



Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 June 30, 2013

(Unaudited - Expressed in Canadian dollars)

	June 30, 2013	December 31, 2012
ASSETS		
Current		
Cash	\$ 114,487	\$ 588,152
Accounts receivable	12,418	169,932
Prepaid expenses and deposits	36,333	59,329
	163,238	817,413
Equipment (Note 4)	21,647	26,096
Mineral property interests (Note 5)	10,000,643	10,000,000
	\$ 10,185,528	\$ 10,843,509
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 75,995	\$ 298,519
Payable to related parties	36,250	-
Other liabilities (Note 7)	-	13,924
	112,245	312,443
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	18,681,454	18,681,454
Reserves (Note 8)	850,850	835,675
Deficit	(9,459,021)	(8,986,063)
	10,073,283	10,531,066
	\$ 10,185,528	\$ 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 and six months ended June 30, 2013 and 2012

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Expenses				
Insurance	\$ 5,422	\$ 9,031	\$ 14,012	\$ 18,727
Interest and bank charges	313	509	965	968
Investor relations	13,584	6,345	37,383	54,876
Legal and audit	-	868	890	13,728
Mineral property expenditures	22,472	1,112,259	197,774	2,379,635
Office	17,053	60,773	52,183	100,083
Regulatory fees	14,553	23,927	21,294	33,260
Share-based compensation	9,875	4,615	15,175	4,615
Travel	1,270	1,154	2,781	5,947
Wages	41,164	91,269	144,891	164,974
	125,706	1,310,750	487,348	2,776,813
Other (Income) Expenses				
Other Income (Note 7)	-	-	(13,924)	-
Interest income	(124)	(1,231)	(466)	(3,593)
NET LOSS AND COMPREHENSIVE LOSS	\$ 125,582	\$ 1,309,519	\$ 472,958	\$ 2,773,220
BASIC AND DILUTED LOSS PER SHARE	\$ 0.003	\$ 0.026	\$ 0.009	\$ 0.056
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	57,137,983	50,951,283	57,137,983	49,501,297

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 and six months ended June 30, 2013 and 2012

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
DEFICIT, BEGINNING OF PERIOD	\$ 9,333,439	\$ 2,253,004	\$ 8,986,063	\$ 789,303
Net loss	125,582	1,309,519	472,958	2,773,220
DEFICIT, END OF PERIOD	\$ 9,459,021	\$ 3,562,523	\$ 9,459,021	\$ 3,562,523
RESERVES,				
BEGINNING OF PERIOD (Note 8)	\$ 840,975	\$ 409,967	\$ 835,675	\$ 424,330
Share-based compensation	9,875	4,615	15,175	4,615
Transferred to share capital upon exercise of options	-	(2,460)	-	(16,823)
RESERVES, END OF PERIOD	\$ 850,850	\$ 412,122	\$ 850,850	\$ 412,122
SHARE CAPITAL,				
BEGINNING OF PERIOD (Note 9)	\$ 18,681,454	\$18,160,212	\$ 18,681,454	\$ 16,778,892
Exercise of options	-	4,875	-	18,350
Transferred from reserves upon exercise of options	-	2,460	-	16,823
Private placement financing	-	-	-	1,499,995
Share issue costs	-	-	-	(146,513)
SHARE CAPITAL, END OF PERIOD	\$ 18,681,454	\$18,167,547	\$ 18,681,454	\$ 18,167,547

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 six months ended June 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

	June 30, 2013	June 30, 2012
Cash provided by (used in)		
Operating activities		
Net loss	\$ (472,958)	\$ (2,773,220)
Items not requiring a cash outlay		
Amortization	4,449	3,719
Share-based compensation	15,175	4,615
	(453,334)	(2,874,603)
Changes in non-cash working capital components		
Accounts receivable	157,514	(135,778)
Prepaid expenses	22,996	73,314
Accounts payable and accrued liabilities	(236,448)	(47,253)
Payable to related parties	36,250	-
	(473,022)	(2,874,603)
Investing activities		
Expenditures on equipment		(12,995)
Mineral property interests	(643)	-
	(643)	(12,995)
Financing activities		
Cash received from the exercise of options	-	18,350
Cash received from private placement	-	1,353,482
	-	1,371,832
(DECREASE) IN CASH	(473,665)	(1,515,766)
CASH, BEGINNING OF PERIOD	588,152	1,908,108
CASH, END OF PERIOD	\$ 114,487	\$ 392,342
Supplementary Information		
Interest received	\$ 466	\$ 3,593

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 six months ended June 30, 2013

(Unaudited - Expressed in Canadian dollars)

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 August 22, 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 six months ended June 30, 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 six months ended June 30, 2012 of \$2,375,916 (\$0.048 per share) and a corresponding decrease in capitalized mineral property interests as at June 30, 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
Total	\$	17,053,117

4. EQUIPMENT

Vehicles, at cost

Balance, December 31, 2011	\$	22,765
Additions		12,995
Balance, December 31, 2012 and June 30, 2013	\$	35,760

Accumulated amortization

Balance, December 31, 2011	\$	1,495
Additions		8,169
Balance, December 31, 2012		9,664
Amortization		4,449
Balance, June 30, 2013	\$	14,113

Carrying amount

Balance, December 31, 2011	\$	21,270
Balance, December 31, 2012	\$	26,096
Balance, June 30, 2013	\$	21,647

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, December 31, 2011	\$	14,553,117
Mineral property impairment loss		(4,553,117)
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Balance, December 31, 2012	\$	10,000,000
Additions		643
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Balance, June 30, 2013	\$	10,000,643

Exploration expenditures

North Island Copper Gold Property B.C. Canada	Six months ending June 30, 2013	Six months ending June 30, 2012	Cumulative Property Expenditures*
Amortization of equipment	\$ 4,449	\$ 3,719	\$ 10,393
Camp operations	49,197	189,415	338,179
Claims costs	-	26,003	37,294
Community engagement	482	16,556	42,759
Drilling	-	1,132,482	1,132,482
Engineering and geological	96,710	423,077	873,039
Environmental studies	203	171,775	254,981
Prospecting	-	368,830	448,701
Wages	47,526	123,754	260,665
Mineral property exploration tax credit	(793)	(75,976)	(76,769)
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Total	\$ 197,774	\$ 2,379,635	\$ 3,321,724

*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 were carried out indirectly through Ravenwolf Management Inc., a private company in which Northisle had a 33.3% interest. This arrangement was terminated on April 1, 2013. Ravenwolf provided the following services for the period ended June 30, 2013 and 2012:

	2013	2012
Mineral property services	\$ 47,526	\$ 123,754
Office	13,208	52,862
Rent	21,546	40,798
Salaries	92,006	171,974
Total	\$ 174,286	\$ 389,388

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

Remuneration for Directors and key management personnel for the period ending June 30, 2013 was:

	2013	2012
Directors fees	\$ 9,000	-
Salaries	108,750	145,000
Total	\$ 117,500	\$ 145,000

At June 30, 2013 the Company owed \$45,250 (December 31, 2012 - \$3,000) to officers of the Company for unpaid wages and director fees. Amounts due are non-interest bearing with no specific terms of repayment.

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
Balance, January 1, 2012	\$ -	\$ -	\$ -
Liability incurred from flow-through share issues Recognized as other income on incurring eligible expenditures	257,000	34,000	291,000
	(257,000)	(20,076)	(277,076)
Balance, December 31, 2012	-	13,924	13,924
Recognized as other income on incurring eligible expenditures	-	(13,924)	-
Balance, June 30, 2013	\$ -	\$ -	\$ -

8. RESERVES

	Share Option Reserves	Share Warrant Reserves	Total
Balance, January 1, 2012	\$ 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)
Balance, December 31, 2012	598,507	237,168	835,675
Share based compensation expense	15,175	-	15,175
Balance, June 30, 2013	\$ 613,682	\$ 237,168	\$ 850,850

NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 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
Balance, December 31, 2011	46,501,283	16,778,892
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)
Balance, December 31, 2012 and June 30, 2013	57,137,983	\$ 18,681,454

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 six months ended June 30, 2013, the Company granted options to purchase 400,000 common shares with a weighted average grant date fair value of \$0.08 and share-based compensation of \$10,560 (2012 - \$nil) was recorded.

A summary of changes in share purchase options for the six months ended June 30, 2013 is:

	Number of Share Options	Weighted Average Exercise Price
Balance January 1, 2012	3,886,834	\$ 0.21
Options granted	805,000	0.18
Options expired	(572,500)	0.18
Options exercised	(340,000)	0.08
Balance, December 31, 2012	3,779,334	0.22
Options granted	400,000	0.125
Options expired	(372,500)	0.23
Balance, March 31, 2013	3,806,834	\$ 0.22

At June 30, 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	976,834	\$ 0.13	2.00	976,834
\$0.30	1,700,000	0.30	3.40	1,133,334
\$0.17	730,000	0.17	4.40	243,333
\$0.15	200,000	0.15	4.60	66,000
\$0.10	200,000	0.10	5.00	66,000
	3,806,834	\$ 0.22	3.49	2,485,501

NORTHISLE COPPER AND GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 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 June 30, 2013 is:

	Number of Warrants	Weighted Average Exercise Price
Balance January 1, 2012	6,847,750	\$ 3.18
Issued	2,694,321	0.26
Expired	(6,847,750)	3.18
Balance, December 31, 2012	2,694,321	0.26
Issued/Expired	-	-
Balance, June 30, 2013	2,694,321	\$ 0.26

At June 30, 2013, 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	0.17
\$0.35	278,571	0.35	1.20
	2,694,321	\$ 0.22	1.09

Fair value assumptions

The Company determined the fair value of common share purchase options issued during the six months ended June 30, 2013 using the Black-Scholes option pricing model and the following weighted average assumptions:

	2013
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 six months ended June 30, 2013

(Unaudited - Expressed in Canadian dollars)

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.

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.