NORTHISLE
COPPER AND GOLD INC.

Northisle Copper and Gold Inc.

Consolidated Financial Statements
For the year ended December 31, 2022 and 2021
(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, 2022 and 2021, and its financial performance and its cash flows for the years 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 statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicator of mineral property interests *Refer to note 2 – Basis of presentation, note 3 – Accounting policies and note 4 – Mineral property interests to the consolidated financial statements.* The total book value of mineral property interests amounted to $10 million as at December 31, 2022. At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to mineral property interests. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. No impairment indicators were identified by management as at December 31, 2022. We considered this a key audit matter due to (i) the significance of the mineral property interests, (ii) the judgments by management in its assessment of indicators of impairment related to mineral property interests, and (iii) the high degree of subjectivity in performing procedures related to these judgments applied by management.	Our approach to addressing the matter included the following procedures, among others: • Assessed the judgment by management in determining the impairment indicators, which included the following: – Obtained, for a sample of mining claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claim expiration date. – Read the board of directors' minutes and obtained budget approvals to evidence planned and budgeted substantive expenditure on further exploration for and evaluation of mineral resources in the specific area. – Assessed whether a decision to discontinue exploration and evaluation in an area was taken and whether sufficient data exists to indicate that the carrying value of mineral properties will not be fully recovered from future development and production based on evidence obtained in other areas of the audit.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 19, 2023

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022 $	December 31, 2021 $
ASSETS			
Cash and cash equivalents		5,887,004	5,794,741
Short-term investments		-	108,170
Other assets		622,894	471,192
CURRENT ASSETS		6,509,898	6,374,103
Reclamation deposits		169,170	169,170
Equipment		21,357	83,877
Mineral property interests	4	10,016,000	10,016,000
ASSETS		**16,716,425**	**16,643,150**
LIABILITIES			
Accounts payable and accrued liabilities		598,985	384,269
Flow-through premium liability	5	2,477,427	429,292
LIABILITIES		**3,076,412**	**813,561**
SHAREHOLDERS' EQUITY			
Share capital	6	36,635,672	32,826,447
Contributed surplus		3,718,110	3,053,545
Deficit		(26,713,769)	(20,050,403)
SHAREHOLDERS' EQUITY		**13,640,013**	**15,829,589**
LIABILITIES AND SHAREHOLDERS' EQUITY		**16,716,425**	**16,643,150**

Nature of operations	1
Subsequent event	14

Approved by the Board of Directors

Keena Hicken-Gaberria (signed) Director

Martino Di Ciccio (signed) Director

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31,	Note	2022 $	2021 $
Mineral property expenditures	4b	5,891,103	4,311,790
Filing and regulatory fees		79,884	66,124
Office and administration		103,327	59,104
Professional fees		111,435	226,133
Rent and utilities		36,800	22,000
Share-based payments	8	776,015	354,887
Shareholder communication and travel		440,083	320,596
Wages and benefits	9	743,733	377,746
OPERATING EXPENSES		**8,182,380**	**5,738,380**
Foreign exchange loss		197	4,187
Interest income		(50,473)	(8,090)
Flow-through premium recovery	5	(1,468,738)	(508,567)
LOSS AND COMPREHENSIVE LOSS		**6,663,366**	**5,225,910**
Basic and diluted loss per share		0.03	0.03
Weighted average number of common shares outstanding		190,811,089	164,441,676

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31,	Note	2022	2021
Cash flows provided by (used in)		$	$
OPERATING ACTIVITIES			
Loss and comprehensive loss		(6,663,366)	(5,225,910)
Items not affecting cash			
Amortization		62,520	62,519
Flow-through premium recovery	5	(1,468,738)	(508,567)
Share-based compensation	8	776,015	354,887
		(630,203)	(91,161)
Non-cash working capital items			
Change in accrued interest		(41,241)	-
Change in other assets		(110,461)	(423,156)
Change in accounts payable and accrued liabilities		214,716	221,954
		63,014	(201,202)
OPERATING ACTIVITIES		**(7,230,555)**	**(5,518,273)**
FINANCING ACTIVITIES			
Private placement	6	7,000,450	9,020,597
Issuance costs	6	(237,052)	(342,724)
Stock option exercise	8	451,250	84,166
FINANCING ACTIVITIES		**7,214,648**	**8,762,039**
INVESTING ACTIVITIES			
Purchase of reclamation security		-	(137,170)
Redemption (purchase) of short-term investment		108,170	(108,170)
Purchase of equipment		-	(146,396)
INVESTING ACTIVITIES		**108,170**	**(391,736)**
CHANGE IN CASH AND CASH EQUIVALENTS		**92,263**	**2,852,030**
Cash and Cash Equivalents – Beginning		5,794,741	2,942,711
CASH AND CASH EQUIVALENTS - ENDING		**5,887,004**	**5,794,741**

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Number of Shares	Share Capital $	Contributed Surplus $	Deficit $	Shareholders' Equity $
DECEMBER 31, 2020		**146,419,194**	**25,372,567**	**2,328,358**	**(14,824,493)**	**12,876,432**
Private placement	6	21,473,243	7,102,357	-	-	7,102,357
Private placement issuance costs	6	-	(314,940)	-	-	(314,940)
Flow-through premium	5	-	(937,859)	-	-	(937,859)
Unit Issuance	6	10,096,000	1,918,240	-	-	1,918,240
Issuance costs	6	-	(27,785)	-	-	(27,785)
Allocation of warrant value	6	-	(415,900)	415,900	-	-
Exercise of stock options		971,667	129,767	(45,600)	-	84,167
Share-based payments	8	-	-	354,887	-	354,887
Loss and comprehensive loss		-	-	-	(5,225,910)	(5,225,910)
DECEMBER 31, 2021		**178,960,104**	**32,826,447**	**3,053,545**	**(20,050,403)**	**15,829,589**
Private placement	6	17,864,500	7,000,450	-	-	7,000,450
Private placement issuance costs	6	-	(237,052)	-	-	(237,052)
Flow-through premium	5	-	(3,516,873)	-	-	(3,516,873)
Exercise of stock options	8	2,875,000	535,150	(83,900)	-	451,250
Exercise of restricted share units	8	95,000	27,550	(27,550)	-	-
Share-based payments	8	-	-	776,015	-	776,015
Loss and comprehensive loss		-	-	-	(6,663,366)	(6,663,366)
DECEMBER 31, 2022		**199,794,604**	**36,635,672**	**3,718,110**	**(26,713,769)**	**13,640,013**

1. NATURE OF OPERATIONS

Nature of operations

Northisle Copper and Gold Inc. (together with its subsidiary, "Northisle" or the "Company") is a Canadian exploration stage company which is focused on the exploration and development of its North Island Project on Vancouver Island.

The Company is incorporated in British Columbia, Canada. Its head office is located at 1200 – 1166 Alberni Street, Vancouver, British Columbia.

The nature of the Company's operations requires significant expenditures for the acquisition, exploration, and evaluation of mineral properties. To date, the Company has not generated any revenue from mining operations and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings. The Company will continue to require additional funding to maintain its ongoing exploration and evaluation programs, property maintenance payments, and operations.

2. BASIS OF PRESENTATION

a) Compliance with International Financial Reporting Standards

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These financial statements were approved for issue by the Company's board of directors on April 19, 2023.

b) Critical accounting judgments, estimates and assumptions

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 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 judgments about the application of accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of equipment and the identification of potential indicators of impairment for exploration and evaluation assets.

At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to mineral property interests. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. As at December 31, 2022, management identified no impairment indicators and consequently, impairment testing was not required.

c) 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. ACCOUNTING POLICIES

The Company's principal accounting policies are outlined below:

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. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

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
Short-term investments	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. 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 the statement of 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.

Exploration and evaluation assets and exploration expenditures

Direct costs related to the acquisition 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 exploration costs are expensed as incurred. When a property is placed into commercial production, capitalized 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 or government assistance programs are recognized as a reduction in the carrying value of the related exploration and evaluation assets when the proceeds are more likely than not to be received. If the value of the applicable property is less than the value of the amount received, the difference is recorded as a gain 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.

Property and equipment

Property and equipment are depreciated using the straight-line method based on their estimated useful lives, which range from three to five years. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. The depreciation method, useful life and residual values of property and equipment are assessed annually.

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 carrying value, the carrying value of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss.

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.

Share-based payments

The Company grants stock options, restricted share units ("RSUs") and deferred share units ("DSUs") of the Company to directors, officers, employees and consultants.

The Company uses the fair value method of accounting for options granted under its stock option plan. Share-based payments granted to directors, officers, employees and others providing similar services are measured at fair value, upon issuance, which is charged to the statement of loss over the applicable vesting period, with an offsetting credit to contributed surplus. The fair value of stock options is calculated using the Black-Scholes option pricing model and the fair value of RSUs and DSUs are determined based on the closing price of the shares on the day of grant.

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 contributed surplus 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 statement of 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 its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) capital stock. When the resource property expenditures are incurred, the Company derecognizes the flow-through premium liability and recognizes the reduction in flow-through premium liability as other income.

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. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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.

(Expressed in Canadian dollars)

4. MINERAL PROPERTY INTERESTS

a) Mineral property costs

	North Island Property $
December 31, 2020 and 2021	10,016,000
Changes during the period	-
DECEMBER 31, 2022	**10,016,000**

The North Island Copper Gold Project (the "Project") consists of a contiguous block of mineral claims located on northern Vancouver Island in British Columbia, Canada. The claims include the Hushamu and Red Dog copper gold porphyry deposits, as well as numerous additional identified porphyry exploration targets and occurrences.

Certain claims (historically known as the Expo claims) are subject to a 10% net profits interest royalty currently held by Royal Gold, Inc. Should a production decision be made on the Expo claims, the Company is required to make a cash payment of $1,000,000 to Sirit Inc., or its successors, within 60 days of the production decision.

Certain other claims underlying the Project are known as the Apple Bay claims. Should a production decision be made regarding the Apple Bay claims, the Company is required to pay $800,000 in cash or in shares to Electra Gold Ltd., or its successors ("Electra"). The payment method is at the election of the Company. Electra maintains a limited right to explore the Apple Bay claims for non-metallic minerals subject to certain conditions including approval by Northisle.

Claims underlying the Red Dog deposit are subject to a combined 3% net smelter return royalty, of which up to 2% can be repurchased at the option of the Company at any time for a cash payment of US$1,000,000 for each 1% repurchased.

b) Mineral Property Expenditures

	Year Ended December 31, 2022	Year Ended December 31, 2021	Cumulative Property Expenditures
	$	$	$
Amortization of equipment	59,850	62,519	156,634
Claims costs	824	300	42,402
Community engagement	315,571	59,877	427,668
Engineering	325,070	211,347	2,739,942
Exploration and camp support	4,362,233	3,630,021	11,751,548
Environmental studies	597,555	227,461	1,080,700
Salary and wages	230,000	120,265	700,301
Mineral property exploration tax credits		-	(544,016)
TOTAL	**5,891,103**	**4,311,790**	**16,355,179**

Cumulative property expenditures are from the date of incorporation on August 3, 2011 to December 31, 2022. This table does not include expenditures incurred by third party joint venturers.

5. FLOW-THROUGH PREMIUM LIABILITY

The flow-through premium liability balance as at December 31, 2022 of $2,477,427 (December 31, 2021 – $429,292) arose in connection with the flow-through share offering the Company completed on June 23, 2022. The reported amount is the remaining balance of the premium from issuing the flow-through shares. The flow-through premium is recognized in the statement of loss based on the amount of qualifying flow-through expenditures incurred by the Company.

The Company is committed to incurring on or before December 31, 2023, qualifying Canadian exploration expenses as defined under the Income Tax Act, Canada ("Qualifying CEE") in the amount of $7,000,450 with respect to the flow-through share financing completed on June 23, 2022. None of the Qualifying CEE will be available to the Company for future deduction from taxable income. As at December 31, 2022 the Company has remaining commitment to incur Qualifying CEE of $4,931,398.

On March 17, 2021, the Company completed a flow-through share financing and recorded a flow through liability of $937,859 and committed to incur Qualifying CEE in the amount of $6,515,273. As at December 31, 2022, the Company had incurred all committed expenditures and no longer had a flow-through premium liability associated with this flow-through share financing.

Accordingly, the Company recognized a flow-through premium recovery of $1,468,738 during the year ended December 31, 2022 ($508,567 during the year ended December 31, 2021).

6. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Financing

On June 23, 2022, the Company completed a non-brokered private placement issuing 16,249,500 charity flow-through common shares at a price of $0.40 per common share and 1,615,000 flow-through common shares at a price of $0.31 per common share for gross proceeds of $7,000,450. The Company is exploring for critical minerals, including copper, and as such the expenditures are anticipated to qualify for enhanced tax credits for investors. Issuance costs related to the private placement totaled $237,052. A flow-through premium liability of $3,516,873 was recognized.

On December 21, 2021, Northisle issued 10,096,000 units at a price of $0.19 per unit for aggregate gross proceeds of $1,918,240. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.28 until December 21, 2023. Issuance costs related to the financing totaled $27,785.

(Expressed in Canadian dollars)

The fair value assigned to the warrants was calculated using the Black-Scholes option pricing model and the following inputs and assumptions:

Warrants issued	5,048,000
Exercise price	$0.28
Market price	$0.29
Expected term (years)	2.0
Expected share price volatility	106.5%
Average risk-free interest rate	0.90%
Expected dividend yield	-
FAIR VALUE ASSIGNED	**$415,900**

On March 17, 2021, the Company completed a non-brokered private placement issuing 21,473,243 common shares of the Company consisting of 2,240,780 common shares at a price of $0.262 per common share, 11,329,472 flow-through common shares at a price of $0.31 per common share and 7,902,991 charity flow-through common shares at a price of $0.38 per common share for gross proceeds of $7,102,357. Issuance costs related to the private placement totaled $314,940. A flow-through premium liability of $937,859 was recognized.

7. WARRANTS

A summary of the Company's warrants outstanding, including changes for the years then ended, is presented below:

	Number of warrants	Weighted average exercise price $
DECEMBER 31, 2020	-	-
Issued	5,048,000	0.28
DECEMBER 31, 2021	5,048,000	0.28
-	-	-
DECEMBER 31, 2022	**5,048,000**	**0.28**

Warrants outstanding are as follows:

Warrant outstanding, by exercise price	Number of warrants	Weighted average exercise price	Average remaining contractual life
		$	years
$0.28	5,048,000	0.28	0.97
DECEMBER 31, 2022	**5,048,000**	**0.28**	**0.97**

(Expressed in Canadian dollars)

8. EQUITY INCENTIVE PLANS

a) Stock Options Outstanding

The Company has a stock option plan (the "Option Plan") that permits the grant of stock options for the purchase of up to 10% of the issued and outstanding common shares of the Company to directors, officers, employees, and consultants. Stock options generally vest over a two-year period from date of grant unless otherwise determined by the board of directors. As at December 31, 2022, the Company could issue an additional 5,208,827 stock options under the terms of the stock option plan.

A summary of the Company's stock activity is presented below:

	Number of Stock options	Weighted average exercise price $
DECEMBER 31, 2020	13,125,000	0.15
Granted	2,519,000	0.29
Exercised	(971,667)	0.09
DECEMBER 31, 2021	14,672,333	0.18
Granted	2,973,300	0.19
Exercised	(2,875,000)	0.16
DECEMBER 31, 2022	**14,770,663**	**0.18**

In relation to the stock options, the Company recognized an expense of $541,439 during the year ended December 31, 2022 ($348,664 during the year ended December 31, 2021) in the statement of loss and comprehensive loss.

The average share price relating to options exercised during the year ended December 31, 2022, was $0.35 (year ended December 31, 2022 - $0.30).

Stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Stock options outstanding	Average remaining contractual life (years)	Number of stock options exercisable
February 26, 2023	$0.15	1,675,000	0.16	1,675,000
September 4, 2024	$0.07	1,230,000	1.68	1,230,000
October 5, 2025	$0.12	4,000,000	2.76	4,000,000
November 4, 2025	$0.18	333,333	2.85	333,333
November 17, 2025	$0.20	650,000	2.88	650,000
December 29, 2025	$0.28	1,390,000	3.00	1,390,000
April 26, 2026	$0.34	275,000	3.32	183,333
July 14, 2026	$0.26	165,000	3.54	110,000
December 16, 2026	$0.29	2,079,000	3.96	1,386,000
April 8, 2027	$0.40	200,000	4.27	66,666
November 21, 2027	$0.175	2,773,300	4.89	924,432
DECEMBER 31, 2022		**14,770,633**	**3.01**	**11,948,764**

(Expressed in Canadian dollars)

Subsequent to the year ended December 31, 2022, the Company received total proceeds of $103,750 from the exercise of 575,000 and 250,000 stock options with exercise prices of $0.15 and $0.07 per stock option, respectively.

During the year ended December 31, 2022, the Company granted 2,973,300 (2021 – 2,519,000) stock options to employees, directors and consultants. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumption and resulting fair values for the grants are as follows:

Inputs and assumptions	Year Ended December 31, 2022	Year Ended December 31, 2021
Exercise price	$0.19	$0.29
Market price	$0.19	$0.29
Expected life of options (years)	5.00	4.91
Expected stock price volatility	165%	90%
Average risk-free interest rate	3.24%	1.02%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
FAIR VALUE PER OPTION GRANTED	**$0.18**	**$0.19**

(Expressed in Canadian dollars)

b) Restricted Share Units

The Company granted restricted share units ("RSUs") in accordance with the share unit plan approved at the Company's 2021 shareholders meeting. These RSUs vest in three equal tranches: Tranche one - on completion of 12 months from grant date, Tranche two – on completion of twenty-four months from the grant date and Tranche three – on completion of thirty-six months from grant date. These RSUs can be cash or equity-settled at the Company's discretion. The Company has elected to classify the RSUs as equity-settled and as such, the RSUs are valued at the market price of the Company shares on the date of grant. Under the share unit plan the Company has reserved an amount not exceeding 7,000,000 shares for the issuance of RSUs, deferred share unit ("DSUs"), and performance share units ("PSUs") and, when combined with the Option Plan, no more than 10% of the Company's outstanding shares on a rolling basis. A summary of the Company's RSUs outstanding and the changes for the years then ended, is presented below:

	Number of shares issued or issuable on vesting
DECEMBER 31, 2020	-
RSUs Granted	285,000
DECEMBER 31, 2021	285,000
RSUs Granted	943,300
RSUs Converted to common shares	(95,000)
DECEMBER 31, 2022	**1,133,300**

In relation to RSUs, the Company recognized an expense of $143,471 during the year ended December 31, 2022 ($2,076 during the year ended December 31, 2021) in the statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

c) Deferred Share Units

Only directors of the Company are eligible for DSUs. Each DSU vests over twelve months and is redeemed upon a director ceasing to be a director of the Company. These DSUs can be cash or equity-settled at the Company's discretion. The Company has elected to classify the DSUs as equity-settled and as such, the DSUs are valued at the market price of the Company shares on the date of grant. Under the share unit plan the Company has reserved an amount not exceeding 7,000,000 shares for the issuance of RSUs, DSUs, and PSUs. A summary of the Company's DSUs outstanding and the changes for the years then ended, is presented below:

	Number of shares issued or issuable on vesting
DECEMBER 31, 2020	-
DSUs Granted	348,000
DECEMBER 31, 2021	348,000
DSUs Granted	571,200
DSUs Cancelled	(87,000)
DECEMBER 31, 2022	**832,200**

In relation to DSUs, the Company recognized an expense of $91,105 during the year ended December 31, 2022 ($4,147 during the year ended December 31, 2021) in the statements of loss and comprehensive loss.

9. RELATED PARTY TRANSACTIONS

Management Compensation

The Company's related parties include its directors and officers, who are the key management of the Company. The remuneration of directors and officers during the periods presented was as follows:

For the year ended December 31,	2022	2021
	$	$
Salaries and director fees	750,000	373,015
Share-based payments	657,731	275,290
KEY MANAGEMENT COMPENSATION	**1,407,731**	**648,305**

Wages for certain officers of the Company are allocated to mineral property expenditures.

10. SEGMENTED INFORMATION

The Company's operations are in one segment: the acquisition, exploration and future development of mineral resource properties. All interest income is earned in Canada and all assets are held in Canada.

(Expressed in Canadian dollars)

11. INCOME TAXES

a) Rate Reconciliation

The income tax expense or recovery reported by the Company differs from the amounts obtained by applying statutory rates to the loss and comprehensive loss. A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is provided below:

For the year ended December 31,	2022	2021
Statutory tax rate	27.00%	27.00%
Loss before taxes	6,663,366	5,225,910
Income tax recovery calculated at statutory rate	1,799,109	1,410,996
Non-deductible/non-taxable expenditures	184,953	39,690
Non-deductible mineral property expenditures	(1,363,352)	(954,416)
Other taxable or deductible items	40,224	29,035
Effect of current period tax losses not recognized	(660,934)	(525,305)
INCOME TAX	-	-

b) Deferred income tax asset

The significant components of the Company's net deferred income tax asset are as follows:

As at December 31,	2022 $	2021 $
Non-capital losses carried forward	1,959,540	1,298,606
Unused income tax credits and other deductible amounts	282,003	247,033
Total Unrecognized Deferred Tax Assets	2,241,543	1,545,639

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, 2022, 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	7,257,554	2033-2041
Non-refundable income tax credits	117,620	N/A

12. CAPITAL MANAGEMENT

The Company is a mineral exploration and development company focusing on advancing the North Island Project. Its principal source of funds is the issuance of securities. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects.

The Company manages its capital structure based on the funds available for its operations and makes adjustments for changes in economic conditions, capital markets and the risk characteristics of the underlying assets. To maintain its objectives, the Company may attempt to issue new shares, seek debt financing, acquire or dispose of assets or change the timing of its planned exploration and development projects. There is no assurance that these initiatives will be successful.

The Company monitors its cash position on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives.

There has been no change in the Company's capital management practices during the period. Northisle does not pay dividends. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENT RISK

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity, credit, and market risk from the use of financial instruments. Financial instruments consist of cash, short-term investments, certain other assets, and accounts payable and accrued liabilities.

a. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company uses cash forecasts to ensure that there is sufficient cash on hand to meet short-term business requirements. The Company's accounts payable and accrued liabilities are all due in the short term. Cash is invested in highly liquid investments which are available to discharge obligations when they come due. The Company does not maintain a line of credit.

b. Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and short-term investments and reclamation deposits. These financial instruments are at risk to the extent that the institutions issuing or holding them cannot redeem amounts when they are due or requested. To limit its credit risk, the Company uses a restrictive investment policy. It deposits cash and short-term investments in Canadian chartered banks. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents Northisle's maximum exposure to credit risk.

14. SUBSEQUENT EVENT

On March 6, 2023, the Company closed a private placement raising gross proceeds of $2,002,935 by issuing 12,139,000 common shares of the Company at a price of $0.165 per common share.