

Adamas Finance Asia Limited

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Adamas Finance upbeat on potential for Chinese quarry

Adamas Finance Asia Limited (LON:ADAM) said market conditions for its largest investment, a China-focused miner, were buoyant as it reconfirmed plans to have it back in production by the year-end.

ADAM owns 85% of Future Metal, formerly Hong Kong Mining Holdings, which quarries dolomite for magnesium smelting and wall rock for construction materials.

Investment manager Harmony Capital commissioned an independent report assessing the demand for Future's products, which "has risen noticeably in recent years".

The continued urbanisation of China, combined with strict new environmental rules, have led to a shortage of wall rock, the document's compilers, the China Market Research Centre, found.

Future, being an early adopter of the new framework, stands to benefit. This, and the miner's ability to tap into the convenient transport network to surrounding cities, should provide tailwinds for the company, the report concludes.

ADAM said Future's rock production could be in the order of 485-575,000 tonnes a year. This is based on work carried out by independent consultants CMRC and SRK.

This can be broken down as follows:

- Qualified dolomite: 150-180,000 tonnes
- Unqualified dolomite: 35-45,000 tonnes
- Wall rock: 300-350,00 tonnes

Contract extraction costs are put at US\$2.90-\$3.90 per tonne, with operating expenses set to come in at US\$0.6mln-US\$0.8mln. The tax rate, meanwhile, should be 25%.

This means Future should make a decent margin on production with estimated sales prices (net of VAT) as follows:

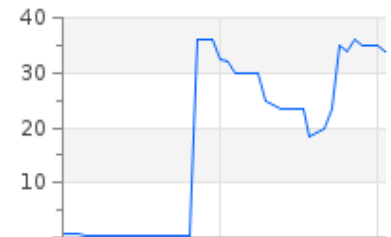
- Qualified dolomite US\$7.00-9.10
- Unqualified dolomite US\$4.20-\$5.60
- Wall rock US\$7.70-8.40

ADAM chairman John Croft was upbeat on Future's potential: "There are strong indications that there will be considerable demand for Future Metal's products, which have now been independently verified by a recently completed market study."

Price: 34

Market Cap: £29.88 m

1 Year Share Price Graph



February 2019 August 2019 January 2020

Share Information

Code: ADAM

Listing: AIM

52 week High Low
38 0.4

Sector: Financial Services

Website: www.adamasfinance.com

Company Synopsis:

Adamas Finance Asia is an Asian-focused diversified investment opportunity quoted in London, targeting above average income and capital growth. Our objective is to provide shareholders with unique access to a diverse portfolio of assets across a variety of sectors and geographies throughout Asia.

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