

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Nubian Resources Ltd. (formerly ICS Copper Systems Ltd.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Nubian Resources Ltd., which comprise the consolidated balance sheets as at July 31, 2011 and 2010 and the consolidated statements of operations and comprehensive loss, cash flows, and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Nubian Resources Ltd. as at July 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada

"Morgan & Company"

November 18, 2011

Chartered Accountants

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NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

	JULY 31	
	2011	2010
ASSETS		
Current		
Cash	\$ 83,053	\$ 1,733
Taxes receivable	1,896	1,134
Prepaid expenses	5,228	5,957
Proceeds receivable (Note 5)	743,000	-
	833,177	8,824
Proceeds Receivable (Note 5)	366,269	-
Assets Held For Sale (Note 5)	-	1,543,135
Equipment (Note 3)	5,480	7,980
Mineral Properties (Note 4)	57,124	-
	\$ 1,262,050	\$ 1,559,939
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 71,418	\$ 42,950
Accounts payable and accrued liabilities on assets held for sale	39,281	157,820
Due to related party (Note 6(c))	56,277	100,000
	166,976	300,770
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	13,419,903	13,172,324
Contributed Surplus	1,869,697	1,809,657
Deficit	(14,194,526)	(13,722,812)
	1,095,074	1,259,169
	\$ 1,262,050	\$ 1,559,939

Discontinued Operations (Note 5)
Contingency (Note 11)

Approved on behalf of the Board of Directors:

“Lawrence G. Treadgold”
Lawrence G. Treadgold, Director

“David A. Fynn”
David A. Fynn, Director

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

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	YEARS ENDED JULY 31	
	2011	2010
Expenses		
Amortization	\$ 2,405	\$ 8,864
Filing fees	21,657	20,151
Insurance	8,869	9,551
Interest and bank charges (Note 6(c))	5,993	9,097
Investor relations and promotion	42,595	18,043
Management and consulting fees (Note 6(a))	78,622	72,075
Office	9,362	7,042
Professional fees	38,647	58,001
Rent and utilities	20,387	27,018
Salaries and employee benefits	83,866	106,951
Stock-based compensation (Note 7(d))	60,040	39,177
Telecommunications	9,769	9,992
Travel and accomodation	40,872	9,382
Loss Before Other Income and Discontinued Operations	(423,084)	(395,344)
Other Income		
Gain on settlement of debt (Note 6(c))	-	80,000
Interest income	-	121
	-	80,121
Net Loss From Continuing Operations	(423,084)	(315,223)
Loss From Discontinued Operations (Note 5)	(48,630)	(856,738)
Net Loss And Comprehensive Loss For The Year	\$ (471,714)	\$ (1,171,961)
Loss Per Share, Basic And Diluted Before Discontinued Operations	\$ (0.06)	\$ (0.05)
Loss Per Share, Basic And Diluted After Discontinued Operations	\$ (0.07)	\$ (0.18)
Weighted Average Number Of Shares Outstanding	6,955,170	6,398,034

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

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	YEARS ENDED JULY 31	
	2011	2010
Cash Provided By (Used In)		
Operating Activities		
Net loss from continuing operations	\$ (423,084)	\$ (315,223)
Items not affecting cash:		
Amortization	2,405	8,864
Stock-based compensation	60,040	39,177
Gain on debt settlement	-	(80,000)
Net loss from discontinued operations	(48,630)	(856,738)
Items not affecting cash in net loss from discontinued operations	(20,117)	856,738
	(429,386)	(347,182)
Changes in non-cash operating assets and liabilities:		
Taxes receivable	(762)	(94)
Prepaid expenses	729	300
Accounts payable and accrued liabilities	23,888	(34,841)
Accounts payable on discontinued operations	(54,461)	(178,299)
	(459,992)	(560,116)
Investing Activities		
Short-term investments redeemed - net	-	58,845
Discontinued operations	390,731	169,219
Acquisition of equipment	(731)	-
Acquisition of mineral properties	(101,284)	-
Proceeds on sale of interest in mineral properties	48,740	-
	337,456	228,064
Financing Activities		
Issue of common shares	250,000	305,000
Share issuance costs	(2,421)	(5,000)
Due from (repayments to) related parties - net	(43,723)	15,000
	203,856	315,000
Increase (Decrease) In Cash	81,320	(17,052)
Cash, Beginning Of Year	1,733	18,785
Cash, End Of Year	\$ 83,053	\$ 1,733
Disclosure Of Supplementary Cash Flow And Non-Cash Investing and Financing Information		
Interest paid	\$ 3,330	\$ 7,800
Income taxes paid	\$ -	\$ -
Debt settled with asset held for sale	\$ 8,000	\$ -

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

NUBIAN RESOURCES LTD.
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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED JULY 31, 2011 AND 2010

	SHARE CAPITAL		CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	NUMBER	AMOUNT			
Balance, July 31, 2009	5,942,773	\$ 12,872,324	\$ 1,770,480	\$ (12,550,851)	\$ 2,091,953
Private placements	610,000	305,000	-	-	305,000
Share issuance costs	-	(5,000)	-	-	(5,000)
Stock-based compensation	-	-	39,177	-	39,177
Net loss for the year	-	-	-	(1,171,961)	(1,171,961)
Balance, July 31, 2010	6,552,773	13,172,324	1,809,657	(13,722,812)	1,259,169
Private placements	625,000	250,000	-	-	250,000
Share issuance costs	-	(2,421)	-	-	(2,421)
Stock-based compensation	-	-	60,040	-	60,040
Net loss for the year	-	-	-	(471,714)	(471,714)
Balance, July 31, 2011	7,177,773	\$ 13,419,903	\$ 1,869,697	\$ (14,194,526)	\$ 1,095,074

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

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nubian Resources Ltd. (the "Company") is listed on the TSX Venture Exchange under the symbol "NBR". The principal business is the exploration of mineral properties and it is considered to be an exploration company. The Company was incorporated on October 28, 2004 pursuant to the Business Corporations Act (British Columbia). On May 2, 2007, the Company became a public company listed on the Toronto Stock Venture Exchange (the "TSX.V"). In February 2011, the Company changed its name from ICS Copper Systems Ltd. to Nubian Resources Ltd. and consolidated its share capital, options and warrants on a five to one basis. These financial statements reflect this share consolidation.

The Company was engaged in the business of mineral exploration in Zambia and the Democratic Republic of Congo ("DRC"), Africa to locate and develop economically recoverable mineral reserves. The Company substantially discontinued operations in Africa during the 2010 year-end and is in the process of starting mineral exploration in the United States of America ("USA"). (Notes 4 and 5)

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The recoverability of amounts shown for mineral properties and related capitalized costs are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The Company does not have a sustainable source of revenue and is dependent on investor financing for its exploration programs.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception of \$14,194,526 and the Company will need additional funds to continue to explore and, if exploration is successful, to develop its properties. As at July 31, 2011, the Company has not generated a continuing revenue stream. These factors create substantial doubt as to the ability of the Company to continue as a going concern unless sufficient funds are raised for ongoing operations. The Company intends to raise funds by future equity and/or debt financings which may not be available or may not be available on reasonable terms. These financial statements do not include adjustments that would be necessary should it be determined that the Company may be unable to continue as a going concern.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian GAAP as prescribed by The Canadian Institute of Chartered Accountants ("CICA") and have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiary, ICS Copper Systems Zambia Limited. Significant inter-company balances and transactions have been eliminated on consolidation.

b) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, the recoverability of mineral property carrying values, the estimated useful lives of equipment, determination as to whether costs are expensed or capitalized, asset retirement obligations, determination of fair values for stock based compensation, accrued liabilities and future income taxes. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates.

c) Measurement Uncertainty

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated mineral prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments

CICA Handbook Section 3861, "Financial Instrument – Disclosure and Presentation", has been replaced by CICA Handbook Section 3862, "Financial Instruments – Disclosure" and Section 3863 – "Financial Instruments – Presentation". These standards require entities to disclose quantitative and qualitative information that enables users to evaluate the significance of financial instruments for the Company's financial performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date. In addition, the Company is required to disclose management's objectives, policies and procedures for managing these risks.

The Company classifies its financial assets as either held-for-trading, available-for-sale, held-to-maturity, or loans and receivables. Financial liabilities are classified as either held-for-trading, or other.

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimate future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available, or where not available, inputs generated by the Company. Changes in fair value of held-for-trading financial instruments recorded in operations.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in operations. Investment in equity instruments that do not have an active quoted market price are measured at cost.

Receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

The fair values of the Company's available-for-sale financial assets and liabilities, such as investments, approximate their carrying values as the investment are carried at fair values with gains and losses of a temporary nature recorded in other comprehensive loss.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Comprehensive Income

Handbook Section 1530 establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. Comprehensive income includes net earnings and other comprehensive income. Other comprehensive income includes holding gains on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to the translating financial statements of self-sustaining foreign operations. As there were no other comprehensive income items, comprehensive income for the period was equal to the net income for the period. As at July 31, 2011 and 2010 the Company had no comprehensive income.

f) Foreign Currency Translation

The Company's reporting currency is the Canadian dollar. Transactions in foreign currencies have been translated into Canadian dollars using the temporal method as follows:

- i) Monetary items at the rate prevailing at the balance sheet date;
- ii) Non-monetary items at the historical exchange rate;
- iii) Revenues and expenses at the average rate in effect during the applicable accounting period; and
- iv) Gains or losses arising on foreign currency translation are included in the statements of operations and deficit.

g) Cash

Cash consists of cash on hand and cash held in interest bearing Company bank accounts and accrued interest. Cash is recorded at fair value and changes in fair value are reflected in the consolidated financial statements.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded when equipment is put in use over the estimated useful life using the following methods and rates:

<u>CLASSIFICATION</u>	<u>METHOD</u>	<u>RATE</u>
Office equipment	Declining balance	20% to 45%

i) Mineral Properties

Mineral properties comprise acquisition costs including option payments to maintain mineral property titles in good standing and exploration costs directly incurred on the properties. The Company records its interest in mineral properties and related expenditures at cost or at an ascribed amount if the consideration is common shares, less option payments received. From time to time, the Company may acquire or sell property interests pursuant to the terms of option agreements. As options are exercisable entirely at the discretion of the optionee, the related amounts are recorded only upon payment or receipt. Recorded amounts are capitalized until the properties are sold, abandoned or brought into production. Option income receipts on subcontracted properties reduce capitalized exploration costs, and amounts in excess of capitalized costs are recorded as income. Capitalized costs related to sold or abandoned properties are written off in the period of sale or abandonment. Capitalized costs related to producing properties are amortized to production on the unit-of-production method, based upon estimated production capacity. Property investigation costs related to prospective acquisitions are expensed as incurred.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of permits and the potential for problems arising from government conveyance accuracy, prior unregistered agreements or transfers, indigenous land claims, confirmation of physical boundaries, and title may be affected by undetected defects. The Company does not carry title insurance. The Company has evaluated title to all of its resource properties and believes, to the best of its knowledge, that evidence of title is adequate and acceptable given the current stage of exploration.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Impairment of Long-Lived Assets

Long-lived assets include mineral properties. The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition is less than its carrying amount.

A mining enterprise in the exploration stage is not obliged to conclude that capitalized costs have been impaired due to the absence of a projected estimated future net cash flow from the mining enterprise. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist. However, a mining enterprise is required to consider the conditions for impairment write-down. The conditions include unfavourable exploration results and significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, the capitalized costs are written down to the estimated recoverable amount.

Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on the nature and amount of recent exploration amounts expensed, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded. Although management believes that estimates applied in these impairment assessments are reasonable, such estimates are subject to significant uncertainties and judgments.

k) Asset Retirement Obligations

The Company applies CICA accounting standard 3110 – "Asset Retirement Obligations" to account for legal obligations to reclaim and remediate the mineral properties. Under the standard, the estimated fair value of the obligations are recognized in the period the net present values of the cash flows required to settle the future obligations are determinable. A corresponding amount is capitalized to the related asset and asset retirement obligations are subject to accretion over time for increases in the fair value of the liabilities.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised. As at July 31, 2011, the Company had determined that there were no legal obligations for reclamation and remediation costs.

NUBIAN RESOURCES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Income Taxes

Income taxes are calculated using the asset and liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities at substantially enacted income tax rates. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are provided when unrecognized net future income tax assets are not more likely than not to be realized.

m) Share Capital

- i) Share consideration - Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.
- ii) Stock based compensation - The Company measures the cost of the service received for all stock options made to consultants, employees and directors based on an estimate of fair value at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date, and expensed as services are rendered. Stock based compensation is recognized as expense or, if applicable, capitalized to mineral property costs with a corresponding increase in contributed surplus. On exercise of the stock option, consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.
- iii) Share issuance costs – Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Loss Per Share

Loss per share is calculated based on the weighted average number of shares outstanding. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and other similar instruments. Under this method, the dilutive effect on earnings per share is calculated to reflect on the use of the proceeds that could be obtained upon the exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic and diluted losses per share are equal as the assumed conversion of outstanding options and warrants would be anti-dilutive.

o) Hedges

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships and the adoption of this accounting policy did not have an impact on the financial statements of the Company.

p) Accounting Changes

The standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

q) Going Concern

This standard requires management to assess and disclose an entity's ability to continue as a going concern as set out in the amended CICA Handbook Section 1400.

r) Assets Held For Sale

Assets classified as held for sale, in accordance with Section 3475 of the CICA Handbook, are those that their carrying amount will be recovered through a sale transaction rather than through continuing use, and expected to be sold within a twelve month period and there is no longer intent to hold for future use. Assets held for sale are valued at the lower of cost and fair value less cost of disposal.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Capital Disclosures

This standard requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital as set out in the new CICA Handbook Section 1535, Capital Disclosures.

The required disclosures of this section are in Note 8.

t) New Accounting Pronouncements Not Yet Adopted

i) Business Combinations, Consolidated Financial Statements and Non-controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date.

It provides the Canadian equivalent to IFRS 3, "Business Combinations" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) New Accounting Pronouncements Not Yet Adopted (Continued)

i) Business Combinations, Consolidated Financial Statements and Non-controlling Interest (Continued)

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

ii) International Financial Reporting Standards

In 2006, the Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that fiscal 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The Company will adopt these standards on August 1, 2011. The Company has begun, but not completed, its assessment of the adoption of IFRS for fiscal 2012.

u) Comparative Figures

Certain comparative figures have been reclassified in order to conform to the current year's financial statement presentation.

3. EQUIPMENT

	2011		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Office equipment	\$ 18,073	\$ 12,593	\$ 5,480
	2010		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Office equipment	\$ 28,450	\$ 20,470	\$ 7,980

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES

	JULY 31	
	2011	2010
Balance, Beginning of year	\$ -	\$ -
Excelsior Springs, Nevada		
Lease payments	33,179	-
BLM and State Claim fees	9,723	-
Consulting fees	18,435	-
Travel	2,885	-
Sampling and assaying	21,086	-
Sale of 70% option, net of finder's fee	(46,300)	-
	39,008	-
Sedex Worthing Canyon, Idaho		
Lease payments	4,811	-
Additional claim staking	12,039	-
	16,850	-
Other US properties	1,266	-
Balance, end of year	\$ 57,124	\$ -

All of these properties were purchased in October 2011.

a) Excelsior Springs Property, Esmeralda County, Nevada

Effective August 29, 2010, the Company signed a lease agreement with Timber Wolf Minerals Ltd. to acquire lease rights over 100% of the Excelsior Springs gold property. Under the agreement, the Company will pay for all government fees, and make lease payments to the lessor of USD \$20,000 in year 1, USD \$25,000 in year 2, and USD \$30,000 in year 3 and each successive year for the length of the lease to Timber Wolf Minerals Ltd., and assume responsibility to pay \$12,000 per annum pursuant to the lease on two patented claims within the Excelsior property. Furthermore, a 1% Net Smelter Royalty (NSR) will be payable, to Timber Wolf Minerals Ltd. and a 2% NSR will be payable on the patented claims, upon gold production. The 1% NSR obligation can be bought out for USD \$300,000 on or before August 30, 2015.

On March 28, 2011, the Company sold an option to earn a 70% interest in the property to a wholly-owned subsidiary of Global Geoscience Ltd. (Global), a public company listed on the Australian Securities Exchange.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES (Continued)

a) Excelsior Springs Property, Esmeralda County, Nevada (Continued)

To earn the 70% interest Global will be required to assume the responsibilities for the underlying lease agreements and pay the Company USD \$100,000 cash and spend USD \$3,000,000 on exploration over four years. Global will solely fund and manage all exploration and property related costs on the property during the option phase. The Company received USD \$50,000 upon signing and will receive a further USD \$50,000 once Global exercises its option interest in the property within the four year period. A finder's fee of 5% is payable to a unrelated third party on the receipt of option payments, and upon certified exploration costs carried out by Global under the option agreement. The minimum exploration expenditure commitment required in the first year is USD \$150,000 and assuming results are satisfactory an additional amount of USD \$350,000 must be spent on exploration by July 31, 2012, a further USD \$500,000 December 31, 2013, and a further USD \$2,000,000 by December 31, 2014. (See Note 4(c))

b) Worthing Canyon (Sedex) Property, Lemhi County, Idaho

On June 30, 2011, the Company signed a lease agreement with Timber Wolf Minerals Ltd. to acquire a 100% interest in the Worthing Canyon (Sedex) lead-zinc-silver prospect area. The Company paid the lessor an upfront payment of USD \$5,000 upon signature of the contract and will pay the lessor as follows:

- i) USD \$10,000 on or before the first anniversary date, start of year two.
- ii) USD \$10,000 on or before the second anniversary date, start of year 3, and each successive year thereafter, for as long as the Company maintains this Agreement in good standing.
- iii) From the start of production onward, the Company shall pay the lessor USD \$30,000 or a one percent (1%) NSR, whichever is greater. Each such payment shall be made on or before the successive anniversary of the execution of this lease. Royalty payments shall be made quarterly of each year. The Company may purchase the NSR, on or before the start of year 6 of this agreement for a final one-time buyout payment of USD \$2,000,000 exclusive of all prior payments.

The Company has staked 14 additional mining claims, bringing the total holdings to 18 contiguous claims (approximately 372 acres). (See Note 4(c))

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES (Continued)

c) Subsequent Purchase of Excelsior Springs, Worthing Canyon and Other Properties

On October 31, 2011, the Company purchased 217 unpatented mining claims on nine properties in Nevada, Idaho, Montana and New Mexico, USA for total consideration of USD \$260,000 of which USD \$100,000 was paid on closing, and the balance is payable in monthly instalments over 36 months, including interest at 2.5% per annum. These properties include the Excelsior Springs and Worthing Canyon properties. To fund the closing costs, the Company has issued convertible notes totalling \$130,000 to its directors and officers. The notes will have a term of two years, bear interest at 10% per annum compounded and payable annually, and be convertible at the option of the holder into common shares at a price of \$0.18 per share.

5. DISCONTINUED OPERATIONS

Pursuant to CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations", the financial statements of the Company have been reclassified to reflect discontinued operations of the Company's mineral interests in Zambia and the Democratic Republic of Congo ("DRC"). Accordingly, assets, liabilities, net loss and cash flows of discontinued operations have been segregated in the Consolidated Balance Sheets, the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. The net assets, net operating results and net cash flows have been reported as "discontinued operations".

Zambia

During the fiscal year ended July 31, 2009, the Company exercised its right to terminate the Mokambo property agreement because the deposit was determined to be uneconomic. As a result, the Company determined its mining equipment would not be used and was actively locating a buyer for the equipment during the fiscal year. The Company entered into an agreement to sell the mining equipment on September 21, 2010 for USD \$1,500,000. As at July 31, 2010, the Company has classified the mining equipment and its Luapula Zambian property as an asset held for sale on the consolidated balance sheet. As at July 31, 2011, there was \$1,109,269 (USD \$1,163,000) outstanding on the proceeds receivable. As of July 31, 2011 the Company has written off all its properties in Zambia, due to political uncertainty.

Democratic Republic of Congo ("DRC")

As of July 31, 2010, the Company wrote off its mineral property interests in the DRC.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

5. DISCONTINUED OPERATIONS (Continued)

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

CONSOLIDATED BALANCE SHEETS

	JULY 31	
	2011	2010
ASSETS HELD FOR SALE		
Proceeds receivable	\$ 1,109,269	\$ -
Mining equipment	-	1,500,000
Office equipment	-	-
Vehicles	-	11,000
Mineral properties	-	32,135
	<u>\$ 1,109,269</u>	<u>\$ 1,543,135</u>

LIABILITIES HELD FOR SALE

Current		
Accounts payable and accrued liabilities	\$ 39,281	\$ 157,820

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

	JULY 31	
	2011	2010
Expenses		
Foreign currency exchange loss	\$ 56,063	\$ 1,036
Zambian operating expenses	7,748	49,271
	<u>(63,811)</u>	<u>(50,307)</u>
Loss Before Other Income (Expenses)		
Other Income (Expenses)		
Gain on settlement of debt	56,078	70,097
Income (loss) on disposal of assets	1,355	(73,711)
Equipment impairment	(3,826)	(696,410)
Write-down of mineral property interests	(38,426)	(106,407)
	<u>15,181</u>	<u>(806,431)</u>
Loss From Discontinued Operations	<u>\$ (48,630)</u>	<u>\$ (856,738)</u>

**NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

5. DISCONTINUED OPERATIONS (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	JULY 31	
	2011	2010
Cash Flows (Used in) Provided By Operating Activities	\$ (123,208)	\$ (178,299)
Cash Flows Provided By Investing Activities	390,731	169,219
Net Cash Flows Provided By (Used in) Discontinued Operations	\$ 267,523	\$ (9,080)

6. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements are disclosed below.

The Company had the following amounts due to related parties as of July 31, 2011 and 2010, and incurred the following transactions with related parties during the years then ended:

- a) Paid management and consulting fees to directors and officers of the Company in the amount of \$64,875 (2010 - \$63,675).
- b) Reimbursed vehicle lease and operating costs of a former director and officer of the Company in the amount of \$1,487 (2010 - \$2,300).
- c) In 2006, the Company acquired mining equipment from a company controlled by a former 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. As at July 31, 2010, the balance of the loan was \$100,000, net of an \$80,000 amount that was forgiven in the year ended July 31, 2010. During the year ended July 31, 2011, the Company received a further advance of \$24,500 from the former officer and director and repaid a total of \$68,223. Accordingly the balance owing to the related company as of July 31, 2011 was \$56,277 (2010 - \$100,000). Interest paid on the loan amounted to \$3,330 (2010 - \$7,800).
- d) During the year ended July 31, 2011, the Company received and repaid advances from directors of the Company in the amount of \$25,000 (2010 - \$70,000). The advances were unsecured, non-interest bearing and had no fixed terms of repayment.
- e) At July 31, 2011, the Company has unpaid accrued salary and management fees to directors in the amount of \$23,000 (2010 - \$4,847). Of this balance, \$10,000 was paid out on August 31, 2011, and the balance on October 31, 2011.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

6. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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.

7. 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

On October 8, 2009 the Company closed a non-brokered private placement of 200,000 units at \$0.50 per unit for gross proceeds of \$100,000. Each unit consisted of one common share and one transferable share purchase warrant entitling the holder to purchase one share for a period of three years at a price of \$0.60 to \$1.00 per share.

On October 28, 2009 the Company closed a private placement of 210,000 units at \$0.50 per unit for gross proceeds of \$100,000. Each unit consisted of one common share and one transferable share purchase warrant entitling the holder to purchase one share for a period of three years at a price of \$0.60 to \$1.00 per share. A financing fee of \$5,000 was paid in connection with this private placement.

On December 1, 2009 the Company closed a non-brokered private placement of 200,000 units at \$0.50 per unit for gross proceeds of \$100,000. Each unit consisted of one common share and one transferable share purchase warrant entitling the holder to purchase one share for a period of three years at a price of \$0.60 to \$1.00 per share.

On December 6, 2010 the Company closed a non-brokered private placement of 625,000 units at \$0.40 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 three years at a price of \$0.50 to \$0.75 per share. The warrants are subject to accelerated expiry if common shares trade at or above \$1.00 in any 20 consecutive trading day periods ending after the date that is four months and a day after the closing.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

c) Share Purchase Warrants

A summary of the changes in warrants to acquire an equivalent number of shares for the years ended July 31, 2011 and 2010 was as follows:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance July 31, 2009	550,000	\$ 2.50
Granted	610,000	0.80
Expired	(550,000)	2.50
	<hr/>	
Balance July 31, 2010	610,000	0.80
Granted	625,000	0.63
	<hr/>	
Balance July 31, 2011	1,235,000	\$ 0.71

The Company had outstanding share purchase warrants as at July 31, 2011 as follows:

NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATE
200,000	\$ 0.60 - \$ 1.00	October 8, 2012
210,000	\$ 0.60 - \$ 1.00	October 28, 2012
200,000	\$ 0.60 - \$ 1.00	December 1, 2012
625,000	\$ 0.50 - \$ 0.75	December 8, 2013
<hr/> 1,235,000 <hr/>		

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.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

A summary of the changes in stock options to acquire an equivalent number of shares for the years ended July 31, 2011 and 2010 was as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, July 31, 2009	480,000	\$ 0.50
Expired	(225,000)	\$ 0.50
Granted	75,000	\$ 0.50
Balance, July 31, 2010	330,000	\$ 0.50
Expired	(20,000)	\$ 0.50
Granted	220,000	\$ 0.50
Balance, July 31, 2011	530,000	\$ 0.50

On January 6, 2010, 75,000 stock options were issued to a director. These options have a 10 year life and were fully vested on issuance.

On August 27, 2010, 50,000 stock options were issued to a new director and a further 170,000 stock options were issued to existing directors and officers. These options have a 10 year life and were fully vested on issuance.

Subsequent to July 31, 2011, on August 4, 2011, 50,000 stock options, with an exercise price of \$0.50 were issued to a new director. These options have a 10 year life and were fully vested on issuance.

The Company had outstanding stock options as of July 31, 2011 as follows:

NUMBER OF OPTIONS	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
130,000	130,000	\$ 0.50	May 8, 2012
105,000	105,000	\$ 0.50	May 20, 2014
75,000	75,000	\$ 0.50	January 6, 2015
220,000	220,000	\$ 0.50	August 27, 2020
530,000	530,000		

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

As of July 31, 2011 the weighted average remaining contractual life of the options was 5.0 years (2010 – 3.1 years).

Stock based compensation in the amount of \$60,040 (2010 - \$39,177) 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 – \$0.50 (2010 - \$0.50); Expected Life - Ten Years; Volatility 230% – (2010 - 228%); Risk-Free Interest Rate – 2.9%(2010 – 2.8%); and Dividend Yield – \$Nil (2010 - \$Nil).

8. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in the USA and dispose of its holdings in Africa. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company defines capital that it manages as share capital, and cash and cash equivalents.

In the past, the Company has been successful in raising funds through the issuance of share capital. It is uncertain, however, how successful the Company will be in raising more funds in the current difficult market conditions. The Company currently has insufficient funds for its operational activities and will require equity financing, joint ventures or other forms of financing in order to fund continued exploration activities and administrative overhead costs for the coming year.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

As at July 31, 2011, the classification of the financial instruments, and as their carrying values and fair values, are shown in the table below:

	LEVEL	HELD FOR TRADING	LOANS AND RECEIVABLES/ AMORTIZED COST	FAIR VALUE/ AMORTIZED COST
Financial assets				
Cash	1	\$ 83,053	\$ -	\$ 83,053
Proceeds receivable	2	-	1,109,269	1,109,269
		\$ 83,053	\$ 1,109,269	\$ 1,192,322
Financial liabilities				
Accounts payable and accrued liabilities	3	\$ -	\$ 71,418	\$ 71,418
Accounts payable and accrued liabilities on assets held for sale	3	-	39,281	39,281
Accounts payable, related parties	3	-	56,277	56,277
		\$ -	\$ 166,976	\$ 166,976

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk, commodity risk and currency risk are considered the most significant.

The carrying values of the Company's accounts payable and accrued liabilities were a reasonable approximation of fair value.

Financial instruments measured at fair value on the balance sheet were made using inputs within the following fair value hierarchy that reflect their significance:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including copper and gold, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

b) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, United States of America, the Democratic Republic of Congo and Zambia and a portion of its expenses are incurred in United States dollars ("USD"). A significant change in the currency exchange rates between the Canadian dollar and the US dollar could have an effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations. At July 31, 2011, the Company was exposed to currency risk through the following assets and liabilities denominated in USD.

	<u>2011</u>	<u>2010</u>
USD		
Cash	\$ 81,314	\$ 10
Proceeds receivable	\$ 1,163,000	\$ -
Accounts payable and accrued liabilities	\$ (36,553)	\$ (45,662)

Based on the above net exposures at July 31, 2011, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the USD would result in an increase/decrease of \$120,776 in the Company's loss from operations.

c) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The difficult market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations (see Notes 1 and 8).

10. INCOME TAXES

a) Future Income Tax Assets

Future income tax assets reflect the net tax effects of the temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's consolidated future income tax assets were as follows:

	2011	2010
Non-capital losses carried forward	\$ 750,000	\$ 608,000
Resource deductions	1,860,000	1,851,000
Equipment	560,000	557,000
Share issue costs	57,000	115,000
	3,227,000	3,131,000
Valuation allowance	(3,227,000)	(3,131,000)
	\$ -	\$ -

The Company has established a valuation allowance against its net unrecognized future income tax assets as the tax benefits were not more likely than not to be realized.

b) Provision For Income Taxes

No provision for current income tax expenses has been recorded as the Company had Canadian losses for income tax purposes. No provision for future income tax recoveries has been recorded as the Company's future profitability was uncertain.

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates of approximately 27% (2010 – 29%) to the net loss for the year due to the following:

	2011	2010
Computed income tax recoveries	\$ (129,000)	\$ (341,000)
Other	(66,000)	(101,000)
Non-deductible expenses	17,000	12,000
Tax benefits not recognized	178,000	430,000
	\$ -	\$ -

NUBIAN RESOURCES LTD.
(formerly ICS Copper Systems Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010
(Expressed in Canadian Dollars)

10. INCOME TAXES (Continued)

The Company has non-capital losses of approximately \$3,654,000 (2010 - \$3,057,000) expiring between 2016 and 2031; Canadian foreign exploration resource deductions of approximately \$7,495,000 (2010 - \$7,438,000) and share issue costs of approximately \$232,000 (2010 - \$461,000) available to reduce taxable income in future years.

11. CONTINGENCY

In 2009, an action was commenced against the Company's Zambian subsidiary in the High Court of Zambia for recovery of debts in the amount of \$318,800 (1,514,281,250 Kwacha) for work performed. The board of directors and management have determined that the claim is without merit. Counsel has been retained to vigorously defend this action. There has been no change in the status of this lawsuit in 2011. The outcome of this claim is not determinable and accordingly no loss provision has been recorded in the financial statements for this contingency.