



**Northisle Copper and Gold Inc.**

**Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021

(Expressed in Canadian dollars)

**Northisle Copper and Gold Inc.**

Condensed Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		September 30, 2021 \$	December 31, 2020 \$
<b>ASSETS</b>			
	Note		
Cash		6,318,099	2,942,711
Other assets		173,127	48,036
<b>CURRENT ASSETS</b>		<b>6,491,226</b>	<b>2,990,747</b>
Reclamation deposits		61,000	32,000
Equipment		99,506	-
Mineral property interests	3	10,016,000	10,016,000
<b>ASSETS</b>		<b>16,667,732</b>	<b>13,038,747</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		465,700	162,315
Flow-through premium liability	5	594,310	-
<b>LIABILITIES</b>		<b>1,060,010</b>	<b>162,315</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	31,351,891	25,372,567
Contributed surplus		2,420,358	2,328,358
Deficit		(18,164,527)	(14,824,493)
<b>SHAREHOLDERS' EQUITY</b>		<b>15,607,722</b>	<b>12,876,432</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>16,667,732</b>	<b>13,038,747</b>
Nature of operations	1		

**Approved by the Board of Directors**Larry Yau (signed) DirectorMartino Di Ciccio (signed) Director

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Mineral property expenditures	1,060,138	76,857	2,955,681	103,712
Filing and regulatory	1,149	2,230	30,616	13,749
Office and administration	12,508	5,258	38,463	13,674
Professional fees	17,737	-	106,489	-
Rent and utilities	7,500	1,500	14,500	4,500
Share-based payments (note 7, 8)	51,278	15,300	137,600	115,300
Shareholder communication and travel	79,603	4,906	234,402	12,256
Wages and benefits (note 8)	59,582	32,112	176,397	63,431
<b>CORPORATE EXPENSES</b>	<b>1,289,495</b>	<b>138,163</b>	<b>3,694,148</b>	<b>326,622</b>
Foreign exchange (gain) loss	-	-	(2,475)	-
Interest income	(6,028)	(114)	(8,090)	(1,867)
Flow-through premium recovery (note 5)	(138,059)	(14,647)	(343,549)	(40,613)
<b>LOSS AND COMPREHENSIVE LOSS</b>	<b>1,145,408</b>	<b>123,402</b>	<b>3,340,034</b>	<b>284,308</b>
Basic and diluted loss per share	0.01	-	0.02	-
Weighted average number of common shares outstanding	168,864,104	121,096,448	162,581,517	120,401,927

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended September 30,

	Note	2021	2020
Cash flows provided by (used in)		\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss and comprehensive loss		(3,340,034)	(284,308)
Items not affecting cash			
Amortization		46,890	-
Flow-through premium recovery	5	(343,549)	(40,613)
Share-based payments	7	137,600	115,300
		(159,059)	74,687
Non-cash working capital items			
Change in reclamation deposits		(29,000)	-
Change in other assets		(125,091)	37,640
Change in accounts payable and accrued liabilities		303,385	(52,311)
Change in due to related party		-	(72,499)
		149,294	(87,170)
<b>OPERATING ACTIVITIES</b>		<b>(3,349,799)</b>	<b>(296,791)</b>
<b>FINANCING ACTIVITIES</b>			
Private placement	4	7,102,357	-
Issuance costs	4	(314,940)	-
Stock option exercise	6	84,166	85,000
<b>FINANCING ACTIVITIES</b>		<b>6,871,583</b>	<b>85,000</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment		(146,396)	-
<b>INVESTING ACTIVITIES</b>		<b>(146,396)</b>	<b>-</b>
<b>CHANGE IN CASH</b>		<b>3,375,388</b>	<b>(211,791)</b>
Cash – Beginning		2,942,711	378,880
<b>CASH - ENDING</b>		<b>6,318,099</b>	<b>167,089</b>

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
<b>DECEMBER 31, 2019</b>		<b>120,111,516</b>	<b>22,217,978</b>	<b>1,632,688</b>	<b>(13,631,702)</b>	<b>10,218,964</b>
Exercise of stock options		1,700,000	85,000	-	-	85,000
Transfer of stock option value		-	34,000	(34,000)	-	-
Share-based payments		-	-	115,300	-	115,300
Loss and comprehensive loss		-	-	-	(284,308)	(284,308)
<b>SEPTEMBER 30, 2020</b>		<b>121,811,516</b>	<b>22,336,978</b>	<b>1,713,988</b>	<b>(13,916,010)</b>	<b>10,134,956</b>
Private placement	4	24,607,678	3,198,998	-	-	3,198,998
Private placement issuance costs	4	-	(163,409)	-	-	(163,409)
Share-based payments	7	-	-	614,370	-	614,370
Loss and comprehensive loss		-	-	-	(908,483)	(908,483)
<b>DECEMBER 31, 2020</b>		<b>146,419,194</b>	<b>25,372,567</b>	<b>2,328,358</b>	<b>(14,824,493)</b>	<b>12,876,432</b>
Private placement	4	21,473,243	7,102,357	-	-	7,102,357
Private placement issuance costs	4	-	(314,940)	-	-	(314,940)
Flow-through premium		-	(937,859)	-	-	(937,859)
Exercise of stock options		971,667	84,166	-	-	84,166
Transfer of stock option value		-	45,600	(45,600)	-	-
Share-based payments	7	-	-	137,600	-	137,600
Loss and comprehensive loss		-	-	-	(3,340,034)	(3,340,034)
<b>SEPTEMBER 30, 2021</b>		<b>168,864,104</b>	<b>31,351,891</b>	<b>2,420,358</b>	<b>(18,164,527)</b>	<b>15,607,722</b>

**Northisle Copper and Gold Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

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**1. NATURE OF OPERATIONS****Nature of operations**

Northisle Copper and Gold Inc. (together with its subsidiary, "Northisle" or the "Company") is a Canadian exploration stage company which is focused on the exploration and development of its North Island Property on Vancouver Island.

The Company is incorporated in British Columbia, Canada. Its head office is located at 1200 – 1166 Alberni Street, Vancouver, British Columbia.

The nature of the Company's operations requires significant expenditures for the acquisition, exploration, and evaluation of mineral properties. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings. The Company will continue to require additional funding to maintain its ongoing exploration and evaluation programs, property maintenance payments, and operations.

These condensed interim consolidated statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2021, the Company had cash of \$6,318,099 to settle current liabilities of \$1,060,010 which the company believes is sufficient to allow the Company to continue its exploration activities and meet its ongoing obligations for at least twelve months from September 30, 2021.

**COVID-19**

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. The Company was not materially impacted by COVID-19 during the year ended December 31, 2020 or during the nine months ended September 30, 2021.

**Northisle Copper and Gold Inc.**

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**2. BASIS OF PRESENTATION****a) Compliance with International Financial Reporting Standards**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

These financial statements were approved for issue by the Company's board of directors on November 25, 2021.

**b) Critical accounting judgments, estimates and assumptions**

The preparation of these consolidated financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. Estimates and the underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the impairment of carrying values of equipment and mineral property interests, the determination of realizable amounts of deferred tax assets and liabilities, and the measurement of equity instruments and share-based compensation.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from equipment and the identification of potential indicators of impairment for exploration and evaluation assets.

During the three months ended September 30, 2021, the Company reclassified certain corporate expenses for the three and nine months ended September 30, 2020. These reclassifications did not result in material differences.

## Northisle Copper and Gold Inc.

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### 3. MINERAL PROPERTY INTERESTS

#### a) Mineral property costs

	North Island Property \$
December 31, 2019	10,016,000
Changes during the period	-
<b>DECEMBER 31, 2020 and SEPTEMBER 30, 2021</b>	<b>10,016,000</b>

The North Island Copper Gold Project (the "Project") consists of a contiguous block of mineral claims located on northern Vancouver Island in British Columbia, Canada. The claims include the Hushumu and Red Dog copper gold porphyry deposits, as well as numerous additional identified porphyry exploration targets and occurrences.

Certain claims (historically known as the Expo claims) are subject to a 10% net profits interest royalty currently held by Royal Gold, Inc. Should a production decision be made on the Expo claims, the Company is required to make a cash payment of \$1,000,000 to Sirit Inc. within 60 days of the production decision.

Certain other claims underlying the Project are known as the Apple Bay claims. Should a production decision be made regarding the Apple Bay claims, the Company is required to pay \$800,000 in cash or in shares to Electra Gold Ltd. ("Electra"). The payment method is at the election of the Company. Electra maintains a limited right to explore the Apple Bay claims for non-metallic minerals subject to certain conditions including approval by Northisle.

Claims underlying the Red Dog deposit are subject to a 3% net smelter return royalty, of which up to 2% can be repurchased at the option of the Company at any time for a cash payment of US\$1 million for each 1% repurchased.

#### Pemberton Hills Property Joint Venture

In February 2018, the Company signed a joint venture agreement with Freeport-McMoRan Mineral Properties Canada Inc. ("Freeport") in relation to the Company's Pemberton Hills Property located on Vancouver Island, in British Columbia. The Pemberton Hills Property comprised the eastern portion of the Project. Under the terms of the joint venture, Freeport was to earn up to a 65% interest in the Pemberton Hills Property by funding a total of \$24 million in exploration expenditures.

On January 29, 2021 Freeport terminated their option on the Pemberton Hills Property, and consequently, Freeport retains no interest in the Pemberton Hills Property.

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**b) Mineral Property Expenditures**

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Cumulative Property Expenditures
	\$	\$	\$
Amortization of equipment	46,890	-	81,155
Claims costs	300	-	41,578
Community engagement	27,664	-	79,884
Engineering	206,001	51,666	2,409,526
Exploration and camp support	2,511,054	102,534	6,270,348
Environmental studies	73,507	-	329,191
Salary and wages	90,265	-	440,301
Mineral property exploration tax credits	-	(50,488)	(544,016)
<b>TOTAL</b>	<b>2,955,681</b>	<b>103,712</b>	<b>9,107,967</b>

Cumulative property expenditures are from the date of incorporation on August 3, 2011 to September 30, 2021. This table does not include expenditures incurred by third party joint venturers.

**4. SHARE CAPITAL****a) Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value.

**b) Financing**

On March 17, 2021, the Company completed a non-brokered private placement issuing 21,473,243 common shares of the Company consisting of 2,240,780 common shares at a price of \$0.262 per common share, 11,329,472 flow-through common shares at a price of \$0.31 per common share and 7,902,991 flow-through common shares at a price of \$0.38 per common share for gross proceeds of \$7,102,357. Issuance costs related to the private placement totaled \$314,940. A flow-through premium liability of \$937,859 was recognized. Refer to Note 5.

On November 3, 2020, Northisle completed a non-brokered private placement of common shares. The Company issued 24,607,608 common shares at a price of \$0.13 per common share for gross proceeds of \$3,198,998. Issuance costs related to the private placement totaled \$163,409.

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### 5. FLOW-THROUGH PREMIUM LIABILITY

The flow-through premium liability balance as at September 30, 2021 of \$594,310 (December 31, 2020 – \$nil) arose in connection with the flow-through share offering the Company completed on March 17, 2021. The reported amount is the remaining balance of the premium from issuing the flow-through shares. The flow-through premium is recognized in the statement of loss based on the amount of qualifying flow-through expenditures incurred by the Company.

The Company is committed to incurring on or before December 31, 2022 qualifying Canadian exploration expenses as defined under the Income Act, Canada ("Qualifying CEE") in the amount of \$6,515,273 with respect to the flow-through share financing completed on March 17, 2021. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at September 30, 2021, the Company had incurred \$2,388,499 of Qualifying CEE and accordingly, recognized flow-through premium recoveries of \$138,059 and \$343,549 during the three and nine months ended September 30, 2021, respectively (\$14,647 and \$40,613 during the three and nine months ended September 30, 2020). As at September 30, 2021, the Company has a remaining commitment to incur Qualifying CEE of \$4,126,774.

### 6. STOCK OPTIONS

The Company has a stock option plan that permits the grant of stock options for the purchase of up to 10% of the issued and outstanding common shares of the Company to directors, officers, employees, and consultants. Stock options generally vest over a two-year period from date of grant unless otherwise determined by the board of directors. As at September 30, 2021, the Company could issue an additional 4,293,077 stock options under the terms of the stock option plan.

A summary of the Company's stock activity is presented below:

	Number of Stock options	Weighted average exercise price \$
DECEMBER 31, 2019	8,645,000	0.11
Granted	6,540,000	0.17
Exercised	(1,700,000)	0.05
Expired/forfeited	(360,000)	0.05
DECEMBER 31, 2020	13,125,000	0.15
Granted	440,000	0.31
Exercised	(971,667)	0.09
<b>SEPTEMBER 30, 2021</b>	<b>12,593,333</b>	<b>0.16</b>

During the nine months ended September 30, 2021, the average fair market value of the Company's share price was \$0.30 (December 31, 2020 - \$0.08).

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Stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Stock options outstanding	Average remaining contractual life (years)	Number of stock options exercisable
January 9, 2022	\$0.17	2,200,000	0.28	2,200,000
February 26, 2023	\$0.15	2,050,000	1.41	2,050,000
September 4, 2024	\$0.07	1,530,000	2.93	1,530,000
October 5, 2025	\$0.12	4,000,000	4.02	4,000,000
November 4, 2025	\$0.18	333,333	4.10	333,333
November 17, 2025	\$0.20	650,000	4.13	650,000
December 29, 2025	\$0.28	1,390,000	4.22	463,330
April 26, 2026	\$0.34	275,000	4.57	91,666
July 14, 2026	\$0.26	165,000	4.79	55,000
<b>SEPTEMBER 30, 2021</b>		<b>12,593,333</b>	<b>2.86</b>	<b>11,373,329</b>

**7. SHARE-BASED PAYMENTS**

During the nine months ended September 30, 2021, the Company granted 440,000 (2020 – 6,540,000) stock options to employees, directors and consultants at an average exercise price of \$0.31 per option. The fair value of each option granted is estimated on the date of grant using the using the Black-Scholes option pricing model. The weighted average assumption and resulting fair values for the grants are as follows:

Inputs and assumptions	Nine Months Ended September 30, 2021	Twelve Months Ended December 31, 2020
Exercise price	\$0.31	\$0.17
Market price	\$0.31	\$0.18
Expected life of options (years)	4.5	4.5
Expected stock price volatility	93%	93%
Average risk-free interest rate	0.23%	0.23%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
Fair value per option granted	\$0.17	\$0.13

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### 8. RELATED PARTY TRANSACTIONS

#### Management Compensation

The Company's related parties include its directors and officers, who are the key management of the Company. The remuneration of directors and officers during the years presented was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salary and Wages	70,000	29,187	217,265	55,031
Share-based payments	31,027	15,300	105,809	115,300
<b>MANAGEMENT COMPENSATION</b>	<b>101,027</b>	<b>44,487</b>	<b>323,074</b>	<b>170,331</b>

### 9. SEGMENTED INFORMATION

The Company's operations are in one segment: the acquisition, exploration and future development of mineral resource properties. All interest income is earned in Canada and all assets are held in Canada.

### 10. CAPITAL MANAGEMENT

The Company is a mineral exploration and development company focusing on advancing the North Island Project. Its principal source of funds is the issuance of securities. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects.

The Company manages its capital structure based on the funds available for its operations and makes adjustments for changes in economic conditions, capital markets and the risk characteristics of the underlying assets. To maintain its objectives, the Company may attempt to issue new shares, seek debt financing, acquire or dispose of assets or change the timing of its planned exploration and development projects. There is no assurance that these initiatives will be successful.

The Company monitors its cash position on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives.

There has been no change in the Company's capital management practices during the period. Northisle does not pay dividends. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

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**11. FINANCIAL INSTRUMENT RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity, credit, and market risk from the use of financial instruments. Financial instruments consist of cash, certain other assets, and accounts payable and accrued liabilities.

**a. Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company uses cash forecasts to ensure that there is sufficient cash on hand to meet short-term business requirements. Cash is invested in highly liquid investments which are available to discharge obligations when they come due. The Company does not maintain a line of credit.

**b. Credit risk**

Financial instruments that potentially subject the Company to credit risk consist primarily of cash. These financial instruments are at risk to the extent that the institutions issuing or holding them cannot redeem amounts when they are due or requested. To limit its credit risk, the Company uses a restrictive investment policy. It deposits cash and cash equivalents in Canadian chartered banks. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents Northisle's maximum exposure to credit risk.

**c. Market risk**

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments.

As at September 30, 2021, the carrying amounts of cash, other assets, and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments.