



Northisle Copper and Gold Inc.

**Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022**

(Expressed in Canadian dollars)

NOTICE TO READER:

These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management. This notice is being provided in accordance with National Instrument 51-102 - Continuous Disclosure Obligations.

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, 2022 \$	December 31, 2021 \$
ASSETS			
	Note		
Cash		7,391,167	5,794,741
Short-term investment		-	108,170
Other assets		478,879	471,192
CURRENT ASSETS		7,870,046	6,374,103
Reclamation deposits		169,170	169,170
Equipment		36,986	83,877
Mineral property interests	3	10,016,000	10,016,000
ASSETS		18,092,202	16,643,150
LIABILITIES			
Accounts payable and accrued liabilities		113,344	384,269
Flow-through premium liability	4	3,195,158	429,292
LIABILITIES		3,308,502	813,561
SHAREHOLDERS' EQUITY			
Share capital	5	36,608,122	32,826,447
Contributed surplus		3,423,778	3,053,545
Deficit		(25,248,200)	(20,050,403)
SHAREHOLDERS' EQUITY		14,783,700	15,829,589
LIABILITIES AND SHAREHOLDERS' EQUITY		18,092,202	16,643,150

Nature of operations 1

Approved by the Board of Directors

Keena Hicken-Gaberria (signed) Director

Martino Di Ciccio (signed) Director

Northisle Copper and Gold Inc.

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Mineral property expenditures	856,135	1,060,138	4,326,306	2,955,681
Filing and regulatory fees	7,246	1,149	78,209	30,616
Office and administration	13,174	12,508	58,964	38,463
Professional fees	12,716	17,737	52,194	106,489
Rent and utilities	10,400	7,500	26,750	14,500
Share-based payments (note 7, 8)	155,258	51,278	454,133	137,600
Shareholder communication and travel	77,451	79,603	381,135	234,402
Wages and benefits (note 8)	171,290	59,582	571,109	176,397
CORPORATE EXPENSES	1,303,670	1,289,495	5,948,800	3,694,148
Foreign exchange loss (gain)	(122)	-	197	(2,475)
Interest income	-	(6,028)	(193)	(8,090)
Flow-through premium recovery	(309,364)	(138,059)	(751,007)	(343,549)
LOSS AND COMPREHENSIVE LOSS	994,184	1,145,408	5,197,797	3,340,034
Basic and diluted loss per share	0.00	0.01	0.03	0.02
Weighted average number of common shares outstanding	199,601,778	168,864,104	187,811,516	162,581,517

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30,

	Note	2022	2021
Cash flows provided by (used in)		\$	\$
OPERATING ACTIVITIES			
Loss and comprehensive loss		(5,197,797)	(3,340,034)
Items not affecting cash			
Amortization		46,891	46,890
Flow-through premium recovery	4	(751,007)	(343,549)
Share-based compensation	7b	454,133	137,600
		(249,983)	(159,059)
Non-cash working capital items			
Change in other assets		(7,687)	(29,000)
Change in accounts payable and accrued liabilities		(270,925)	(125,091)
Change in reclamation deposit		-	303,385
		(278,612)	149,294
OPERATING ACTIVITIES		(5,726,392)	(3,349,799)
FINANCING ACTIVITIES			
Private placement	5	7,000,450	7,102,357
Issuance costs	5	(237,052)	(314,940)
Stock option exercise	7a	451,250	84,166
FINANCING ACTIVITIES		7,214,648	6,871,583
INVESTING ACTIVITIES			
Redemption of short-term investment		108,170	-
Purchase of equipment		-	(146,396)
INVESTING ACTIVITIES		108,170	(146,396)
CHANGE IN CASH		1,596,426	3,375,388
Cash – Beginning		5,794,741	2,942,711
CASH - ENDING		7,391,167	6,318,099

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
DECEMBER 31, 2020		146,419,194	25,372,567	2,328,358	(14,824,493)	12,876,432
Private placement	5	21,473,243	7,102,357	-	-	7,102,357
Private placement issuance costs	5	-	(314,940)	-	-	(314,940)
Flow-through premium	4	-	(937,859)	-	-	(937,859)
Exercise of stock options		971,667	129,767	(45,600)	-	84,167
Share-based payments	7b	-	-	137,600	-	137,600
Loss and comprehensive loss		-	-	-	(3,340,034)	(3,340,034)
SEPTEMBER 30, 2021		168,864,104	31,351,892	2,420,358	(18,164,527)	15,607,723
Unit Issuance	5	10,096,000	1,918,240	-	-	1,918,240
Issuance costs	5	-	(27,785)	-	-	(27,785)
Allocation of warrant value	5	-	(415,900)	415,900	-	-
Share-based payments	7b	-	-	217,287	-	217,287
Loss and comprehensive loss		-	-	-	(1,885,876)	(1,885,876)
DECEMBER 31, 2021		178,960,104	32,826,447	3,053,545	(20,050,403)	15,829,589
Private placement	5	17,864,500	7,000,450	-	-	7,000,450
Private placement issuance costs	5	-	(237,052)	-	-	(237,052)
Flow-through premium	4	-	(3,516,873)	-	-	(3,516,873)
Exercise of stock options		2,875,000	535,150	(83,900)	-	451,250
Share-based payments	7b	-	-	454,133	-	454,133
Loss and comprehensive loss		-	-	-	(5,197,797)	(5,197,797)
SEPTEMBER 30, 2022		199,699,604	36,608,122	3,423,778	(25,248,200)	14,783,700

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, 2022, the Company had cash of \$7,391,167 to settle current liabilities of \$3,308,502 which the Company believes is sufficient to allow the Company to continue its activities and meet its ongoing obligations for at least twelve months from September 30, 2022.

2. BASIS OF PRESENTATION

a) Compliance with International Financial Reporting Standards

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), applicable to the preparation of interim financial statements, including International Accounting Standard 34 – Interim Financial Reporting. 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, 2021, which have been prepared in accordance with IFRS.

These financial statements were approved for issue by the Company's board of directors on November 21, 2022.

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.

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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 judgments about the application of 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 and nine months ended September 30, 2022, the Company reclassified certain corporate expenses for the nine months ended September 30, 2021. These reclassifications did not result in material differences.

c) Consolidation

These consolidated financial statements include the accounts of the Company and its 100% controlled subsidiary, North Island Mining Corp. (collectively, the "Company"). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated upon consolidation.

3. MINERAL PROPERTY INTERESTS**a) Mineral property costs**

	North Island Property \$
December 31, 2020 and 2021	10,016,000
Changes during the period	-
SEPTEMBER 30, 2022	10,016,000

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 Hushamu 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

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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\$1,000,000 for each 1% repurchased.

b) Mineral Property Expenditures

	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Cumulative Property Expenditures
	\$	\$	\$
Amortization of equipment	46,891	46,890	143,674
Claims costs	824	300	42,402
Community engagement	198,227	27,664	310,325
Engineering	100,252	206,001	2,515,124
Exploration and camp support	3,376,568	2,511,054	10,765,883
Environmental studies	456,044	73,507	939,189
Salary and wages	147,500	90,265	617,801
Mineral property exploration tax credits		-	(544,016)
TOTAL	4,326,306	2,955,681	14,790,382

Cumulative property expenditures are from the date of incorporation on August 3, 2011 to September 30, 2022. This table does not include expenditures incurred by third party joint venturers.

4. FLOW-THROUGH PREMIUM LIABILITY

The flow-through premium liability balance as at September 30, 2022 of \$3,195,158 (December 31, 2021 – \$429,292) arose in connection with the flow-through share offering the Company completed on June 23, 2022. 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, 2023, qualifying Canadian exploration expenses as defined under the Income Tax Act, Canada ("Qualifying CEE") in the amount of \$7,000,450 with respect to the flow-through share financing completed on June 23, 2022. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

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On March 17, 2021, the Company completed a flow-through share financing and recorded a flow through liability of \$937,859 and committed to incur Qualifying CEE in the amount of \$6,515,273. As at September 30, 2022, the Company had incurred all committed expenditures and no longer had a flow-through premium liability associated with this flow-through share financing.

Accordingly, the Company recognized flow-through premium recoveries of \$309,364 and \$751,007 during the three and nine months ended September 30, 2022, respectively (\$138,059 and \$343,549 during the three and nine months ended September 30, 2021, respectively). As at September 30, 2022, the Company has a remaining commitment to incur Qualifying CEE of \$6,360,065.

5. SHARE CAPITAL

a) Authorized share capital

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

b) Financing

On June 23, 2022, the Company completed a non-brokered private placement issuing 16,249,500 flow-through common shares at a price of \$0.40 per common share and 1,615,000 flow-through common shares at a price of \$0.31 per common share for gross proceeds of \$7,000,450. Issuance costs related to the private placement totaled \$237,052. A flow-through premium liability of \$3,516,873 was recognized.

On December 21, 2021, Northisle issued 10,096,000 units at a price of \$0.19 per unit for aggregate gross proceeds of \$1,918,240. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.28 until December 21, 2023. Issuance costs related to the financing totaled \$27,784.

The fair value assigned to the warrants was calculated using the Black-Scholes option pricing model and the following inputs and assumptions:

Warrants issued	5,048,000
Exercise price	\$0.28
Market price	\$0.29
Expected term (years)	2.0
Expected share price volatility	106.5%
Average risk-free interest rate	0.90%
Expected dividend yield	-

FAIR VALUE ASSIGNED	\$415,900
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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.

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6. WARRANTS

A summary of the Company's warrants outstanding, including changes for the periods then ended, is presented below:

	Number of warrants	Weighted average exercise price \$
DECEMBER 31, 2020	-	-
Issued	5,048,000	0.28
DECEMBER 31, 2021	5,048,000	0.28
-	-	-
SEPTEMBER 30, 2022	5,048,000	0.28

Warrants outstanding are as follows:

Warrant outstanding, by exercise price	Number of warrants	Weighted average exercise price \$	Average remaining contractual life years
\$0.28	5,048,000	0.28	1.22
SEPTEMBER 30, 2022	5,048,000	0.28	1.22

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7. EQUITY INCENTIVE PLANS**a) Stock Options Outstanding**

The Company has a stock option plan (the "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, 2022, the Company could issue an additional 7,922,627 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, 2020	13,125,000	0.15
Granted	2,519,000	0.29
Exercised	(971,667)	0.09
DECEMBER 31, 2021	14,672,333	0.18
Granted	200,000	0.40
Exercised	(2,875,000)	0.16
SEPTEMBER 30, 2022	11,997,333	0.18

In relation to the stock options, the Company recognized an expense of \$87,676 and \$281,406 during the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 - \$51,278 and \$137,600) in the statement of loss and comprehensive loss.

The average share price relating to options exercised during the nine months ended September 30, 2022, was \$0.35 (nine months ended September 30, 2021 - \$0.30).

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
February 26, 2023	\$0.15	1,675,000	0.41	1,675,000
September 4, 2024	\$0.07	1,230,000	1.93	1,230,000
October 5, 2025	\$0.12	4,000,000	3.02	4,000,000
November 4, 2025	\$0.18	333,333	3.10	166,667
November 17, 2025	\$0.20	650,000	3.13	650,000
December 29, 2025	\$0.28	1,390,000	3.25	926,664
April 26, 2026	\$0.34	275,000	3.57	183,333
July 14, 2026	\$0.26	165,000	3.79	110,000
December 16, 2026	\$0.29	2,079,000	4.21	693,000
April 8, 2027	\$0.40	200,000	4.52	66,666
SEPTEMBER 30, 2022		11,997,333	2.83	9,701,330

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During the nine months ended September 30, 2022, the Company granted 200,000 (2021 – 2,519,000) stock options to employees, directors and consultants. The fair value of each option granted is estimated on the date of grant 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, 2022	Year Ended December 31, 2021
Exercise price	\$0.40	\$0.29
Market price	\$0.40	\$0.29
Expected life of options (years)	5.00	4.91
Expected stock price volatility	94%	90%
Average risk-free interest rate	2.57%	1.02%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
FAIR VALUE PER OPTION GRANTED	\$0.29	\$0.19

b) Restricted Share Units

The Company granted restricted share units ("RSUs") in accordance with the share unit plan approved at the Company's 2021 shareholders meeting. These RSUs vest in three equal tranches: Tranche one - on completion of 12 months from grant date, Tranche two – on completion of twenty-four months from the grant date and Tranche three – on completion of thirty-six months from grant date. These RSUs can be cash or equity-settled at the Company's discretion. The Company has elected to classify the RSUs as equity-settled and as such, the RSUs are valued at the market price of the Company shares on the date of grant. Under the share unit plan the Company has reserved an amount not exceeding 7,000,000 shares for the issuance of RSUs, deferred share unit ("DSUs"), and performance share units ("PSUs") and, when combined with the Option Plan, no more than 10% of the Company's outstanding shares on a rolling basis. A summary of the Company's RSUs outstanding and the changes for the years then ended, is presented below:

	Number of shares issued or issuable on vesting
DECEMBER 31, 2020	-
RSUs Granted	285,000
DECEMBER 31, 2021	285,000
RSUs Granted	496,000
SEPTEMBER 30, 2022	781,000

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In relation to RSUs, the Company recognized an expense of \$42,145 and \$97,245 during the three and nine months ended September 30, 2022, respectively (nine months ended September 30, 2021 – Nil) in the statements of loss and comprehensive loss.

c) Deferred Share Units

Only directors of the Company are eligible for DSUs. Each DSU vests over twelve months and is redeemed upon a director ceasing to be a director of the Company. These DSUs can be cash or equity-settled at the Company's discretion. The Company has elected to classify the DSUs as equity-settled and as such, the DSUs are valued at the market price of the Company shares on the date of grant. Under the share unit plan the Company has reserved an amount not exceeding 7,000,000 shares for the issuance of RSUs, DSUs, and PSUs. A summary of the Company's DSUs outstanding and the changes for the years then ended, is presented below:

	Number of shares issued or issuable on vesting
DECEMBER 31, 2020	-
DSUs Granted	348,000
DECEMBER 31, 2021	348,000
DSUs Granted	-
SEPTEMBER 30, 2022	348,000

In relation to DSUs, the Company recognized an expense of \$25,437 and \$75,482 during the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 – Nil) in the statements of loss and comprehensive loss.

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 periods presented was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salary and Wages	196,250	70,000	553,750	217,265
Share-based payments	139,277	31,027	403,874	105,809
MANAGEMENT COMPENSATION	335,527	101,027	957,624	323,074

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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 its subsidiary is subject to externally imposed capital requirements.

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, short-term investments, 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. The Company's accounts payable and accrued liabilities are all due in the short term. 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 and short-term investments and reclamation deposits. 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 short-term investments 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.