

ICS COPPER SYSTEMS LTD.

FINANCIAL STATEMENTS

**JANUARY 31, 2007 (Note 1)
(Expressed in Canadian Dollars)**

These unaudited financial statements for the periods ended January 31, 2007 have not been reviewed by the Company's auditor.

ICS COPPER SYSTEMS LTD.

BALANCE SHEETS (Expressed in Canadian Dollars)

	JANUARY 31 2007 (Unaudited)	JULY 31 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 494,546	\$ 472,391
GST receivable	3,105	512
Accounts receivables	10,000	-
Deferred financing costs	71,000	-
	<u>578,651</u>	<u>472,903</u>
Deposit	150,000	-
Equipment	1,289,806	569,179
Interest In Mineral Properties	291,387	-
	<u>\$ 2,309,844</u>	<u>\$ 1,042,082</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 9,851	\$ 17,533
Unearned revenue	-	27,878
Due to related parties (Note 3)	562,181	602,443
	<u>572,032</u>	<u>647,854</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share Capital (Note 2)	2,196,701	163,001
Share Subscriptions Received	-	413,200
Deficit	(458,889)	(181,973)
	<u>1,737,812</u>	<u>394,228</u>
	<u>\$ 2,309,844</u>	<u>\$ 1,042,082</u>

Approved on behalf of the Board:

“Graham A. Chisholm”
Graham A. Chisholm, Director

“David A. Fynn”
David A. Fynn, Chief Financial Officer

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

ICS COPPER SYSTEMS LTD.

STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED JANUARY 31, 2007 (Unaudited)	SIX MONTHS ENDED JANUARY 31, 2007 (Unaudited)
Revenue		
Rental revenue	\$ 13,938	\$ 37,878
Administration Expenses		
Amortization	18,313	36,364
Consulting fees	59,485	76,715
Interest and bank charges	5,971	12,832
Legal fees and Filing fees	24,419	24,949
Management fees	29,250	44,250
Mineral property expenses	46,434	50,434
Professional fees	100	3,775
Office, rent and miscellaneous	7,836	10,390
Travel and accommodation	18,066	53,357
Utilities	957	1,728
	210,831	314,792
Net Loss For The Period	(196,893)	(276,916)
Deficit, Beginning Of Period	(261,996)	(181,973)
Deficit, End Of Period	\$ (458,889)	\$ (458,889)
Net Loss Per Share, Basic and diluted	\$ (0.02)	\$ (0.03)
Weighted Average Number Of Shares Outstanding, Basic and diluted	13,039,077	10,319,598

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

ICS COPPER SYSTEMS LTD.

STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED JANUARY 31, 2007	SIX MONTHS ENDED JANUARY 31, 2007
	(Unaudited)	(Unaudited)
Cash Provided By (Used In)		
Operating Activities		
Loss for the period	\$ (196,893)	\$ (276,916)
Items not affecting cash:		
Amortization	18,313	36,364
Interest accrued on related party loan	6,237	12,585
	<u>(172,343)</u>	<u>(227,967)</u>
Changes in non-cash operating working capital items:		
GST receivable	(1,480)	(2,593)
Accounts receivable	(10,000)	(10,000)
Accounts payable and accrued liabilities	(9,216)	(7,682)
Unearned revenue	(3,938)	(27,878)
Deferred financing costs	(71,000)	(71,000)
	<u>(267,977)</u>	<u>(347,120)</u>
Investing Activities		
Acquisition of mineral properties	(189,312)	(291,387)
Deposit	-	(150,000)
Acquisition of equipment	(716,831)	(756,991)
	<u>(906,143)</u>	<u>(1,198,378)</u>
Financing Activities		
Issue of common shares	2,041,200	2,041,200
Share subscriptions received (subscribed)	(1,283,700)	(413,200)
Repayment to related parties	(14,687)	(52,847)
Share issue costs	(7,500)	(7,500)
	<u>735,313</u>	<u>1,567,653</u>
Increase (Decrease) In Cash	(438,807)	22,155
Cash, Beginning Of Period	933,353	472,391
Cash, End Of Period	\$ 494,546	\$ 494,546

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

ICS COPPER SYSTEMS LTD.

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2007 (Note 1)

(Expressed in Canadian Dollars)

(Information as at January 31, 2007 and for the six month period ended January 31, 2007 is unaudited)

1. BASIS OF PRESENTATION

The interim financial statements of ICS Copper Systems Ltd. (the "Company") have been prepared in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the fiscal year ended July 31, 2006. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto in the Company's annual report for the year ended July 31, 2006.

Comparative operating and cash flow figures for the interim period ended January 31, 2006 are not presented as the Company had not commenced operations prior to that date.

2. SHARE CAPITAL

a) Authorized

Unlimited number of Class "A" voting Common shares without par value
Unlimited number of Preferred shares without par value

Effective December 21, 2006, as approved by shareholders at the Annual General Meeting held on November 15, 2006, the Company's Articles were amended to change the authorized share capital from:

Unlimited number of Class "A" voting Common shares without par value
10,000 Class "B" voting common shares with a par value of \$1.00
10,000 Class "C" non-voting common shares without par value
10,000 Class "D" non-voting common shares with a par value of \$1.00
100,000 Class "E" preference shares with a par value of \$100.00
100,000 Class "F" preference shares with a par value of \$0.01
100,000 Class "G" preference shares with a par value of \$0.01
100,000 Class "H" preference shares with a par value of \$0.01
100,000 Class "I" voting preference shares with a par value of \$1.00

to the authorized share capital stated above.

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NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2007 (Note 1)

(Expressed in Canadian Dollars)

(Information as at January 31, 2007 and for the six month period ended January 31, 2007 is unaudited)

2. SHARE CAPITAL (Continued)

b) Issued Shares

	<u>NUMBER</u>	<u>AMOUNT</u>
Issue of shares for cash on incorporation	120	\$ 1
Balance, July 31, 2005	120	1
Issue of shares for services	6,400,000	64,000
Issue of shares for cash	1,200,000	99,000
Balance, July 31, 2006	7,600,120	163,001
Issue of shares for cash	6,584,000	2,041,200
Share issue cost	-	(7,500)
Balance, January 31, 2007	<u>14,184,120</u>	<u>\$ 2,196,701</u>

During the period ended January 31, 2007 the Company:

- issued 6,984,000 shares for cash consideration of \$2,045,200 and 1,200,000 shares for services valued at \$12,000; and
- cancelled 1,600,000 shares returned to the corporation comprised of 1,200,000 shares previously issued for services valued at \$12,000 and 400,000 shares issued for cash consideration of \$4,000

Resulting in total issued shares of 14,184,120.

c) Escrowed and Pooled Shares

Subsequent to January 31, 2007 certain shareholders holding a total of 13,105,120 shares entered into escrow and/or pooling agreements with the Company as follows:

- (i) 8,210,120 of the issued shares are held in escrow pursuant to an escrow agreement in the form prescribed by NP 46-201. The shares will be released from escrow as follows:
 - 25% on date the Company's shares are listed on the TSX Venture Exchange (the "Listing Date");
 - 25% on each of six, twelve and eighteen months following the Listing Date;
- (ii) Shareholders holding 13,105,120 of the issued shares (including 8,210,120 escrow shares described immediately above) have voluntarily entered into a Pooling Agreement with the Company whereby they have agreed to trading restrictions on their shares. The shares will only be tradable as follows:
 - 10% on closing of the Company's Initial Public Offering (the "Offering"); and
 - 25% of the remaining shares will be released each three months after the closing of the Offering.

ICS COPPER SYSTEMS LTD.

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2007 (Note 1)

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3. RELATED PARTY TRANSACTIONS

Effective January 1, 2007 the Company entered into the following management consulting agreements:

- With Industrial Copper Systems Ltd., ("Industrial") a private company controlled by Mr. Graham Chisholm, the President, CEO and a director of the Company, whereby the Company agreed to pay to Industrial, the sum of \$10,000 per month for management services. The agreement is for an initial term of three years and is terminable by Industrial on 90 days notice. In the event the Company terminates the agreement without cause, the Company is required to pay \$60,000 to Industrial.
- With Whitelaw Enterprises Ltd. ("WEL"), a private company controlled by Mr. Brett Whitelaw, a director of the Company, whereby the Company agreed to pay to WEL, the sum of \$5,000 per month for management services to be provided by WEL. The agreement is for an initial term of three years and is terminable by WEL on 90 days notice. In the event the Company terminates the agreement without cause, the Company is required to pay \$30,000 to WEL.
- With D.A. Fynn & Associates Inc. ("DAFA"), a private company controlled by Mr. David Fynn, CA, whereby the Company agreed to pay to DAFA, the sum of \$4,250 per month for DAFA making David Fynn available to provide management services as Chief Financial Officer to the Company. The agreement is for a term of one year and is terminable by DAFA on 90 days notice. In the event the Company terminates the agreement without cause, the Company is required to pay \$25,000 to DAFA.

During the period the Company had the following transactions with related parties:

- a) Paid management and consulting fees to directors and officers in the amount of \$44,250, in accordance with the aforementioned agreements;
- b) Paid consulting fees to a company owned by a director for mineral consulting services in the amount of \$25,464.
- c) Paid interest of \$12,585 to a company controlled by an officer and director of the Company.

All transactions have been in the normal course of operations, and in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

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JANUARY 31, 2007 (Note 1)

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4. SUBSEQUENT EVENTS

- a) On November 23, 2006, 2,000,000 share purchase options were granted to directors and officers of the Company and on February 15, 2007, 350,000 share purchase options were granted to officers of the Company and to consultants. The options are exercisable at \$0.85 per share. The options are exercisable from the date the Company's shares are listed on the TSX-V (the "Listing Date") and expire ten years after the Listing Date as to 2,000,000 options and five years after the Listing Date as to 350,000 options.
- b) On March 30, 2007 the Company's board of directors:
 - i approved the filing of a prospectus for an initial public offering (the "Offering") of up to 10,000,000 Units at a price of \$0.85 per Unit. Each unit is comprised of one Class A Voting Common Share and one-half of one transferable share purchase warrant, each whole warrant entitling the owner to purchase one Class A Voting Common Share for a period of 24 months after closing at a price of \$1.30 per Share. The Prospectus, dated March 30, 2007 was receipted by the securities regulators in British Columbia, Alberta, Manitoba and Ontario on April 4, 2007.
 - ii approved an application for the listing of the Company's common shares on the TSX-V.
 - iii executed an agency agreement dated March 30, 2007 with Canaccord Capital Corporation (the "Agent") to act as agents for the Offering. Under the terms of the engagement letter, the Agent will receive a cash commission equal to 7.5% of the gross proceeds of the IPO and non-transferable agent's warrants (the "Agent's Warrants") entitling the Agent to purchase Common Shares of the Company equal to 10% of the Offering (the "Agent's Warrant Shares") at a price of \$0.85 per Agent's Warrant Share for a period of two years from the closing of the Offering. The Company has also paid the Agent a corporate finance fee in the amount of \$50,000 and has agreed to pay the Agent's expenses in connection with the Offering, including legal and reasonable out-of-pocket costs, and issue 250,000 Common Shares.