

Argus Research Initiates Equity Report Coverage on Vanadium One Iron Corp.

07.07.2021 | [PR Newswire](#)

NEW YORK, July 7, 2021 - Argus Research, an independent investment research firm, has launched Equity Report coverage on [Vanadium One Iron Corp.](#) (TSXV: VONE)

[Click here to view Full Argus Equity Report](#)

Excerpts & Highlights from the Report as conveyed by Argus Analyst Steve Silver, follow:

BUSINESS DESCRIPTION:

Based in Toronto, Canada, [Vanadium One Iron Corp.](#) is a mineral exploration and development company that is advancing its wholly owned Mont Sorcier iron and vanadium project located just outside of Chibougamau, Quebec. The site hosts a large, high-quality magnetite iron resource with significant and extractable vanadium as a by-product. Metallurgical test work to date suggests that the site will produce a premium, above 65%-grade, iron ore product.

In early 2020, Vanadium One announced the findings of a preliminary economic assessment (PEA) on the site, which estimated an after-tax net present value (NPV) of C\$1.7 billion (\$1.4 billion USD, at the current 1:0.82 exchange rate) and an internal rate of return of 34% based on a long-term 65% iron concentrate price of US\$92/t as compared to current spot prices well in excess of US\$200/t. Other key estimated metrics cited include a generation of average annual free cash flow of C\$180 million (\$150 million USD), resulting in a three-year payback on required upfront capital of C\$437 million (\$360 million USD). Total cumulative, after-tax free cash flow over a 37-year mine life was estimated at C\$6.3 billion (\$5.2 billion USD).

Following the publishing of the PEA report, Vanadium One initiated activities under a two-year plan that it expects will improve upon these results. Primarily, this will come through the expansion of the site's resources to higher-confidence classifications, and further metallurgical test work that, in the aggregate, should enable the completion of a bankable feasibility study, which the company expects to undertake in 2022. Primary among these activities is a drilling program to confirm the economic viability of commercial operations at Mont Sorcier and convert indicated and inferred resource to measured tonnage.

In our view, defining sufficient resources to higher-confidence categories is a key consideration for supporting a bankable feasibility study, with an expected minimum 20-year mine life. To date, most of the resource identified in the PEA, and in subsequent drilling, remains categorized as Inferred, whereas a successfully completed drilling program would enable classification as Indicated, or Measured, for a significant portion of this material. We believe that such a change in classification would begin to de-risk the underlying economic analyses on the site and enable the formal feasibility study and future development of the site on favorable terms.

COMPETITIVE ADVANTAGE:

Despite a more-than 100% increase in the spot price for iron over the past year, we believe the long-term market outlook for iron ore remains healthy. Currently, consensus estimates forecast a continued rise in pricing, albeit more in line with the industry's 7% average growth rate. Further, third-party marketing studies support premium product pricing for iron ore and vanadium, boosted by strong demand and tightening regulations in China (requiring higher grades of ore, amid environmental concerns). We note that domestic Chinese vanadium titanium mine supply has been declining in recent years, which could provide an economic tailwind to the output at Mont Sorcier.

In our view, the Mont Sorcier project is ideally located to deliver maximum benefits for Vanadium One. The Chibougamau region has been home to various mining and development operations for more than 100 years, and has a favorable permitting environment. Quebec has long been recognized as a top-tier mining

jurisdiction in the world. Further, economic prospects for the site are supported by close proximity and robust access to existing infrastructure such as all-weather roads, water, low-cost grid hydropower, and sufficient railway capacity and ports for export to global markets. Thus, we expect the project to require modest infrastructure capital needs.

We also view the experience of Vanadium One's management team as a key competitive advantage. The team has an established history of developing mines from early stages. It is also working to forge partnerships with key logistical and service providers Quebec Hydro, Port Authorities, which we believe should mitigate many potential logistical challenges, as the project moves to commercial contracts and towards production stages.

In our view, the mineral resource at Mont Sorcier represents an underappreciated aspect of the Vanadium One story. As mentioned earlier, recent drilling in the North Zone of the site identified more resource than was initially Inferred in the preliminary economic assessment. As such, we expect that this will bolster confidence in the site's ability to provide sufficient Indicated resource to secure a bankable feasibility study that assumes a 20-year mine life with room to expand in the future. As more of the one billion tonnes of total resources are targeted for higher-confidence classification, we see the potential for the project to be expanded over time -- and, importantly, funded through cash flow.

ANALYST COMMENTARY ? EARNINGS (Click here to view Full Argus Equity Report):

In our view, Vanadium One's earnings are less material than other industries, given its status as a pre-production mining operation. Rather, its progress towards executing on key deliverables in the development of the Mont Sorcier site and its funding to complete these steps are more-relevant benchmarks.

Still, for the nine months ended November 30, 2020, the company's total operational expenses declined by 44% over the prior year period, and the net comprehensive loss for the nine-month period was \$0.001 per share. The company maintained positive working capital during the nine-month period.

At a current market capitalization of \$19 million, the VONE shares are trading at a fraction of the C\$1.7 billion (\$1.4 billion USD) after-tax NPV suggested by the 2020 preliminary economic assessment. Further, mining companies historically trade closer to a range of 0.1x implied NAV. Vanadium One's valuation is well below this level as well.

We attribute the disconnect in market valuation to minimal value being ascribed to the approximate 90% of resource that is classified as Inferred and investor perceptions of the company remaining in a risk-capital category. However, with funding in place to bring the development program at Mont Sorcier towards a bankable feasibility study, we expect the ongoing drilling program to result in the reclassification of a large part of the currently Inferred resources to Indicated and/or Measured status. As these deliverables are completed, they should provide confidence to the market about the viability of these mineral assets and management's ability to maximize value.

Further, we see upside from the company's potential to expand production beyond that currently outlined in the PEA as well as from the extended mine life that is envisioned in the feasibility study. We expect these expansion efforts can be funded through operating cash flow beyond the initial period.

About Vanadium One Iron Corp. (TSXV: VONE) www.vanadiumone.com

[Vanadium One Iron Corp.](#) explores for base and precious metals in Canada. It holds a 100% interest in the Mont Sorcier iron ore and vanadium project located in Quebec, Canada. The company was formerly known as Vanadium One Energy Corp. and changed its name to [Vanadium One Iron Corp.](#) in June 2019. [Vanadium One Iron Corp.](#) was incorporated in 2007 and is headquartered in Toronto, Canada.

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