



**Interim Management Discussion and Analysis<sup>1</sup>**  
**For**  
**NORTHISLE COPPER AND GOLD INC.**

**Containing Information up to and including August 26, 2016**

**OVERALL PERFORMANCE**

Northisle Copper and Gold Inc. (“Northisle” or the “Company”) is a mineral exploration company incorporated on August 3, 2011 in the Province of British Columbia, Canada. The Company’s principal business activity is the exploration and development of its North Island Project on Vancouver Island. The North Island Project is situated between 15 and 40 kilometres southwest of Port Hardy and contains the Hushamu and Red Dog Deposits and five other partially explored copper-gold porphyry occurrences. The Company’s head office is located at 15<sup>th</sup> floor 1040 West Georgia Street, Vancouver, B.C. The Company’s common shares trade on the TSX Venture Exchange under the symbol NCX.

**Highlights**

- On August 18, the company announced the completion of verification drilling on the historical Red Dog resource located within Northisle’s 100% owned North Island Project.
- On June 28, 2016 the Company received \$757,400 from the exercise of 10,820,000 warrants at \$0.07 per share.
- On June 8, 2016 the Company completed a \$300,000 private placement financing consisting of \$125,000 units at \$0.025 and \$175,000 flow-through shares at \$0.04.
- On April 28, 2016 the Company completed a debt settlement agreement with an arms-length creditor pursuant to which a \$125,000 of indebtedness was satisfied by the issuance of 2,500,000 common shares at a deemed price of \$0.05 per share.

**RESULTS OF OPERATIONS**

**Six months ended June 30, 2016**

The Company’s Net Loss of \$110,327 for the six months ended June 30, 2016 (“the **Current Period**”) was substantially less than the Net Loss for the six months ended June 30, 2015 (the “**Comparative Period**”) of \$175,099. The results were largely influenced by a \$62,500 gain on a debt settlement agreement with an arm’s length creditor.

**Three months ended June 30, 2016**

The Company’s Net Loss of \$24,980 for the three months ended June 30, 2016 (“the **Current Period**”) was slightly less than the Net Loss for the three months ended June 30, 2015 (the “**Comparative Period**”) of \$86,935. As mentioned previously in this Interim MD&A, the results were largely influenced by a \$62,500 gain on a debt settlement agreement with an arm’s length creditor.

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**<sup>1</sup> Note to Reader**

This Interim Management Discussion and Analysis (“Interim MD&A”) should be read in conjunction with the Company’s interim financial statements for the three and six months ended June 30, 2016.

**Forward-Looking Information**

When used in this document, words like “anticipate”, “believe”, “estimate” and “expect” and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management’s future plans, objects and goals for the Company, and therefore, involve inherent risks and uncertainties. The reader is cautioned that actual results, performance or achievements may be materially different from those implied or expressed in such statements.

**Currency** - Unless otherwise stated, all currency amounts are stated in Canadian dollars.

## **2016 OUTLOOK**

With the completion of a private placement and exercise of warrants, the Company raised over \$1.0 million dollars in the Current Period and now has sufficient funding to advance exploration of the Northisle project through a Preliminary Economic Assessment (PEA). A drill program on the Red Dog mineralized zone with the primary objective to confirm the historical resource has now been completed and verification of the resource, engineering studies with the objective of completing a Preliminary Economic Assessment (PEA) will commence.

### **PROJECT SUMMARY**

The North Island Project is an advanced exploration project containing the Hushamu and Red Dog Deposits and five other partially explored mineral occurrences of porphyry and related deposit types containing copper-gold-molybdenum-rhenium situated along the “Northern Island Copper Belt” on Vancouver Island, British Columbia. This Project is situated about 29 km from the reclaimed BHP Island Copper Mine.

#### 2016 Drill Program

Northisle has completed a program of four verification diamond drill holes designed to verify the results of the historical drilling at the Red Dog mineralized zone and required as part of the process of verifying the historical resource. Geological logging of the rock-types, structures, alteration and mineralization in the verification drill-holes match closely those reported in the historical drill logs.

Three of the four historical drill holes selected for twinning occur in a north to south line through the centre of the historical resource. The fourth verification hole was drilled at the eastern end of the historical resource. This year's holes were placed from 2 to 6 metres from the historical collars and drilled at the same azimuth and dip as the corresponding historical hole. The variation in distance was the result of the larger drilling rig used in this year's program that could not safely be placed in all cases within 2 metres of the original drill-hole.

A fifth drill-hole planned to test for deep porphyry copper mineralization was abandoned after 3 attempts due to heavily faulted ground. The maximum depth reached by the drill-hole was 200 metres, well short of the target depth of 500 metres. The deep target; therefore, remains untested and an important target for a deep porphyry copper and gold deposit. To avoid the area of faulting, will require permitting of a drill site and access road to the south of the failed drill holes.

Analysis of core samples is being carried out at BVL Minerals' (formerly ACME Analytical) Vancouver facility. Gold analysis is by fire assay methods with atomic absorption finish. Analysis for copper and other metals is by a four acid digestion with ICP finish. Quality Assurance and Control (QA/QC) included insertion of standards and blanks in to the sample stream and duplicate samples on quartered core.

Drill-hole results from the verification drilling will be announced as assay results including those of QA/QC are received. It is anticipated the results from the first hole, RD 16-01, will be released in early September.

#### Hushamu NI 43-101 Mineral Resource

The resource estimate is based on 136 drill holes totalling 31,580 metres including 18 holes recently completed by Northisle, five verification holes drilled within the current resource in 2005 and 2008 by Lumina Resource Corp and IMA Exploration Inc., and 113 holes drilled in the period 1970 through 1994 by Utah International Ltd., BHP-Utah Mines Ltd., and Moraga Resources Ltd. Over the past year the Company has re-logged the historical holes and re-assayed approximately 80% of the historical core for Re and where historical assays were missing for Mo and Au. Additionally, 10 historical holes were resampled and assayed for all metals of interest. The results of the re analysis were statistically similar to the original analyses. The re-logging, geological interpretation and re-assaying of the historical holes and the recent Northisle drilling has been independently reviewed by Scott Casselman P.Geo. The resource estimate was completed by Gary Giroux of Giroux Consultants Ltd. A full technical report co-authored by Scott Casselman and Gary Giroux is available on SEDAR. The following table shows the tonnages and grades for the Hushamu Deposit at a range of Copper Equivalent cutoff grades (COG%).

Hushamu Indicated Mineral Resource – Tonnes and Grade

Cut-off (CUEQ)	Tonnes (x1000)	Grade > Cut-off					Contained Metal			
		Cu (%)	Au (g/t)	Mo (%)	Re (ppm)	CuEq (%)	Cu contained Blbs	Au contained Mozs	Mo contained MLbs	Re contained (Kg x 1000)
0.10	568,820	0.16	0.21	0.009	0.50	0.34	2.0	3.8	106.6	284
0.15	520,380	0.16	0.22	0.009	0.52	0.36	1.8	3.7	102.1	270.6
0.20	460,400	0.18	0.24	0.009	0.54	0.38	1.8	3.6	93.4	248.6
0.25	385,430	0.19	0.26	0.010	0.55	0.41	1.6	3.2	81.6	212.0
<b>0.30</b>	<b>304,270</b>	<b>0.21</b>	<b>0.29</b>	<b>0.010</b>	<b>0.55</b>	<b>0.45</b>	<b>1.4</b>	<b>2.8</b>	<b>65.7</b>	<b>167.4</b>
0.35	229,080	0.23	0.32	0.010	0.56	0.49	1.2	2.4	50.0	128.3
0.40	168,110	0.25	0.35	0.010	0.56	0.53	0.9	1.9	36.7	94.1
0.45	120,450	0.28	0.38	0.010	0.55	0.57	0.7	1.5	26	66.3
0.50	85,060	0.30	0.41	0.010	0.55	0.62	0.6	1.1	18	46.8

\*\* Copper equivalent calculated using US\$2.50/lb Cu, US\$1100/oz Au and US\$14.00/lb Mo and is not adjusted for mining and metallurgical recoveries as these remain uncertain. The formula used is as follows:  $CuEQ = \frac{(Cu\% \times 22.0462 \times 2.50)}{(22.0462 \times 2.5)} + \frac{(Au \text{ g/t} \times 1100.00 / 31.1035)}{(22.0462 \times 2.5)} + \frac{(Mo\% \times 22.0462 \times 14.00)}{(22.0462 \times 2.5)}$

Rhenium values have not been used in the cutoff grade or Cu Equivalent calculations

Hushamu Inferred Mineral Resource – Tonnes and Grade

Cut-off (CUEQ)	Tonnes (x1000)	Grade > Cut-off					Contained Metal			
		Cu (%)	Au (g/t)	Mo (%)	Re (ppm)	CuEq (%)	Cu Contained (Blbs)	Au Contained (Mozs)	Mo Contained (MLbs)	Re Contained (Kgx1000)
0.10	1,036,400	0.11	0.13	0.005	0.27	0.22	2.5	4.3	118.8	279.8
0.15	725,750	0.13	0.16	0.006	0.32	0.26	2.1	3.7	97.6	232.2
0.20	494,740	0.14	0.19	0.007	0.36	0.30	1.5	3.0	74.2	178.1
0.25	320,860	0.16	0.22	0.007	0.37	0.35	1.1	2.3	51.6	118.7
<b>0.30</b>	<b>205,620</b>	<b>0.18</b>	<b>0.26</b>	<b>0.008</b>	<b>0.38</b>	<b>0.39</b>	<b>0.8</b>	<b>1.7</b>	<b>34.9</b>	<b>78.1</b>
0.35	126,770	0.20	0.29	0.008	0.38	0.43	0.6	1.2	22.4	48.2
0.40	69,640	0.21	0.33	0.008	0.38	0.47	0.3	0.7	12.6	26.5
0.45	34,720	0.23	0.37	0.008	0.37	0.52	0.2	0.4	6.2	12.8
0.50	16,040	0.26	0.42	0.008	0.38	0.57	0.1	0.2	2.8	6.1

\*\* Copper equivalent calculated using US\$2.50/lb Cu, US\$1100/oz Au and US\$14.00/lb Mo and is not adjusted for mining and metallurgical recoveries as these remain uncertain. The formula used is as follows:  $CuEQ = \frac{(Cu\% \times 22.0462 \times 2.50)}{(22.0462 \times 2.5)} + \frac{(Au \text{ g/t} \times 1100.00 / 31.1035)}{(22.0462 \times 2.5)} + \frac{(Mo\% \times 22.0462 \times 14.00)}{(22.0462 \times 2.5)}$

Rhenium values have not been used in the cutoff grade or Cu Equivalent calculations

The Company is very pleased with the initial resource estimate for the Hushamu Deposit. The grades and size of the resource compare favourably with other deposits in British Columbia that have recently been placed into production or are under construction. Also encouraging is that the deposit remains open for expansion both to the northwest based on recent Induced polarization survey results and to the southeast based on recent drilling. The next step is completing the necessary engineering studies required for a Preliminary Economic Assessment.

Red Dog Acquisition

In February 2015 the company acquired an option to earn a 100% interest in the Red Dog Property, a 400 hectare property entirely enclosed within Northisle's existing North Island Copper-Gold Project and located approximately 8.5km North West of Northisle's Hushamu deposit.

*Terms of the Acquisition*

Northisle can earn a 100% interest in the property by:

- 1) Issuing 200,000 shares upon signing of the option (*issued on February 11, 2015*).
- 2) Making payments of \$60,000 in the following amounts and by the times described:
  - a) \$15,000 on or before January 31, 2016 (*paid*)
  - b) \$20,000 on or before January 31, 2017
  - c) \$25,000 on or before January 31, 2018;

- 3) Expending \$375,000 on the property in the following amounts and by the times described:
  - a) Sufficient amount on assessment work to maintain the property until May 22, 2016 on or before May 15, 2015; *(completed)*
  - b) \$25,000 on or before January 31, 2016 *(completed)*
  - c) \$100,000 on or before January 31, 2017
  - d) \$250,000 on or before January 31, 2018
- 4) Granting a net smelter return royalty in the amount of 3% on the Property of which 2% can be purchased at any time, in 1% increments, for US\$2.0 million.

#### *Historical Resource*

The Red Dog Property hosts a historical mineral resource of 20 million tonnes grading 0.30% copper, 0.55gpt gold and 0.012% molybdenum. The reader is cautioned that a qualified person has not done sufficient work to classify the historical estimate as current resources and Northisle is not treating the historical estimate as current mineral resources. The historical resource is based on approximately 9,500 metres of diamond drilling. Verification of the historical estimate will require additional drilling including twinning a number of the historical drill holes.

The Red Dog mineralization remains open on to ground held by Northisle. In 2012, an Induced Polarization survey (IP) identified an area of greater than 15mv/v chargeability anomaly (greater than 3 times background) extending for 1km west of the Red Dog claims. This IP anomaly has not been tested by drilling.

#### **Quality Control**

Information in this Annual MD&A is being prepared under the direction of John McClintock, P.Eng., President and CEO the Company and a Qualified Person as defined by National Instrument (NI) 43-101.

#### **RISKS AND UNCERTAINTIES**

The risks and uncertainties faced by the Company are substantially unchanged from those disclosed in the Company's Annual MD&A dated April 29, 2016.

#### **FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations. All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur in the future, are forward looking statements. Forward looking statements are not guarantees of future performance and actual results may differ materially. Forward-looking statements included or incorporated by reference in this document include, without limitation, statements with respect to:

- The Company's assumptions and estimates used in its drill results, as well as the potential resource estimates and interpretations from those results;
- The progress, potential and uncertainties of the Company's drill programs;
- Expectations regarding the ability to raise capital and to continue its exploration and development plans on its properties; and

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- fluctuations in the currency markets;
- fluctuations in the prices of minerals and other commodities;
- changes in government legislation, taxation, controls, regulations and political or economic developments in Canada or other countries in which the Company may carry on business in the future;
- risks associated with mining activities;
- the speculative nature of exploration, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves;

- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues; and
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Readers are cautioned that forward-looking statements are not guarantees of future performance.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of Northisle and is derived from unaudited quarterly financial statements prepared by management. Northisle's interim financial statements are prepared in accordance with IFRS.

Quarter ended	Revenue	Net Loss	Basic and diluted Loss per share
June 30, 2016	\$ Nil	\$ 24,980	\$ 0.000
March 31, 2016	Nil	85,347	0.001
December 31, 2015	Nil	187,419	0.002
September 30, 2015	Nil	66,171	0.001
June 30, 2015	Nil	86,935	0.001
March 31, 2015	Nil	88,164	0.001
December 31, 2014	Nil	118,216	0.002
September 30, 2014	Nil	329,284	0.005

Quarterly results will vary in accordance with the Company's exploration and financing activities.

Mineral exploration is typically a seasonal business, and accordingly, the Company's administrative expenses and cash requirements will fluctuate depending upon the season. The Company's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level normally declines accordingly. As capital markets strengthen and the Company is able to secure equity financing with favourable terms, the Company's activity levels will increase.

Another factor that affects the Company's reported quarterly results are write-downs of capitalized mineral property interests. At the end of each reporting period, the Company reviews the carrying amounts of its mineral property costs to determine whether those assets have suffered an impairment. The size and timing of these impairments cannot typically be predicted.

## LIQUIDITY

The Company had working capital of \$777,107 on June 30, 2016.

### Debt Settlement Agreement

On April 28, 2016 the Company completed a debt settlement agreement with an arms-length creditor pursuant to which a \$125,000 of indebtedness was satisfied by the issuance of 2,500,000 common shares at a deemed price of \$0.05 per share.

### Private Placement

On June 8, 2016 the Company completed a \$300,000 non-brokered private placement consisting of:

- (a) \$125,000 by way of a unit private placement at a price of \$0.025 per unit, with each unit to consist of one common share and one-half (1/2) of a share purchase warrant, with each whole warrant to entitle the holder to purchase an additional common share at a price of \$0.05 for a period of 2 years from closing; and

- (b) \$175,000 by way of a flow-through share private placement at a price of \$0.04 per flow-through share.

The proceeds will be used by Northisle to finance a drilling program on its Red Dog deposit and for general working capital.

### Share purchase warrants

In June 2016 the Company received \$757,400 from the exercise of 10,820,000 warrants at \$0.07 per share.

### CAPITAL RESOURCES

The Company has no operations that generate cash flow and its long term financial success is dependent on management's ability to discover and develop economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's exploration and development programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of convertible securities. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the company's track record and the experience and caliber of its management.

### TRANSACTIONS WITH RELATED PARTIES

Remuneration for key management personnel for the Current and Comparative Period was:

	2016	2015
Consulting Fees - President	\$ 18,000	\$ 24,000
Share based compensation - President	9,821	7,022
Consulting Fees – Chief Financial Officer	9,000	18,000
Share based compensation – Chief Financial Officer	7,980	5,705
<b>Total</b>	<b>\$ 44,801</b>	<b>\$ 54,727</b>

Share-based compensation is the fair value of options granted to directors and key management personnel which was recognized during the period.

At June 30, 2016 the Company owed \$252,283 (December 31, 2015 - \$217,284) to officers and directors of the Company for unpaid consulting fees. Amounts due are non-interest bearing with no specific terms of repayment.

### FINANCIAL AND OTHER INSTRUMENTS

At present, the Company's most significant financial instruments are cash, accounts receivable, and accounts payable. The recorded amounts of these financial instruments approximate their fair value.

### ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Northisle's general and administrative expenses are provided in the Company's Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2016 and 2015 that is available on Northisle's website at [www.northisle.ca](http://www.northisle.ca) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

### Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without nominal or par value. As at August 26, 2016 there were 104,988,200 common shares issued and outstanding.

## Stock Options

As at August 26, 2016 the following stock options are outstanding:

<b>Expiry Date</b>	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Number Vested</b>
September 14, 2016	50,000	0.22	50,000
November 21, 2016	1,215,000	0.30	1,215,000
May 23, 2017	75,000	0.30	75,000
November 30, 2017	370,000	0.17	370,000
June 28, 2018	200,000	0.10	200,000
February 11, 2019	1,375,000	0.05	1,375,000
June 24, 2020	1,615,000	0.05	1,076,562
May 4, 2021	1,585,000	0.05	528,000
June 28, 2021	75,000	0.10	25,000
	<b>6,560,000</b>	<b>\$ 0.11</b>	<b>4,914,890</b>

## Share Purchase Warrants

As at August 26, 2016 the following warrants are outstanding:

<b>Expiry</b>	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life (in years)</b>
June 8, 2018	2,500,000	\$ 0.05	1.92

## **Dividends, Off Balance Sheet Arrangements or Proposed Transactions**

As at August 26, 2016 the Company has no off balance sheet arrangements or proposed transactions which require disclosure. The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future.

## **APPROVAL**

The Board of Directors of Northisle has approved the disclosure contained in this Interim MD&A.

## **ADDITIONAL INFORMATION**

Additional information is available for viewing at the Company's website [www.northisle.ca](http://www.northisle.ca) or on the sedar website [www.sedar.com](http://www.sedar.com).