kaolin deposit makes the products ideally suited to a range of specialist applications, attracting a significant premium above the average kaolin price. Mining is simple with a shallow footprint that can be progressively backfilled and rehabilitated.

An advanced large-scale and long-life project in South Australia

Andromeda released a DFS in April 2022 proposing a long 28 year mine life utilising the 15.1Mt Ore Reserve and showing robust economics and a clear pathway to development. Being located in South Australia - a Tier 1 mining jurisdiction, and on a granted Mining Lease further enhances our view that the project can be progressed forward and into production.

A low capex high margin project with a short timeline to production

The 2022 DFS considers a staged approach to developing the GWP with initial start-up CAPEX for a Stage 1A Starter Plant now estimated at only A\$50-60M. Due to the simplicity of mining and processing, construction and ramp-up to full production is expected to only take 12 months with long lead time items already ordered.

Five binding offtake agreements signed with sticky customers

ADN has to date signed five binding offtake agreements reflecting strong pricing with more to come. Significant testing and qualification work has been completed on pilot plant samples by the offtake partners who include: IMCD (IMCD.AS) - a \$9B€ global leader in speciality chemicals, and Plantan Yamada - a leading multi-generational Japanese porcelain producer.

Our forecasts and company valuation

GWP pre-production capital we estimate at A\$60M. We anticipate first kaolin production and sales in Q3 CY2024. AISC for kaolin production is forecast to average A\$340/t and we have used a kaolin price deck with a weighted average price over the LOM being A\$712/t. EBITDA and FCF average A\$85M and A\$59M respectively over the LOM.

We initiate coverage with a BUY recommendation and 12-month target price of A\$0.12ps, a 173% upside.

If you would like to discuss the full report, please contact us directly using the details below.

Summary

12-month rating	BUY
Target Price (A\$ps)	0.12
Share Price (A\$ps)	0.045
Upside	173%

BBG: ADN AU

Trading data & key metrics

52-week range	0.038 - 0.21
Market Cap:	140
Shares on issue (m):	3,110
Avg daily volume (k):	14,527
Avg. daily volume (A\$m)	1.23

Directors:

James Marsh	MD & CEO
Mick Wilkes	IND CHAIR
Melissa Holzberger	IND DIR
Austen Perrin	IND DIR

Substantials:

Buratu Pty Ltd	5.03%
----------------	-------



Analyst: Doug Smith
 e: doug@curranco.com.au
 m: +61 431 593 189
 Sales: Kevin Curran
 e: kevin@curranco.com.au
 m: +61 415 201 002

PHONE

+61(0) 431 593 189

EMAIL

doug@curranco.com.au

LOCATION

46 Market St, Sydney

Information Disclosure

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

General Disclosure and Disclaimer

This research has been prepared by Curran & Co Pty Limited (ABN 40 604 395 226) ("CCPL") for the use of the clients of CCPL and other related bodies corporate (the "Curran & Co Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient, you must not use or disclose the information in this report in any way. CCPL is a holder of an Australian Financial Services License No. 475078.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and CCPL has made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete, or up to date. The Curran & Co Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Curran & Co Group or its respective employees, agents or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Curran & Co Group and/or its associates, including CCPL, officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may affect transactions which are not consistent with the recommendations (if any) in this research. The Curran & Co Group and/or its associates, including CCPL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on CCPL's overall revenues.

Copyright

© 2022. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Curran & Co Pty Limited. Curran & Co Pty Limited specifically prohibits the redistribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.