

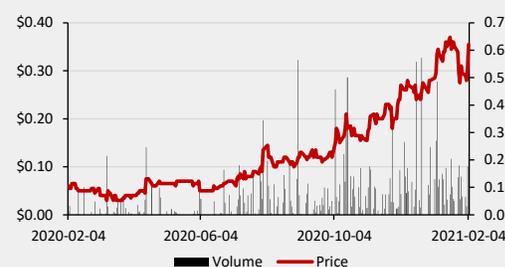
## NorthIsle Copper & Gold Inc. (TSXV:NCX) **C\$1 Billion NPV for NorthIsle**

**Development Update**  
February 5, 2021

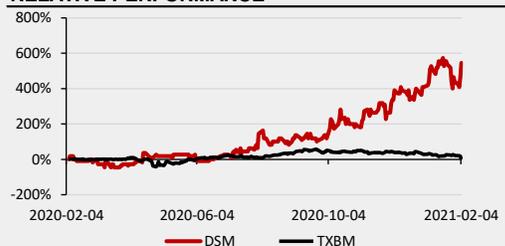
(Currency is CAD\$ unless noted otherwise)

Closing Price	\$0.37	
Rating	NA	
Target (\$/sh)	NA	
Return to Target	NA	
52 Week Low / High	\$0.02 / \$0.42	
<b>CAPITALIZATION</b>	<b>Basic</b>	<b>Diluted</b>
Shares Outstanding (M)	146.4	159.5
Market Capitalization (\$MM)	\$54.2	
Enterprise Value (\$MM)	\$51.9	
Cash and Equivalents (\$MM) (incl. Equities)	\$2.3	
Total Debt (\$MM)	\$0.0	

### STOCK CHART



### RELATIVE PERFORMANCE



Peer Comparison	US\$EV/lb. CuEq
NorthIsle Copper and Gold Inc.	\$0.003
Peer Group	\$0.047

\*Capital IQ Consensus

### MAJOR SHAREHOLDERS

Management (18.28%)

**DISCLOSURE CODE:** 3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

### Company Description

NorthIsle Copper and Gold Inc., a junior resource company, engages in the exploration and development of mineral properties in Canada. The company explores for copper, gold, molybdenum, and rhenium deposits. Its principal property is the North Island project consisting of approximately 33,149 hectares located on the Northern Vancouver Island, British Columbia. The company was incorporated in 2011 and is headquartered in Vancouver, Canada.

### Impact: Positive

NorthIsle announced the results of an updated PEA on its 100%-owned North Island Au-Cu-Mo project on Vancouver Island, BC. The PEA supports a large, open pit operation with attractive economics. **In our view, NorthIsle is an under-the-radar explorer with one of the best, undeveloped Cu-Au porphyry projects in Canada. For more insight into the PEA, tune in to our upcoming webinar with NorthIsle on February 8, at 2pm EDT/11am PDT ([click here](#)).**

- A large, first quartile cash cost Cu-Au-Mo mine.** The new PEA contemplates mining ~600Mt of ore from the Red Dog and Hushamu deposits over a 22-year mine life, to be processed at 75,000 tpd, resulting in high-quality Cu and Mo concentrates, with significant gold as a by-product. The project is expected to churn out ~177.5M lb. Cu Eq a year for the first six years, averaging 155.9M lb. Cu Eq pa over LOM. The low strip ratio of 0.71 : 1.0 allows for low-cost mining over the LOM, with cash costs and AISC of \$2.09/lb. Cu Eq and \$2.14/lb. Cu Eq, respectively (Figure 1).
- A free cash flow machine.** Using base case metal prices of US\$3.25/lb. Cu and US\$1,650/oz Au, the project can generate after tax FCF of ~\$321M annually for the first six years, averaging ~\$224M annually over the LOM. This free cash flow translates to positive post-tax economics with an NPV<sub>8%</sub> of ~\$1.1B, IRR of 19%, and payback period of 3.9 years. The capital costs are \$1.4B, which we consider modest for a 20+ year mine. These results are a substantial improvement from the 2017 PEA, due to higher metal price assumptions, improved metallurgy, and greater resources (Figures 2 and 3).
- Opportunities for upside.** At current spot prices, the after-tax NPV<sub>8%</sub> and IRR jumps to ~\$1.4B and 22.3%, respectively (Figure 4). There remains opportunity to recover pyrite concentrate, optimize metallurgy, utilize trolley-assisted haulage amongst other operating improvements, which could greatly improve project economics. Capex could be greatly reduced should NorthIsle be able to utilize nearby infrastructure from the historical Island Copper mine, such as using the existing pit for tailings storage. We expect to see some of these opportunities incorporated into a future PFS. We also note that the project has excellent resource growth potential, including the recently re-acquired Pemberton Hills prospect (Figure 5).

### Project de-risking and exploration success should drive a re-rating.

NorthIsle trades at a hefty discount to its peers on an EV/lb. Cu Eq basis (**US\$0.003/lb vs. peers at US\$0.05/lb**), and ~4% its project's NPV. We believe NorthIsle's mining-friendly jurisdiction, and ability to generate substantial FCF should warrant a premium. **We would also note that a stream of its future Au production could almost cover the entire capex of the project. Upcoming catalysts:** 1) exploration and infill drilling (2021); 2) project improvement studies in support of a PFS (H2/21); 3) ground-work exploration for new porphyry targets (H2/21).

**Figure 1: 2021 PEA – Operating Highlights**

Operating Highlights			
	Units	Avg. First 6 years	Avg. LOM
Mine life	Years	22	
Tonnes processed	kt	27,060	27,289
Strip ratio	W:O	1.04	0.71
Production			
Copper	M lb	112.10	95.90
Gold	k oz	111.80	99.90
Molybdenum	k lb	2,726.00	2,954.00
<b>Copper Equivalent</b>	<b>M lb</b>	<b>177.50</b>	<b>155.90</b>
Costs			
Cash costs - Cu Eq	\$/lb	2.00	2.09
AISC - Cu Eq	\$/lb	2.01	2.40

Source: Company Reports

**Figure 2: 2021 PEA – Economic Highlights**

Economic Highlights			
Assumptions	Units	Base Case	
Copper	US\$/lb	3.25	
Gold	US\$/oz	1,650	
Molybdenum	US\$/lb	10	
Rhenium	US\$/kg	1,256	
Exchange Rate	US\$/C\$	0.75	
Initial Capital Cost	C\$ M	1,442	
Sustaining Capital Cost	C\$ M	197	
Project Economics	Units	Pre-tax	After-tax
<b>NPV<sub>8%</sub></b>	<b>C\$ M</b>	<b>1,494.00</b>	<b>1,059.00</b>
NPV <sub>8%</sub>	US\$ M	1,121.00	795.00
IRR	%	21.7%	19.0%
Payback	Years	3.9	3.9
Financial Metrics	Units	First 6 years	LOM
Average Annual Revenue	C\$ M	740	649
Average Operating Costs	C\$ M	340	301
Average Annual Free Cash Flow	C\$ M	321	224

Source: Company Reports

**Figure 3: Comparison of 2021 PEA vs. 2017 PEA – Key Changes**

PEA Key Changes				
	Units	2021 PEA	2017 PEA	% Change
Copper Price	US\$/lb	3.25	3.10	5%
Gold Price	US\$/oz	1,650	1,300	27%
Molybdenum Price	US\$/lb	10.00	9.00	11%
<b>After-tax NPV<sub>8%</sub></b>	<b>C\$ M</b>	<b>1,059</b>	<b>550</b>	<b>93%</b>
<b>After-tax IRR</b>	<b>%</b>	<b>19.0%</b>	<b>14.3%</b>	<b>32.9%</b>
<b>After-tax Payback</b>	<b>Years</b>	<b>3.9</b>	<b>5.1</b>	<b>-24%</b>

Source: Company Reports, RCS

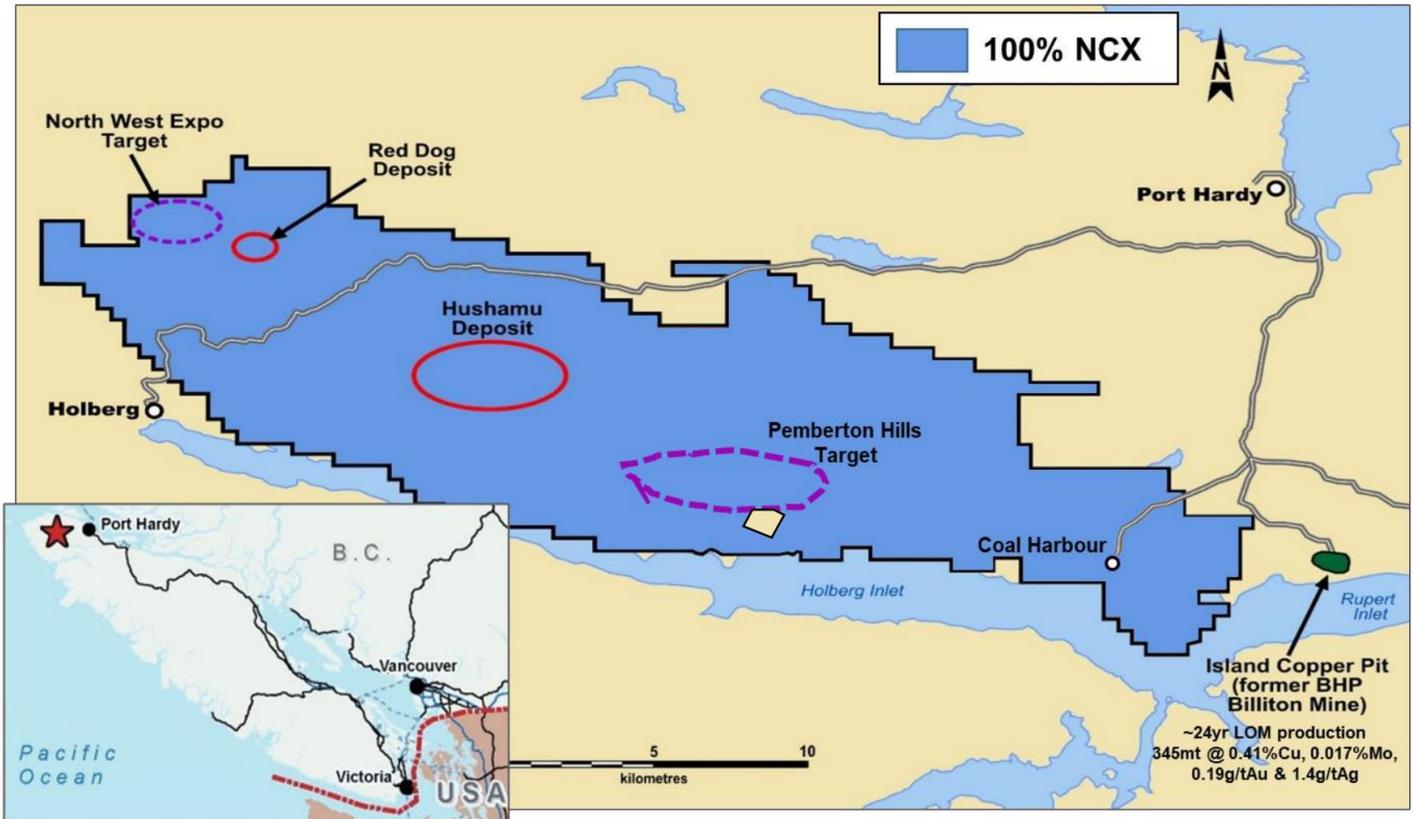
**Figure 4: 2021 PEA – Sensitivity Analysis**

Economic Sensitivity to Metal Prices				
Metal Prices	After-tax NPV <sub>5%</sub>	After-tax NPV <sub>8%</sub>	After-tax NPV <sub>10%</sub>	IRR (%)
Spot Prices	2,116.4	1,396.1	1,049.0	22.3%
Base Case + 20%	2,682.7	1,833.7	1,425.0	26.5%
Base Case + 10%	2,182.6	1,447.2	1,092.9	22.8%
<b>Base Case</b>	<b>1,682.5</b>	<b>1,059.4</b>	<b>759.1</b>	<b>19.0%</b>
Base Case - 10%	1,180.2	666.8	419.3	15.0%
Base Case - 20%	674.1	265.4	68.9	10.8%

\*Spot prices as of Feb 2, 2021

Source: Company Reports

**Figure 5: Map of North Island project, showing exploration target areas**



Source: Company Reports

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 Updated February 4, 2020

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Company Name	Ticker Symbol	Disclosures
NorthIsle Copper & Gold Inc.	TSXV:NCX	3,4

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