



## Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

Unaudited

(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.

**NORTHISLE COPPER AND GOLD INC.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Unaudited - Expressed in Canadian dollars)

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 471,716	\$ 527,532
Accounts receivable	5,623	51,347
Prepaid expenses and deposits	22,702	21,521
	500,041	600,400
<b>Reclamation deposits</b>	32,000	32,000
<b>Mineral property interests (Note 3)</b>	10,016,000	10,066,000
	\$ 10,548,041	\$ 10,698,400
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 114,036	\$ 158,161
Payable to related parties (Note 4)	167,534	166,783
	281,570	324,944
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 5)</b>	21,843,721	21,842,321
<b>Reserves (Note 6)</b>	1,595,262	1,430,663
<b>Deficit</b>	(13,172,512)	(12,899,528)
	10266,471	10,373,456
	\$ 10,548,041	\$ 10,698,400

*The accompanying notes are an integral part of these financial statements*

# **NORTHISLE COPPER AND GOLD INC.**

## **Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

**For the three months ended March 31, 2018 and 2017**

(Unaudited - Expressed in Canadian dollars)

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>Expenses</b>		
Insurance	\$ 3,318	\$ 3,860
Interest and bank charges	245	228
Investor relations	14,903	18,135
Legal and audit	7,232	7,839
Mineral property expenditures	37,625	86,838
Office	4,130	2,052
Regulatory fees	10,836	7,915
Share-based compensation	164,999	84,999
Travel	1,770	967
Wages	28,784	36,149
	<b>273,842</b>	<b>248,982</b>
<b>Other (Income) Expenses</b>		
Interest income	(858)	(558)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ 272,984</b>	<b>\$ 248,424</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ 0.002</b>	<b>\$ 0.002</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted</b>	<b>114,516,516</b>	<b>105,128,200</b>

*The accompanying notes are an integral part of these financial statements*

# **NORTHISLE COPPER AND GOLD INC.**

## **Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**

**For the three months ended March 31, 2018 and 2017**

(Unaudited - Expressed in Canadian dollars)

	<b>2018</b>	<b>2017</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	\$ 12,899,528	\$ 11,390,819
Net loss	272,984	248,424
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 13,172,512</b>	<b>\$ 11,639,243</b>
<b>RESERVES,</b>		
<b>BEGINNING OF PERIOD</b> (Note 6)	\$ 1,430,663	\$ 1,034,582
Fair value of options transferred to share capital on exercise	(400)	(600)
Share-based compensation expense	164,999	84,999
<b>RESERVES, END OF PERIOD</b>	<b>\$ 1,595,262</b>	<b>\$ 1,118,981</b>
<b>SHARE CAPITAL,</b>		
<b>BEGINNING OF PERIOD</b> (Note 5)	\$ 21,842,321	\$ 20,699,427
Issued pursuant to exercise of options	1,000	1,500
Transferred from share option reserve on exercise of option	400	600
<b>SHARE CAPITAL, END OF PERIOD</b>	<b>\$ 21,843,721</b>	<b>\$ 20,701,527</b>

*The accompanying notes are an integral part of these financial statements*

**NORTHISLE COPPER AND GOLD INC.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
**For the three months ended March 31, 2018 and 2017**  
(Unaudited - Expressed in Canadian dollars)

	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (272,984)	\$ (248,424)
Items not requiring a cash outlay		
Share-based compensation	164,999	84,999
	(107,985)	(163,425)
Changes in non-cash working capital components		
Accounts receivable	45,724	(8,946)
Prepaid expenses	(1,181)	11,119
Accounts payable and accrued liabilities	(44,124)	7,529
Payable to related parties	750	-
	(106,816)	(153,723)
<b>Investing activities</b>		
Property purchase payments and claim costs	-	(20,000)
Property option payments	50,000	-
	50,000	(20,000)
<b>Financing activities</b>		
Proceeds from the exercise of stock options	1,000	1,500
<b>(DECREASE) IN CASH</b>	<b>(55,816)</b>	<b>(172,223)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>527,532</b>	<b>571,582</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 471,716</b>	<b>\$ 399,359</b>
<b>Supplementary Information</b>		
Interest received	\$ 858	\$ 558

*The accompanying notes are an integral part of these financial statements*

# **NORTHISLE COPPER AND GOLD INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

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## **1. NATURE OF OPERATIONS**

Northisle Copper and Gold Inc. (the “Company”) is a mineral exploration company that was incorporated on August 3, 2011 in the Province of British Columbia. The Company’s principal business activity is the exploration and development of its North Island Project on Vancouver Island. Its head office is located on the 15<sup>th</sup> floor – 1040 West Georgia Street, Vancouver, B.C.

These consolidated financial 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. The ability of the Company to do so is dependent on obtaining additional financing, through the issue of treasury shares and/or from loans to complete the exploration and development of its mineral property interests and to commence profitable operations. These consolidated financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

## **2. BASIS OF PREPARATION**

### **Summary of Significant Accounting Policies**

The Company prepares its interim consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2017.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2018, as issued and outstanding on May 30, 2017, the date the Board of Directors approved these financial statements.

### **Accounting estimates and judgments**

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 recoverability of accounts receivable, 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.

# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

## 3. MINERAL PROPERTY INTERESTS

### North Island Copper-Gold Property, B.C. Canada

<b>Balance, December 31, 2016</b>	<b>\$ 10,021,000</b>
Property purchase payments	45,000
<b>Balance, December 31, 2017</b>	<b>\$ 10,066,000</b>
Property option payments	(50,000)
<b>Balance, March 31, 2017</b>	<b>\$ 10,016,000</b>

### Exploration expenditures

North Island Copper Gold Property B.C. Canada	Three months ending March 31, 2018	Three months ending March 31, 2017	Cumulative Property Expenditures*
Amortization of equipment	\$ -	\$ -	\$ 34,265
Camp operations	18,230	16,225	855,338
Claims costs	-	-	41,278
Community engagement	2,536	-	49,789
Drilling	-	974	2,187,876
Engineering and geological	16,859	100,445	1,873,566
Environmental studies	-	-	255,184
Prospecting	-	2,144	489,582
Wages	-	-	316,190
Mineral property exploration tax credit	-	(32,950)	(381,390)
<b>Total</b>	<b>\$ 37,625</b>	<b>\$ 86,838</b>	<b>\$ 5,721,678</b>

\*Cumulative from the effective date of the Plan of Arrangement on October 17, 2011

The North Island Copper Gold Property consists of three blocks of mineral claims located on northern Vancouver Island in British Columbia, Canada. The mineral claim blocks are referred to as the Hushamu claims and the Apple Bay claims.

Should a production decision be made on the Hushamu claims, the Company is required to make a cash payment of \$1,000,000 to Sirit Inc. within 60 days of the production decision. These mineral claims are also subject to a 10% net profits interest held by International Royalty Corporation.

Should a production decision be made on 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 the right to explore the Apple Bay claims for non-metallic minerals subject to certain conditions.

### Red Dog Property Acquisition

On February 11, 2015, the Company acquired an option to earn a 100% interest in the Red Dog Property, a 400 hectare property entirely enclosed within the Company's existing 100% owned North Island Copper Gold Property. The Company issued 200,000 common shares with a fair value of \$6,000 to the vendor upon signing the option agreement and agreed to make payments of \$60,000 between 2016 and 2018 and expend a minimum of \$375,000 on the property by 2018. The vendor was also granted a net smelter return royalty of 3% of which 2% can be purchased by the Company at any time for US\$2.0 million.

As of March 31, 2018 the exploration expenditures on the Red Dog Property have exceeded the minimum amount required to be spent by 2018 (\$375,000) and the Company has made cash payments of \$35,000. The final cash payment of \$25,000 to complete the acquisition of a 100% interest in the property was made in January 2018.

# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

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## 3. MINERAL PROPERTY INTERESTS (continued)

### 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. Under the terms of the joint venture, Freeport may earn up to a 65per-cent interest in the Pemberton Hills Property by funding a total of \$24 million in exploration expenditures.

Under the terms of the agreement, Freeport may earn an initial 49 per-cent interest in the Pemberton Hills Property by paying \$50,000 cash to Northisle and funding a total of \$4.0 million in exploration expenditures over three years (the “First Option”). The agreement requires Freeport to commit to \$300,000 in expenditures in the first year, with subsequent optional additional expenditures of \$1.2 million before the second anniversary and a further optional \$2.5 million before the third anniversary of the agreement. Northisle will be the operator during the First Option.

Upon completion of the First Option, a joint venture company will be formed to operate the Pemberton Hills Property under a shareholder’s agreement. Freeport shall then have a one-time right to acquire an additional 16 per-cent interest in the Pemberton Hills Property, for an aggregate 65 per-cent interest in the Pemberton Hills Property (the “Second Option”), by funding an additional \$20 million in exploration expenditures over a four year period.

If Freeport elects to proceed with the Second Option and fails to complete the expenditures required, Freeport’s interest will revert to the 49% interest as earned under the First Option.

Should either party’s interest in the joint venture be reduced below 10 per-cent through dilution, the diluted party will be granted a 2% Net Smelter Returns Royalty (“NSR”). The NSR is subject to a buy-down provision that allows for the NSR to be reduced to 1% for a cash payment of \$2 million.

## 4. RELATED PARTY TRANSACTIONS

Remuneration for Directors and key management personnel for the three months ending March 31, 2018 and 2017 was:

	2018	2017
Consulting fees	\$ 25,094	\$ 34,438
Share-based compensation	164,999	84,999
<b>Total</b>	<b>\$ 190,093</b>	<b>\$ 119,437</b>

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

At March 31, 2018 the Company owed \$167,533 (December 31, 2017 - \$166,783) to officers and directors of the Company for unpaid consulting fees. Amounts due are non-interest bearing with no specific terms of repayment.



# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

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## 5. SHARE CAPITAL

Authorized - unlimited number of common shares without par value Issued and fully paid	Number of Shares	Amount
<b>Balance, December 31, 2017</b>	<b>114,516,516</b>	<b>\$ 21,842,321</b>
Issued pursuant to exercise of options	20,000	1,000
Transferred from share option reserve on exercise of option	-	400
<b>Balance, March 31, 2018</b>	<b>114,536,516</b>	<b>\$ 21,843,721</b>

### Share Purchase Options

The Company grants common share purchase options to directors, officers, and employees of the Company and persons who provide ongoing services to the Company under an incentive share purchase option plan. The maximum number of options which may be granted under the Plan is 10% of the number of shares of the Company outstanding at the time the options are granted. Options generally vest at a rate of 33.3% on the date of grant and 33.3% in each of the following two years.

During the three months ended March 31, 2018, \$164,999 (2017 - \$84,999) in share-based compensation was recognized in the consolidated statement of loss and comprehensive loss for vesting of share purchase options.

A summary of changes in share purchase options for the three months ended March 31, 2018 is:

	Number of Share Options	Weighted Average Exercise Price
<b>Balance, December 31, 2017</b>	<b>7,310,000</b>	<b>\$ 0.09</b>
Granted	2,400,000	0.15
Options exercised	(20,000)	0.05
<b>Balance, March 31, 2018</b>	<b>9,690,000</b>	<b>\$ 0.11</b>

At March 31, 2018, the following common share purchase options were outstanding:

Expiry date	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Number Exercisable
June 28, 2018	200,000	0.10	0.24	200,000
February 11, 2019	1,375,000	0.05	0.87	1,375,000
June 24, 2020	1,535,000	0.05	2.23	1,545,000
May 4, 2021	1,555,000	0.05	3.09	1,036,658
June 28, 2021	75,000	0.10	3.24	50,000
January 9, 2022	2,550,000	0.17	3.75	1,699,988
February 26, 2023	2,400,000	0.15	4.91	799,992
	<b>9,690,000</b>	<b>\$ 0.11</b>	<b>3.21</b>	<b>6,706,638</b>

### Share purchase warrants

At March 31, 2018, the following common share purchase warrants were outstanding:

Expiry	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)
June 6, 2018	2,500,000	\$ 0.05	0.35
May 5, 2019	3,474,158	0.25	1.08
	<b>5,974,158</b>	<b>\$ 0.17</b>	<b>0.77</b>

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Notes to the Condensed Interim Consolidated Financial Statements

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## 6. RESERVES

	Share Option Reserves	Share Warrant Reserves	Total
<b>Balance, December 31, 2017</b>	\$ 988,305	\$ 442,358	\$ 1,430,663
Fair value of options transferred to share capital on exercise	(400)	-	(400)
Share-based compensation expense	164,999	-	164,999
<b>Balance, March 31, 2018</b>	\$ 1,152,904	\$ 442,358	\$ 1,595,262

## 7. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

## 8. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, including currency risk, credit risk, interest rate risk, and liquidity risk. The Company does not have financial instruments subject to other price risk.

### Currency risk

The Company operates within one geographic region and is not exposed to significant currency risk related to the fluctuation of foreign exchange rates.

### Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company's receivables consist mostly of Goods and Services Tax due from the federal government of Canada. As such, the Company considers this risk to be minimal. As at March 31, 2018, none of the Company's financial instruments subject to credit risk were past due or impaired.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk when holding fixed rate short term deposits of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents investments is limited because these investments are generally highly liquid securities with short-term maturities. As at March 31, 2018, the Company considers its exposure to interest rate risk to be minimal.

# **NORTHISLE COPPER AND GOLD INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

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## **8. MANAGEMENT OF FINANCIAL RISK (continued)**

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 7.

Accounts payable and accrued liabilities and the amounts payable to related parties are due within the current operating period.

## **9. LOSS PER SHARE**

The Company's diluted loss per share is equal to its basic loss per share. Outstanding share purchase options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are antidilutive for the three months ended March 31, 2018 and 2017.