

# Argus Research Initiates Equity Report Coverage on Ascendant Resources Inc. (TSX: ASND)

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NEW YORK, July 8, 2021 - Argus Research, an independent investment research firm, has launched Equity Report coverage on [Ascendant Resources Inc.](#) (TSX: ASND).

[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, Ascendant Resources is focused on the exploration and development of the Lagoa Salgada VMS (Volcanogenic Massive Sulphide) project located on the Iberian Pyrite Belt (IBP) in Portugal. The IBP represents the largest concentration of massive sulphide deposits in the world, spanning sections of Portugal and Spain, and has a long history of large-scale mineral discovery (producing more than 1.75 billion tons of massive sulfide ore and 2.5 billion tons of mineralized stockwork over the past one hundred years).

Ascendant currently holds a 25% interest in the Lagoa Salgada project through an option position in the Redcorp operating company, and has an earn-in opportunity to increase its interest in the project to 80%. The company anticipates increasing its stake to 50% by the end of 2021 and 80% by the end of 2022, this by reaching certain inground investment and payment thresholds, including the completion of a new Bankable Feasibility Study (BFS) on the site.

Historical study on the project site focused on a deposit located in the North Zone. A PEA completed in 2020 demonstrated compelling economics and, importantly, scalability for future resource growth. Due to the small size of the confirmed area, the economic projections in the PEA -- namely an NPV of \$106 million, and capex obligations of \$160 million on a short nine-year mine life -- were deemed to have an unfavorable risk profile.

Following the initial PEA, the decision was made to enhance drilling to expand and upgrade the copper-rich resources within the Central and South Zones (now merged into one South Zone). The move could provide meaningful expansion to the current resource and inform a new PEA that includes both regions. Ascendant expects this new PEA to show a longer mine life and increased throughput rates, as well as a material increase in the economic potential offered at Lagoa Salgada. The new PEA is scheduled to be completed by August 2021.

Upon the publication of the new PEA, Ascendant Resources plans to initiate a feasibility study and anticipates completion near the end of 2022. The company also will conduct economic impact studies on the site. In our view, these initiatives represent key milestones towards increasing Ascendant's stake in the Lagoa Salgada project to the 80% threshold.

## COMPETITIVE ADVANTAGE:

In our view, Ascendant Resources is well positioned to capitalize on an upward trajectory for copper prices, which we attribute to increased demand and declining inventory. Given its superior conductivity, copper demand has expanded for use in producing electric vehicles and other "green economy" initiatives. Inventories of copper recently reached a 15-year low, and pricing is expected to reflect these demand dynamics.

Copper prices have been volatile over the past few months. They reached all-time highs in May 2021, driven

by accelerations in manufacturing and industrial output in China. But they pulled back since then amid concerns over a Beijing-led crackdown on speculators.

We view the Lagoa Salgada site's infrastructure as another competitive advantage for Ascendant. The project is situated along a section of the Iberian Pyrite Belt in Portugal that is accessible by national highways and roads. In addition, the site has access to Portugal's ports, power, waterways, and dams.

We expect the project to move forward expeditiously, given strong support of local community and local government. The latter, Empresa de Desenvolvimento Mineiro, S.A. (EDM), a Portuguese government-owned company that supports the strategic development of the country's mining sector, holds a 15% stake in the project. The project also consists of a single exploration permit for the entire site.

A key value driver in Ascendant's investment thesis is its utilization of advanced scientific and geophysics tools, which have been instrumental in the identification of expanded resource and the development of the resource to Indicated status (from Inferred). The company has been able to uncover the presence of resource that sits under 130 meters of tertiail cover, making it hard for previous explorers on the site to detect. Science work, through induced polarization and gravity surveys, provided indication of a high likelihood of metals involvement, which is currently being confirmed. Further, the resource indicated thus far has not had many penalties or deleterious elements, with less arsenic, cadmium or mercury than other nearby mines. That allows for better concentrates upon recovery.

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

As we see it, Ascendant's earnings are less material to investors than its progress in developing the resource assets at Lagoa Salgada and maintaining adequate funding to advance the project. For the full year 2020, the company reported a net loss of \$3.0 million, or \$0.02 per share, excluding the impact of discontinued operations.

We attribute the current modest C\$23 million market capitalization to the early-stage nature of the Lagoa Salgada project, with less and shallower drilling to date compared with many of its peers. The market likely is also discounting company assets until it completes a new PEA and advances towards a feasibility study. We also believe that Ascendant's decision to sell its zinc producing mine in Honduras and return to a more development-stage status has contributed to an increased risk profile among investors.

We expect the results of the new PEA, which the company anticipates publishing in August 2021, to show more-robust economic benefits as compared with the initial PEA in 2020 (which suggested a solid internal rate of return and positive after-tax net present value, but carrying too much risk compared with its capex requirements and a relatively short mine life). We expect the new PEA to project a higher after-tax NPV, a higher internal rate of return, lower capex requirements, and a mine life of at least 15 years. Combined with the potential for expansion across the site over time, we expect such results to re-establish Ascendant Resources' valuation and begin to close the gap between its market capitalization and that of its peers.

About Ascendant Resources Inc. (TSX: ASND) [www.ascendantresources.com](http://www.ascendantresources.com)

[Ascendant Resources Inc.](http://www.ascendantresources.com), a mining company, explores for and develops mineral properties. The company explores for zinc, copper, lead, tin, silver, gold, and other metals. It holds interest in the Lagoa Salgada volcanogenic massive sulphide project, which covers an area of 10,700 hectares located on the Iberian Pyrite Belt in Portugal. [Ascendant Resources Inc.](http://www.ascendantresources.com) was incorporated in 2006 and is headquartered in Toronto, Canada.

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