



## Condensed Interim Consolidated Financial Statements

For the three and six months ended  
June 30, 2020 and 2019

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**  
(Expressed in Canadian Dollars)

	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 274,164	\$ 378,880
Accounts receivable	5,730	-
Exploration advances (Note 3)	-	323,643
Prepaid expenses and deposits	15,883	67,370
	<b>295,777</b>	<b>769,893</b>
<b>Reclamation deposits</b>	<b>32,000</b>	<b>32,000</b>
<b>Mineral property interests (Note 3)</b>	<b>10,016,000</b>	<b>10,016,000</b>
	<b>\$ 10,343,777</b>	<b>\$ 10,817,893</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 40,539	\$ 116,640
Other liabilities (Note 5)	14,647	40,613
Exploration commitments (Note 3)	-	323,643
Payable to related parties (Note 4)	81,783	118,033
	<b>136,969</b>	<b>598,929</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	22,286,228	22,217,978
Reserves (Note 6)	1,713,188	1,632,688
Deficit	(13,792,608)	(13,631,702)
	<b>10,206,808</b>	<b>10,218,964</b>
	<b>\$ 10,343,777</b>	<b>\$ 10,817,893</b>

Nature of Operations (Note 1)

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

# NORTHISLE COPPER AND GOLD INC.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Revenues</b>				
Operator fee (Note 3)	\$ -	\$ (10,445)	\$ (531)	\$ (16,409)
<b>Expenses</b>				
Insurance	3,662	3,281	7,388	6,496
Bank and service charges	403	265	596	477
Investor relations	1,658	6,640	6,081	10,664
Legal and audit	-	-	-	-
Mineral property expenditures	13,154	16,236	26,855	88,260
Office	1,500	1,829	3,432	11,204
Regulatory fees	5,752	5,792	11,519	12,962
Share-based compensation	-	-	100,000	51,814
Travel	-	2,652	1,269	3,611
Wages	16,831	16,050	31,319	29,138
	42,960	52,745	188,459	214,626
	42,960	42,300	187,928	198,217
<b>Other (Income) Expenses</b>				
Interest income	(126)	(500)	(1,056)	(1,348)
Recovery of fair value of tax deductions sold to investors	(22,480)	-	(25,966)	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>20,354</b>	<b>\$ 41,800</b>	<b>\$ 160,906</b>	<b>\$ 196,869</b>
<b>BASIC AND DILUTED LOSS PER SHARE (Note 9)</b>	<b>\$ 0.000</b>	<b>\$ 0.000</b>	<b>\$ 0.001</b>	<b>\$ 0.002</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted</b>	<b>120,146,242</b>	<b>118,292,455</b>	<b>120,250,802</b>	<b>118,292,455</b>

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

# NORTHISLE COPPER AND GOLD INC.

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

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>\$ 13,772,254</b>	<b>\$ 13,484,358</b>	<b>\$ 13,631,702</b>	<b>\$ 13,329,289</b>
Net loss	20,354	41,800	160,906	196,869
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 13,792,608</b>	<b>\$ 13,526,158</b>	<b>\$ 13,792,608</b>	<b>\$ 13,526,158</b>
<b>RESERVES, BEGINNING OF PERIOD (Note 6)</b>	<b>\$ 1,732,688</b>	<b>\$ 1,617,388</b>	<b>\$ 1,632,688</b>	<b>\$ 1,610,949</b>
Transferred to share capital on exercise of options	(19,500)	-	(19,500)	(45,375)
Share-based compensation	-	-	100,000	51,814
<b>RESERVES, END OF PERIOD</b>	<b>\$ 1,713,188</b>	<b>\$ 1,617,388</b>	<b>\$ 1,713,188</b>	<b>\$ 1,617,388</b>
<b>SHARE CAPITAL, BEGINNING OF PERIOD (Note 5)</b>	<b>\$ 22,217,978</b>	<b>\$ 22,150,328</b>	<b>\$ 22,217,978</b>	<b>\$ 22,036,203</b>
Issued pursuant to the exercise of options	48,750	-	48,750	68,750
Transferred from option reserve on exercise of options	19,500	-	19,500	45,375
<b>SHARE CAPITAL, END OF PERIOD</b>	<b>\$ 22,286,228</b>	<b>\$ 22,150,328</b>	<b>\$ 22,286,228</b>	<b>\$ 22,150,328</b>

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

**NORTHISLE COPPER AND GOLD INC.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
For the six months ended June 30, 2020 and 2019  
(Unaudited - Expressed in Canadian dollars)

	2020	2019
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (160,906)	\$ (196,869)
Items not requiring a cash outlay for operating activities		
Share-based compensation	100,000	51,814
Recovery of fair value of tax deductions sold to investors	(25,966)	-
	(86,872)	(145,055)
Changes in non-cash working capital components		
Accounts receivable	(5,730)	49,150
Prepaid expenses	51,487	7,490
Accounts payable and accrued liabilities	(76,101)	(368,860)
Payable to related parties	(36,250)	(36,250)
	(153,466)	(493,525)
<b>Investing activities</b>	-	-
<b>Financing activities</b>		
Exercise of options	48,750	68,750
<b>(DECREASE) IN CASH</b>	<b>(104,716)</b>	<b>(424,775)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>378,880</b>	<b>806,724</b>
<b>CASH, END OF YEAR</b>	<b>\$ 274,164</b>	<b>\$ 381,949</b>
<b>Supplementary Information</b>		
Interest received	\$ 1,056	\$ 1,348

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

# **NORTHISLE COPPER AND GOLD INC.**

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(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, 2019.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2020, as issued and outstanding on August 28, 2020, 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 Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

## 3. MINERAL PROPERTY INTERESTS

### Acquisition costs

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

<b>Balance, December 31, 2018 and 2019</b>	<b>\$ 10,016,000</b>
Changes during the period	-
<b>Balance, June 30, 2020</b>	<b>\$ 10,016,000</b>

### Exploration expenditures

North Island Copper-Gold Property, B.C. Canada	Six months ending June 30, 2020	Six months ending June 30, 2019	Cumulative Property Expenditures*
Amortization of equipment	\$ -	\$ -	\$ 34,265
Camp operations	36,582	4,200	936,693
Claims costs	-	-	41,278
Community engagement	-	900	52,220
Drilling	-	42,253	2,230,129
Engineering and geological	8,100	34,872	2,023,593
Environmental studies	-	-	255,684
Prospecting	32,661	1,445	537,974
Wages	-	4,590	320,780
Mineral property exploration tax credits	(50,488)	-	(538,174)
<b>Total</b>	<b>\$ 26,855</b>	<b>\$ 88,260</b>	<b>\$ 5,894,442</b>

\* Cumulative from the date of incorporation on August 3, 2011 to June 30, 2020. This table does not include expenditure incurred by third party joint venturers.

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 and include the Pemberton Hills Property described further below.

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 2019 and expend a minimum of \$375,000 on the property by 2019. 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 December 31, 2019 the exploration expenditures on the Red Dog Property have exceeded the minimum amount required to be spent by 2019 (\$375,000) and the Company has made the required cash payments to complete the acquisition of a 100% interest in the property.

# NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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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 the Company 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. The Company 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.

During the year ended December 31, 2019, the Company received exploration funding from Freeport of \$681,980 of which \$287,981 was unspent at March 31, 2020 ((December 31, 2019 - \$323,643) and recorded as exploration advances and exploration commitment on the consolidated statements of financial position. During the three months ending June 30, 2020 all unspent exploration advances were returned to Freeport.

## 4. RELATED PARTY TRANSACTIONS

Remuneration for Directors and key management personnel for the three months ending June 30, 2020 and 2019 was:

	2020	2019
Management fees	\$ 25,844	\$ 24,688
Share-based compensation	100,000	51,814
<b>Total</b>	<b>\$ 125,844</b>	<b>\$ 76,502</b>

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

At June 30, 2020, the Company owed \$81,783 (December 31, 2019 - \$118,033) to officers and directors of the Company for unpaid management fees. These amounts are non-interest bearing and have no specific terms of repayment.

# NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

## 5. SHARE CAPITAL

<b>Authorized</b> - unlimited number of common shares without par value <b>Issued and fully paid</b>	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance, December 31, 2018</b>	<b>117,236,516</b>	<b>\$ 22,036,203</b>
Issued pursuant to exercise of options	1,375,000	68,750
Transferred from share option reserve on exercise of options	-	45,375
<b>Balance June 30, 2019</b>	<b>118,611,516</b>	<b>\$ 22,150,328</b>
Private placement financings	1,500,000	120,000
Fair value of tax deductions sold to investors	-	(45,000)
Share issue costs	-	(7,350)
<b>Balance, December 31, 2019</b>	<b>120,111,516</b>	<b>\$ 22,217,978</b>
Issued pursuant to exercise of options	975,000	48,750
Transferred from share option reserve on exercise of options	-	19,500
<b>Balance, June 30, 2020</b>	<b>121,086,516</b>	<b>\$ 22,286,228</b>

### Private Placement

On November 6, 2019, the Company completed a private placement consisting of 1,500,000 flow through common shares at a price of \$0.08 per share for total consideration \$120,000. The estimated fair value of the tax deductions sold to investors in connection with the issue of flow through shares was \$45,000, of which \$25,966 has been recognized on the statement of loss and comprehensive loss as other income for the six months ended June 30, 2020 and \$14,647 is recorded as a liability as at June 30, 2020 (December 31, 2019 – \$40,613) and will be recognized as other income when the related expenditures have been incurred and their tax deductions have transferred to the investors.

### Share purchase options

The Company may grant 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.

A summary of changes in common share purchase options for the six months ended June 30, 2020 and 2019 is:

	<b>Number of Share Options</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2018</b>	<b>9,490,000</b>	<b>\$ 0.11</b>
Granted	-	
Exercised	(1,375,000)	
<b>Balance June 30, 2019</b>	<b>8,115,000</b>	<b>0.12</b>
Granted	1,530,000	0.07
Options forfeited	(1,000,000)	0.16
<b>Balance, December 31, 2019</b>	<b>8,645,000</b>	<b>0.11</b>
Expired	(360,000)	0.05
Exercised	(975,000)	0.05
<b>Balance, June 30, 2020</b>	<b>7,310,000</b>	<b>\$ 0.12</b>

# NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

## 5. SHARE CAPITAL (continued)

### Share purchase options (continued)

At June 30, 2020, the following common share purchase options were outstanding:

Expiry date	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Number Exercisable
May 4, 2021	1,355,000	\$ 0.05	0.84	1,355,000
June 28, 2021	75,000	0.10	0.99	75,000
January 9, 2022	2,250,000	0.17	1.53	2,250,000
February 26, 2023	2,100,000	0.15	2.66	2,100,000
September 24, 2024	1,530,000	0.07	4.18	510,000
	<b>7,310,000</b>	<b>\$ 0.12</b>	<b>2.28</b>	<b>6,290,000</b>

### Share purchase warrants

At June 30, 2020 there were no share purchase warrants outstanding:

## 6. RESERVES

	Share Option Reserves	Share Warrant Reserves	Total
<b>Balance, December 31, 2018</b>	<b>\$ 1,200,073</b>	<b>\$ 410,876</b>	<b>\$ 1,610,949</b>
Fair value of options transferred to share capital on exercise	(45,375)	-	(45,375)
Share-based compensation expense	51,814	-	51,814
<b>Balance, June 30, 2019</b>	<b>1,206,512</b>	<b>410,876</b>	<b>1,617,388</b>
Changes during the period	15,300	-	15,300
<b>Balance December 31, 2019</b>	<b>1,221,812</b>	<b>410,876</b>	<b>1,632,688</b>
Share-based compensation expense	100,000	-	100,000
Fair value of options transferred to share capital on exercise	(19,500)	-	(19,500)
<b>Balance, June 30, 2020</b>	<b>\$ 1,302,312</b>	<b>\$ 410,876</b>	<b>\$ 1,713,188</b>

## 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 its 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.

# **NORTHISLE COPPER AND GOLD INC.**

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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## **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 June 30, 2020, none of the Company's financial instruments subject to credit risk were past due or impaired and the Company has not recognized an allowance for expected credit losses on these financial instruments.

### **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 June 30, 2020, the Company considers its exposure to interest rate risk to be minimal.

### **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 10. 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 and six months ended June 30, 2020 and 2019.

## **10. COVID – 19**

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic. The spread of COVID-19 has created significant volatility in the Canadian and world markets and has the potential to have a significant and far-reaching effect on the Canadian and world economies, interest rates, and other financial measures. The Company will continue to monitor the ongoing developments regarding the COVID-19 pandemic and the potential impact on the Company's consolidated financial statements.