



Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
and Auditor's Report

(Expressed in Canadian dollars)



Independent auditor's report

To the Shareholders of NorthIsle Copper and Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NorthIsle Copper and Gold Inc. and its subsidiary (together, the Company) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 22, 2020.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The engagement partner on the audit resulting in this independent auditor's report is Leonard Wadsworth.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 30, 2021

NORTHISLE COPPER AND GOLD INC.
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
ASSETS		
Current		
Cash	\$ 2,942,711	\$ 378,880
Accounts receivable	22,044	-
Exploration advances (Note 5)	-	323,643
Prepaid expenses and deposits	25,992	67,370
	2,990,747	769,893
Reclamation deposits	32,000	32,000
Exploration and evaluation assets (Note 5)	10,016,000	10,016,000
	\$ 13,038,747	\$ 10,817,893
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 162,315	\$ 116,640
Other liabilities (Note 7)	-	40,613
Exploration commitments (Note 5)	-	323,643
Payable to related parties (Note 6)	-	118,033
	162,315	598,929
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	25,372,567	22,217,978
Warrant reserves	410,876	410,876
Options reserves	1,917,482	1,221,812
Deficit	(14,824,493)	(13,631,702)
	12,876,432	10,218,964
	\$ 13,038,747	\$ 10,817,893

APPROVED BY THE BOARD

Dale Corman Director

Larry Yau Director

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

NORTHISLE COPPER AND GOLD INC.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
Revenues		
Operator fee (Note 5)	\$ -	\$ 42,168
Expenses		
Insurance	15,505	14,615
Bank and service charges	1,402	934
Investor relations	53,060	27,513
Legal and audit	31,355	27,823
Exploration and evaluation expenditures (Note 5)	284,699	102,150
Office	12,425	14,682
Regulatory fees	29,581	23,297
Share-based compensation (Note 7)	729,670	67,114
Travel	3,253	5,500
Management fees	75,431	68,813
	1,236,381	352,441
		310,273
Other (Income) Expenses		
Gain on foreign exchange	(1,264)	-
Interest income	(1,182)	(3,473)
Other Income	(531)	-
Recovery of fair value of tax deductions sold to investors (Note 7)	(40,613)	(4,387)
NET LOSS AND COMPREHENSIVE LOSS	\$ 1,192,791	\$ 302,413
BASIC AND DILUTED LOSS PER SHARE (Note 12)	\$ 0.009	\$ 0.003
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	124,740,681	118,663,164

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

NORTHISLE COPPER AND GOLD INC.

Consolidated Statements of Changes in Shareholders' Equity

For the Years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Warrant Reserve	Option Reserve	Deficit	Total Shareholders' Equity
Balance, December 31, 2018	117,236,516	\$ 22,036,203	\$ 410,876	\$ 1,200,073	\$ (13,329,289)	\$ 10,317,863
Private placement financing net of share issue costs	1,500,000	112,650	-	-	-	112,650
Issued pursuant to exercise of options	1,375,000	68,750	-	-	-	68,750
Fair value of tax deductions sold to investors	-	(45,000)	-	-	-	(45,000)
Share-based compensation expense	-	-	-	67,114	-	67,114
Transferred from share option reserve on exercise of options	-	45,375	-	(45,375)	-	-
Net (loss) for the year	-	-	-	-	(302,413)	(302,413)
Balance December 31, 2019	120,111,516	\$ 22,217,978	\$ 410,876	\$ 1,221,812	\$ (13,631,702)	\$ 10,218,964
Private placement financing net of share issue costs	24,607,678	3,035,589	-	-	-	3,035,589
Share-based compensation (Note 7)	-	-	-	729,670	-	729,670
Issued pursuant to exercise of options	1,700,000	85,000	-	-	-	85,000
Transferred from share option reserve on exercise of options	-	34,000	-	(34,000)	-	-
Net (loss) for the year	-	-	-	-	(1,192,791)	(1,192,791)
Balance, December 31, 2020	146,419,194	\$ 25,372,567	\$ 410,876	\$ 1,917,482	\$ (14,824,493)	\$ 12,876,432

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

NORTHISLE COPPER AND GOLD INC.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

	2020	2019
Cash provided by (used in)		
Operating activities		
Net loss	\$ (1,192,791)	\$ (302,413)
Items not requiring a cash outlay for operating activities		
Share-based compensation	729,670	67,114
Recovery of fair value of tax deductions sold to investors	(40,613)	(4,387)
	(503,734)	(239,686)
Changes in non-cash working capital components		
Accounts receivable	(22,044)	60,105
Prepaid expenses	41,378	(44,251)
Accounts payable and accrued liabilities	45,675	(349,162)
Payable to related parties	(118,033)	(36,250)
	(556,758)	(609,244)
Investing activities	-	-
Financing activities		
Cash received for share issues, net of share issue costs	3,035,589	112,650
Exercise of options	85,000	68,750
Exercise of warrants	-	-
	3,120,589	181,400
(DECREASE) INCREASE IN CASH	2,563,831	(427,844)
CASH, BEGINNING OF YEAR	378,880	806,724
CASH, END OF YEAR	\$ 2,942,711	\$ 378,880
Supplementary Information		
Interest received	\$ 1,182	\$ 3,473

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 years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

1. GENERAL INFORMATION AND LIQUIDITY RISK

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 15th 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. As at December 31, 2020, the Company had cash of \$2,942,711 and other assets of \$48,036 to settle current liabilities of \$162,315. Subsequent to year-end, the Company raised additional financing through a private placement of \$7,102,357 to advance the North Island Project and for general working capital purposes. The Company believes that the additional financing is sufficient to allow the Company to continue its exploration activities and to allow the Company to meet its ongoing obligations for at least twelve months from December 31, 2020.

2. BASIS OF PRESENTATION

Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on April 29, 2021.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss that have been measured at fair value, and are presented in Canadian dollars.

Consolidation

These consolidated financial statements include the accounts of the Company and its 100% controlled subsidiary, North Island Mining Corp. (collectively, the “Company”). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The reporting currency and functional currency of the Company and its subsidiary is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value, plus transaction costs if the financial instrument is not subsequently measured at fair value through profit and loss.

Financial assets are measured subsequently at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit and loss (“FVTPL”) based on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Financial assets which are investments in equity instruments are measured subsequently at FVTPL unless they are not held for trading and are designated as FVOCI. Financial liabilities are measured subsequently at amortized cost, except for derivatives and certain other specified exceptions measured FVTPL

The Company classifies its financial instruments as follows:

Financial instrument	Classification under IFRS 9
Cash	Amortized cost
Accounts receivable	Amortized cost
Reclamation deposit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Payable to related parties	Amortized cost

Financial instruments classified as amortized cost are measured at amortized cost using the effective interest method, adjusted as required for credit-impaired financial assets. Financial assets measured at amortized cost are subject to a loss allowance for expected credit losses resulting from default events that are possible within 12 months after the reporting date, or an allowance for lifetime expected losses where credit risk has increased significantly since initial recognition. Changes in the amount of expected credit losses are recognized as an impairment gain or loss in profit and loss.

Financial assets are derecognized when the contractual rights to the cash flows expire, for certain transfers, or when there is no reasonable expectation of recovering the financial asset. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurements are determined based on quoted prices when these are available or other appropriate valuation methods. Gains and losses on investments in equity instruments designated as FVOCI are recognized in other comprehensive income until they are derecognized. Dividends from these investments are recognized in profit and loss.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. Cash was measured and recognized in the consolidated statements of financial position using Level 1 inputs. There were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would have been categorized as Level 2 and 3 in the fair value hierarchy above.

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets and exploration expenditures

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are capitalized on an individual property basis until the property is put into production, sold, abandoned, or determined to be impaired. Administration costs and general exploration costs are expensed as incurred. When a property is placed into commercial production, deferred costs will be depleted using the units-of-production method.

The Company classifies its mineral properties as exploration and evaluation assets until technical feasibility and commercial viability of extracting a mineral resource are demonstrable. At this point, the exploration and evaluation assets are transferred to property and equipment. The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as the extent of established mineral reserves, the results of feasibility and technical evaluations, and the status of mining leases or permits.

Proceeds received from the sale of royalties, tax credits, or government assistance programs are recognized as a reduction in the carrying value of the related asset when the proceeds are more likely than not to be received. If the applicable property has been written-off, the amount received is recorded as a credit in the statement of loss in the period in which the payment is more likely than not to be received.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

Impairment of non-financial assets

The Company's assets are reviewed for indication for impairment at each balance sheet date in accordance with IFRS 6 - Exploration and evaluation of mineral resources. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company grants share purchase options under the terms described in Note 8.

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers, employees and others providing similar services are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves.

The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. No amount is recognized for equity instruments that do not ultimately vest.

Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

Mineral Exploration Tax Credit ("METC")

The Company recognizes METC amounts as a reduction in mineral property expenditures on the consolidated statement of loss and comprehensive loss 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.

Flow-through shares

The Company may from time-to-time issue flow-through common shares to finance a portion of its exploration activities. These shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates gross proceeds received between a) the estimated fair value of the tax deductions sold to investors, which is recognized as a liability, and b) the estimated fair value of the common shares, which is recognized as share capital. When qualifying expenditures are incurred, the Company reverses the liability component initially recorded on the issuance of shares and recognizes it in operations as other income. Since the Company does not capitalize exploration expenditures, the transfer of tax deductions to investors does not give rise to a taxable temporary difference and therefore, does not affect the Company's deferred tax amounts.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the consolidated statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Income (loss) per share

The basic income or loss per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during the period. The diluted income or loss per share reflects the potential dilution from common share equivalents, such as the outstanding share purchase options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Common share equivalents are excluded from the computation of diluted loss per share for the years presented as including them would be anti-dilutive.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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 impairment of carrying values of equipment and exploration and evaluation assets, the determination of realizable amounts of deferred tax assets and liabilities, and the initial measurement at fair value for 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 and the identification of potential indicators of impairment for exploration and evaluation assets.

5. EXPLORATION AND EVALUATION ASSETS

Acquisition costs

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

Balance, December 31, 2019 and 2020

\$ 10,016,000

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration expenditures

North Island Copper-Gold Property, B.C. Canada	2019	2020	Cumulative Total*
Amortization of equipment	\$ -	\$ -	\$ 34,265
Camp operations	11,771	85,304	985,415
Claims costs	-	-	41,278
Community engagement	1,000	-	52,220
Drilling	42,253	-	2,230,129
Engineering and geological	53,481	188,032	2,203,525
Environmental studies	-	-	255,684
Prospecting	15,231	38,437	543,750
Wages	4,590	29,256	350,036
Mineral property exploration tax credits	(31,176)	(56,330)	(544,016)
Total	\$ 97,150	\$ 284,699	\$ 6,152,286

* Cumulative from the date of incorporation on August 3, 2011 to December 31, 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 years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (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 was to 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 was to 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 required 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 in February 2021. The Company was the operator during the First Option.

During the year ended December 31, 2020, the Company received exploration funding from Freeport of \$nil (2019 - \$423,600) of which \$nil (2019 - \$323,643) was unspent at year end and recorded as exploration advances and exploration commitment on the consolidated statements of financial position. The Company recognized revenue of \$nil (2018 - \$42,168) as its operator fee in connection with the Pemberton Hills exploration program. During the year ended December 31, 2020 all unspent exploration advances were returned to Freeport.

Subsequent to December 31, 2020

On January 29, 2021 Freeport terminated their option pursuant to the joint venture agreement on the Pemberton Hills Property. Consequently, Freeport retains no interest in the Pemberton Hills Property.

6. RELATED PARTY TRANSACTIONS

Remuneration of directors and key management personnel was:

	2020	2019
Management fees	\$ 76,381	\$ 60,438
Share-based compensation	691,684	54,664
Total	\$ 768,065	\$ 115,102

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

At December 31, 2020, the Company owed \$nil (December 31, 2019 - \$118,033) to officers and directors of the Company for unpaid management fees. These amounts were non-interest bearing and had no specific terms of repayment.

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

7. SHARE CAPITAL

Authorized - unlimited number of common shares without par value

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 \$40,613 (2019 - \$4,387) was recognized on the statement of loss and comprehensive loss as other income for the year ended December 31, 2020 the related exploration expenditures have been incurred and their tax deductions have transferred to the investors. The Company incurred \$7,350 in share issue costs in connection with the issue of flow through shares.

On November 3, 2020, the Company completed a private placement consisting of 24,607,678 common shares at a price of \$0.13 per share for total consideration of \$3,200,000. The Company incurred \$163,409 share issue costs in connection with the private placement.

Subsequent to December 31, 2020 the Company completed a private placement consisting of 21,473,243 common shares of the Company consisting of:

- 2,240,780 common shares at a price of C\$0.262 per common share,
- 11,329,472 common shares that qualify as “flow-through shares” for purposes of the Income Tax Act (Canada) at a price of \$0.31 per common share,
- 7,902,991 common shares that qualify as “flow-through shares” for purposes of the Tax Act (Canada) at a price of \$0.38 per common share,

for gross proceeds to the Company of \$7,102,357.

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.

During the year ended December 31, 2020, \$729,670 (2019 - \$67,114) in share-based compensation was recognized in the consolidated statement of loss and comprehensive loss on the vesting of share purchase options.

A summary of changes in common share purchase options for the years ended December 31, 2020 and 2019 is:

	Number of Share Options	Weighted Average Exercise Price
Balance, December 31, 2018	9,490,000	\$ 0.11
Granted	1,530,000	0.07
Options exercised	(1,375,000)	0.05
Options expired/forfeited	(1,000,000)	0.16
Balance, December 31, 2019	8,645,000	\$ 0.11
Granted	6,540,000	0.17
Options exercised	(1,700,000)	0.05
Options expired/forfeited	(360,000)	0.05
Balance, December 31, 2020	13,125,000	\$ 0.15

On January 6, 2021, the Company issued 166,667 common shares upon the exercise of share purchase options for total consideration of \$29,163.

On April 26, 2021 the Company granted options to purchase 275,000 at \$0.335 per share expiring on April 26, 2026. Options vest at a rate of 33.3% on the date of grant and 33.3% in each of the following two years.

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Share purchase options (continued)

The weighted average share price on the date options were exercised during the year ended December 31, 2020 was \$0.08 (2019 - \$0.09). At December 31, 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	630,000	0.05	0.34	630,000
June 28, 2021	75,000	0.10	0.49	75,000
January 9, 2022	2,250,000	0.17	1.03	2,250,000
February 26, 2023	2,100,000	0.15	2.16	2,100,000
September 24, 2024	1,530,000	0.07	3.68	1,020,000
October 5, 2025	4,000,000	0.12	4.76	4,000,000
November 4, 2025	500,000	0.175	4.85	166,667
November 17, 2025	650,000	0.20	4.88	650,000
December 29, 2025	1,390,000	0.28	5.00	463,333
	13,125,000	\$ 0.15	3.38	11,355,000

Fair value assumptions

The weighted average grant date fair value of share purchase options granted during the year ended December 31, 2020 was \$0.12 (2019 – \$0.10). The Company determined the fair value of common share purchase options granted using the Black-Scholes option pricing model and the following weighted average inputs:

	2020	2019
Share price	\$0.18	\$0.07
Exercise price	\$0.17	\$0.07
Risk-free interest rate	0.23%	1.15%
Expected life (years)	4.50	5.00
Expected volatility	93%	80%
Expected dividend yield	Nil	Nil

The estimates of expected life incorporate an estimate of the potential early exercise of these options. The estimates of expected volatility are based on the historically observed volatility of the Company for a period generally commensurate with the expected lives of the instruments and are adjusted for management's evaluation of future expected volatility.

Share purchase warrants

A summary of changes in common share purchase warrants for the years ended December 31, 2020 and 2019 is:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2018	3,474,158	\$ 0.25
Expired	(3,474,158)	0.25
Balance, December 31, 2019 and 2020	-	\$ -

NORTHISLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

8. INCOME TAXES

The reconciliation for the provision of income taxes for the years ended December 31, 2020 and 2019 is:

	2020	2019
Net loss	\$ 1,192,791	\$ 302,413
Combined federal and provincial statutory tax rate	27.0%	27.0%
Recovery of income taxes based on statutory tax rate	322,054	81,652
Net effect of items included in net loss that are not taxable or deductible	(186,330)	(44,716)
Other taxable or deductible items	10,671	2,901
Effect of current period tax losses not recognized	(146,395)	(39,837)
Provision for income taxes	\$ -	\$ -

The Company's net deferred tax assets are:

	2020	2019
Deductible temporary differences	\$ 626,973	\$ 738,680
Non-capital loss carried forward	1,071,836	923,043
Unused income tax credits and other deductible amounts	154,498	122,574
Total deferred tax assets	1,853,307	1,784,297
Valuation allowance	(1,853,307)	(1,784,297)
Net deferred tax assets	\$ -	\$ -

Deferred tax assets have not been recognized as it is uncertain that the Company will have future taxable income against which they could be utilized. As at December 31, 2020, the expiry dates of the Company's unrecognized income tax losses and income tax credits are:

	Amount	Expiry Date
Non-capital losses for income tax purposes	\$ 3,969,764	2031-2039
Non-refundable income tax credits	117,620	N/A

9. 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 exploration and evaluation assets, 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.

NORTHSLE COPPER AND GOLD INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

10. 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 December 31, 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 December 31, 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 9. Accounts payable and accrued liabilities and the amounts payable to related parties are due within the current operating period.

11. 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 years ended December 31, 2020 and 2019.

12. 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.