NORTHISLE
COPPER AND GOLD INC.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

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)

	September 30, 2016	December 31, 2015
ASSETS		
Current		
Cash	$ 753,075	$ 207,055
Accounts receivable	27,072	7,810
Prepaid expenses and deposits	47,469	39,462
	827,616	254,327
Equipment	-	812
Mineral property interests (Note 3)	10,021,000	10,006,000
	$ 10,848,616	$ 10,261,139
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 119,340	$ 224,796
Payable to related parties (Note 4)	252,283	217,284
	371,623	442,080
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	20,547,309	19,570,694
Reserves (Note 7)	1,186,700	1,073,940
Deficit	(11,257,016)	(10,825,575)
	10,476,993	9,819,059
	$ 10,848,616	$ 10,261,139

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 and nine months ended September 30, 2016 and 2015

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
Expenses				
Insurance	$ 3,319	$ 3,037	$ 9,954	$ 10,588
Interest and bank charges	236	261	768	800
Investor relations	10,686	5,688	13,284	9,314
Legal and audit	19,866	-	19,866	776
Mineral property expenditures	281,359	21,915	337,399	74,231
Office	3,225	7,730	12,625	23,719
Regulatory fees	12,656	5,854	28,918	24,242
Share-based compensation	-	-	37,760	31,180
Travel	4,702	477	5,424	1,009
Wages	46,250	21,340	100,006	65,930
	382,299	66,302	566,004	241,789
Other (Income) Expenses				
Interest income	(576)	(131)	(793)	(519)
Gain on settlement of debt (Note 6)	-	-	(62,500)	-
Other Income (Note 5)	(60,609)	-	(65,625)	-
Gain on settlement of payable	-	-	(5,645)	-
NET LOSS AND COMPREHENSIVE LOSS	**$ 321,114**	**$ 66,171**	**$ 431,441**	**$ 241,270**
BASIC AND DILUTED LOSS PER SHARE	**$ 0.003**	**$ 0.001**	**$ 0.005**	**$ 0.003**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	**104,988,200**	**76,960,200**	**91,530,159**	**75,481,079**

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NORTHISLE COPPER AND GOLD INC.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

For the three and nine months ended September 30, 2016 and 2015

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
DEFICIT, BEGINNING OF PERIOD	$ 10,935,902	$ 10,571,984	$ 10,825,575	$ 10,396,885
Net loss	321,114	66,171	431,441	241,270
DEFICIT, END OF PERIOD	**$ 11,257,016**	**$ 10,638,155**	**$ 11,257,016**	**$ 10,638,155**
RESERVES, BEGINNING OF PERIOD (Note 7)	$ 1,186,700	$ 1,073,940	$ 1,073,940	$ 1,042,760
Share warrants reserve	-	-	75,000	-
Share option reserves	-	-	37,760	31,180
RESERVES, END OF PERIOD	$ 1,186,700	**$ 1,073,940**	$ 1,186,700	**$ 1,073,940**
SHARE CAPITAL, BEGINNING OF PERIOD (Note 6)	$ 20,547,309	$ 19,423,254	$ 19,570,694	$ 19,304,574
Issued pursuant to private placement	-	-	300,000	114,000
Fair value of warrants issued	-	-	(75,000)	-
Share issue costs	-	(1,550)	(2,655)	(2,870)
Fair value of tax deductions sold to investors (Note 5)	-	-	(65,625)	-
Issued pursuant to the exercise of warrants	-	-	757,395	6,000
Issued for the settlement of debt (Note 6)	-	-	62,500	-
SHARE CAPITAL, END OF PERIOD	**$ 20,547,309**	**$ 19,421,704**	**$ 20,547,309**	**$ 19,421,704**

NORTHISLE COPPER AND GOLD INC.
Condensed Interim Consolidated Statement of Cash Flows
For the nine months ended September 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	2016	2015
Cash provided by (used in)		
Operating activities		
Net loss	$ (431,441)	$ (241,270)
Items not requiring a cash outlay		
Amortization	812	6,674
Share-based compensation	37,760	31,180
	(392,869)	(203,416)
Changes in non-cash working capital components		
Accounts receivable	(19,262)	3,025
Prepaid expenses	(8,007)	9,487
Accounts payable and accrued liabilities	(105,456)	(334)
Payable to related parties	34,999	63,000
	(490,595)	(128,238)
Investing activities		
Acquisition of mineral properties	(15,000)	(6,000)
Financing activities		
Private placement	300,000	114,000
Shares issued for mineral properties	-	6,000
Exercise of warrants	757,395	-
Shares issued for settlement of debt	62,500	-
Share Issue costs	(2,655)	(2,870)
Fair value of tax deductions sold to investors	(65,625)	-
	1,051,615	117,130
INCREASE IN CASH	546,020	(17,108)
CASH, BEGINNING OF PERIOD	207,055	142,972
CASH, END OF PERIOD	**$ 753,075**	**$ 125,864**
Supplementary Information		
Interest received	$ 793	$ 519

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Northisle Copper and Gold Inc. ("Northisle" or the "Company") is a mineral exploration company that was 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. Its head office is located at 15th floor – 1040 West Georgia Street, Vancouver, B.C.

These interim 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 interim 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, 2015.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2016, as issued and outstanding on August 26, 2016, the date the Board of Directors approved these financial statements.

Accounting estimates and judgments

The preparation of these financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these 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 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.

(Unaudited - Expressed in Canadian dollars)

3. MINERAL PROPERTY INTERESTS

Acquisition Costs - North Island Copper Gold Property, B.C. Canada		
Balance, December 31, 2015	**$**	**10,006,000**
Property purchase payments and claim costs		15,000
Balance, September 30, 2016	**$**	**10,021,000**

Exploration expenditures

North Island Copper Gold Property B.C. Canada		Nine months ending September 30, 2016		Nine months ending September 30, 2015		Cumulative Property Expenditures*
Amortization of equipment	$	812	$	6,674	$	34,265
Camp operations		108,403		45,179		706,306
Claims costs		500		500		41,278
Community engagement		-		-		43,441
Drilling		250,271		-		1,781,645
Engineering and geological		20,546		11,610		1,152,409
Environmental studies		-		-		255,184
Prospecting		22,518		10,268		484,767
Wages		-		-		316,190
Mineral property exploration tax credit		(65,651)		-		(348,440)
Total	**$**	**337,399**	**$**	**74,231**	**$**	**4,467,045**

*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, the Apple Bay claims, and the Rupert Block.

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.

Mineral Exploration Tax Credit ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

In August of 2016 the Company received a mineral exploration tax credit of $65,651 from the Company's mineral exploration expenditures in 2014.

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.

(Unaudited - Expressed in Canadian dollars)

4. RELATED PARTY TRANSACTIONS

Remuneration for Directors and key management personnel for the nine months ending September 30, 2016 and 2015 was:

		2016		2015
Consulting fees	$	98,719	$	63,000
Share-based compensation		37,760		24,139
Total	**$**	**136,479**	**$**	**87,139**

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

At September 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.

5. OTHER LIABILITIES AND INCOME

Other liabilities consist of the liability related to the Company’s flow-through shares issues:

		Total
Balance, December 31, 2015	$	-
Liability incurred from the issue of flow-through share		65,625
Recognized as other income on incurring eligible expenditures		(65,626)
Balance, September 30, 2016	$	-

6. SHARE CAPITAL

Authorized - unlimited number of common shares without par value **Issued and fully paid**	Number of Shares		Amount
Balance, December 31, 2015	**82,293,200**	**$**	**19,570,694**
Issued pursuant to private placement	9,375,000		300,000
Fair value of warrants issued	-		(75,000)
Share issue costs	-		(2,655)
Fair value of tax deductions sold to investors	-		(65,625)
Issued pursuant to the exercise of warrants	10,820,000		757,395
Issued for the settlement of debt	2,500,000		62,500
Balance, September 30, 2016	**104,988,200**	**$**	**20,547,309**

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. At the time of settlement, shares of the Company were trading at $0.025 resulting in a gain on the settlement of debt of $62,500.

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.

(Unaudited - Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

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 nine months ended September 30, 2016, $37,760 (2015 - $20,415) 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 nine months ended September 30, 2016 is:

	Number of Share Options	Weighted Average Exercise Price
Balance, December 31, 2015	**5,312,500**	**$ 0.14**
Options granted	1,660,000	0.05
Options expired	(462,500)	0.22
Balance, September 30, 2016	**6,510,000**	**$ 0.11**

At September 30, 2016, the following common share purchase options were outstanding:

Expiry date	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Number Exercisable (Vested)
November 21, 2016	1,215,000	0.30	0.14	1,215,000
May 23, 2017	75,000	0.30	0.50	75,000
November 30, 2017	370,000	0.17	1.17	370,000
June 28, 2018	200,000	0.10	1.74	200,000
February 11, 2019	1,375,000	0.05	2.37	1,375,000
June 24, 2020	1,615,000	0.05	3.73	1,076,562
May 4, 2021	1,585,000	0.05	4.59	528,328
June 28, 2021	75,000	0.10	4.75	25,000
	6,510,000	**$ 0.11**	**2.75**	**4,864,890**

Share purchase warrants

In June 2016 the Company received $757,400 from the exercise of 10,820,000 warrants at $0.07 per share. At September 30, 2016, the following common share purchase warrants were outstanding:

Expiry	Number Outstanding	Exercise Price	Weighted Average Remaining Life (in years)
June 8, 2018	**2,500,000**	**$ 0.05**	**1.67**

7. RESERVES

	Share Option Reserves	Share Warrant Reserves	Total
Balance, December 31, 2015	**$ 728,172**	**$ 345,768**	**$ 1,073,940**
Fair value assigned to warrants	-	75,000	75,000
Share-based compensation expense	37,760	-	37,760
Balance, September 30, 2016	**$ 765,932**	**$ 420,768**	**$ 1,186,700**

8. 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.

9. 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. The Company has not hedged or otherwise managed its exposure to currency fluctuations.

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 September 30, 2016, 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 September 30, 2016, 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 8.

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

10. 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 nine months ended September 30, 2016 and 2015.