

## Kodiak Copper Corp. (TSXV: KDK)

Initiating Coverage

## AN OPPORTUNITY TO GET IN EARLY?



## INVESTMENT HIGHLIGHTS

## Stock Info

Closing Price (C\$/sh)	\$1.46
Rating	SPECBUY
Target (C\$/sh)	\$2.60 - \$2.75
Return to Target	78% - 88%
Coverage Initiation (C\$/sh)	\$1.46
Coverage Initiation Date	2021-04-10
Return to Date	0%
52-wk Low/High (C\$/sh)	\$0.31/\$3.31



Source: RBC Investors Edge

## Capitalisation

Shares Out (basic) (M)	45.62
Market Capitalisation (C\$M)	60.07
Working Capital (C\$M)	~14.00

## Valuation

Total Assumed in-situ Cu (Blbs)	0.94
Total Assumed in-site Au (Moz)	0.98
Project NAV (C\$M)	139.24
Corporate NAV (C\$M)	17.67
Company NAV (C\$M)	156.91

## Major Shareholders

High-Net Worth (30.7%), Teck Resources (9.3%), International & Family Offices (4.5%), Management & Board (8.6%), Retail (46.9%)

## Company Biography

Kodiak Copper Corp. is focused on its portfolio of 100%-owned copper porphyry projects in Canada and the USA. The company's most advanced asset is the MPD copper-gold porphyry project in the prolific Quesnel Trough in southern British Columbia, Canada. In 2020 the company made a transformational discovery of high-grade and thick mineralisation at this project. Kodiak also holds the Mohave copper-molybdenum-silver porphyry project in Arizona, USA. These projects have been historically drilled and contain historic mineral discoveries, but recent targeting and findings by Kodiak demonstrate significant upside and the potential to discover large-scale deposits.

## Company Highlight's

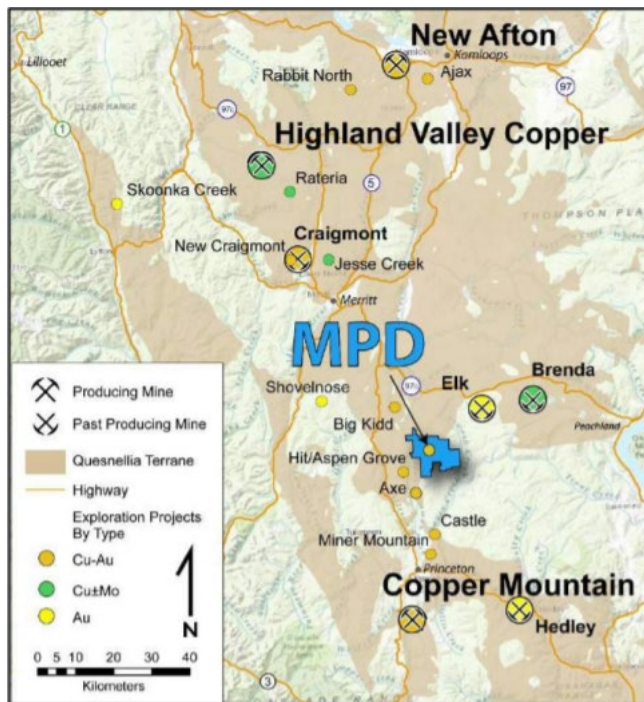
• **The right management team and strategy:** The chairman and instrumental in the company's structuring and project assembling, Christopher Taylor, was responsible for discovering the Hinge Zone at Great Bear Resources (TSX-V: GBR) Dixie Project in Ontario, Canada. The Dixie project was a pre-existing asset with a history of drilling and exploration. Christopher and his team's re-interpretation and re-evaluation led to the Hinge Zone discovery, which rocketed the share price from ~CAD\$1.00/sh to where it is now ~CAD\$16.00 per share and a 1 billion market capitalisation. The CEO Claudia Tornquist also has significant past experiences from her time with Rio Tinto, where she evaluated projects and developed growth and acquisitions strategies and has since worked in various leadership roles across the mining industry. **If Kodiak can successfully replicate Great Bear's success, and make discoveries at previously under-explored assets, perhaps the share price will behave similarly.**

• **The right postal code:** For the first time in the projects history, the three neighbouring porphyry properties, Man, Prime, and Dillard, have been consolidated into one exploration property called MPD. The project is located in the Quesnel Trough, British Columbia's, and arguably Canada's primary copper-producing belt. World-class mines within this geologic belt include Teck Resource's Highland Valley Mine, Imperial Metal's Mount Polley Mine, and Centerra Gold's Mount Milligan Mine (Fig.1). The company has already made an intriguing discovery at the Gate Zone, where they intersected 535 metres of 0.49% Cu and 0.29 g/t Au (0.76 CuEq), including 282 metres of 0.70% Cu and 0.49 g/t Au (1.16 CuEq), the highest grades intercepted in the 50-year history of the project. This discovery got Teck Resources interested, and subsequently, they invested approximately CAD\$10.5 million for at the time 9.9% of the company (implies a valuation of at least CAD\$100 million). **It is still too early to tell, but it appears the company is following Great Bear Resources' footsteps.**

• **Investment thesis:** Timing is a critical factor in mineral exploration. At the moment, the price of copper has doubled within a year and is holding ground above USD\$4.00/lb, nearing its highest price (~USD\$4.50/lb) during the last commodity supercycle. The combination of the increasing demand due to the world's electrification and a lack of

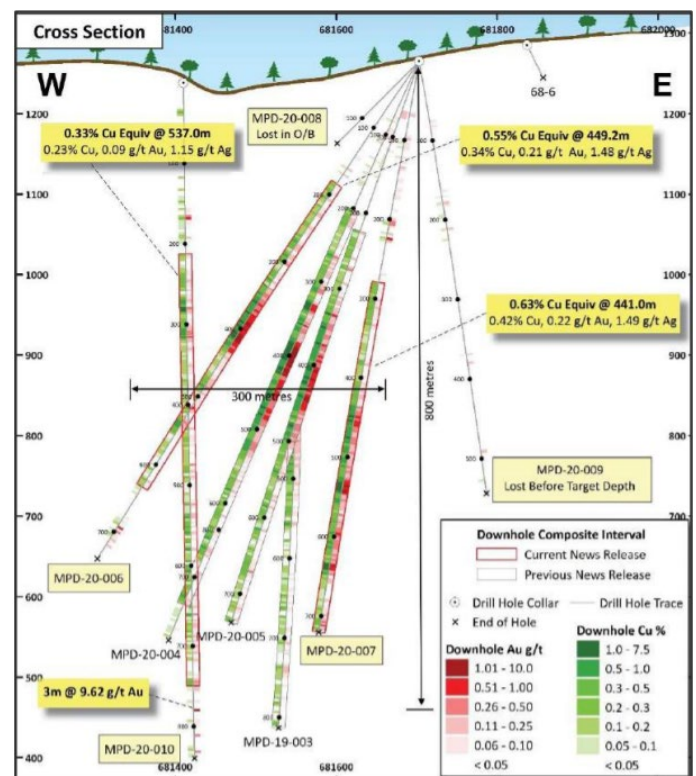
discoveries to supplement this expanding demand should all benefit copper, one of the principal commodities used in energy generation and storage. Additionally, porphyry copper-gold projects are attractive deposits for mining companies because they are typically enormous deposits, implying a long mine life that can materially affect a large companies production profile. In 2018 GTT Gold Corp made a porphyry discovery at their Saddle North project in BC, and in 2020 after successful drill campaigns, announced a maiden resource of approximately 800 Mt at an approximate grade of 0.25% Cu and 0.30 g/t Au. They were wholly bought out in 2021 for approximate considerations of CAD\$456 million. **For these reasons, the ability to be a part of potential discovery and delineation of a porphyry deposit at such an early stage and small market capitalisation is an exciting sentiment.**

• **Valuation:** The bulk of my valuation is centred around the discovery of the Gate Zone and its potential to imply a larger mineralised system. I made assumptions for a "back of the napkin" resource approximation that includes an ore-body that is 600 m in height, 300 m wide, 425 m long (dimensions based on drilling to date and geochemical/geophysical anomalies) (Fig. 2), with an ore-density of 1.6 t/m<sup>3</sup> (from a neighbouring mine). Using these metrics, I calculate the potential for an approximate 122.4 Mt at a grade of 0.35% Cu and 0.25 g/t Au for just the Gate Zone. I then apply in-situ value to the metal content using USD\$60/oz Au and USD\$0.04/lb Cu to generate my project NPV. It is reasonable that successful drilling stepping to the south could feasibly accomplish this within a 1-year timeline. This resource estimation does not include the broader lower-grade mineralised envelope discovered to date and does not evaluate what an eventual tonnage will be. It is just an attempt to quantify the Gate Zone within a 1-year timeframe.



**Fig. 2:** a cross-section of the recent drilling campaigns at the MPD project. The intervals are very thick, and mineralisation extends to the surface, but the high-grade material (Gate Zone) roughly matches the approximation dimension. Mineralisation is roughly constrained to a vertical depth of 800 metres and an east-west thickness of approximately 300 metres and is best open to the south. Source - company files

**Fig.1:** a figure demonstrating the combined MPD project's location within the Quesnellia geologic terrane relative to the nearby operating copper mines. As stated above, the project is in the right geologic terrane, close to infrastructure, and in a jurisdiction where operating mines are common-place. Source - company files



**Glossary**

- Initiating Coverage = author's first publication on a specific company where they introduce readers to this company and begin their coverage
- Update = an authors follow-up publication on a company after the author has already initiated his coverage.
- (M) = one million
- (\$C/sh) = Canadian dollars per share
- (C\$M) = one million Canadian dollars
- USD\$ = American dollars
- CAD\$ = Canadian dollars
- Mt = million tonnes
- Mlbs = million pounds
- Moz = million ounces
- /oz = per ounce
- g/t = grams per tonne
- Au = gold
- Ag = silver
- Cu = copper
- CuEq = copper equivalent, converts all metals present into copper using grades x metal recovery
- Stock Info = metrics related to a company's current share price, trading range and includes either a Buy, Sell or Spec Buy rating and a target price
- Spec Buy = a rating with a lower level of confidence than a "Buy" rating, implying more risk
- Buy = a rating with a higher level of confidence than a "Spec Buy" rating, implying less risk
- Sell = a rating that recommends selling a stock at the listed share price
- Halt = author is temporarily terminating his coverage on the company for the foreseeable future.
- Target (C\$/sh) = the author's 1-year target, or target range, for a fair value share price, based on the authors own valuation metrics. A target is subject to the author's opinion, and a share price may never achieve the target price
- Shares Out = the number of basic common shares issued (non-diluted) at the time of publication.
- Capitalisation = current share structure and capitalisation of the company at the last close before publication
- Valuation = the valuation includes calculating a company's assets and financial position using the author's valuation metrics. Valuation calculations may consist of assumptions and estimates on the potential for resource expansion, exploration, foreign exchange rates and financing activities. Includes estimated/assumed addition of shares based on financing or warrants exercised within the 1-yr target horizon
- Major Shareholders = details the principal and significant shareholders of the company. Retail refers to the shares that are not closely held by institutional funds or management, and other refers to a large number of shares held in smaller quantities by larger investors, but not funds
- NI 43-101 = is the legal standard for Canadian mineral resource disclosures and publishing of information.
- Types of Resources = An inferred mineral resource is the part of a mineral resource for which quantity, grade and mineral content can be estimated with a low level of confidence. Indicated resources are economic mineral occurrences sampled to a point where an estimate has been made at a reasonable level of confidence. Measured resources are indicated resource that has undergone enough further sampling that a 'competent person' defined by the norms of the relevant mining code has declared them to be an acceptable estimate at a high degree of confidence. Proven reserves are the economically mineable part of a measured resource for which at least a preliminary feasibility study demonstrates that, at the time of reporting, economical extraction could be reasonably justified with a high degree of confidence. Probable reserves are the economically mineable part of a measured and indicated resource for which at least a preliminary feasibility study demonstrates that, at the time of reporting, economical extraction could be reasonably justified with a degree of confidence lower than that applying to proven reserves.

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