

**ICS COPPER SYSTEMS LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**ICS COPPER SYSTEMS LTD.**

***These unaudited financial statements for the periods ended October 31, 2010 have not been reviewed by the Company's auditor.***

## ICS COPPER SYSTEMS LTD

### Notice of No Auditor Review of Interim Financial Information

Pursuant to subsection 4.3(3)(a) of Part 4 of National Instrument 51-102 Continuous Disclosure Obligations, if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been so reviewed.

The accompanying unaudited interim financial statements of ICS Copper Systems Ltd (the "Company") for the period ending October 31, 2010 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements.

*"Graham A Chisholm"*  
(signed)

President and Chief Executive Officer

December 14, 2010

# ICS COPPER SYSTEMS LTD.

## CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian Dollars)

	October 31 2010	July 31 2009
	(Unaudited)	
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 68,563	\$ 1,733
Taxes receivable	5,625	1,134
Accounts receivable	210	210
Prepaid expenses	3,434	5,747
Current portion of proceeds receivable (Notes 2 and 4)	545,554	-
	623,386	8,824
Proceeds Receivable (Notes 2 and 4)	732,222	-
Assets Held For Sale (Note 3)	43,135	1,543,135
Equipment	8,094	7,980
Mineral Property (Note 3)	53,836	-
	\$ 1,460,673	\$ 1,559,939
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 35,000	\$ 42,950
Accounts payable and accrued liabilities on assets held for sale	141,443	157,820
Due to related party (Note 5(c))	77,476	100,000
	253,919	300,770
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 6)	13,172,324	13,172,324
Contributed Surplus	1,869,697	1,809,657
Deficit	(13,835,267)	(13,722,812)
	1,206,754	1,259,169
	\$ 1,460,673	\$ 1,559,939

**Discontinued operations** (Note 4)

**Subsequent Events** (Note 7)

Approved on behalf of the Board of Directors:

"G.A. Chisholm"

\_\_\_\_\_  
Graham A. Chisholm, Director  
President & Chief Executive Officer

"D. A. Fynn"

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David A. Fynn, Director  
Chief Financial Officer

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

## ICS COPPER SYSTEMS LTD.

### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED October 31, 2010 (Unaudited)	THREE MONTHS ENDED October 31, 2009 (Unaudited)
<b>Expenses</b>		
Amortization	\$ 617	\$ 2,685
Consulting and filing fees	784	2,530
Insurance	2,313	2,419
Interest and bank charges (Note 5(c))	1,926	2,214
Investor relations and promotion	12,669	5,004
Management fees	11,628	27,335
Office	880	578
Professional fees	9,621	33,290
Rent and utilities	9,231	9,669
Salaries and employee benefits	12,492	26,585
Stock-based compensation (Note 6(d))	60,040	-
Telecommunications	2,031	2,688
Travel and accommodation	7,102	5,880
<b>Loss Before Other Income and Discontinued Operations</b>	<b>(131,334)</b>	<b>(120,877)</b>
<b>Other Income</b>		
Interest income	-	121
	-	121
<b>Loss from Continuing Operations</b>	<b>(131,334)</b>	<b>(120,756)</b>
<b>Income (Loss) From Discontinued Operations (Note 4)</b>	<b>18,879</b>	<b>(14,701)</b>
<b>Loss And Comprehensive Loss For The Period</b>	<b>\$ (112,455)</b>	<b>\$ (135,457)</b>
<b>Loss Per Share, Basic and diluted Before Discontinued Operations</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Loss Per Share, Basic and diluted After Discontinued Operations</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted Average Number Of Shares Outstanding, Basic and diluted</b>	<b>32,763,869</b>	<b>30,020,391</b>

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

# ICS COPPER SYSTEMS LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED October 31, 2010 (Unaudited)	THREE MONTHS ENDED October 31, 2009 (Unaudited)
<b>Cash Provided By (Used In)</b>		
<b>Operating Activities</b>		
Net loss from continuing operations	\$ (131,334)	\$ (120,756)
Items not affecting cash:		
Amortization	617	2,685
Stock-based compensation	60,040	-
	(70,677)	(118,071)
Changes in non-cash operating assets and liabilities:		
Taxes receivable	(4,491)	(3,802)
Accounts receivable	-	(6,418)
Prepaid expenses	2,313	2,419
Accounts payable and accrued liabilities	(7,950)	(40,634)
Discontinued operations (Note 4)	2,502	(43,679)
	(78,303)	(210,185)
<b>Investing Activities</b>		
Short-term investments redeemed - net	-	58,845
Discontinued operations (Note 4)	222,224	16,185
Acquisition of equipment	(731)	-
Mineral properties – Nevada	(53,836)	-
	167,657	75,030
<b>Financing Activities</b>		
Issue of common shares	-	205,000
Share issuance costs	-	(5,000)
Due from (repayments to) related parties - net	(22,524)	15,000
Discontinued operations (Note 4)	-	79,828
	(22,524)	294,828
<b>Increase In Cash</b>	<b>66,830</b>	<b>159,673</b>
<b>Cash, Beginning Of Period</b>	<b>1,733</b>	<b>18,785</b>
<b>Cash, End Of Period</b>	<b>\$ 68,563</b>	<b>\$ 178,458</b>
<b>Disclosure Of Supplementary Cash Flow And Non-Cash Investing and Financing Information</b>		
Interest paid	\$ 1,125	\$ 2,025
Income taxes paid	\$ -	\$ -

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

**ICS COPPER SYSTEMS LTD.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**THREE MONTH PERIOD ENDED OCTOBER 31, 2010**

	SHARE CAPITAL		CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	NUMBER	AMOUNT			
Balance, July 31, 2010	32,763,869	\$ 13,172,324	\$ 1,809,657	\$ (13,722,812)	\$ 1,259,169
Stock-based compensation	-	-	60,040	-	60,040
Loss and comprehensive loss for the period	-	-	-	(112,455)	(112,455)
Balance, October 31, 2010	<b>32,763,869</b>	<b>\$ 13,172,324</b>	<b>\$ 1,869,697</b>	<b>\$ (13,835,267)</b>	<b>\$ 1,206,754</b>

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

# ICS COPPER SYSTEMS LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**OCTOBER 31, 2010**

(Expressed in Canadian Dollars)

(Information as at October 31, 2010 and for the three month period ended October 31, 2010 is unaudited)

### 1. BASIC 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, 2010. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended July 31, 2010.

Results of operations for the interim period are not necessarily indicative of annual results.

### 2. PROCEEDS RECEIVABLE

	October 31 2010	July 31 2010
Proceeds Receivable	\$ 1,277,776	\$ -
Less Current Portion	<u>545,554</u>	<u>-</u>
	<u>\$ 732,222</u>	<u>\$ -</u>

On September 21, 2010, the Company sold all of its mining equipment to a Zambian company for USD \$1,500,000. Repayments totalling USD \$215,000 have been received to date. Further monthly repayments of USD \$15,000 will continue until the earlier of either April 21, 2011 or the commissioning of the equipment by the purchaser, when the balance remaining will be repaid over an 18 month period. Title to the equipment will only pass to the purchaser upon full payment of the outstanding balance.

### 3. MINERAL PROPERTY

On August 19, 2010, the Company signed a lease agreement with a company to acquire lease rights over 100% of the Excelsior Springs gold property in Esmeralda County, Nevada, USA. Under the agreement, the Company will pay for all Bureau of Land Management and state fees and lease payments of USD \$32,000 in year 1, USD \$37,000 in year 2, and USD \$42,000 in year 3. Furthermore, a 2% Net Smelter Royalty will be payable upon gold production.

# ICS COPPER SYSTEMS LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**OCTOBER 31, 2010**

(Expressed in Canadian Dollars)

(Information as at October 31, 2010 and for the three month period ended October 31, 2010 is unaudited)

### 4. DISCONTINUED OPERATIONS

The following tables present summarized financial information related to discontinued operations in Zambia and the DRC:

#### CONSOLIDATED BALANCE SHEETS

	October 31 2010	July 31 2010
<b>ASSETS HELD FOR SALE</b>		
<b>Current</b>		
Proceeds receivable	\$ 545,554	\$ -
<b>Long-term</b>		
Proceeds Receivable	732,222	-
Mining Equipment	-	1,500,000
Vehicles	11,000	11,000
Mineral properties – Zambia	32,135	32,135
	1,320,911	1,543,135
<b>LIABILITIES HELD FOR SALE</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 141,443	\$ 157,820

#### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FROM DISCONTINUED

	PERIOD ENDED OCTOBER 31	
	2010	2009
<b>Expenses</b>		
Foreign currency exchange (gain) loss	\$ -	\$ (418)
Zambian operating expenses	551	30,899
<b>Loss Before Other Income (Expenses)</b>	<b>(551)</b>	<b>(30,481)</b>
<b>Other Income (Expenses)</b>		
Gain on settlement of debt	17,525	17,525
Gain (Loss) on disposal of assets	1,905	(6,072)
Write-down of inventory	-	4,327
	\$ 19,430	\$ 15,780
<b>Net Gain (Loss) From Discontinued Operations</b>	<b>18,879</b>	<b>(14,701)</b>

# ICS COPPER SYSTEMS LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**OCTOBER 31, 2010**

(Expressed in Canadian Dollars)

(Information as at October 31, 2010 and for the three month period ended October 31, 2010 is unaudited)

### 4. DISCONTINUED OPERATIONS (Continued)

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

	JULY 31	
	2010	2009
Cash Flows (Used in) Provided By Operating Activities	\$ 2,502	\$ (43,679)
Cash Flows From (Used in) Investing Activities	222,224	16,185
Cash Flows From (Used in) Financing Activities	-	79,828
Net Cash Flows Provided By (Used in) Discontinued Operations	\$ 224,726	\$ 52,334

### 5. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company had the following amounts due to related parties as of October 31, 2010 and July 31, 2010, and incurred the following transactions with related parties during the three month periods:

- Paid management and consulting fees to directors and officers of the Company in the amount of \$11,628 (2009 - \$27,335).
- Reimbursed vehicle lease and operating costs of a director and officer of the Company in the amount of \$1,248 (2009 - \$1,350).
- In 2006, the Company acquired mining equipment from a company controlled by a director and officer of the Company having a carrying value of \$555,944. The acquisition was financed by an unsecured 4.5% interest-bearing loan, with no fixed terms of repayment. Interest paid on the loan amounted to \$1,125 (2009 - \$2,025). On July 19, 2010, \$80,000 of the outstanding balance was forgiven. Accordingly the balance owing to the related company as of October 31, 2010 was \$77,476 (July 2010 - \$100,000).
- During the period ended October 31, 2010, the Company received and paid back advances from directors of the Company in the amount of \$49,500. The advances are unsecured, non-interest bearing and have no fixed terms of repayment.

Transactions with related parties were in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration agreed to and established by the related parties.

# ICS COPPER SYSTEMS LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**OCTOBER 31, 2010**

(Expressed in Canadian Dollars)

(Information as at October 31, 2010 and for the three month period ended October 31, 2010 is unaudited)

### 6. SHARE CAPITAL

a) Authorized

Unlimited number of Class "A" voting Common shares without par value  
Unlimited number of Preferred shares without par value (none issued)

b) Issued

No shares were issued during the period ended October 31, 2010.

c) Share Purchase Warrants

The Company had outstanding share purchase warrants with a weighted average exercise price of \$0.16 as at July 31, 2010 and October 31, 2010 as follows:

<b>NUMBER OF WARRANTS</b>	<b>EXERCISE PRICES</b>	<b>EXPIRY DATE</b>
1,000,000	\$ 0.12 - \$ 0.20	October 8, 2012
1,050,000	\$ 0.12 - \$ 0.20	October 28, 2012
1,000,000	\$ 0.12 - \$ 0.20	December 1, 2012
<b><u>3,050,000</u></b>		

d) Stock Options

The Company has a stock option plan that provides for the issuance of compensatory options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. Options granted under the plan may have a maximum term of ten years. Terms of the vesting period over which the options are earned is determined by the Board of Directors.

On August 27, 2010, 250,000 stock options were issued to a new director and a further 850,000 stock options were issued to existing directors and officers. Stock based compensation in the amount of \$60,040 (2009 - \$Nil) was recorded based on the stock options granted during the year. The fair value of the options granted was estimated using the following assumptions: Exercise Price – \$0.10 (2009 - \$0.10); Expected Life - Ten Years; Volatility – 230% (2009 - 228%); Risk-Free Interest Rate – 2.9%(2009 – 2.8%; and Dividend Yield – \$Nil (2009 - \$Nil).

# ICS COPPER SYSTEMS LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**OCTOBER 31, 2010**

(Expressed in Canadian Dollars)

(Information as at October 31, 2010 and for the three month period ended October 31, 2010 is unaudited)

### 6. SHARE CAPITAL

#### d) Stock Options (continued)

A summary of the changes in stock options to acquire an equivalent number of shares for the period ended October 31, 2010 was as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, July 31, 2010	1,650,000	\$ 0.10
Granted	<u>1,100,000</u>	\$ 0.10
<b>Balance, October 31, 2010</b>	<b><u>2,750,000</u></b>	<b>\$ 0.10</b>

The Company had outstanding stock options as of October 31, 2010 as follows:

NUMBER OF OPTIONS	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
650,000	650,000	\$ 0.10	May 8, 2012
625,000	625,000	\$ 0.10	May 20, 2014
375,000	375,000	\$ 0.10	January 6, 2015
1,100,000	1,100,000	\$ 0.10	August 27, 2010
<u>2,750,000</u>	<u>2,750,000</u>		

As of October 31, 2010 the weighted average remaining contractual life of the options was 5.6 years (July 2010 – 3.1 years).

### 7. SUBSEQUENT EVENTS

On December 8, 2010 the Company closed a private placement of 3,125,000 units at \$0.08 per unit for gross proceeds of \$250,000. Each unit consisted of one common share and one transferable share purchase warrant entitling the holder to purchase one share for a period of two years at a price of \$0.10 to \$0.15 per share. The expiry date of the warrants is December 8, 2012.