



## Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2013

Unaudited

(Expressed in Canadian dollars)

**NOTICE TO READER:**

These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management.

**NORTHISLE COPPER AND GOLD INC.**  
**Condensed Interim Consolidated Balance Sheets**

As at March 31, 2013

(Unaudited - Expressed in Canadian dollars)

	March 31, 2013	December 31, 2012
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 152,645	\$ 588,152
Accounts receivable	95,952	169,932
Prepaid expenses and deposits	41,683	59,329
	290,280	817,413
<b>Equipment</b> (Note 4)	23,871	26,096
<b>Mineral property interests</b> (Note 5)	10,000,000	10,000,000
	\$ 10,314,151	\$ 10,843,509
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 125,161	\$ 298,519
Other liabilities (Note 7)	-	13,924
	116,161	312,443
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 9)	18,681,454	18,681,454
<b>Reserves</b> (Note 8)	840,975	835,675
<b>Deficit</b>	(9,333,439)	(8,986,063)
	10,197,990	10,531,067
	\$ 10,314,151	\$ 10,843,509

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

**NORTHISLE COPPER AND GOLD INC.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

For the three months ended March 31, 2013 and 2012

(Unaudited - Expressed in Canadian dollars)

	2013	2012
<b>Expenses</b>		
Insurance	\$ 8,590	\$ 9,696
Interest and bank charges	652	459
Investor relations	23,799	48,531
Legal and audit	890	12,860
Mineral property expenditures	175,302	1,267,376
Office	35,131	39,310
Regulatory fees	6,741	9,333
Share-based compensation	5,300	-
Travel	1,511	4,793
Wages	103,728	73,705
	361,644	1,466,063
<b>Other (Income) Expenses</b>		
Other Income (Note 7)	(13,924)	-
Interest income	(344)	(2,362)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ 347,376</b>	<b>\$ 1,463,701</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ 0.005</b>	<b>\$ 0.03</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted</b>	<b>57,137,983</b>	<b>48,014,397</b>

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

**NORTHISLE COPPER AND GOLD INC.****Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**

For the three months ended March 31, 2013 and 2012

(Unaudited - Expressed in Canadian dollars)

	<b>2013</b>	<b>2012</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	\$ 8,986,063	\$ 789,303
Net loss	347,376	1,463,701
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 9,333,439</b>	<b>\$ 2,253,004</b>
<b>RESERVES, BEGINNING OF PERIOD</b> (Note 8)	\$ 835,675	\$ 424,330
Share-based compensation	5,300	
Transferred to share capital upon exercise of options	-	(14,363)
<b>RESERVES, END OF PERIOD</b>	<b>\$ 840,975</b>	<b>\$ 409,967</b>
<b>SHARE CAPITAL, BEGINNING OF PERIOD</b> (Note 9)	\$ 18,681,454	\$ 16,778,892
Exercise of options	-	13,475
Transferred from reserves upon exercise of options	-	14,363
Private placement financing	-	1,499,995
Share issue costs	-	(146,513)
<b>SHARE CAPITAL, END OF PERIOD</b>	<b>\$ 18,681,454</b>	<b>\$ 18,160,212</b>

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

**NORTHISLE COPPER AND GOLD INC.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
For the three months ended March 31, 2013 and 2012  
(Unaudited - Expressed in Canadian dollars)

	<b>2013</b>	<b>2012</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (347,376)	\$ (1,463,701)
Items not requiring a cash outlay		
Amortization	2,225	1,495
Share-based compensation	5,300	-
	(339,851)	(1,462,206)
Changes in non-cash working capital components		
Accounts receivable	73,980	(110,546)
Prepaid expenses	17,646	68,939
Accounts payable and accrued liabilities	(187,282)	59,826
	(435,507)	(1,443,987)
<b>Investing activities</b>	-	-
<b>Financing activities</b>		
Cash received from the exercise of options	-	13,475
Cash received from private placement	-	1,353,482
		1,366,957
<b>INCREASE (DECREASE) IN CASH</b>	(435,507)	(77,030)
<b>CASH, BEGINNING OF PERIOD</b>	588,152	1,908,108
<b>CASH, END OF PERIOD</b>	<b>\$ 152,645</b>	<b>\$ 1,831,078</b>
<b>Supplementary Information</b>		
Interest received	\$ 344	\$ 2,362

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

# **NORTHISLE COPPER AND GOLD INC.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2013  
(Unaudited - Expressed in Canadian dollars)

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## **1. NATURE OF OPERATIONS**

Northisle Copper and Gold Inc. (“Northisle” or the “Company”) is a mineral exploration company that was incorporated on August 3, 2011 in the Province of British Columbia, Canada as a wholly-owned subsidiary of Western Copper Corporation (“Western Copper”). Pursuant to a Plan of Arrangement (Note 3), the Company acquired Western Copper’s interest in the North Island Project and \$2,500,000 in cash in exchange for 46,501,283 common shares of the Company.

The Company’s principal business activity is the exploration and development of its North Island Project on Vancouver Island. Its head office is located at Suite 2050 – 1111 West Georgia Street, Vancouver, B.C.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to do so is dependent on obtaining additional financing, through the issue of treasury shares and/or from loans to complete the exploration and development of its mineral property interests and to commence profitable operations. These consolidated financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

## **2. BASIS OF PREPARATION**

### **Summary of Significant Accounting Policies**

The Company prepares its interim consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2012.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2013, as issued and outstanding on May 29, 2013, the date the Board of Directors approved these financial statements.

### **Accounting estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include mineral property interests, share-based payments, the allocation of financing proceeds, and income and mining taxes. Differences may be material.

The estimated cash flows used to assess recoverability of the Company’s exploration and evaluation assets’ carrying value are developed using management’s projections for long-term average copper prices, recoverable reserves, operating costs, capital expenditures, reclamation costs, and applicable foreign currency exchange rates. Management makes estimates relating to current and future market conditions. There are inherent uncertainties related to these factors and management’s judgment when using them to assess the recoverability of exploration and evaluation assets.

The Company believes that the estimates applied in the assessment of recoverability are reasonable; however such estimates are subject to significant uncertainties and judgments. Although management has made its best estimate of these factors based on current conditions, it is possible that the underlying assumptions can change significantly and impairment charges may be required in future periods. Such charges could be material.

# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2013

(Unaudited - Expressed in Canadian dollars)

## 2. BASIS OF PREPARATION (continued)

### Change in accounting policy

In 2012, the Company voluntarily changed its accounting policy for mineral property exploration expenditures to recognize these expenditures in net loss in the period incurred, as permitted under IFRS 6 *Exploration for and evaluation of mineral resources*. Previously, these expenditures were capitalized as part of the Company's mineral property interests.

This accounting policy change has been applied retrospectively and resulted in an increase in the previously reported net loss and comprehensive loss for the three months ended March 31, 2012 of \$1,265,881 (\$0.026 per share) and a corresponding decrease in capitalized mineral property interests as at March 31, 2012.

## 3. PLAN OF ARRANGEMENT

On October 17, 2011, Western Copper Corporation (“**Western Copper**”) completed a plan of arrangement (the “**Arrangement**”) involving Western Copper and two of its subsidiaries, Copper North Mining Corp. (“**Copper North**”) and the Company. Pursuant to the Arrangement, Western Copper transferred the North Island Project and \$2,500,000 in cash to the Company in consideration for common shares of the Company. Western Copper then changed its name to Western Copper and Gold Corporation (“**Western**”) and distributed the common shares of the Company to Western shareholders.

For each common share of Western Copper held as at October 17, 2011, each shareholder of Western Copper received one common share of Western, 0.5 of a common share of Copper North and 0.5 of a share of the Company. On October 17, 2011, the Company issued 46,501,283 common shares to Western Copper in exchange for the Island Copper Gold Property and \$2,500,000 in cash.

The Company recorded the following assets transferred pursuant to the Arrangement at Western Copper's carrying values on the date of the transaction:

Cash	\$	2,500,000
North Island Property		14,553,117
<b>Total</b>	<b>\$</b>	<b>17,053,117</b>

## 4. EQUIPMENT

### Vehicles, at cost

Balance, December 31, 2011	\$	22,765
Additions		12,995
Balance, December 31, 2012 and March 31, 2013	\$	35,760

### Accumulated amortization

Balance, December 31, 2011	\$	1,495
Additions		8,169
Balance, December 31, 2012		9,664
Amortization		2,225
Balance, March 31, 2013	\$	11,889

### Carrying amount

<b>Balance, December 31, 2011</b>	<b>\$</b>	<b>21,270</b>
<b>Balance, December 31, 2012</b>	<b>\$</b>	<b>26,096</b>
<b>Balance, March 31, 2013</b>	<b>\$</b>	<b>23,871</b>

# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian dollars)

## 5. MINERAL PROPERTY INTERESTS

### Acquisition costs

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

Balance, August 3, 2011 (incorporation)	-
Acquisition cost (Note 5)	\$ 14,553,117
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Balance, December 31, 2011	\$ 14,553,117
Mineral property impairment loss	(4,553,117)
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<b>Balance, December 31, 2012 and March 31, 2013</b>	<b>\$ 10,000,000</b>

### Exploration expenditures

North Island Copper Gold Property B.C. Canada	Three months ending March 31, 2013	Three months ending March 31, 2011	Cumulative Property Expenditures*
Amortization of equipment	\$ 2,225	\$ 1,495	\$ 8,169
Camp operations	30,890	95,697	319,872
Claims costs	-	24,455	37,294
Community engagement	482	13,689	42,759
Drilling	-	729,194	1,132,482
Engineering and geological	93,977	204,172	870,306
Environmental studies	203	74,578	254,981
Prospecting	-	62,923	448,701
Wages	47,525	61,173	260,664
Mineral property exploration tax credit	-	-	(75,976)
<b>Total</b>	<b>\$ 175,302</b>	<b>\$ 1,267,376</b>	<b>\$ 3,299,252</b>

\*Cumulative from the effective date of the Plan of Arrangement on October 17, 2011

The North Island Project consists of three blocks of mineral claims located on northern Vancouver Island in British Columbia, Canada. The mineral claim blocks are referred to as the Hushamu claims, the Apple Bay claims, and the Rupert Block.

Should a production decision be made on the Hushamu claims, the Company is required to make a cash payment of \$1,000,000 to Sirit Inc. within 60 days of the production decision. These mineral claims are also subject to a 10% net profits interest held by International Royalty Corporation.

Should a production decision be made on the Apple Bay claims, the Company is required to pay \$800,000 in cash or in shares to Electra Gold Ltd. ("Electra"). The payment method is at the election of the Company. Electra maintains the right to explore the Apple Bay claims for non-metallic minerals subject to certain conditions.

For the year ended December 31, 2012, the Company recorded a property impairment loss of \$4,553,117 on its North Island Project which reduced the carrying value to \$10,000,000. The Company determined that a reduction of the carrying value of the mineral property was required because of the current weaknesses in the mineral exploration sector and decreased market evaluations of mineral properties. The Company estimated the reduction in the carrying value on the basis of the estimated fair value less costs to sell of the North Island Project, through review of recent comparable market transactions involving entities with similar characteristics and mineral projects as the Company.

The Company's mineral exploration expenditures during the year ended December 31, 2012 are expected to generate a refundable mineral exploration tax credit of \$266,298. This amount has not been recorded in these financial statements as its receipt is dependent upon acceptance of the eligibility of the Company's exploration expenditures for this refundable tax credit by the Government of British Columbia.

# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian dollars)

## 6. RELATED PARTY TRANSACTIONS

Some of Northisle's administrative and geological operations are carried out indirectly through Ravenwolf Management Inc., a private company in which Northisle has a 33.3% interest. At March 31, 2013 the Company was owed \$7,824 from Ravenwolf. Ravenwolf provided the following services for the period ended March 31, 2013 and 2012:

		2013		2012
Mineral property services	\$	47,526	\$	61,173
Office		13,208		20,072
Rent		21,546		19,546
Salaries		92,006		80,705
<b>Total</b>	<b>\$</b>	<b>174,286</b>	<b>\$</b>	<b>181,496</b>

These transactions were measured at the exchange amounts agreed to by the parties.

Remuneration for Directors and key management personnel for the period ending March 31, 2013 was:

		2013		2012
Directors fees	\$	9,000	\$	-
Salaries		72,500		72,500
<b>Total</b>	<b>\$</b>	<b>81,500</b>	<b>\$</b>	<b>72,500</b>

At March 31, 2013 the Company owed \$12,000 (December 31, 2012 - \$3,000) to officers of the Company for unpaid Director fees.

## 7. OTHER LIABILITIES

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

	Issued on March 2, 2012	Issued on October 16, 2012	Total
<b>Balance, January 1, 2012</b>	\$ -	\$ -	\$ -
Liability incurred from flow-through share issues	257,000	34,000	291,000
Recognized as other income on incurring eligible expenditures	(257,000)	(20,076)	(277,076)
<b>Balance, December 31, 2012</b>	-	13,924	13,924
Recognized as other income on incurring eligible expenditures	-	(13,924)	-
<b>Balance, March 31, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 8. RESERVES

	Share Option Reserves	Share Warrant Reserves	Total
<b>Balance, January 1, 2012</b>	\$ 424,330	\$ -	\$ 424,330
Share based compensation expense	210,117	-	210,117
Fair value of warrants issued	-	237,168	237,168
Transferred to share capital upon exercise of options	(35,940)	-	(35,940)
<b>Balance, December 31, 2012</b>	598,507	237,168	835,675
Share based compensation expense	5,300	-	5,300
<b>Balance, March 31, 2013</b>	<b>\$ 603,807</b>	<b>\$ 237,168</b>	<b>\$ 840,975</b>

# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2013

(Unaudited - Expressed in Canadian dollars)

## 9. SHARE CAPITAL

Authorized - unlimited number of common shares without par value Issued and fully paid	Number of Shares	Amount
Issued pursuant to plan of arrangement (Note 3)	46,501,283	\$ 16,778,892
<b>Balance, December 31, 2011</b>	<b>46,501,283</b>	<b>16,778,892</b>
Exercise of options	340,000	26,925
Fair value of tax deductions sold to investors	-	(291,000)
Transferred from reserves on exercise of options	-	35,940
Fair value of warrants issued during private placements	-	(237,168)
Private placement financing	10,296,700	2,521,865
Share issue costs	-	(154,000)
<b>Balance, December 31, 2012 and March 31, 2013</b>	<b>57,137,983</b>	<b>\$ 18,681,454</b>

### Share Purchase Options

The Company grants common share purchase options to directors, officers, and employees of the Company and persons who provide ongoing services to the Company under an incentive share purchase option plan. The maximum number of options which may be granted under the Plan is 10% of the number of shares of the Company outstanding at the time the options are granted. Options generally vest at a rate of 33.3% on the date of grant and 33.3% in each of the following two years.

During the three months ended March 31, 2013, the Company granted options to purchase 200,000 common shares with a weighted average grant date fair value of \$0.08 and share-based compensation of \$5,300 (2012 - \$nil) was recorded.

A summary of changes in share purchase options for the three months ended March 31, 2013 is:

	Number of Share Options	Weighted Average Exercise Price
<b>Balance January 1, 2012</b>	<b>3,886,834</b>	<b>\$ 0.21</b>
Options granted	805,000	0.18
Options expired	(572,500)	0.18
Options exercised	(340,000)	0.08
<b>Balance, December 31, 2012</b>	<b>3,779,334</b>	<b>0.22</b>
Options granted	200,000	0.15
Options expired	(197,500)	0.23
<b>Balance, March 31, 2013</b>	<b>3,781,834</b>	<b>\$ 0.22</b>

At March 31, 2013 the following share purchase options were outstanding:

Share purchase options outstanding, by exercise price range	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Number Exercisable (Vested)
\$0.04 - \$0.22	1,151,834	\$ 0.13	2.25	1,151,834
\$0.30	1,700,000	0.30	3.65	1,108,335
\$0.17	730,000	0.17	4.65	243,333
\$0.15	200,000	0.15	4.85	66,000
	<b>3,781,834</b>	<b>\$ 0.22</b>	<b>3.49</b>	<b>2,569,502</b>

# NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2013  
(Unaudited - Expressed in Canadian dollars)

## 9. SHARE CAPITAL (continued)

### Share purchase warrants

A summary of changes in common share purchase warrants for the three months ended March 31, 2013 is:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance January 1, 2012</b>	<b>6,847,750</b>	<b>\$ 3.18</b>
Issued	2,694,321	0.26
Expired	(6,847,750)	3.18
<b>Balance, December 31, 2012</b>	<b>2,694,321</b>	<b>0.26</b>
Issued	2,694,321	0.26
Expired	(6,847,750)	3.18
<b>Balance, March 31, 2013</b>	<b>2,694,321</b>	<b>\$ 0.26</b>

At December 31, 2012, the following common share purchase warrants were outstanding:

Share purchase warrants outstanding, by exercise price range	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)
\$0.25	2,415,750	\$ 0.25	0.42
\$0.35	278,571	0.35	1.45
	<b>2,694,321</b>	<b>\$ 0.22</b>	<b>134</b>

### Fair value assumptions

The Company determined the fair value of common share purchase options issued during the three months ended March 31, 2013 using the Black-Scholes option pricing model and the following weighted average assumptions:

	2013
Share price	\$0.10
Exercise price	\$0.15
Risk-free interest rate	1.19%
Expected life (years)	5
Expected volatility	125%
Expected dividend yield	Nil

The estimates of expected life incorporate an estimate of the potential early exercise of these options and warrants. The estimates of expected volatility are based on the historically observed volatility of entities similar to the Company for a period generally commensurate with the expected lives of the instruments.

# **NORTHISLE COPPER AND GOLD INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2013

(Unaudited - Expressed in Canadian dollars)

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## **10. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company considers its capital for this purpose to be shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

## **11. 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.

### **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. At March 31, 2013, the Company is exposed to currency risk through US dollar cash held in the amount of \$1,938.

### **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 Harmonized Sales Tax due from the federal government of Canada. As such, the Company considers this risk to be minimal.

### **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.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 10.

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