

MetalQuest Mining Inc.

(TSXV: MQM / OTCQB: MQMIF / FSE: E7Q)

Advancing Lac Otelnuk Amid Canada's Critical Iron Ore Focus

BUY

Current Price: C\$0.19

Fair Value: C\$0.92

Risk*: 5

Sector: Junior Resource

[Click here for more research on the company](#)

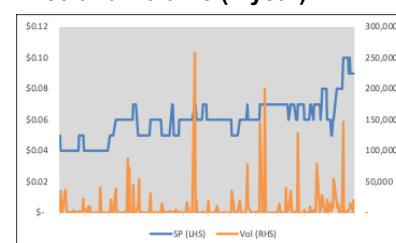
Highlights

- MQM is up 280% YTD, significantly **outperforming the TSXV's** 54% over the same period.
- In June 2025, MQM commissioned AtkinsRéalis, an engineering services firm, to conduct a gap analysis of the 2015 Feasibility Study (FS) on the project. The study aims to identify any required updates for market trends, regulations, engineering practices, and environmental standards. Following this, management plans to carry out targeted technical reviews and studies before advancing to a Prefeasibility Study (PFS).
- Earlier this month, MQM **appointed a steel and mining veteran** with 30+ years at JSW Steel (500228) and Tata Steel (BSE: 500470), as a strategic adviser. He also led a \$1.5B Labrador Trough iron ore project from JV and feasibility to construction and full-scale ramp-up.
- Lac Otelnuk hosts **one of North America's largest undeveloped iron ore projects**, with a large open-pit historic resource potentially supporting a 100+ year mine life. The 2015 FS reported an AT-NPV8% of US\$5.24B, based on a long-term iron ore price of US\$105/t (spot: US\$106/t), initial CAPEX of US\$9.4B, and OPEX of US\$31–34/t.
- Given the project's capital intensity, we believe **success largely depends on** management's ability to secure financing or a strategic partner.
- Iron ore, primarily used for steel production, has been relatively stable over the past year, rising 2% YoY to US\$106/t. The **designation of high-purity iron on Canada's Critical Minerals list** enhances the project's eligibility for federal and provincial funding and tax incentives, potentially accelerating development and supporting Canada's critical minerals supply chain.
- MQM's Enterprise Value (EV)/Resource and EV/AT-NPV **remain materially lower** than those of comparable iron ore juniors.
- MQM also holds 1.92M shares and 2.50M warrants in Canadian Copper Inc. (CSE: CCI), currently valued at \$1.03M, and a **1% NSR on the Murray Brook project**. A recent Preliminary Economic Assessment (PEA) on the project showed an after-tax NPV7% of \$171M, and an IRR of 36%.
- **Upcoming catalysts** include a potential option or joint venture partnership and updates on the gap analysis.

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Nina Rose Coderis, B.Sc (Geology)
Equity Analyst

Price and Volume (1-year)



	YTD	12M
MQM	280%	217%
TSXV	54%	55%

Company Data

52 Week Range	\$0.05 - \$0.22
Shares O/S	34M
Market Cap.	\$7M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	5.9x

Key Financial Data (FYE - Jan 31)

(C\$)	2025	2026 (6M)	Current
Cash	\$73,808	\$133,589	
Working Capital	\$488,263	\$737,520	\$1,048,024
Mineral Assets	\$144,508	\$174,340	
Total Assets	\$898,658	\$1,301,176	
Net Income (Loss)	-\$167,640	-\$165,211	
EPS	-\$0.01	-\$0.01	

*QP: Adou Katche, P.Geo., Consultant to MQM

* **MetalQuest Mining has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions.**

Lac Otnuk Iron Ore Project, Quebec

This advanced-stage project spans 673 km² in the central Labrador Trough, Nunavik, Northern Quebec. It lies within a territory governed by the Naskapi Nation, with whom MQM has an exploration and pre-development agreement. The company also engages with other potentially impacted First Nations.

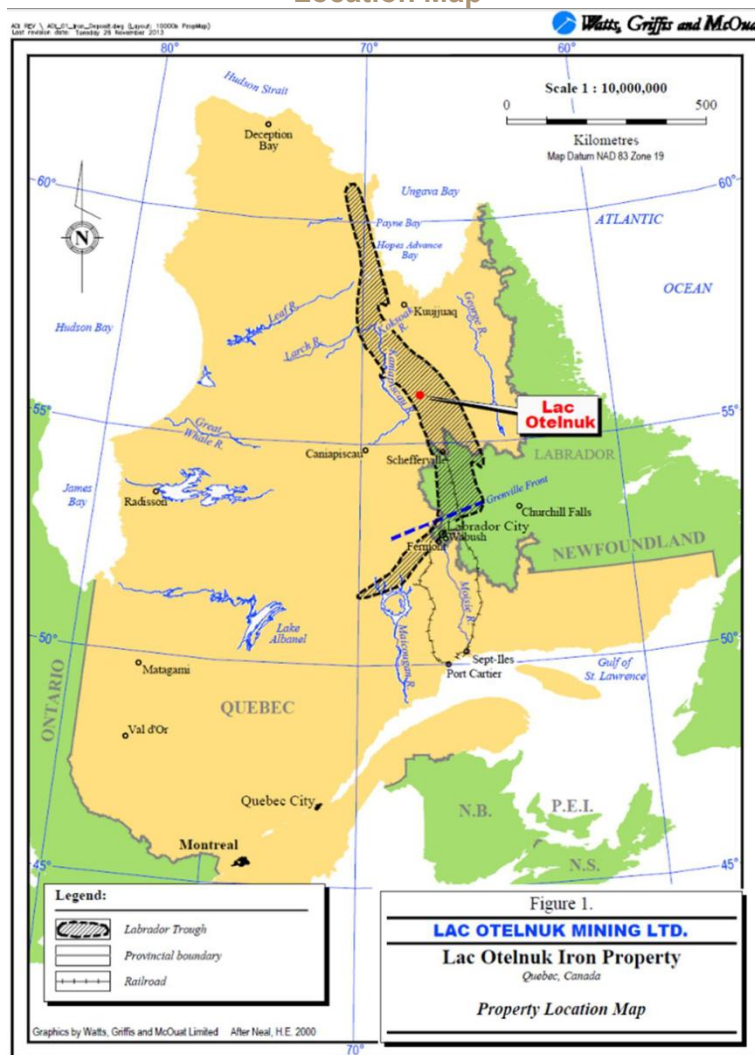
The 1,100 km-long Labrador Trough is a major iron belt, producing 100% of Canada's iron

The region offers well-developed infrastructure, including low-cost hydroelectric power, rail, and port facilities

MQM's project is located 155 km northwest of Schefferville, near active iron ore mines operated by majors, including Rio Tinto (NYSE: RIO), Tata Steel, and ArcelorMittal (NYSE: MT)

The property has no road access; if advanced to production, it could be reached via a new road or rail spur

Location Map



Source: Company

In June 2025, MQM commissioned AtkinsRéalis, an engineering services firm, to conduct a **gap analysis to identify areas** of the 2015 Feasibility Study needing updates for current market trends, regulations, engineering practices, and environmental standards. Once complete, management will conduct targeted technical reviews and studies **before pursuing a Prefeasibility Study (PFS)**.

The project hosts a large, low-grade open-pit resource

The current resource envelope covers 36 km (strike) x 4-6 km (width) x 130 m (depth)

Metallurgical tests indicate that the project can produce high-grade concentrates, averaging 68% Fe (iron)

The FS was based on just 24% of M&I resources

Initial CAPEX is relatively high at US\$9B, exceeding the typical range of US\$2B-US\$7B for iron ore projects

However, OPEX is relatively low at US\$31-US\$34/t, falling within the typical range of US\$30-US\$90/t for iron ore projects

2013 Resource (Historic)

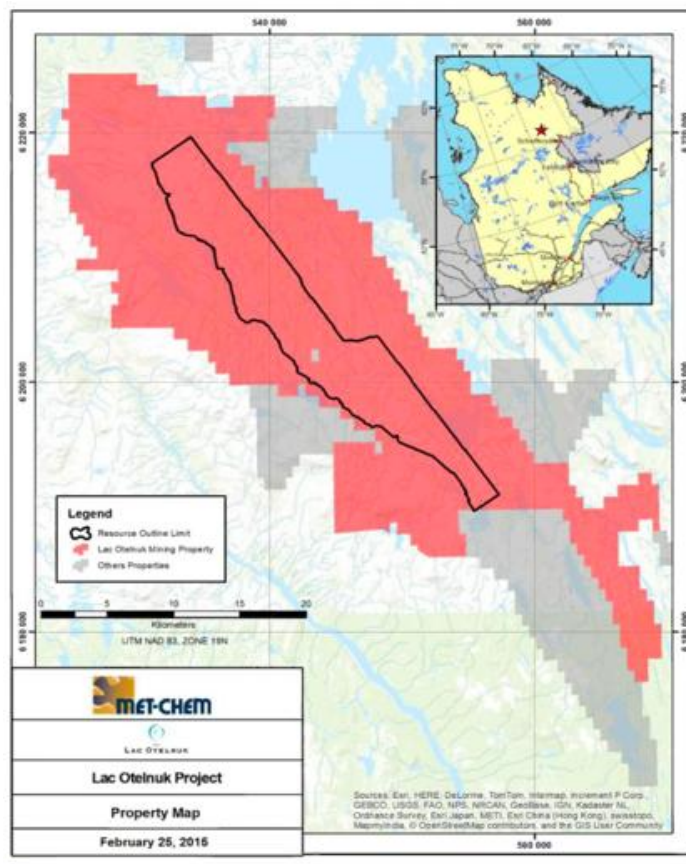
	Tonnes (in billions)	Tfe Head (%)	DTWR (%)	Magnetic Fe (%)
Measured	16.21	29.3	25.8	17.8
Indicated	4.43	31.5	24.1	16.7
Total M&I	20.64	29.8	25.4	17.6
Inferred	6.84	29.8	26.3	17.8

2015 Reserves, US\$110/t Iron Ore

Category	Tonnage (Mt)	Total Fe Head (%)	DTWR (%)	Magnetic Fe (%)
Proven	4,943	28.7	26.5	18.3
Probable	50	27.5	26.6	18.3
Proven and Probable	4,993	28.7	26.5	18.3

QP: Adou Katche, P.Geo., Consultant to MQM
Source: Company

Resource Outline



Source: Met-Chem Canada Inc.

The 2015 FS was based on **open-pit-operations** spanning 30 years.

FS Highlights

Project Parameters	Open-Pit / 30% Equity: 70% Debt
Pre Tax NPV8%, US\$M	US\$10,388 M
Pre Tax IRR	15.8%
After Tax NPV8%	US\$5,240 M
After Tax IRR	13.0%
Payback, AT	7.3 years
Initial CAPEX (US\$M)	US\$9,384 M (Phase 1) and US\$4,802 M (Phase 2)
LOM Annual Production, Mt	30 Mt (Phase 1) and 50 Mt (Phase 2)
OPEX, US\$/t concentrate	US\$34.21/t (Phase 1) and US\$31.12/t (Phase 2)
Project Life	30 years
After Tax Cash Flow, US\$M	US\$47,674 M

Source: Technical Report/FRC

Equity Investment and NSR

MQM holds 1.92M shares and 2.50M warrants (exercise price \$0.12; current share price \$0.30) in Canadian Copper Inc. (MCAP: \$31M), representing a current market value of \$1.03M.

MQM also retains a **1% NSR royalty** on CCI's **Murray Brook Project**, located in the Bathurst Mining District, New Brunswick. The project hosts a large, low-grade open-pit polymetallic deposit. CCI has the right to purchase 0.17% NSR for \$1M, and must make a \$1M cash payment to MQM once the project enters production.

A recent Preliminary Economic Assessment (PEA) on Murray Brook outlined an after-tax NPV7% of \$171M, and an IRR of 36%, based on US\$4.25/lb Cu (spot price: US\$5.11/lb), with a relatively low initial CAPEX of \$64M. CCI is currently pursuing a \$15M equity financing to advance the project.

Financials

(in C\$) - YE: Jan 31st	2025	2026 (6M)	Current
Cash	\$73,808	\$133,589	
Working Capital	\$488,263	\$737,520	\$1,048,024
Current Ratio	2.84	2.89	
Monthly Burn Rate (G&A)	-\$28,395	-\$35,258	
Cash Spent on Properties	-\$68,960	-\$29,832	
Cash from Financing Activities	-	\$444,300	

Source: FRC / Company

The study returned an After Tax-NPV8% of US\$5.24B, with an AT-IRR of 13%, based on a long-term iron ore price forecast of US\$105/t vs the spot price of US\$106/t

MQM is seeking a strategic partner to advance project development

Exposure to an advanced-stage copper project through equity and royalty interests

At the end of July 2025, MQM held \$0.74M in working capital, including a \$0.61M investment in shares and warrants of CCI, which has since risen in value to \$1.03M

Can raise up to
\$0.64M from in-the-
money options

Options	#	Exercise Price	Amount
Total	4,725,000	\$0.14	\$675,250
In-the-Money	4,545,000	\$0.14	\$639,250

Warrants	#	Exercise Price	Amount
Total	7,389,943	\$0.10	\$738,994
In-the-Money	-	-	-

Source: FRC / Company

FRC Projections and Valuation

MQM's EV/Resource
and EV/AT-NPV
remain materially
lower than those of
comparable iron ore
juniors

	Joyce Lake	Lac Viot	Hopes Advance	Zanaga	Lac Otelnuik
Owner	Century Global / TSX: CNT (91.6% interest)	Red Paramount Iron (Private)	Oceanic Iron Ore / TSXV: FEO	Zanaga Iron Ore/ AIM: ZIOC	MetalQuest Mining / TSXV: MQM
Location	Canada	Canada	Canada	Republic of Congo	Canada
Resource (Contained Iron)	M&I - 14 Mt at 58.6% Fe Inferred - 515 Kt at 62.1% Fe	Inferred - 122 Mt at 23.2% Fe	M&I - 516 Mt at 32.1% Fe Inferred - 82 Mt at 32.5% Fe	M&I - 2.4 Bt at 32.1% Fe Inferred - 651 Kt at 31.0% Fe	M&I - 3.6 Bt at 17.6% Fe Inferred - 1.2 Bt at 17.8% Fe
Stage	FS	Resource	PEA	FS	FS
Mine Life	7 years	21 years	28 years	30 years	30 years
CAPEX	\$270M	N/A	US\$1.2B	Phase 1: US\$2.2B Phase 2: US\$2.5B	Phase 1: US\$9.3B Phase 2: US\$4.8B Phase 1: 30 Mtpa Phase 2: 50 Mtpa
Annual Production	2.5 Mtpa	2.4 Mtpa	5 Mtpa	30 Mtpa	
AT-NPV	\$184.6M (8%)	N/A	US\$2.3B (8%)	US\$1.3B (10%)	US\$5.2B (8%)
AT - IRR	20%	N/A	22%	18%	13%
Iron Price	US\$125/t	N/A	US\$101/t	US\$60/t	US\$105/t
Enterprise Value (EV)- \$M	\$3	N/A	\$155	\$113	\$6.11
EV/Contained Resource (\$/t)	\$0.26	N/A	\$0.28	\$0.05	\$0.0014
EV/AT-NPV8%	2.0%	N/A	5.0%	6.4%	0.1%

Source: FRC / S&P Capital IQ / Various

We are not changing
our DCF model;
however, the recent
share price spike
reduces the dilutive
impact of future
financings, raising
our DCF valuation
from \$0.68 to
\$0.80/share

DCF Valuation - Lac Otelnuik

Operating Life (years)	30
Annual Production (concentrates)	30 Mt (Years 1-10) / 50 Mt (Years 11-30)
LT Average Iron Ore Price (US\$/t)	\$110
Operating Cost (LOM) in US\$/t	\$38
Initial CAPEX -US\$B	\$11.60
Discount Rate	12.5%
After-Tax Net Asset Value (\$M)	\$45,746,288
Fair Value/Share	\$0.80

Source: FRC

Given the recently completed PEA on the Murray Brook project, we are introducing our valuation of MQM's 1% NSR at \$0.08/share

Using a sum-of-parts valuation, we arrive at a fair value of \$0.92/share

We are maintaining our risk rating of 5 (Highly Speculative)

NSR Valuation - Murray Brook	
Operating Life (years)	13
Annual Copper Equiv. Production (Mlb)	30
LT Average Price of Cu (US\$/lb)	\$3.75
Discount Rate	15%
After-Tax Net Asset Value (C\$M)	\$4,398,925
Fair Value per Share (C\$)	\$0.08

Valuation Summary	Shares	Value/Share
Lac Otelnuik (iron)	\$45,746,288	\$0.80
Murray Brook (polymetallic) - 1% NSR	\$4,398,925	\$0.08
Working Capital (assuming a \$2M financing in the next 18 months)	\$2,931,748	\$0.05
Fair Value	\$53,076,961	\$0.92

Source: FRC

We are reiterating our BUY rating, and adjusting our fair value estimate from \$0.72 to \$0.92/share. MQM has delivered strong YTD performance, significantly outperforming the TSXV, while advancing one of North America's largest undeveloped iron ore projects. With high-purity iron now on Canada's Critical Minerals list, the project may benefit from enhanced funding and tax incentives. Key near-term catalysts, including potential partnerships and gap analysis updates.

Risks

We believe the company is subject to the following risks:

- The value of the company is dependent on commodity prices
- Exploration and development
- Permitting
- Iron ore projects are typically large/high-CAPEX
- **Local support from first nations communities is critical for project development**
- Access to capital and potential for share dilution

Fundamental Research Corp. Equity Rating Scale (ratings are not a recommendation to acquire, dispose of, or take no action regarding a security; the definitions of our ratings are explained below):

Buy – Fair value is 12% above the current market price; or risk and reward is favorable

Hold – Fair value is between 5% to 12% above the current market price

Sell – Fair value is 5% above, or less, than the current market value; or risk and reward is unfavorable

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

Definition of FRC's Fair Value Estimate – Our fair value estimate is the theoretical value of the company's equity using widely accepted methods of valuation such as discount cash flow or comparables. IT IS NOT A TARGET PRICE or PREDICTION OF THE FUTURE STOCK PRICE.

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