NORTHISLE
COPPER AND GOLD INC.

Northisle Copper and Gold Inc.

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023

(Expressed in Canadian dollars)

NOTICE TO READER:
These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company’s management. This notice is being provided in accordance with National Instrument 51-102 - Continuous Disclosure Obligations.

(Expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	March 31, 2023 $	December 31, 2022 $
ASSETS			
Cash and cash equivalents		7,195,485	5,887,004
Other assets		211,282	622,894
CURRENT ASSETS		7,406,767	6,509,898
Reclamation deposits		169,170	169,170
Equipment		18,687	21,357
Mineral property interests	3	10,016,000	10,016,000
ASSETS		**17,610,624**	**16,716,425**
LIABILITIES			
Accounts payable and accrued liabilities		297,093	598,985
Flow-through premium liability	4	2,250,451	2,477,427
LIABILITIES		**2,547,544**	**3,076,412**
SHAREHOLDERS' EQUITY			
Share capital	5	38,773,186	36,635,672
Contributed surplus		3,807,704	3,718,110
Deficit		(27,517,810)	(26,713,769)
SHAREHOLDERS' EQUITY		**15,063,080**	**13,640,013**
LIABILITIES AND SHAREHOLDERS' EQUITY		**17,610,624**	**16,716,425**

Nature of operations 1

Approved by the Board of Directors

Keena Hicken-Gaberria (signed) Director *Martino Di Ciccio (signed)* Director

(Expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31,	Note	2023 $	2022 $
Mineral property expenditures	3b	533,326	1,839,989
Filing and regulatory fees		10,815	14,747
Office and administration		21,782	17,500
Professional fees		7,609	11,455
Rent and utilities		10,050	7,500
Share-based payments	7	154,594	123,240
Shareholder communication and travel		185,902	127,831
Wages and benefits	8	174,430	206,267
OPERATING EXPENSES		**1,098,508**	**2,348,529**
Foreign exchange loss		2,311	233
Interest income		(69,802)	-
Flow-through premium recovery	4	(226,976)	(244,501)
LOSS AND COMPREHENSIVE LOSS		**804,041**	**2,104,261**
Basic and diluted loss per share		0.00	0.01
Weighted average number of common shares outstanding		204,096,460	180,918,160

(Expressed in Canadian dollars)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31	Note	2023	2022
Cash flows provided by (used in)		$	$
OPERATING ACTIVITIES			
Loss and comprehensive loss		(804,041)	(2,104,261)
Items not affecting cash			
Amortization		2,670	15,631
Flow-through premium recovery	4	(226,976)	(244,501)
Share-based compensation	7	154,594	123,240
		(69,712)	(105,630)
Non-cash working capital items			
Change in accrued interest		41,241	-
Change in other assets		370,371	62,711
Change in accounts payable and accrued liabilities		(301,892)	32,842
		109,720	95,553
OPERATING ACTIVITIES		**(764,033)**	**(2,114,338)**
FINANCING ACTIVITIES			
Private placement	5	2,002,935	-
Issuance costs	5	(34,171)	-
Stock option exercise	7	103,750	392,250
FINANCING ACTIVITIES		**2,072,514**	**392,250**
CHANGE IN CASH AND CASH EQUIVALENTS		**1,308,481**	**(1,722,088)**
Cash and Cash Equivalents – Beginning		5,887,004	5,794,741
CASH AND CASH EQUIVALENTS - ENDING		**7,195,485**	**4,072,653**

(Expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Number of Shares	Share Capital $	Contributed Surplus $	Deficit $	Shareholders' Equity $
DECEMBER 31, 2021		**178,960,104**	**32,826,447**	**3,053,545**	**(20,050,403)**	**15,829,589**
Exercise of stock options		2,375,000	440,150	(47,900)	-	392,250
Share-based payments	7	-	-	123,240	-	123,240
Loss and comprehensive loss		-	-	-	(2,104,261)	(2,104,261)
MARCH 31, 2022		**181,335,104**	**33,266,597**	**3,128,885**	**(22,154,664)**	**14,240,818**
Private placement	5	17,864,500	7,000,450	-	-	7,000,450
Private placement issuance costs	5	-	(237,052)	-	-	(237,052)
Flow-through premium	4	-	(3,516,873)	-	-	(3,516,873)
Exercise of stock options	7	500,000	95,000	(36,000)	-	59,000
Exercise of restricted share units	7	95,000	27,550	(27,550)	-	-
Share-based payments	7	-	-	652,775	-	652,775
Loss and comprehensive loss		-	-	-	(4,559,105)	(4,559,105)
DECEMBER 31, 2022		**199,794,604**	**36,635,672**	**3,718,110**	**(26,713,769)**	**13,640,013**
Private placement	5	12,139,000	2,002,935	-	-	2,002,935
Private placement issuance costs	5	-	(34,171)	-	-	(34,171)
Exercise of stock options	7	825,000	168,750	(65,000)	-	103,750
Share-based payments	7	-	-	154,594	-	154,594
Loss and comprehensive loss		-	-	-	(804,041)	(804,041)
MARCH 31, 2023		**212,758,604**	**38,773,186**	**3,807,704**	**(27,517,810)**	**15,063,080**

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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), applicable to the preparation of interim financial statements, including International Accounting Standard 34 – Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS.

These financial statements were approved for issue by the Company's board of directors on May 26, 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.

(Expressed in Canadian dollars)

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 March 31, 2023, 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. MINERAL PROPERTY INTERESTS

a) Mineral property costs

	North Island Property $
December 31, 2021 and 2022	10,016,000
Changes during the period	-
MARCH 31, 2023	**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.

(Expressed in Canadian dollars)

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

	Three months ended March 31, 2023	Three months ended March 31, 2022	Cumulative Property Expenditures
	$	$	$
Amortization of equipment	2,670	15,630	159,304
Claims costs	-	824	42,402
Community engagement	30,841	36,315	458,509
Engineering	53,391	25,603	2,793,333
Exploration and camp support	331,034	1,636,791	12,082,582
Environmental and permitting	42,890	82,326	1,123,590
Salary and wages	72,500	42,500	772,801
Mineral property exploration tax credits	-	-	(544,016)
TOTAL	**533,326**	**1,839,989**	**16,888,505**

Cumulative property expenditures are from the date of incorporation on August 3, 2011 to March 31, 2023. This table does not include expenditures incurred by third party joint venturers.

4. FLOW-THROUGH PREMIUM LIABILITY

The flow-through premium liability balance as at March 31, 2023 of $2,250,451 (December 31, 2022 – $2,477,427) 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 March 31, 2023 the Company has remaining commitment to incur Qualifying CEE of $4,479,594.

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.

(Expressed in Canadian dollars)

Accordingly, the Company recognized a flow-through premium recovery of $226,976 during the three months ended March 31, 2023 ($244,501 during the three months ended March 31, 2022).

5. SHARE CAPITAL

a) Authorized share capital

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

b) Financing

On March 6, 2023, the Company completed a non-brokered private placement issuing 12,139,000 common shares at a price of $0.165 per common share for gross proceeds of $2,002,935. Issuance costs related to the private placement totaled $34,171.

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.

6. 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, 2021 and 2022	5,048,000	0.28
-	-	-
MARCH 31, 2023	**5,048,000**	**0.28**

(Expressed in Canadian dollars)

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	0.73
MARCH 31, 2023	**5,048,000**	**0.28**	**0.73**

7. 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 March 31, 2023, the Company could issue an additional 8,430,227 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, 2021	14,672,333	0.18
Granted	2,973,300	0.19
Exercised	(2,875,000)	0.16
DECEMBER 31, 2022	14,770,633	0.18
Exercised	(825,000)	0.13
Expired	(1,100,000)	0.15
MARCH 31, 2023	**12,845,633**	**0.19**

In relation to the stock options, the Company recognized an expense of $84,107 during the three months ended March 31, 2023 ($84,943 during the three months ended March 31, 2022) in the statement of loss and comprehensive loss.

The average share price relating to options exercised during the three months ended March 31, 2023, was $0.17 (three months ended March 31, 2022 - $0.45).

(Expressed in Canadian dollars)

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
September 4, 2024	$0.07	980,000	1.43	980,000
October 5, 2025	$0.12	4,000,000	2.52	4,000,000
November 4, 2025	$0.18	333,333	2.60	333,333
November 17, 2025	$0.20	650,000	2.64	650,000
December 29, 2025	$0.28	1,390,000	2.75	1,390,000
April 26, 2026	$0.34	275,000	3.07	183,333
July 14, 2026	$0.26	165,000	3.29	110,000
December 16, 2026	$0.29	2,079,000	3.72	1,386,000
April 8, 2027	$0.40	200,000	4.02	66,666
November 21, 2027	$0.175	2,773,300	4.65	924,432
MARCH 31, 2023		**12,845,633**	**3.17**	**10,023,764**

During the three months ended March 31, 2023, the Company granted nil (2022 – 2,973,300) 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
Exercise price	$0.19
Market price	$0.19
Expected life of options (years)	5.00
Expected stock price volatility	165%
Average risk-free interest rate	3.24%
Expected forfeiture rate	-
Expected dividend yield	-
FAIR VALUE PER OPTION GRANTED	**$0.18**

(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 periods then ended, is presented below:

	Number of shares issued or issuable on vesting
DECEMBER 31, 2021	285,000
RSUs Granted	943,300
RSUs Converted to common shares	(95,000)
DECEMBER 31, 2022	1,133,300
RSUs Granted	-
MARCH 31, 2023	**1,133,300**

In relation to RSUs, the Company recognized an expense of $45,839 during the three months ended March 31, 2023 ($13,413 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, 2021	348,000
DSUs Granted	571,200
DSUs Cancelled	(87,000)
DECEMBER 31, 2022	832,200
DSUs Granted	-
MARCH 31, 2023	**832,200**

In relation to DSUs, the Company recognized an expense of $24,648 during the three months ended March 31, 2023 ($24,884 during the three months ended March 31, 2022) in the statements of loss and comprehensive loss.

8. 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 three months ended March 31,	2023	2022
	$	$
Salaries and director fees	196,250	166,250
Share-based payments	145,880	109,584
KEY MANAGEMENT COMPENSATION	**342,130**	**275,834**

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

9. 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.

10. 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.

11. 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.