



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

**Containing Information up to and including April 28, 2018**

**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.

**Summary:**

- In February 2018 the Company signed a joint venture agreement with Freeport-McMoRan Mineral Properties Canada Inc. in relation to the Company’s Pemberton Hills Property located on Vancouver Island.
- Results of a recently completed Preliminary Economic Assessment demonstrated the potential technical and economic viability of the Company’s North Island Copper and Gold Project.
- The Company completed a 1,846 metre diamond drilling program on its North Island Copper and Gold project with encouraging results. The program consisted of six holes, five targeting three exploration targets and one directed at collecting a metallurgical sample for future testing.
- On May 5, 2017 the Company completed a \$1,522,247 non-brokered private placement.

**SELECTED ANNUAL INFORMATION**

The following table summarizes selected financial data for Northisle for years ended December 31, 2017, 2016, and 2015. This information should be read in conjunction with the consolidated audited financial statements, prepared in accordance with IFRS, and related notes.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total revenue	\$ Nil	\$ Nil	\$ Nil
Net loss and comprehensive loss	1,508,709	565,244	428,690
Basic and diluted loss per share	0.01	0.01	0.01
Total assets	10,698,400	10,668,836	10,261,139
Total long-term liabilities	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil
Number of shares issued and outstanding	114,516,516	105,108,200	82,293,200

Net loss is expected to fluctuate from year-to-year primarily due to the activity level of the Company’s exploration projects, the strength of equity markets and the Company’s ability to finance on favourable terms.

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

This Annual Management Discussion and Analysis (“Annual MD&A”) should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2017.

**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.

## **2017 – 2018 SUMMARY AND OUTLOOK**

Management is pleased with the results of the maiden Preliminary Economic Assessment (“PEA”). It shows the North Island Copper and Gold Project (the “Project”) can be built and operated with excellent returns based on conservative metal prices. There are a number of areas of potential improvements that could improve the Project further including advanced metallurgical studies to improve metal recoveries, evaluating higher production rates, evaluating the use of the Island Copper pit for tailings disposal and evaluating the potential for rhenium credits in the molybdenum concentrate. There remains excellent potential to add tonnes to our resource base. Drilling this summer demonstrated that the Hushamu deposit remains open for a significant expansion of its resource. In addition, there are several partially explored copper – gold exploration targets, any one of which could contribute significantly to the resource base of the Project. The recently signed agreement with Freeport McMoran demonstrates the prospective nature of our tenements while providing significant external funding to un-lock and advance targets that lie within the same prospective belt as our Hushamu and Red Dog deposits. Furthermore, we expect to benefit from Freeport’s extensive experience in porphyry copper terrains.

### **RESULTS OF OPERATIONS**

#### **Year Ended December 31, 2017**

The Company’s net loss of \$1,508,709 for the year ended December 31, 2017 (“the **Current Period**”) was greater than the net loss for the year ended December 31, 2016 (the “**Comparative Period**”) of \$565,244. The results were largely influenced by the stronger financial markets for mineral exploration companies and management’s continuing efforts to advance the development of the Company’s North Island Project. As a result, mineral property expenditures (Current Period - \$1,137,955; Comparative Period - \$416,452 after offsetting tax credits) increased during the Current Period.

#### **Three Months Ended December 31, 2017**

The Company’s net loss for the three months ended December 31, 2017 (“the **Current Quarter**”) of \$261,690 was more than the net loss for the three months ended December 31, 2016 (the “**Comparative Quarter**”) of \$133,803. As previously reported in this MD&A, results were largely influenced management’s continuing efforts to advance the development of the Northisle Copper and Gold Project.

### **THE NORTH ISLAND COPPER AND GOLD PROJECT**

The North Island Copper and Gold Project (the “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. The Project is situated about 29 km from the reclaimed BHP Island Copper Mine.

#### **September 2017 Preliminary Economic Assessment**

The Company announced the results of a PEA which demonstrated the potential technical and economic viability of the Project constructed as an open-pit mine, with a concentrator processing nominally 75,000 tonnes/day.

#### ***PEA Highlights***

- After tax NPV 8% of CAD \$550.4 million, 14.3% IRR, 22-year mine life
- Life of Mine (LOM) metal production of 1.8 billion pounds of copper, 1.7 million ounces of gold and 55 million pounds of molybdenum
- Annual production of 82 million pounds of copper, 79 thousand ounces of gold and 3 million pounds of molybdenum
- Initial capital costs of CAD \$1.34 billion plus sustaining capital of \$139 million
- Direct cash cost of production per pound of copper net of gold, molybdenum and pyrite concentrate is CAD \$1.17

### PEA Base Case Economic Results

Parameter	Unit	Base Case
Capital Cost	CAD\$	\$1,344 million
Sustaining Capital	CAD\$	\$139 million
NSR	CAD\$/ore tonne	\$17.61
Average Op Cost/tonne	CAD\$	\$8.66
After tax Net Revenue	CAD\$	\$2,349 million
After tax NPV 8%	CAD\$	\$550 million
After tax IRR and pay back		14.3% and 5.1 years
Metal Price Cu	US\$ per pound	\$3.10
Au	US\$ per ounce	\$1,300
Mo	US\$ per pound	\$9.00
Pyrite concentrate	US\$ per tonne	\$86
Exchange rate	US\$ / CAD\$	0.75

Category		Units	LOM
Tonnes Milled		Mt	600
Average grade	Cu	%	0.18
	Au	gpt	0.24
	Mo	%	0.008
Tonnes produced	Py	MT	14.1
Throughput		tpy	75,000
Mine Life		years	22
Net Cash Cost*		CAD\$	\$1.17

\*Net direct cash costs that represent the cash cost incurred at each processing stage from mining through to recoverable metal delivered to market less net by-product credits. Direct cash costs cover mining, ore freight and milling costs, mine site administration and general expenses, concentrate freight, smelting and smelter general and administrative costs, marketing costs (freight and selling).

### Initial Capital Expenditures (CAD\$ Millions)

Mine	\$149.2
Pre-Production	\$125.6
Process	\$1,024.9
Owner's Cost	\$44.5
<b>Total</b>	<b>\$1,344.2</b>

### Operating Costs

The mine operating costs were calculated to average CAD\$ 2.02 per tonne moved.

Area	Unit Cost (CAD\$/t moved)
Drilling	0.13
Blasting	0.27
Loading	0.27
Hauling	0.67
Support	0.54
Mine General	0.14
<b>Total Cost</b>	<b>2.02</b>

The process operating costs were calculated to average CAD\$ 4.88/tonne ore.

Area	CAD\$/tonne ore
Salaries & Wages	0.54
Power	1.55
Liners	0.34
Grinding Media	1.06
Reagents	0.85
Maintenance Parts & Repairs	0.44
Supplies & Services	0.10
<b>Total Cost</b>	<b>4.88</b>

## *Mining*

Preliminary mine designs have been developed for Red Dog and Hushamu deposits based upon Indicated and Inferred Resources. Resource models were imported to Minesight® mine planning software where a Lerchs Grossman algorithm was applied to an NSR model to determine possible pit limits.

The mine plan was developed to mine Red Dog concurrently with Hushamu in the early years of the mine life until Red Dog Resources were depleted. The assumed processing rate is 75,000 t/d. The overall mining rate peaks at 64 million t/a in the initial years averaging 54 million t/a over the first 12 years of the total mine life of 22 years. The effective strip ratio after stockpile reclaim was 0.72:1.

The mine will be a conventional truck and shovel operation with electrified pit operations at Hushamu. Waste rock will be placed during construction and operation within the Tailings Management Facility (TMF). A low-grade stockpile will be located at the pit rim on the northwest side of Hushamu. An overburden stockpile will be located adjacent to the low-grade stockpile for use in reclamation of the TMF at the end of the mine life.

The total resources processed in the conceptual mine plan are shown in the following Tables.

### *Mineral Resources Included in the Mine Plan*

<b>Indicated Resources</b>	<b>ROM t x 1000</b>	<b>Cu %</b>	<b>Au g/t</b>	<b>Mo %</b>
Hushamu Starter Pit	80,097.0	0.24	0.27	0.007
Hushamu Phase 1 Expansion	97,217.0	0.20	0.18	0.007
Hushamu Phase 1.5 Expansion	119,509.0	0.18	0.28	0.011
Hushamu Phase 2 Expansion	109,134.0	0.17	0.25	0.008
Red Dog	50,549.0	0.22	0.32	0.005
<b>Total</b>	<b>456,506.0</b>	<b>0.20</b>	<b>0.25</b>	<b>0.008</b>

<b>Indicated Resources</b>	<b>ROM t x 1000</b>	<b>Cu %</b>	<b>Au g/t</b>	<b>Mo %</b>
Hushamu Starter Pit	2,530.0	0.12	0.15	0.015
Hushamu Phase 1 Expansion	12,802.0	0.13	0.12	0.010
Hushamu Phase 1.5 Expansion	40,554.0	0.14	0.22	0.012
Hushamu Phase 2 Expansion	84,859.0	0.14	0.21	0.008
Red Dog	2,152.0	0.17	0.27	0.003
<b>Total</b>	<b>142,897.0</b>	<b>0.14</b>	<b>0.20</b>	<b>0.009</b>

## *Infrastructure*

The nearby town of Port Hardy is a main distribution centre for the north end of Vancouver Island. It has an airport with 3 daily flights to Vancouver, a hospital, schools and a college. All parts of the North Island Project are accessible from Port Hardy through a network of logging roads.

A marine load out structure and a 138 KVA BC Hydro substation exist at the reclaimed Island Copper Mine, approximately 27 km from the North Island mine site. One of BC's largest wind farm complexes is situated adjacent to the northwest end of the property and the 138 KV power line connecting the wind farm to the main BC power grid passes immediately north of the North Island Project.

## *Economic Analysis*

Economic evaluations were generated incorporating forecasts for metal prices using the long term (Base Case), the SEC price and Spot Price. The spot price case is from September 6, 2017.

<b>Parameter</b>	<b>Unit</b>	<b>Base Case</b>	<b>SEC</b>	<b>Spot Price</b>
Copper	US\$ per lb	\$3.10	\$2.50	3.12
Gold	US\$ per oz	\$1300	\$1,213.12	1,333.10
Molybdenum	US\$ per lb	\$9.00	\$7.03	7.14
Pyrite	US\$ per tonne	\$86	\$86	\$86
Exchange rate		0.75	0.75	0.75

### ***Economic Result (After tax)***

Net Revenue	CAD\$ M	2,349	1,339	2,342
NPV 8%	CAD\$ M	550	34	549
IRR	%	14.3	8.4	14.3
Pay back	Years	5.1	7.9	5.0

The Preliminary Economic Assessment (“PEA”) is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would allow them to be categorized as mineral reserves and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

### ***Opportunities to Enhance Value***

The Project opportunities include advanced metallurgical studies to improve copper, gold and molybdenum recoveries from current life of mine averages of 77.5% for copper, 38.4% for gold (in the copper concentrate) and 59.5% for molybdenum; optimize primary and rougher concentrate regrind sizes; determine the potential for rhenium credits in the molybdenum concentrate; evaluate the use of the Island Copper pit for tailings disposal in conjunction with a waste storage site to reduce overall CAPEX, OPEX, and societal risk; and to evaluate higher production rates of 85 to 90 ktpd. In addition, there are several partially explored copper – gold exploration targets, any one of which could contribute significantly to the resource base of the Project.

### ***Technical Report***

A National Instrument 43-101 (NI 43-101) compliant technical report entitled "North Island Project PEA" has been filed by the Company on [www.sedar.com](http://www.sedar.com)

### **2017 Drill Program**

The 2017 program consisted of 1800 metres in six drill holes including testing three exploration targets and collecting a metallurgical sample for future testing. The program was successful in meeting its three exploration objectives:

1. Test for a southeastern extension of the Hushamu deposit;
2. Test a 300 metre diameter area within the Hushamu resource that was previously thought to be barren;
3. Test for a deeply buried porphyry copper and gold mineralization to the south of the Red Dog Deposit.

### ***Highlights***

- The mineralization in H17-05 indicates the Hushamu Deposit is open both to the north and to the southeast.
- Holes H17-02 and H17-03, show conclusively that much of the previously assumed barren area is mineralization above the cut-off grade.
- Drill hole RD17-01, testing the deep porphyry target at the Red Dog Deposit, encountered high-level porphyry copper alteration from bedrock to the end of the hole at 290 metres.
- Additional drilling is warranted to further advance all current exploration objectives.

### ***South Eastern Extension Results***

Hole H17-05, positioned approximately 300 metres southeast of the final pit limit on the Hushamu deposit as used in NorthIsle’s soon to be released Preliminary Economic Assessment (PEA), was collared south of the projected southeast extension and angled towards it. Due to bad ground conditions, the hole was lost at 225 metres well short of its planned depth of 400 metres. The hole entered high-level porphyry copper mineralization at 60 metres with copper and molybdenum grades noticeably strengthened with depth down the hole. The section of the hole below 100 metres assayed above cut-off grade as defined in the currently underway PEA with the best mineralization occurring in the final 24 metres of the hole. The mineralization in H17-05 indicates the deposit is open both to the north and to the southeast. Additional drilling will be required to determine the extent and grade of the mineralization associated with H17-05.

Hole	From (m)	To (m)	Width (m)	Gold (gpt)	Copper %	Molybdenum %
H-17-05	102	225(EOH)*	123	0.22	0.11	0.010
including	201	225(EOH)*	24	0.21	0.17	0.013

*Reported widths are drilled widths. True widths have not been determined. \*End of Hole.*

### ***Target for Buried Porphyry at Red Dog***

Drill hole RD17-01 tested the deep porphyry target at the Red Dog Deposit was collared 600 metres southeast of the current Red Dog resource and 230 metres from the nearest historical drill hole. Originally planned to reach a target depth of 600 metres the hole was lost at 290 metres. The hole encountered high-level porphyry copper alteration from bedrock to the end of the hole at 290 metres. The encouraging alteration and copper values found in the drill hole warrant additional drilling to a depth of 600 metres to see if a deep porphyry copper deposit is located to the south of the Red Dog deposit.

Hole	From (m)	To (m)	Width (m)	Gold (gpt)	Copper %	Molybdenum %
<b>RD-17-01</b>	<b>154</b>	<b>190</b>	<b>36</b>	<b>0.12</b>	<b>0.10</b>	<b>0.003</b>

*Reported widths are drilled widths. True widths have not been determined.*

Based on the success of this summer's drilling, Northisle plans to carry out systematic drilling to the north and southeast of H17-05 to determine the limits of the identified southeast extension and additional infill drilling within the south central part of the Hushamu deposit. Another attempt will be made to test the deep target at Red Dog.

### ***Infill Drilling Within 300 Metre Diameter Area***

Drill Holes H17-02, H17-03 and H17-04 tested an under drilled, previously believed to be very low grade or barren part area of the south central Hushamu deposit. Based on widely spaced vertical historical drill holes, this area had been interpreted to be an area of late or post mineralization breccia and associated non sulphide bearing silicification. Holes H17-02 and H17-03, show conclusively that much of the previously assumed barren area is mineralization above the cut-off grade. Hole 17-04, collared in sulphide mineralized rock traversed post mineralization breccia and silicification before ending in sulphide bearing porphyry – type mineralization. Additional drilling is required to determine how much of the currently assumed barren 300 metre area could be added to the Hushamu resource.

Hole	From (m)	To (m)	Width (m)	Gold (gpt)	Copper %	Molybdenum %
<b>H-17-02</b>	<b>48</b>	<b>186</b>	<b>138</b>	<b>0.23</b>	<b>0.16</b>	<b>0.007</b>
including	48	117	69	0.30	0.19	0.007
including	135	186	51	0.18	0.16	0.007
<b>H-17-03</b>	<b>12</b>	<b>129</b>	<b>117</b>	<b>0.25</b>	<b>0.10</b>	<b>0.013</b>
including	12	30	18	0.25	0.22	0.016
including	105	129	24	0.32	0.21	0.005
	<b>348</b>	<b>439 (EOH)</b>	<b>91</b>	<b>0.16</b>	<b>0.12</b>	<b>0.013</b>
including	408	439	31	0.20	0.15	0.007
<b>H-17-04</b>	<b>9</b>	<b>102</b>	<b>93</b>	<b>0.22</b>	<b>0.06</b>	<b>0.011</b>
	<b>282</b>	<b>324 (EOH)</b>	<b>42</b>	<b>0.24</b>	<b>0.06</b>	<b>0.009</b>

*Reported widths are drilled widths. True widths have not been determined.*

*\*End of Hole.*

Hole H17-01 was a drilled in the central part of the Hushamu deposit to collect a metallurgical sample for future testing.

### ***Analytical Techniques***

Analysis of core samples was 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.

## Exploration expenditures

North Island Copper-Gold Property, B.C. Canada	2016	2017	Cumulative Total*
Amortization of equipment	\$ 812	\$ -	\$ 34,265
Camp operations	124,967	114,238	837,108
Claims costs	500	-	41,278
Community engagement	-	3,812	47,253
Drilling	252,037	404,465	2,187,876
Engineering and geological	80,228	644,616	1,856,207
Environmental studies	-	-	255,684
Prospecting	23,559	3,774	489,582
Wages	-	-	316,190
Mineral property exploration tax credits	(65,651)	(32,950)	(381,390)
<b>Total</b>	<b>\$ 416,452</b>	<b>\$ 1,137,955</b>	<b>\$ 5,684,053</b>

\* Cumulative from the date of incorporation on August 3, 2011 to December 31, 2017

## 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.

## 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 Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development

of its properties.

Some of the Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

The mineral industry is intensely competitive in all its phases. Northisle competes with many other mineral exploration companies who have greater financial resources and technical capacity.

It is difficult at this stage to quantify the effect of increased demand for the goods and services used in the Company's exploration programs, but cost increases during the upcoming field season could be higher than the rate of inflation prevailing in other sectors of the economy. Exploration companies can also expect to experience difficulty in scheduling drilling contracts, airborne geophysical surveys and other services that are key components of early stage exploration programs.

Mineral exploration is a speculative venture. There is no certainty that the money spent on exploration and development will result in the discovery of an economic ore body. There is no assurance that the Company's exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be related to the success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

The market price of precious metals and other minerals is volatile and cannot be controlled.

The purchase of securities of the Company involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in securities of the Company should not constitute a major portion of an investor's portfolio.

In recent years securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on the TSX Venture Exchange may be affected by such volatility.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Although the Company has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests. Its claims, permits or tenures may be subject to prior unregistered agreements or transfers or native land claims. Title to the claims, permits or tenures comprising the Company's properties may also be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the property to which such defect relates.

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent.

The Company's directors and officers serve as directors or officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (British Columbia) dealing with conflicts of interest. These provisions state that where a director has such a

conflict, that director must, at a meeting of the Company's directors, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Business Corporations Act (British Columbia). The directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

## 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
December 31, 2017	\$ Nil	\$ 261,690	\$ 0.002
September 30, 2017	Nil	352,838	0.003
June 30, 2017	Nil	645,757	0.006
March 31, 2017	Nil	248,424	0.002
December 31, 2016	Nil	133,803	0.001
September 30, 2016	Nil	321,114	0.003
June 30, 2016	Nil	24,980	0.000
March 31, 2016	Nil	85,347	0.001

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, as was the case during June 2016, subsequent 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 \$275,456 on December 31, 2017.

### Non Brokered Private Placement

On May 5, 2017 the Company completed a \$1,522,247 non-brokered private placement consisting of:

- \$1,042,247 from a unit private placement at a price of \$0.15 per unit, with each unit consisting of one common share and one-half (1/2) share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share at a price of \$0.25 for a period of 2 years from closing; and
- \$480,000 from a flow-through share private placement at a price of \$0.20 per flow-through 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 favourable. 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 calibre of its management.

## TRANSACTIONS WITH RELATED PARTIES

Remuneration for directors and key management personnel were:	2017	2016
Salaries and management fees - President	\$ 112,875	\$ 72,812
Salaries and management fees – Chief Financial Officer	19,250	32,000
Share-based compensation	187,878	34,760
<b>Total</b>	<b>\$ 320,003</b>	<b>\$ 139,572</b>

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

At December 31, 2017, the Company owed \$166,783 (December 31, 2016 - \$232,284) to officers and directors of the Company for unpaid salaries, management fees and director 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 amount of these financial instruments approximate their fair value. The Company does not consider its financial instruments exposed to significant liquidity, credit, or price risks.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Northisle's general and administrative expenses are provided in the Company's Consolidated Financial Statements for the years ended December 31, 2017 and 2016 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 April 28, 2018, there were 114,536,516 common shares issued and outstanding.

### Share Purchase Options

At April 28, 2018 the following common share purchase options were outstanding:

<b>Expiry date</b>	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life (in years)</b>	<b>Number Exercisable (Vested)</b>
June 28, 2018	200,000	0.10	0.16	200,000
February 11, 2019	1,375,000	0.05	0.79	1,375,000
June 24, 2020	1,545,000	0.05	2.18	1,545,000
May 4, 2021	1,565,000	0.05	3.04	1,036,667
June 28, 2021	75,000	0.10	3.19	50,000
January 9, 2022	2,550,000	0.17	3.70	1,700,000
February 26, 2023	2,400,000	0.15	4.83	800,000
	<b>9,710,000</b>	<b>\$ 0.11</b>	<b>3.14</b>	<b>6,706,667</b>

### Share Purchase Warrants

As at April 28, 2018, 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 6, 2018	2,500,000	\$ 0.05	0.16
May 4, 2019	3,474,158	0.25	1.00
	<b>5,974,158</b>	<b>\$ 0.17</b>	<b>0.65</b>

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

As of April 28, 2018, 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 Annual MD&A. A copy of this Annual MD&A will be provided to anyone who requests it.

### 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).