

Clarus Securities Comment on Nortisle Copper & Gold

Last week, Varun and I were on site at NCX's North Island project in northern Vancouver Island. NCX will release an updated PEA by the end of Q3 that we believe will extend mine life beyond 40 yrs and include a higher-grade starter scenario that will result in a lower initial capex phased approach. We believe pending drill results (3-4 weeks) will begin to define an additional higher-grade deposit. The project is located near Port Hardy, adjacent to BHP's closed (1995) Island Copper mine and near an operating quarry. 30% of Port Hardy's residents are employed in resource extraction industries and mining, at this northern and industrialized end of the island enjoys strong support from First Nations, local communities and the provincial and federal governments. In fact, NCX is one of 8 Canadian critical minerals companies chosen by the Canadian gov't to present to global investors. Hence, we believe permitting is not a significant risk.

Northisle Copper & Gold (NCX-TSX.V) - A Tier-1 Canada-based Cu-Au porphyry district play trading at an attractive valuation

In a nutshell:

- **Large existing resource:** NCX already has +1 bn tonne resource containing ~4 Bn lbs Cu & 8MM oz Au;
- **..and a 2021 PEA to be improved/updated by the end of Q3/24:** A robust PEA from 2021 estimated NPV >C\$1 bn (\$3.25/lb Cu & \$1650/oz Au). At today's commodity prices it would be ~C\$2 bn. While the large initial capex (C\$1.4 bn) seemed onerous for a junior, exploration success since 2021 has helped reimagine the project in a high margin, low capex starter scenario that should be readily fundable, followed by staged expansion;
- **High-grade starter areas discovered:** Since 2021, the company discovered an open-pit, high-grade zone ("NW Expo") that would come into the mine plan at the beginning, improving project economics considerably and helping to fund expansion/future phases.
 - NW Expo will be included in an updated PEA by the end of Q3 and is expected to show improved economics and reduced capex (~C\$700MM, or half the capex of the 2021 PEA).
 - In addition, the company recently discovered another high-grade zone ("W. Goodspeed") that could further enhance economics in the early years. Only 3 holes from W. Goodspeed have been released to date w/ another 10 pending assays. Consequently, this deposit will not be included in the upcoming PEA but represents significant future upside;

- **Massive exploration upside remains:** There are several additional targets on the expansive ~35 km property including a true large-scale porphyry target called Pemberton. NCX is currently seeking a partner to help drill this target.
- **Support from gov't and local communities:** NCX is located on N. Vancouver Island. It has both Federal and provincial support. It has support of the local first nations groups and local communities. A future mine would also benefit from infrastructure (port, roads, electricity) that were all built to support past-producing BHP mine "Island Copper".
 - **NCX's project has been selected by provincial and federal government among 8 critical metals projects across Canada to present to international investors.**
- NCX trades at a ~70% discount to peers on an EV/Resource basis, indicating that even the known resource is not fully priced in and essentially offers the immense exploration upside for free.

Northisle Copper Snapshot

Ticker: NCX-TSX.V

Price: C\$0.54/share

Basic S/O: 232.8MM

Fully Diluted S/O: 251 MM

Cash (Dec. 31, 2023): ~C\$9 MM

Market Cap (basic): C\$128 MM

EV: C\$121 MM

Major shareholders: Institutional (~13%, incl. Franklin Templeton), Michael Gentile (9.9%), Donald K. Johnson (9.9%), Mgmt. & Insiders (~15%)

Flagship project: North Island Copper, North Vancouver Island, BC

KEY HIGHLIGHTS

- We think NCX's North Island project is a tier-1 copper-gold project in Canada;
- Large scale: +1 bn tonne resource containing ~4 Bn lbs Cu & 8MM oz Au – also incl. molybdenum (Mo), rhenium (Re) – Cu, Mo & Re are on Canada's critical commodities list;
- Proximity to critical infrastructure – 20 km from Port Hardy airport, paved roads to site, excess water and proximal clean power – infrastructure largely built to support BHP's now closed Island Copper Mine;
- Potential for low capital intensity development scenario and improving economics compared to the 2021 PEA which highlighted +C\$1 Bn NPV8% (vs current mkt cap of C\$128 MM):
 - 2021 PEA was done at \$3.25/lb Cu price and \$1650/oz Au price – at spot prices, NPV likely ~C\$2 Bn for the 2021 PEA model but large initial capex of C\$1.4 Bn;
 - New higher grade NW Expo resource has 2x – 3x NSR rock value (vs 2021 PEA) and implies +100% increase in margins – supports low capex starter scenario;
 - Significantly lower initial capital intensity and staged expansion approach to drive better economics than 2021 PEA;
 - Still maintains leverage to the larger scale, high leverage to copper price deposit (Hushamu, ~7 bn lbs CuEq) in a staged expansion approach;
 - Potential for extending mine life towards ~35 years vs 22 years in 2021 PEA;
- Massive exploration upside potential to expand resources at known deposits and blue sky potential from a blind porphyry target at Pemberton Hills target:
 - Almost the entire +1 bn tonne current resource is in the lithocap (above a porphyry) and not in true porphyry mineralization – Porphyry mineralization could add additional tonnage at potentially higher grade;
 - 2024 drill program will test for porphyry mineralization at NW Expo and West Goodspeed;
 - Potassic core at NW Expo & West Goodspeed likely at relatively shallow depths vs typical porphyry deposits;
 - NW Expo drilling incl. 130 m at 2.13 g/t AuEq or 1.58% CuEq from 65 m below surface (NW23-13) and showed signs of porphyry source (potassic core) below this area – could be game-changing if hits (to be tested in Phase I 2024 drill program). Drilling at NW Expo starting in the coming weeks with initial results in Q4;
 - Similar potassic core potential at recent discovery at West Goodspeed, incl. 125 m at 0.49% CuEq – an additional 6 holes drilled that may further confirm porphyry potassic mineralization (assays pending);
 - Overall, there is a ~35 km of prospective corridor starting from BHP's former producing Island Copper mine in the SE to NW Expo to the NW that could potentially host multiple porphyry mineralization centers yet to be discovered;
- Located in the highly industrialized northern Vancouver Island, BC – fishing, forestry and mining dominant industries;

- Past mines in North Vancouver Island included BHP's Island Copper Mine (closed 1995), recent Nyrstar's Myra Falls Mine (closed 2015), mining ongoing at Orca quarry at 6 Mtpa just ~70 km SE of NCX's North Island project;
- Project selected by both provincial and federal governments as part of Canada's Critical Metals Strategy – among 8 selected by Federal gov. (total ~110 projects across Canada) to present to funds in New York, **Why:**
 - Cu, Mo & Re are on Canada's critical metals list – metals present in NCX's resource, plus gold – adding some highly valuable credits;
 - Proximity to infrastructure – requiring minimal support from Fed's critical metals infrastructure development funds;
 - Support from First Nations: 5 years long-term exploration consent agreements signed with first nations groups and local government support bodes well for advancing the project towards development;
- **Highly attractive valuation compared to peers – ~70% discount to peers on an EV/Resource basis.**
- **Catalysts:**
 1. C\$6 MM exploration budget for 2024 (fully-funded);
 2. 10,000 m Phase I drill program commenced in May – stepping out and below NW Expo & West Goodspeed to vector in on the potassic core – highly impactful drilling;
 3. Currently drilling with 1 rig at West Goodspeed with another rig going to NW Expo in coming weeks;
 4. Initial drill results from West Goodspeed – August;
 5. Updated PEA – end of Q3.

DETAILED OVERVIEW

North Island Copper – A significantly de-risked Tier-1 district-scale copper-gold porphyry opportunity:

- NCX owns 100% of the North Island project in the highly industrialized northern most region of Vancouver Island, BC;
- North Island project comprises a large contiguous land package of ~334 [sq.km](#), hosting a ~50 km corridor that is bookended by the past producing Island Copper Mine (BHP, 1970 – 1995) in the SE to Cape Scott Wind Farm (~100 MW capacity) in the NW;
- The project has at least 8 known Cu-Au-Mo porphyry occurrences along the 50 km corridor with a long history of exploration going back to 1960s;

- Between 2012 to 2017, NCX successfully defined large resources on just 2 of the targets, Red Dog & Hushamu (~10 km apart), followed by a **compelling PEA in 2021 with +C\$1 Bn NPV8%**, thereby significantly de-risking the project:
 - Combined resource for the 2 deposits: 3.7Bn lbs Cu, 6.5MM oz Au or **7.6Bn lbs CuEq at 0.37% CuEq & ~65% of the resource in indicated category which has a higher grade of 0.41% CuEq**;
 - The grade is comparable to some of the operating mines in BC, such as Mt. Milligan (0.39% CuEq, CG-TSX, ~C\$2.0 Bn mkt cap.), Mt. Polley (0.48% CuEq, III-TSX, ~C\$345 MM mkt cap.)
- Additional drilling has since defined a higher grade resource at a third deposit, Northwest Expo (northwesternmost on the property), in 2024 while also discovering a new mineralized zone at West Goodspeed:
 - **NW Expo total resource (March 2024): ~0.9Bn lbs CuEq (1.8MM oz AuEq) at 0.57% CuEq (0.77 g/t AuEq) with +60% of the resource in indicated category which has a higher grade: ~0.5Bn lbs at 0.61% CuEq or 1.1MM oz at 0.82 g/t AuEq**;
 - West Goodspeed discovery (December 2023): highlight hole GS23-05 – 125 m at 0.49% CuEq continuous mineralization from surface;
 - NW Expo, Red Dog & West Goodspeed together seem to indicate a potential ~7 km long mineralized trend with additional untested targets within the larger ~50 km corridor;
- Significant exploration opportunities remain to be tested at the known deposits to further add to resources and the blue sky potential from the deep porphyry target at Pemberton Hills which is located ~7 km SE of Hushamu.

Great location, with top-notch infrastructure and FNs & local community support:

- Project is located in the northernmost part of Vancouver Island, about 500 km from Victoria – same distance as Taseko’s Gibraltar mine (2nd largest open-pit copper mine in Canada) from Vancouver;
- This part of the island is highly industrialized with a long history of mining – dominant industries include fishing, forestry and mining;
- The project is road accessible, has easy to work topography, just 20 km from Port Hardy, ~100 MW Cape Scott wind farm & BC Hydro grid is also in close proximity. Additionally, the project will have multiple options for port access;
- A significant amount of this infrastructure was built around/for BHP’s Island Copper mine, including the town of Port Hardy;
- As a result, the local communities and First Nations are strongly supportive of NCX’s efforts in defining a mine here:
 - We met the mayor of Port Hardy (Pat Labatt), who worked at BHP’s Island Copper mine, and expressed her support for the company’s project;

- The First Nation's support for the project is evidenced by the consent agreements signed that has also resulted in positive exploration/drill permitting outcomes for NCX;
- The area receives about 3 m of rain per year, fulfilling water requirements of current activities as well as future envisioned operations;

Already a compelling PEA in place:

- The 2021 PEA is based only on the Red Dog & Hushamu deposits as the high grade NW Expo resource was not delineated at the time;
- Attractive economics with C\$1.1 billion after-tax NPV (8%) and 19% after-tax IRR:
 - Conservative commodity price (US\$): Cu \$3.25/lb, Au \$1,650/oz;
 - Assumed only ~600 Mt in mine plan of the total +1Bn t resource;
 - Low LOM strip ratio of 0.7 : 1 (W : O)
 - 75,000 tpd operation, producing 96MM lbs Cu & 100k oz Au per year, at US\$1.60/lb CuEq AISC over a 22 year mine life;
- Initial capex of C\$1.44 Bn – comparable in capital intensity to projects of similar scale, however, likely viewed as onerous for a junior developer/explorer;

New higher grade NW Expo resource highlights low capital intensity starter scenario:

- NW Expo total resource of 1.7MM oz at 0.77 g/t AuEq, comprising a higher grade subset of ~1.4MM oz at ~0.95 g/t AuEq;
- 2x – 3x NSR vs 2021 PEA: NSR (post recoveries) rock value for the higher grade subset of the NW Expo resource is ~C\$90/t (at spot) vs \$24/t for the 2021 PEA, implying 300% – 400% potential improvement in margins (after accounting for higher strip for NW Expo vs 2021 PEA):
 - This is supported by higher grades as well as far better gold recoveries from NW Expo (90% Au vs less-than 50% for Hushamu deposit in 2021 PEA);
- Combined with the Red Dog deposit (2 – 3 km SW), mgmt. thinks there could be ~2.5MM oz AuEq of combined mineable inventory across the 2 deposits within trucking distance;
- Mgmt. thinks a new economic scenario would take the staged expansion approach where the Phase 1 could look like:
 - 20,000 tpd (vs 75,000 tpd 2021 PEA) – Artemis' Blackwater in BC built for ~C\$700 MM for similar size – implies potential ~50% reduction in capex from 2021 PEA;
 - 10 – 12 years mine life, 150k oz Au & 20 – 30 MM lbs Cu per year – longer Phase 1 than a typical staged project (~5 years);

- Also maintains leverage to the larger Hushamu deposit, potentially increasing mine life to +30 years in the combined case (NW Expo, Red Dog & Hushamu) – Staged development approach;
- Overall, we see this project advancing towards a mine build, be it in a low capital intensity, high margin scenario (in tepid markets) or as a large scale, high leverage to copper price project (in supportive markets) – we think this is relatively unique for projects of this scale which typically have just a single track development path that typically has large capex requirements often exceeding C\$1.0 Bn;
- Mgmt. believes either scenario will support better economics than the 2021 PEA (C\$1.1 Bn NPV8%);
- Mgmt. is currently undertaking scoping studies for optimizing the project size with an updated PEA expected by end of Q3;

Massive exploration upside:

- Mineralization at North Island, incl. at NW Expo, Red Dog & Hushamu, is understood to be in the lithocap (not in porphyry mineralization)
 - The entire +1 Bn tonne resource is understood to be lithocap hosted, which is typically above a porphyry;
 - The deposits are understood to be dramatically tilted;
 - As a result, the potassic core of the porphyry is believed to be at relatively shallower depths vs typical porphyry deposits;
 - Porphyry mineralization is typically richer in grade vs lithocap and hence could be game-changing if drilling successfully intercepts and delineates porphyry mineralization at NW Expo, Hushamu;
- Hole NW23-13 at NW Expo returned 130 m at 2.13 g/t AuEq or 1.58% CuEq from just 65 m below surface and showed signs of a porphyry source at depth, which remains untested (planned to be tested in 2024 Phase I program);
 - For reference, Hercules Silver (BIG-TSX.V) discovery hole in Oct'23 was 185 m at ~1% CuEq (with 0.84% Cu and no gold) and started almost ~350 m below surface;
- Mgmt. plans to drill infill holes at NW Expo which will go deeper, below the current resource, to test for the potassic core (engine of a typical porphyry with generally higher grades) – could be a gamechanger if hits (while also low risk and builds confidence in current resource as an infill hole);
- Also up-dip of NW Expo resource to potentially add more shallow mineralization;
- In Dec'23, mgmt. announced the discovery of West Goodspeed with 2 drill holes:
 - GS23-04 78m grading 0.48% Cu Eq;
 - GS23-05 125m grading 0.49% Cu Eq;
 - Continuous copper mineralization with economic grades starting from surface;

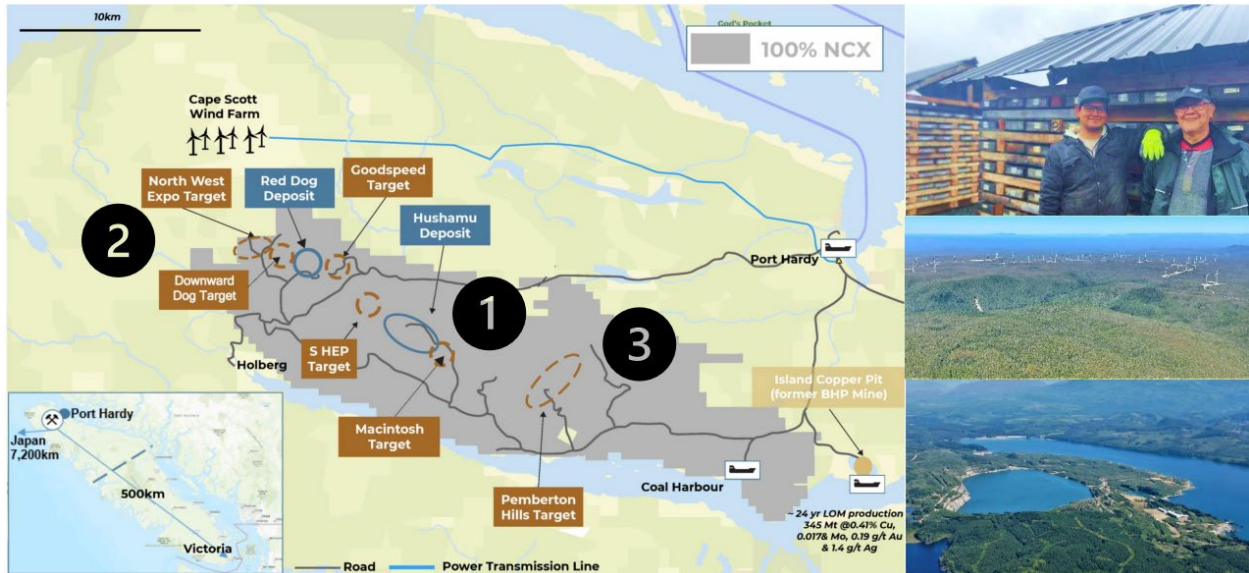
- Alteration interpreted to be transitional from lithocap to potassic – deeper drilling could prove to be gamechanger here if hits potassic core (ongoing Phase I 2024 program);
- Only deposit on the project so far to demonstrate clear signs of a true porphyry mineralization right from surface with intense veining;
- Based on drilling, West Goodspeed already has a larger footprint than NW Expo with a 800 m strike, 300 m vertical extent and 50 – 150 m wide, suggesting a potential 40 – 50 Mt conceptual block and remains open along strike as well as up and down dip;
- West Goodspeed is only 1.2 km SE of Red Dog & 2 km from NW Expo;
- Blue Sky – Pemberton Hills deeper porphyry target:
 - Pemberton Hills is located ~7 km SE of Hushamu;
 - Mgmt. believes this is a deeper seated (blind) porphyry target;
 - 6 km long by 5 km wide by 1.5 km thick lithocap – size comparable to global sizeable porphyry deposits – lithocaps are rare in BC;
 - 2 holes drilled of a planned 14 hole program – drilling is confirmatory of team’s geological model and seems to making progress towards a porphyry source (potassic core);
- Overall, there is a 35 km of prospective corridor starting from BHP’s former producing Island Copper mine in the SE to NW Expo to the NW that could potentially host multiple porphyry mineralization centers yet to be discovered.

Company	Ticker	Project	Stage	Location	Price \$/sh (Local)	Mkt. Cap. (C\$MM)	EV (C\$MM)	Attr. Global		Valuation	
								MM Lbs CuEq	Grade (CuEq %)	EV/Resource (C\$/lb)	P/NAV
Northisle Copper and Gold Inc	NCX-TSX.V	North Island	PEA	BC, Canada	0.54	\$128	\$121	8,505	0.38%	\$0.014	NA
Average - All Peer Groups						\$643	\$674	13,854	0.56%	\$0.045	0.32x
North American Cu Developer Peers											
Arizona Sonoran Copper Company Inc	ASCU-TSX	Cactus	PEA	Arizona, US	1.49	\$163	\$147	7,382	0.54%	\$0.020	0.31x
Faraday Copper Corp	FDY-TSX	Copper Creek	PEA	Arizona, US	0.79	\$162	\$153	5,125	0.41%	\$0.030	NA
Highland Copper Company Inc	HI-TSX.V	Copperwood	Permitted	Michigan, US	0.11	\$81	\$54	3,834	1.30%	\$0.014	NA
Kutcho Copper Corp	KC-TSX.V	Kutcho	FS	BC, Canada	0.15	\$23	\$22	1,968	2.50%	\$0.011	NA
Northern Dynasty Minerals Ltd	NDM-TSX	Pebble	PEA	Alaska, US	0.53	\$285	\$270	162,132	0.67%	\$0.002	NA
Seabridge Gold Inc	SEA-TSX	KSM	PFS	BC, Canada	20.12	\$1,782	\$2,320	165,782	0.60%	\$0.014	NA
Trilogy Metals Inc	TMOQ-TSX	Arctic	FS	Alaska, US	0.89	\$143	\$124	5,408	1.93%	\$0.023	0.34x
Western Copper and Gold Corp	WRN-TSX	Casino	FS	Yukon, Canada	1.52	\$300	\$267	22,573	0.26%	\$0.012	0.32x
Group Average						\$367	\$420	7,715	0.64%	\$0.016	0.32x
Americas (Ex-NA) Cu Developer Peers											
Aldebaran Resources Inc	ALDE-TSX.V	Altar	Resource	Argentina	0.92	\$156	\$141	12,276	0.50%	\$0.012	NA
Filo Corp	FIL-TSX	Filo del Sol	PFS	Argentina	28.67	\$3,762	\$3,707	9,131	0.64%	\$0.406	0.67x
Hot Chili Ltd	HCH-TSX.V	Costa Fuego	PEA	Chile	0.87	\$132	\$120	9,389	0.42%	\$0.013	0.18x
Los Andes Copper Ltd	LA-TSX.V	Vizcachitas	PFS	Chile	9.70	\$286	\$270	30,245	0.41%	\$0.009	NA
NGEx Minerals Ltd	NGEX-TSX	Los Helados	Resource	Chile	8.40	\$1,593	\$1,530	22,331	0.46%	\$0.069	0.28x
Regulus Resources Inc	REG-TSX.V	Antakori	Resource	Peru	1.88	\$234	\$218	8,163	0.72%	\$0.027	NA
Solaris Resources Inc	SLS-TSX	Warintza	Resource	Ecuador	3.53	\$571	\$574	16,783	0.52%	\$0.034	0.12x
SolGold PLC	SOLG-TSX	Cascabel	PFS	Ecuador	0.21	\$615	\$860	39,348	0.49%	\$0.022	NA
Group Average						\$919	\$927	18,458	0.52%	\$0.074	0.32x

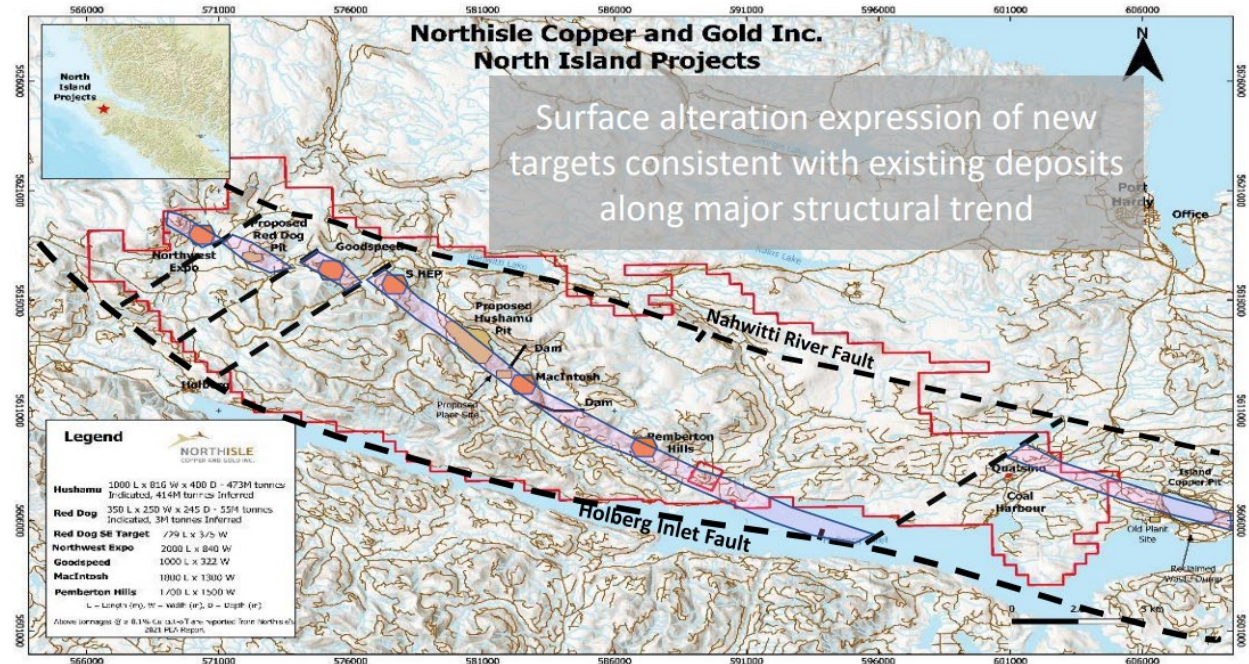
NCX – North Island Project: location and infrastructure

North Island – Exceptional Infrastructure

Logging and mining activity has left a legacy of roads, power and ports



35 km potential porphyry hosting corridor book-ended by BHP’s Island Copper mine (SE) & NW Expo (NW)



Paved roads from Port Hardy airport to Core shack (~25 mins drive)



Drills turning at West Goodspeed



Proximal port facilities



Core shack



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