ICS COPPER SYSTEMS LTD

ANNUAL REPORT

2008

President's Letter

Fellow shareholders,

This year ICS focused on its oxide and sulphide drill programs and encountered significant challenges related to drill penetration, breakdowns, lack of equipment and supplies and other driller personnel issues. The drill penetration rate delays, caused by extremely variable rock conditions ranging from soft talc-rich sections to extremely hard feldspathic quartzite, has resulted in delays in the completion of these drill programs. Other delays related to the completion of the drill programs included late shipment of the drill rig, a significant hold up of the drill rig at port of Dar-Es-Salaam due to incorrect importation paperwork, and the initial inability of the drill rig to access the deeper sulphide zones.

Sulphide Drill Program

In an attempt to confirm the historic mineral estimate and to bring the estimate into a NI 43-101 mineral resource, ICS re-sampled some historic sulphide drill holes and drilled five twin boreholes, of which four were successful. The Company subsequently obtained a NI 43-101 independent inferred Mineral Resource Technical Report on the sulphide mineralization, as completed by Coffey Mining Limited, with the resource being quantified at 14.9MT with a grade of 1.22% total copper which was significantly lower than the historic resource raising doubt as to the continuity of the mineralization zone. This may impact on the Company's decision whether the property warrants further drilling.

Oxide Drill Program

A total of 94 drill holes were completed at an average depth of 300 meters. Several proposed holes were eliminated from the program due to their location being totally within the Upper Roan and Mwashia formation which has proved to be unmineralized on the property. Again Coffey Mining have been asked to provide the company with a NI 43-101 report but this has been delayed for several months due to a lack of referee or umpire samples being available. Samples have accordingly been submitted to a laboratory in Johannesburg with certified reference material (standard samples) for Copperbelt material. We are advised by Coffey Mining that they expect to be able to provide ICS with an Inferred Oxide Technical Resource Estimate before the end of November 2008.

EIA Report

A 6 month Environmental Impact Assessment has been approved by the Environmental Council of Zambia (ECZ) and a new Environmental Preliminary Brief (EPB) to custom process third party ore through the EMEW copper processing plant has been completed and approved.

EMEW Copper Processing Plant

The EMEW processing plant is 95% complete and will be able to produce approx 500 tonnes per annum of copper and 100 tonnes of cobalt. The plant includes an ore receiving area, a small jaw crusher, sulphuric acid storage and mixing facility, a heap (bag) leach facility, a PLS pond, a raffinate pond as well as a settling pond. The EMEW plant building complete with a certified 2 ton travelling crane has been constructed and Electrometals personnel have assembled the 270 EMEW cells which comprise the EMEW plant. ICS is currently waiting on the installation of approx 4.2km of 3 phase power supply from the Zambian grid which may be completed early in the new year. The 1050kva generator will not be used to provide power as part of the company's initiatives to reduce costs to enable the company to produce copper at lower prices. Other initiatives include using a highly acidic spent electrolyte from Mufulira Mine at a minimal cost rather than using pure sulphuric acid. The company remains confident that it will be able to produce copper profitably and lessen the effects of the current world financial crisis.

During the course of the year the company appointed Robert Stewart to the Board of Directors and was pleased to announce the Appointment of Mr. Richard Molyneux to the position of Chairman of the Board of Directors. The Company wishes to express its gratitude to the outgoing Chairman, Mr. Mel Smale who, at 80 years of age, has served the company admirably over the last year. ICS would like to thank its employees, consultants, and shareholders for their support of the company during the last year.

"Graham Chisholm"

Graham Chisholm, President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion of the operating results and financial position of the Company should be read in conjunction with the audited consolidated financial statements and related notes for the year ended July 31, 2008.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future exploration activities and events or developments that the Company expects are forward-looking statements.

Forward-looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects" ,"should" , "anticipates", or "intends" or by discussions of strategy or intentions. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, and continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

OVERALL PERFORMANCE

The Company is engaged in the business of mineral exploration in Africa and its objective is to locate and develop economic mineral properties. The Company was inactive from incorporation until mid-2006, when it commenced operations. On August 7, 2006 the Company entered into the Mokambo Option Agreement with North Western Plant Hire Limited whereby the Company was granted an option to acquire an 80% right, title and interest in the Mokambo Property located in Zambia. On September 6, 2006 the Company entered into an option agreement with Miniere de Musoshi & Kinsenda whereby the Company was granted an option to acquire a 76% interest in the Musoshi Tailings Project located in the Democratic Republic of Congo ("DRC"), and on September 7, 2006 the Company entered into an option agreement with Exacom Ltd. whereby the Company was granted an option to acquire a 73.5% interest in 5 mining concessions located in the DRC.

To fund its exploration activities and to provide working capital the Company has relied on the sale of Common shares from treasury. The funds raised are primarily being used to carry out additional exploration on the Mokambo Property.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

OVERVIEW OF PROJECTS, **Prepared by David Makepeace, M.Eng., Technical Director and "Qualified Person" of the Company**

MOKAMBO PROJECT - ZAMBIA

The Mokambo property is a 403 hectare mining concession that is located at the Zambian-DRC border and is approximately 12 kilometers from the major town of Mufulira. It is an advanced stage exploration project and is ICS Copper Systems Ltd.'s flagship property. It has a historic sulphide copper mineral resource and an undefined oxide copper resource. The initial National Instrument 43-101 Technical Report recommended that the oxide mineralization be defined through an extensive shallow diamond drill hole program.

2007/08 Oxide Cap Drill Program

A series of 18 drill roads were cleared, perpendicular to the strike of the Lower Roan / Basement contact. The average length of each drill road was approximately 300 meters that accommodates 6 equally spaced drill holes, dipping at -45° toward the DRC border. A few holes had to be steepened so that they did not enter the DRC. Each drill hole was designed to slightly overlap each other to cover all possible dipping mineralized zones in the Lower and Upper Roan series formations. A connector road was cleared over most of the length of the concession to gain access to each drill road.

The drill has completed all 94 drill holes as on July 31, 2008. Several proposed holes were eliminated from the program due to their location within the garden dambo at the east end of the concession. Other proposed holes were eliminated due to their location being totally within the Upper Roan and Mwashia formation, which has proved to be unmineralized on the property.

The oxide drill program took longer to complete due to penetration rate of the drill, breakdowns, lack of equipment and supplies and other driller personnel issues. The penetration rate delays are caused by extremely variable rock conditions encountered by the drill. The hardness ranges from soft talc-rich sections to medium hard dolomites to extremely hard feldspathic quartzite. High hydraulic head water conditions have been encountered which have also attributed to the slow penetration rate.

Several of the holes have intersected oxide and transitional copper sections. The oxide mineralization is malachite. The transitional material is composed of disseminated chalcocite and bornite with malachite fracture filling and minor chalcopyrite blebs.

The samples are cut into half by using a diamond saw machine. The one half is kept in the core box while the other half is quartered. One quarter is sent for 25 element ICP analysis while the other quarter is retained for future analytical and metallurgical testing. A permission letter from the Ministry of Mines in Lusaka is required to ship any rock samples outside the country. The samples are being sent via DHL Couriers to SGS labs in South Africa. The turnaround time for the results to be obtained has been very slow (up to 2 to 3 month) due to a worldwide laboratory overload from the exploration and mining industry. Measures have been put in place by the lab to improve the turnaround time.

A series of samples from across the drill program were sent to Alfred Knight Labs in Kitwe as a check on the primary lab. This is required under NI 43-101 guidelines. Alfred Knight can only assay for total copper, acid soluble copper and total cobalt. The variation in the lab results were within acceptable limits.

2008 Historic Sulphide Program

Twin Drilling of Historic Holes

A series of 5 drill holes were completed that twin historic sulphide drill holes that are key holes in the original historic estimates described in the initial NI 43-101 Technical Report on the property. Each new hole was off-set from its historic hole between 2 to 5 meters and drilled at the same bearing and dip of the historic hole. All samples were logged and sampled as closely as possible to the original lithology contacts. Additional mineralized intervals were also sampled. The samples were sent to Alfred Knight Labs in Kitwe for analysis of total copper, acid soluble copper and total cobalt so that they could be compared with the historic assay results. The majority of the variations of the assay results between the original and twinned holes were within acceptable limits although the variance was high in total copper in some holes.

Re-sampling of Historic Holes

Four of the historic sulphide holes that were twinned were stored in the Chamber of Mines core storage facility, at Kalalushi. The Company was given permission to re-log and to cut and sample the exact intervals from these four holes. The samples were sent to Alfred Knight Labs in Kitwe for analysis of total copper, acid soluble copper and total cobalt so that they could be compared with the historic assay results. The variations of the results between the original assays and the re-sampled assays were within acceptable limits. This demonstrates that the original assays can be relied on as part of any mineral resource calculation.

Both of these programs were necessary to convert the historic sulphide estimate into a mineral resource with respect to NI 43-101. Coffey Mining has been retained to undertake a mineral resource Technical Report to estimate the sulphide and oxide mineralization and has confirmed a NI 43-101 inferred sulphide mineral resource estimate of 14.9 million tonnes at 1.22% copper. Coffey Mining has advised that the oxide mineral resource estimate will be completed by the end of November 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Infrastructure

The 1975 exploration shaft is 125 meters deep and is three quarters filled with water. It has been covered with a steel plate and the head frame has been rehabilitated for safety reasons. A submersible pump has been installed in the shaft to supply the water requirements for the operation. Water storage in the refurbished air reservoir provides adequate hydraulic head for the water needs at the shaft area and the newly constructed compound. A 100 kW diesel generator and variable phantom-load resistor bank, supply the necessary electrical power to supply the present needs of the shaft area.

The temporary offices of the company are located in Mufulira at the Director's house while a permanent set of offices are being completed at the compound on the concession. Although the offices are virtually complete, they require electrical and domestic water hookup. The compound is presently approximately 40,000 m2 which is fenced and secure. This large compound area will not only house the offices but the EMEW processing plant and auxiliary infrastructure (an ore receiving area, sulphuric acid storage and mixing facility, the heap (bag) leach facility, a PLS pond, a raffinate pond, a bag neutralization area and settling pond. These facilities have all been designed and are in various stages of completion. The compound's location is well away from future mining activities but is ideally located for the future full production processing plant. The EMEW building is virtually complete. A certified 2 ton travelling crane is complete. Electrometals personnel have assembled the 270 cell EMEW plant. They will be brought back for final assembly and commissioning once there is pregnant leach solution (PLS) available. One of the PLS ponds is complete and the second pond is 85% complete. The leaching area has been compacted and contoured but requires an impermeable membrane. The crusher foundations are complete. The acid storage tanks have arrived and their foundations excavated.

Modifications to the EMEW pad have necessitated a new acid-proofing layer be applied to the pad once the cells are in place. The EMEW plant will be used initially for custom processing of ores from Zambia, in order to create a quick cash flow.

The road network that was stabilized last year has required virtually no maintenance and is in excellent shape throughout the property.

Power

As an interim power solution a 1050 KVA diesel generator has been purchased from Harrington International in the UK and is now on site . This containerized generator will supply all the electrical requirements to run the EMEW plant and the compound. The 100kW generator will be moved down to the compound and housed with the 1050 KVA. The 100KVA generator will be run when the EMEW plant is not running.

Discussions with Zesco (Zambian Electrical Company) and CEC (Copperbelt Energy Corporation) are ongoing to provide a dedicated transmission line to the property.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Environment

The Environmental Impact Assessment has finally been approved by the Environmental Council of Zambia (ECZ). A new Environmental Preliminary Brief (EPB) to custom process ore through the EMEW plant has been completed and approved. Environmental monitoring has already been initiated and will continue throughout the life of the project. A series of water monitoring wells will be established around the processing plant and its auxiliary infrastructure to check the quality and pH of the groundwater. These wells will be able to identify failures in the acid proofing membranes in the different processing circuits and assist in mitigating negative environmental impacts from occurring.

Employment

The Company has 46 direct employees and approximately an additional 10 indirect employees.

Recent Developments on Mokambo Project

Due to the world financial crisis and the recent significant decrease in copper prices, the Board has elected to temporarily suspend the Mokambo project operations until conditions change. Twenty four hour security at the property compound and the newly acquired Murundu office/residence will be maintained throughout the suspension period and a small skeleton crew will be available for administration purposes.

Sebembere Mine

The Company has not gone ahead with optioning the Sebembere Mine. This is subsequent to a geological review of the potential ore-body indicating a less than favourable outlook for mineral potential.

DEMOCRATIC REPUBLIC OF CONGO

The Company has an advanced stage property being the Musoshi Tailings and several grassroots properties in the Democratic Republic of Congo (DRC).

Musoshi Tailings Project

The Musoshi Tailings project is approximately 5 kilometers west of the Kasumbalesa, DRC border crossing. This large tailings pond is a result of the rejected material of the Musoshi concentrator which handled ore from the Musoshi and Kinsenda Mines.

The property continues to be on hold due to a dispute of ownership of the tailings between Sodomico (DRC state-owned company) and MMK, (a subsidiary company of Copper Resources Corporation in which Sodomico also holds a small equity position.

In either scenario, ICS would acquire 78 % interest in the tailings project. ICS has not been given permission to undertake the necessary NI 43-101 Technical Report until this dispute is resolved between the two parties. It is proving difficult for both ICS and Copper Resources Corporation to get clarification on the matter from the Congolese Ministry of Mines. Accordingly, the Company has written off the monetary investment in this project but continues to await a decision by the Ministry of Mines as to ownership.

Sakania Gold Project

A joint venture agreement has been completed with A & Cladava to develop the "Sakania Gold" project. The project consists of 2 small (30 km^2 each) concessions (PR 599 and PR 600) which are side by side and located in the eastern end of the DRC pedicle, near the village of Kipushia. These two historic mineral areas (Changulube and Kasamwa) have been worked by artisan miners intermittently for decades. Reports of gold, copper and cobalt have been documented. A limited reconnaissance of the concessions was completed late in 2007. A more comprehensive exploration program including a NI 43-101 Technical Report is planned for 2009.

ICX-EMIX Project

Exacom Ltd., a DRC private company has joint ventured with the Company to explore and to develop the Bayombwe property north of the town of Kolwesi. Initial reconnaissance and early stage trenching of the Bayombwe concession (PR 7248) has identified limited potential for copper, cobalt and tantalum. Further work on this concession will be re-evaluated next year. Under the initial agreement ICS had the right to prospect on 4 other properties namely Kabalo, Kaniama, Bukama and Lubudi but has decided not to do so due to their extreme remoteness, absence of data, maps and recorded mineral occurrences.

Karukuruku Concession

The Company has signed a Joint Venture Agreement with Cooperative Miniere Maadini Kwa Kilimo to develop the Karukuruku concession which is located near Kipushi, Katanga Province, DRC. The Arrete Ministeriel is #383 CAB.MIN/Mines/01/04 of 19/06/04. The Company can earn 70% of the equity in the property, under the agreement. No work has been done on this concession yet. A visit to the site in June of this year revealed that there is extensive visible malachite on the surface of the property and there is very high grade cobalt from an artisanal pit. There are 4 or 5 large pits on the property dug by artisanal miners.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

SELECTED ANNUAL INFORMATION

The Company was incorporated on October 28, 2004 and commenced operations on or about May 1, 2006. The Company was a private company until May 2, 2007.

The following table provides a brief summary of the Company's financial operations for the fiscal years ended July 31 and should be read in conjunction with the Company's audited consolidated financial statements for the most recently completed financial year:

	2008		2007		2006	
Sales	$	-	$	-	$	-
Net Loss from operations	$	(890,039)	$	(2,161,409)	$	(180,781)
Net loss per share (basic and fully diluted)	$	(0.03)	$	(0.15)	$	(0.07)
Total Assets	$	11,651,401	$	11,717,638	$	1,042,082
Long Term Financial Liabilities	$	-	$	-	$	-
Cash Dividends per share	$	-	$	-	$	-

RESULTS OF ANNUAL OPERATIONS

During the year ended July 31, 2008, the Company had interest income of $175,401 and the Company's net loss from operations was $890,039. The loss included significant expenditures as follows: investors' relations and promotion expenses of $197,747; travel and accommodation expenses of $79,349; management fees of $180,625; salaries and employee benefits of $137,187; stock-based compensation of $94,292; professional fees of $80,043; a foreign currency exchange loss of $66,907, and a write-down of mineral property interests of $83,474.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

SUMMARY OF QUARTERLY RESULTS

	Quarter ended July 31, 2008	Quarter ended April 30, 2008	Quarter ended January 31, 2008	Quarter ended October 31, 2007
Sales	$ N/A	$ N/A	$ N/A	$ N/A
Other income	$ 14,813	$ 29,176	$ 60,382	$ 71,030
Loss for the period from operations	$ (298,605)	$ (126,892)	$ (149,046)	$ (315,496)
Loss per share from operations - basic & fully diluted	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)
Net loss for the period	$ (298,605)	$ (126,892)	$ (149,046)	$ (315,496)
Net loss per share - basic & fully diluted	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)

	Quarter ended July 31, 2007	Quarter ended April 30, 2007	Quarter ended January 31, 2007	Quarter ended October 31, 2006
Sales	$ N/A	$ N/A	$ N/A	$ N/A
Other income	$ 79,402	$ N/A	$ 13,938	$ 23,940
Loss for the period from operations	$ (1,562,010)	$ (322,483)	$ (196,893)	$ (80,023)
Loss per share from operations - basic & fully diluted	$ (0.10)	$ (0.02)	$ (0.02)	$ (0.01)
Net Loss for the Period	$ (1,562,010)	$ (322,483)	$ (196,893)	$ (80,023)
Net loss per share - basic & fully diluted	$ (0.10)	$ (0.02)	$ (0.02)	$ (0.01)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

During the year ended July 31, 2008, the Company's capital resources were primarily limited to further amounts raised from the sale of common shares by private placement of $1,000,000 (net).

As at July 31, 2008, the Company had current assets of $1,874,473 and working capital of $1,487,553. These amounts have been decreased by the required option payments and other expenditures on the mineral properties of $4,172,495 and equipment purchased totaling $1,434,011. The following table outlines outstanding mineral property option payments by property:

Mineral Property Option Payments	Total	Less than 1 year	1 -3 years
	(United States Dollars)		
Mokambo, Zambia	$ 1,750,000	$ 600,000	$ 1,150,000
Bayombwe (Exacom), DRC	100,000	100,000	-
A & Cladava, DRC	-	-	-
Karukuruku, DRC	65,000	65,000	-
Total	$ 1,915,000	$ 765,000	$ 1,150,000

To date the Company has relied entirely upon the sale of common shares to generate working capital for exploration activities and to fund the administration of the Company. Since the Company does not expect to generate any significant revenues in the near future, it will continue to rely primarily upon sale of common shares or debt to raise capital. There can be no assurance that financing will be available to the Company when required.

OFF BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off balance sheet arrangements or transactions.

FOURTH QUARTER

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

RELATED PARTY TRANSACTIONS

	July 31 2008	July 31 2007
Due from related parties		
Unsecured housing loan, with interest at 3% per annum, with no fixed terms of repayment	$ 80,000	$ -
Due to related parties		
Unsecured loan payable, with interest at 4.5% per annum, with no fixed terms of repayment	$200,000	$500,000

During the year Company paid management and consulting fees to directors and officers totaling $180,625 (2007-$202,949) and paid consulting fees to a company owned by a director for mineral property exploration in the amount of $120,500 (2007- $67,159). Furthermore, the Company paid interest of $15,772 (2007-$25,271) 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.

CRITICAL ACCOUNTING ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, are based on its financial statements that have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the impairment of long-lived assets. Management bases its estimates and judgments on historical experiences, contractual arrangements and commitments and on various other assumptions that it believes are reasonable in the circumstances. Changes in these estimates and judgments will impact the amounts recognized in the financial statements and the impact may be material. Management believes the following critical accounting policies require more significant estimates and judgments in the preparation of the consolidated financial statements:

- **Impairment of Long-lived Assets** – Long-lived assets, including equipment and mineral properties, are tested for impairment whenever events or changes in circumstances indicated that the carrying amounts may not be recoverable. Impairment or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

  The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. 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. 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. 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Financial instruments

Effective August 1, 2007, the Company has adopted new CICA handbook sections 3855 "Financial Instruments – Recognition and Measurement" and 3861 "Financial Instruments – Disclosure and Presentation".

Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these handbook sections had no impact on the Company's opening deficit.

Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and short-term investments as held-for-trading, which were measured at fair value.

Accounts receivable, amounts due from related parties and deposits are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, amounts due to related parties are classified as other financial liabilities and are measured at amortized cost.

Hedges

Effective August 1, 2007, the Company has adopted the new CICA handbook section 3865 "Hedges". The Company has not previously undertaken hedging activities and thus the adoption of this section has no impact on the consolidated financial statements.

Comprehensive Income / (Loss)

Effective August 1, 2007, the Company adopted the new CICA handbook section 1530 "Comprehensive Income". Comprehensive income represents the change in net assets resulting from transactions, events and circumstances from sources other than shareholders and includes items that would normally be included in net income such as unrealized gains and losses on available-for-sale investments.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short-term investments, receivables, accounts payable and accrued liabilities, and due to related parties. The terms are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant currency, credit or interest risks from its financial instruments. The fair value is the carrying value unless otherwise noted.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Audit Committee and the Board of Directors of the Company recognize the need to hire additional staff to ensure segregation of duties as the operations of the Company expand. The responsible Certifying Officers monitor very closely all financial transactions of the Company.

When complex accounting and technical issues arise during the preparation of financial statements, outside consulting expertise is engaged. The Company is in the process of documenting and implementing necessary policies and procedures in place to minimize internal control and financial reporting risks that currently exist. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with generally accepted accounting principles in Canada as of July 31, 2007, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect the Company's internal control over financial reporting.

ADDITIONAL INFORMATION

Share Capital

a) Authorized

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

Unlimited number of Preferred shares without par value

b) Issued Shares

	NUMBER		AMOUNT
Balance, July 31, 2006	**7,600,120**		**163,001**
Cancellation of shares previously issued	(1,600,000)		(16,000)
Issue of shares for cash by private placement	6,984,000		2,045,200
Issue of shares for cash by prospectus	11,500,000		10,363,000
Issue of shares for services	1,450,000		224,500
Issue of shares for cash by private placement	1,000,000		1,055,000
Share issuance costs	-		(1,987,664)
Issue of shares on exercise of warrants	29,749		25,287
Balance, July 31, 2007	**26,963,869**	**$**	**11,872,324**
Issue of shares for cash by private placement	2,750,000		1,100,000
Share issuance costs	-		(100,000)
Balance, July 31, 2008	**29,713,869**		**12,872,324**
Balance, October 31, 2008	**29,713,869**	**$**	**12,872,324**

Share Capital (continued)

c) Restricted Shares

i) Seed Shares

As at July 31, 2008, 960,000 common shares remained subject to regulatory "Seed Share Resale Restrictions", with an 18 month hold period to December 1, 2008.

ii) Escrow Shares

As at July 31, 2008, 4,926,072 common shares remained in escrow pursuant to an escrow agreement. The remaining escrow shares will be released in four equal tranches of 1,231,518 shares every six months from November 8, 2008 until May 8, 2010.

d) Share Purchase Warrants

Warrants granted and exercisable for the purchase of 10,220,251 shares as of July 31, 2008 at a weighted average exercise price of $1.05 per share were as follows:

	NUMBER OF WARRANTS	EXERCISE PRICES
Balance, July 31, 2007	7,470,251	
Granted	2,750,000	$0.50
Balance, July 31, 2008	**10,220,251**	

JULY 31, 2008

NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATES
1,120,251	$ 0.85	May 1, 2009
5,750,000	$ 1.30	May 1, 2009
500,000	$ 1.50	June 8, 2009
100,000	$ 1.50	June 8, 2009
2,750,000	$ .50	June 10, 2010
10,220,251		

Share Capital (continued)

e) 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 five years. Terms of the vesting period over which the options are earned are determined by the Board of Directors.

As of July 31, 2008, 1,950,000 (2007 – 2,050,000) options were outstanding. As of July 31, 2008 the weighted average remaining contractual life of the options was 3.9 years and the weighted average exercise price was $0.82. Options granted during the year ended July 31, 2008 were as follows:

	NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
Balance, July 31, 2007	2,050,000		
Expired	(300,000)		
Granted	200,000	$ 0.59	April 11, 2013
Balance, July 31, 2008	**1,950,000**		

Options outstanding as of July 31, 2008 were as follows:

JULY 31, 2008

NUMBER OF OPTIONS	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
1,750,000	1,750,000	$ 0.85	May 8, 2012
200,000	200,000	$ 0.59	April 11, 2013
1,950,000	1,950,000		

Share Capital (continued)

e) Stock Options

Stock based compensation in the amount of $94,292 (2007-$1,531,286) 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 - $0.59 (2007-$0.85) Expected Life - Five Years; Volatility - 110% (2007-134%); Risk-Free Interest Rate - 3.0% (2007-4%); and Dividend Yield - $NIL.

SUBSEQUENT EVENTS

a) On August 19th 2008, a further 200,000 stock options were issued to a newly appointed director under the existing stock option plan.

b) On October 16, 2008, the Company received a NI 43-101 compliant mineral resource technical report showing an "inferred" copper sulphide resource estimate of 14.9 million tonnes at a grade of 1.22%.

OTHER INFORMATION

Additional information relating to the Company can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) database at www.sedar.com

ICS COPPER SYSTEMS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2008 AND 2007
(Expressed in Canadian Dollars)

MORGAN & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
ICS Copper Systems Ltd.

We have audited the consolidated balance sheets of ICS Copper Systems Ltd. as at July 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

November 18, 2008

"Morgan & Company"

Chartered Accountants

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MEMBER OF jhi

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Suite 1488 - 700 West Georgia Street
Vancouver, B.C. V7Y 1A1

ICS COPPER SYSTEMS LTD.

CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian Dollars)

	JULY 31	
	2008	2007
ASSETS		
Current		
Cash (Note 5)	**$ 347,690**	$ 294,076
Short-term investments (Note 6)	**1,378,502**	7,274,125
Taxes receivable	**116,028**	37,756
Accounts receivable	**9,573**	73,000
Inventory	**13,182**	-
Prepaid expenses	**9,498**	-
	1,874,473	7,678,957
Due from Related Party (Note 9)	**80,000**	-
Equipment (Note 7)	**3,376,071**	1,974,186
Mineral Properties (Note 8)	**6,320,857**	2,064,495
	$ 11,651,401	$ 11,717,638
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 186,920**	$ 157,410
Due to related party (Note 9)	**200,000**	500,000
	386,920	657,410
SHAREHOLDERS' EQUITY		
Share Capital (Note 10)	**12,872,324**	11,872,324
Contributed surplus	**1,625,578**	1,531,286
Deficit	**(3,233,421)**	(2,343,382)
	11,264,481	11,060,228
	$ 11,651,401	$ 11,717,638

Approved on behalf of the Board of Directors:

"G Chisholm"	"D A Fynn"
Graham A. Chisholm, Director President & Chief Executive Officer	David A. Fynn, Director Chief Financial Officer

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

ICS COPPER SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	YEAR ENDED JULY 31 **2008**	2007
Expenses		
Amortization	**$ 11,194**	$ 69,904
Consulting fees (Note 9)	**11,486**	78,083
Foreign currency exchange loss	**66,907**	1,673
Insurance	**5,712**	-
Interest and bank charges (Note 9)	**17,447**	27,408
Investor relations and promotion	**197,747**	206,710
Management fees (Note 9)	**180,625**	133,425
Office	**22,394**	22,177
Professional fees	**80,043**	28,781
Property investigation costs	**22,196**	18,344
Rent and utilities	**23,990**	16,849
Salaries and employee benefits	**137,187**	58,342
Stock-based compensation	**94,292**	1,531,286
Telecommunications	**31,397**	17,252
Travel and accommodation	**79,349**	68,455
Loss Before Other Income (Expenses)	**(981,966)**	(2,278,689)
Other Income (Expenses)		
Interest income	**175,401**	79,402
Equipment rental	**-**	37,878
Write-down of mineral property interests (Note 8)	**(83,474)**	-
	91,927	117,280
Net Loss And Comprehensive Loss For The Year	**$ (890,039)**	$ (2,161,409)
Loss Per Share, Basic and diluted	**$ (0.03)**	$ (0.15)
Weighted Average Number Of Shares Outstanding, Basic and diluted	**27,348,116**	15,617,370

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

ICS COPPER SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	YEAR ENDED JULY 31	
	2008	2007
Cash Provided By (Used In)		
Operating Activities		
Net loss for the year	**$ (890,039)**	$ (2,161,409)
Items not affecting cash:		
Amortization	**11,194**	69,904
Stock-based compensation	**94,292**	1,531,286
Write-down of mineral property interests	**83,474**	-
	(701,079)	(560,219)
Changes in non-cash operating assets and liabilities:		
Taxes receivable	**(78,272)**	(37,244)
Accounts receivable	**63,427**	(73,000)
Inventory	**(13,182)**	-
Prepaid expenses	**(9,498)**	-
Accounts payable and accrued liabilities	**(116,899)**	26,076
Unearned revenue	**-**	(27,878)
	(855,503)	(672,265)
Investing Activities		
Short-term investments redeemed (acquired) - net	**5,895,623**	(7,074,125)
Acquisition of equipment	**(1,434,011)**	(1,479,614)
Mineral properties	**(4,172,495)**	(1,945,990)
	289,117	(10,499,729)
Financing Activities		
Issue of common shares	**1,100,000**	12,428,286
Share issuance costs	**(100,000)**	(1,132,164)
Advances and repayments to related parties	**(380,000)**	(102,443)
	620,000	11,193,679
Increase In Cash	**53,614**	21,685
Cash, Beginning Of Year	**294,076**	272,391
Cash, End Of Year	**$ 347,690**	$ 294,076
Disclosure Of Supplementary Cash Flow And Non-Cash Investing and Financing Information		
Interest paid	**$ 15,772**	$ 25,271
Income taxes paid	**$ -**	$ -
Shares issued for share issuance costs	**$ -**	$ 212,500

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

ICS COPPER SYSTEMS LTD.

Consolidated Statements of Shareholders' Equity

Years ended July 31, 2008 and 2007

	COMMON SHARES	AMOUNT	SHARE SUBSCRIPTIONS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
Balance, July 31, 2006	7,600,120	$ 163,001	$ 413,200	$ -	$ (181,973)	$ 394,228
Cancellation of shares previously issued	(1,600,000)	(16,000)	-	-	-	(16,000)
Private placement	6,984,000	2,045,200	(413,200)	-	-	1,632,000
Initial public offering	11,500,000	10,363,000	-	-	-	10,363,000
Shares issued for services	1,450,000	224,500	-	-	-	224,500
Private placement	1,000,000	1,055,000	-	-	-	1,055,000
Share issuance costs	-	(1,987,664)	-	-	-	(1,987,664)
Stock-based compensation	-	-	-	1,531,286	-	1,531,286
Exercise of warrants	29,749	25,287	-	-	-	25,287
Net loss for the year	-	-	-	-	(2,161,409)	(2,161,409)
Balance, July 31, 2007	26,963,869	11,872,324	-	1,531,286 -	(2,343,382)	11,060,228
Private placement	2,750,000	1,100,000	-	-	-	1,100,000
Share issuance costs	-	(100,000)	-		-	(100,000)
Stock-based compensation	-	-	-	94,292	-	94,292
Net loss and comprehensive loss for the year	-	-	-	-	(890,039)	(890,039)
Balance, July 31, 2008	**29,713,869**	**$ 12,872,324**	**$ -**	**$ 1,625,578**	**(3,233,421)**	**$ 11,264,481**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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”), trading under the “ICX” symbol.

The Company is 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 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 $3,233,421, and the Company will need additional funds to continue to explore and, if exploration is successful, to develop its properties. As at July 31, 2008, the Company did not have sufficient cash to meet minimum general and administration expenses for the year ending July 31, 2009. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian GAAP as prescribed by The Canadian Institute of Chartered Accountants (“CICA”).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of Consolidation

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

b) Variable Interest Entities

The CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", to provide accounting guidance related to variable interest entities ("VIE"). A VIE is an entity in which investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. As at July 31, 2008, the Company has determined that it does not have a primary beneficiary interest in a VIE.

c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

Significant areas requiring the use of management estimates relate to the identification and capitalization of exploration costs, determination of impairment in the carrying values for long-lived assets, the existence of contingent assets and liabilities, values ascribed to related party transactions and balances and future income taxes, asset retirement obligations and stock-based compensation valuations. Management reviews significant estimates on a periodic basis and, when changes in estimates are necessary, makes adjustments prospectively.

d) Financial Instruments

The Company's financial instruments comprised cash, short-term investments, receivables, mining equipment advances, accounts payable and accrued liabilities, and amounts due from/to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from financial instruments. The fair value of the financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments (Continued)

The Company is affected by changes between its reporting and foreign functional currencies. The Company monitors its foreign currency balances to mitigate these risks.

e) Foreign Currency Translation

The Company's reporting currency is the Canadian dollar. Transactions in United States ("US"), Australian ("AUD") and other 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.

f) Cash and Cash Equivalents

Cash includes cash on hand, cash held in trust and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company did not have cash equivalents as of July 31, 2008 and 2007.

g) Short-Term Investments

Short-term investments are carried at cost which approximates fair value. The carrying value of short-term investments includes accrued interest receivable.

h) Inventory

Inventory of purchased copper ore is stated at the lower of cost and net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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:

CLASSIFICATION	METHOD	RATE
Roads and buildings	Straight line	7 years
Mining equipment	Straight line	7 years
Vehicles	Declining balance	30%
Computer equipment	Declining balance	45%
Office equipment	Declining balance	20%

j) 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of Long-Lived Assets

The Company follows the recommendations in CICA Handbook Section 3063 – "Impairment of Long-Lived Assets" and the CICA's Emerging Issues Committee ("EIC") emerging extract EIC-126 – "Accounting by Mining Enterprises for Exploration Costs". Section 3063 requires that the Company review long-lived assets, including mining properties for impairment. Long-lived assets are assessed for impairment when events and circumstances warrant. EIC-126 consensus is that a mining enterprise in the development 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 development 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 in Section 3063 for impairment write-down. The conditions include 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 is written down to the estimated recoverable amount.

l) 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, 2008, the Company had determined that there were no legal obligations for reclamation and remediation costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) 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.

n) 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 – Compensatory stock option transactions with directors, officers, employees and outside consultants are charged to operations or capitalized to mineral properties with an offsetting credit to contributed surplus. Stock options which vest immediately are recorded at the date of grant. Stock options issued to directors, officers and employees that vest over time are valued at the grant date and recorded using the straight line method over the vesting period. Stock options issued to outside consultants that vest over time are valued at the grant date and recorded using the straight line method over the vesting period and subsequently re-valued and adjusted on each vesting date. Consideration received on the exercise of stock options together with the related portion previously recorded in contributed surplus is credited to 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Revenue Recognition

Revenue derived from the provision of services provided under contract is recognized using the completed contract method as services are accomplished and reasonable assurance exists at the time of performance regarding the measurement and collection of the consideration to be derived from the services.

p) Earnings (Loss) Per Share

Earnings (loss) per share are 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.

q) Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements issued which may affect the Company in the future are as follows:

Capital Disclosures

CICA handbook section 1535, "Capital Disclosures", establishes standards for disclosing information about the Company's capital and how it is managed.

This standard is effective for interim and annual financial statements beginning on or after October 1, 2007. The Company is currently evaluating the impact of adoption of this new standard on the disclosures in the consolidated financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Financial Instruments Disclosures

In February 2007, the CICA issued handbook section 3862, “Financial Instruments – Disclosure” and section 3863 “Financial Instruments – Presentation” which are effective for fiscal years beginning on or after October 1, 2007. CICA handbook section 3862, “Financial Instruments – Disclosures”, requires entities to provide disclosure of quantitative and qualitative information in their financial statements. This information enables users to evaluate the significance of financial instruments on the Company’s operations 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. The Company will be required to disclose the measurement bases used for its financial instruments as well as the criteria used to determine the classification for different types of instruments.

The purpose of CICA handbook section 3863 “Financial Instruments – Presentation” is to enhance the financial statement users’ understanding of the significance of financial instruments to the Company’s financial position, performance and cash flows.

The Company is currently evaluating and determining the impact of the adoption of these changes on the disclosure in the consolidated financial statements.

General Standards on Financial Statement Presentation

CICA handbook section 1400, “General Standards on Financial Statement Presentation”, has been amended to include requirements to assess and disclose a Company’s ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The Company is currently evaluating and determining the impact of the adoption of these changes on the disclosure in the consolidated financial statements.

Goodwill and intangible Assets

CICA handbook section 3064, “Goodwill and intangible assets”, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The effective date of this new standard applies to fiscal years beginning January 1, 2009. The Company is currently evaluating and determining the impact of the adoption of these changes on the disclosure in the consolidated financial statements.

4. CHANGE IN ACCOUNTING POLICIES

Financial instruments

Effective August 1, 2007, the Company has adopted new CICA handbook sections 3855 “Financial Instruments – Recognition and Measurement” and 3861 “Financial Instruments – Disclosure and Presentation”.

Under the new standards, policies followed for periods prior to the effective date generally are not reversed. The adoption of these handbook sections had no impact on the Company’s opening deficit.

Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and short-term investments as held-for-trading, which were measured at fair value.

Accounts receivable, amounts due from related parties and deposits are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and amounts due to related parties are classified as other financial liabilities and are measured at amortized cost.

Hedges

Effective August 1, 2007, the Company has adopted the new CICA handbook section 3865 “Hedges”. The Company has not previously undertaken hedging activities and thus the adoption of this section has no impact on the consolidated financial statements.

Comprehensive Income / (Loss)

Effective August 1, 2007, the Company adopted the new CICA handbook section 1530 “Comprehensive Income”. Comprehensive income represents the change in net assets resulting from transactions, events and circumstances from sources other than shareholders and includes items that would normally be included in net income such as unrealized gains and losses on available-for-sale investments.

(Expressed in Canadian Dollars)

5. CASH

Cash includes cash held in trust in Africa under the name of the Company's agent in the amount of $ Nil (2007 - $188,513).

6. SHORT-TERM INVESTMENTS

As at July 31, 2008, short-term investments in the amount of $1,378,502 (2007 - $7,274,125) comprised Canadian investments in marketable commercial paper with effective interest rates of 3.0% (2007 – 4.6%) and maturity dates to August 25, 2008.

7. EQUIPMENT

	2008		
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**
Mining equipment	**$ 2,509,938**	**$ 55,594**	**$ 2,454,344**
Computer equipment	**16,854**	**7,012**	**9,842**
Office equipment	**35,090**	**9,735**	**25,355**
Roads and buildings	**799,305**	**-**	**799,305**
Vehicles	**127,289**	**40,064**	**87,225**
	$ 3,488,476	**$ 112,405**	**$ 3,376,071**

	2007		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Mining equipment advances	$ 1,136,854	$ -	$ 1,136,854
Mining equipment	687,757	55,594	632,163
Computer equipment	5,532	2,490	3,042
Office equipment	31,219	2,445	28,774
Roads and buildings	93,466	-	93,466
Vehicles	99,636	19,749	79,887
	$ 2,054,464	$ 80,278	$ 1,974,186

In September 2006, the Company entered into a contract to purchase mining equipment in the amount of approximately $1,400,000 (AUD$1,598,600). Non-refundable instalments of $1,136,854 on the equipment had been made as of July 31, 2007. The equipment arrived on site in Zambia and was in the process of commissioning.

(Expressed in Canadian Dollars)

7. EQUIPMENT (Continued)

The contract included a commission of 10% payable to a related company controlled by an officer and director of the Company under a pre-existing agency agreement between the supplier and the related company. The purchase price is the exchange amount agreed to between the Company and the equipment supplier in the normal course of operations. The Company and the related company subsequently agreed that no further commissions would be paid to the related company on future equipment purchases from the supplier.

Amortization on exploration use of equipment in the amount of $20,932 (2007 - $4,703) had been capitalized in mineral properties.

8. MINERAL PROPERTIES

	ZAMBIA	DRC	JULY 31 2008	JULY 31 2007
Acquisition Costs				
Option payments – cash	$ 1,571,522	$ 239,088	**$ 1,810,610**	$ 666,474
Abandoned Interests	-	(62,272)	**(62,272)**	**-**
Balance, End Of Year	**1,571,522**	**176,816**	**1,748,338**	666,474
Exploration Costs				
Abandoned Interests	-	(21,202)	**(21,202)**	-
Amortization	25,635	-	**25,635**	4,703
Assay	243,443	-	**243,443**	-
Camp and general	153,069	-	**153,069**	74,444
Consulting (Note 9)	434,902	42,965	**477,867**	210,633
Consumables	257,419	3,203	**260,622**	23,355
Drilling	2,106,773	-	**2,106,773**	765,328
Environmental expenses	109,264	-	**109,264**	-
Finders' fee	45,000	-	**45,000**	45,000
Geological and engineering	10,050	-	**10,050**	5,328
Labour and benefits	545,139	-	**545,139**	56,027
License fees	-	13,576	**13,576**	-
Site clearing	173,297	-	**173,297**	173,297
Social expenses	64,798	-	**64,798**	-
Travel and accommodation	261,025	26,385	**287,410**	35,931
Utilities and communications	77,778	-	**77,778**	3,975
Balance, End Of Year	**4,507,592**	**64,927**	**4,572,519**	1,398,021
Total	**$ 6,079,114**	**$ 241,743**	**$ 6,320,857**	**$** 2,064,495

(Expressed in Canadian Dollars)

8. MINERAL PROPERTIES (Continued)

a) Mokambo Property - Zambia

In 2006, the Company entered into an option agreement (amended April 14, 2008) with an African company to acquire an undivided 70% interest (with an option to increase the interest to 80%) in a joint venture company holding certain mining assets located in the Mufulira district of Zambia. In order to exercise the option the Company is required to pay the total sum of US$3,250,000 payable in the following non-refundable payments, with certain payments subject to the successive achievement or completion of benchmarks:

PAYMENT DUE DATE	BENCHMARKS	CASH PAYMENT (US$)
August 10, 2006	On signing Agreement (paid)	$ 30,000
November 30, 2006	Regulatory approved "43-101 Report" (paid)	120,000
May 31, 2007	None (paid)	250,000
September 30, 2007	None (paid)	400,000
January 31, 2008	None (paid)	400,000
April 30, 2008	None (paid)	150,000
July 31, 2008	None (paid)	150,000
October 31, 2008	None (paid $50,000, balance due November 30, 2008)	150,000
January 31, 2009	None	150,000
April 30, 2009	None	150,000
July 31, 2009	None	150,000
October 31, 2009	None	150,000
April 30, 2010	None	1,000,000
		$ 3,250,000

For the purposes of calculating the purchase price to acquire the additional 10% interest, the value will be determined by a qualified independent party that is acceptable to both parties.

In addition to the option payments the Company is responsible for all expenditures and work programs on the property, including the preparation of a National Instrument 43-101 Standards of Disclosure for Mineral Projects report, the costs of a feasibility study (to be completed by October 31, 2009) and the payment of all funds necessary to place the property into production.

The Company has the right to terminate the agreement by giving 30 days written notice and upon the effective date of such termination the agreement shall be of no further force. The Company shall be required to satisfy any obligations which have accrued under the provision of the agreement which have not been satisfied. In addition the Company may be responsible for all reclamation and environmental rehabilitation as required by applicable law.

(Expressed in Canadian Dollars)

8. MINERAL PROPERTIES (Continued)

b) Musoshi Tailings Property - DRC

The Company has entered into an option agreement with an African company to acquire a 76% interest in a joint venture company holding certain mining assets located in the Katanga province of the DRC. In order to exercise the option the Company is required to pay the total sum of US$2,000,000 payable in the following non-refundable payments, with certain payments subject to the successive achievement or completion of benchmarks:

PAYMENT DUE DATE	BENCHMARKS	CASH PAYMENT (US$)
September 7, 2006	On signing Agreement (paid)	$ 50,000
November 30, 2006	Regulatory approved “43-101 Report”	100,000
May 31, 2007	None	100,000
September 30, 2007	None	100,000
September 30, 2007	Positive bankable feasibility study	500,000
January 31, 2008	None	150,000
January 31, 2008	None	1,000,000
		$ 2,000,000

In view of the uncertainty of the title to the Musoshi Tailings, the Company has written off its acquisition and exploration costs totalling $83,474.

c) Bayombwe Property - DRC

The Company has entered into an option agreement with an African company to acquire a 73.5% interest in a joint venture company that currently has the Bayombwe Property (copper mining licences) and four prospecting permits located in the Katanga province of the DRC. In order to exercise the option the Company is required to pay the total sum of US$200,000 payable in the following non-refundable payments, with certain payments subject the successive achievement or completion of benchmarks:

PAYMENT DUE DATE	BENCHMARK	CASH PAYMENT (US$)
September 7, 2006	On signing Agreement (paid)	$ 5,000
October 30, 2006	Optionor providing copies of mining licenses for the subject mining concessions (paid)	20,000
January 30, 2007	Completion of Company’s property assessment (paid)	20,000
May 31, 2007	Optionor providing exploration permits (paid)	55,000
September 30, 2007	Feasibility study	100,000
		$ 200,000

8. **MINERAL PROPERTIES** (Continued)

c) Bayombwe Property - DRC (Continued)

The Company has been unable to complete the feasibility study and continues to work with the Optionor on the benchmark. The status of the agreement has been confirmed with the Optionor. The Company will not make further payments on the Agreement pending completion of the feasibility study.

The Company has the right to terminate the agreement by giving 30 days written notice and upon the effective date of such termination the agreement shall be of no further force. The Company shall be required to satisfy any obligations which have accrued under the provision of the agreement which have not been satisfied. In addition, the Company may be responsible for all reclamation and environmental rehabilitation as required by applicable law.

d) A & Cladava Properties - DRC

In May 2007, the Company purchased a 77% interest in mining concessions (copper and gold) in the Katanga province of the DRC, Africa, to be held in a joint venture company for total consideration of US$42,000.

The Company has the right to terminate the agreement by giving 30 days written notice and upon the effective date of such termination the agreement shall be of no further force. The Company shall be required to satisfy any obligations which have accrued under the provision of the agreement which have not been satisfied. In addition the Company may be responsible for all reclamation and environmental rehabilitation as required by applicable law.

e) Karukuruku – DRC

In March 2008, the Company entered into an agreement with an African company to acquire an undivided 75% interest (with an option to increase the interest to 90%) in a joint venture company holding a mining concession called the Karukuruku concession located in the area of Kipushi, Haut Kantanga, in the Katanga province of the DRC. In order to exercise the option the Company is required to pay the total sum of US $80,000 payable in the following non-refundable payments subject to the Company's completion of a participation agreement with a third party:

a) $10,000 on signing agreement (paid)
b) $50,000 within 21 days ($5,000 paid)
c) $20,000 on obtaining Permis de Researche

9. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

In addition to the related party transaction disclosed in the equipment note, the Company had the following amounts due to related parties as of July 31, 2008 and 2007, 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 $180,625 (2007 - $202,949);

b) Paid consulting fees for mineral property exploration of $120,500 (2007 - $67,159) to a company owned by a director;

c) Reimbursed vehicle lease and operating costs of a director and officer of the Company in the amount of $11,452 (2007 - $6,920);

d) 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 $15,772 (2007 - $25,271). The balance owing to the related company as of July 31, 2008 was $200,000 (2007 - $500,000).

e) On June 3, 2008 the Company advanced to a director a housing loan in the amount of $80,000 bearing interest at 3%, and due September 30, 2008. On November 1, 2008, the Company cancelled the management contract of that director and recovered $35,000 of the outstanding balance by application of management fees due to the director's holding company.

10. SHARE CAPITAL

a) Authorized

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

b) Issued

Year ended July 31, 2008:

On June 10, 2008 the Company closed a private placement of 2,750,000 units at $0.40 per unit for gross proceeds of $1,100,000. Each unit consisted of one common share and one transferable share purchase warrant entitling the holder to purchase one share for a period of two years at a price of $0.50 per share. A financing fee of $100,000 was paid in connection with this private placement.

10. SHARE CAPITAL (Continued)

b) Issued (Continued)

Year ended July 31, 2007:

On November 17, 2006 the Company issued 6,984,000 shares for cash consideration of $2,045,200. The Company cancelled 1,200,000 shares previously issued for services in the amount of $12,000, and 400,000 previously issued shares for cash in the amount of $4,000.

On May 4, 2007 the Company completed its initial public offering (“IPO”). The IPO consisted of 11,500,000 units including 1,500,000 agent’s units at a price of $0.85 per unit for aggregate gross proceeds of $9,775,000. Each unit consisted of one common share and one-half of one transferable share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $1.30 per share. The agent’s warrants were recorded as share issuance costs at a fair value of $588,000 using the following assumptions: Exercise Price - $0.85; Expected Life – Five Years; Volatility – 134%; Risk-Free Interest Rate – 4.0%; and Dividend Yield - $NIL. Furthermore, the agent was granted 250,000 shares for corporate finance services, a cash commission equal to 7.5% of gross proceeds, and a corporate finance fee in the amount of $50,000. During the year ended July 31, 2007, 29,749 agent’s warrants were exercised for proceeds of $25,287.

In June 2007, the Company closed a private placement of 1,000,000 units at $1.00 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one-half of one transferable share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $1.50 per share. 100,000 agent’s warrants to purchase one share for a period of two years at a price of $1.50 per share were granted as a financing fee and recorded as share issuance costs at fair value of $55,000 using the following assumptions: Exercise Price - $0.85; Expected Life – Five Years; Volatility – 134%; Risk-Free Interest Rate – 4.0%; and Dividend Yield - $NIL.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

c) Restricted Shares

i) Seed Shares

As at July 31, 2008, 960,000 common shares remained subject to regulatory "Seed Share Resale Restrictions", with an 18 month hold period to December 1, 2008.

ii) Escrow Shares

As at July 31, 2008, 4,926,072 common shares remained in escrow pursuant to an escrow agreement. The remaining escrow shares will be released in four equal tranches of 1,231,518 shares every six months from November 8, 2008 until May 8, 2010.

d) Share Purchase Warrants

Warrants granted and exercisable for the purchase of 10,220,251 shares as of July 31, 2008 at a weighted average exercise price of $1.05 per share were as follows:

	NUMBER OF WARRANTS	EXERCISE PRICES
Granted	7,500,000	$0.85 - $1.50
Exercised	(29,749)	$0.85
Balance, July 31, 2007	7,470,251	
Granted	2,750,000	$0.50
Balance, July 31. 2008	**10,220,251**	

JULY 31, 2008

NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATES
1,120,251	$ 0.85	May 1, 2009
5,750,000	$ 1.30	May 1, 2009
500,000	$ 1.50	June 8, 2009
100,000	$ 1.50	June 8, 2009
2,750,000	$ 0.50	June 10,2010
10,220,251		

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

e) 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 five years. Terms of the vesting period over which the options are earned is determined by the Board of Directors.

As of July 31, 2008, 1,950,000 (2007 – 2,050,000) options were outstanding and exercisable. As of July 31, 2008 the weighted average remaining contractual life of the options was 3.9 years and the weighted average exercise price was $0.82. Options granted during the years ended July 31, 2008 and 2007 were as follows:

	NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
Granted	2,050,000	$ 0.85	May 8, 2012
Balance, July 31, 2007	2,050,000		
Expired	(300,000)		
Granted	200,000	$ 0.59	April 11, 2013
Balance, July 31, 2008	**1,950,000**		

Options outstanding as of July 31, 2008 were as follows:

JULY 31, 2008			
NUMBER OF OPTIONS	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
1,750,000	1,750,000	$ 0.85	May 8, 2012
200,000	200,000	$ 0.59	April 11, 2013
1,950,000	1,950,000		

Stock based compensation in the amount of $94,292 (2007-$1,531,286) 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 - $0.59 (2007 - $0.85); Expected Life - Five Years; Volatility - 110% (2007 - 134%); Risk-Free Interest Rate - 3.0% (2007 – 4.0%); and Dividend Yield – $Nil (2007 - $Nil).

(Expressed in Canadian Dollars)

11. 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:

		2008		2007
Non-capital losses carried forward	**$**	**447,000**	$	273,000
Resource deductions		**27,000**		12,000
Equipment		**27,000**		25,000
Share issue costs		**234,000**		308,000
		735,000		618,000
Valuation allowance		**(735,000)**		(618,000)
	$	**-**	$	-

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 and Zambian 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 33% (2007 – 34%) to the net loss for the year due to the following:

		2008		2007
Computed income tax recoveries	**$**	**(294,000)**	$	(742,000)
Temporary differences		**39,000**		3,000
Change in tax rate		**74,000**		-
Non-deductible expenses		**33,000**		523,000
Valuation allowance		**148,000**		216,000
	$	**-**	$	-

The Company's non-capital losses of approximately $1,720,000 (2007 - $800,000) and Canadian foreign exploration resource deductions of approximately $6,425,000 (2007 - $1,800,000) and share issue costs of approximately $900,000 (2007 - $903,000) are available to reduce taxable income in future years.

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mineral exploration sector. The Company's mining operations are centralized whereby the Company's head office is responsible for the exploration results and for providing support in addressing local and regional issues. The Company's mineral properties are in Zambia and the DRC, Africa.

	2008	2007
Net Loss For The Year		
Canada	**$ (777,767)**	$ (2,121,816)
Africa	**(112,272)**	(39,593)
	$ (890,039)	$ (2,161,409)
Equipment		
Canada	**$ 11,959**	$ 12,825
Africa	**3,364,112**	1,961,361
	$ 3,376,071	$ 1,974,186
Mineral Properties		
Africa	**$ 6,320,857**	$ 2,064,495

13. SUBSEQUENT EVENT

On August 19, 2008, a further 200,000 stock options were issued to a newly appointed director under the existing stock option plan.

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Corporate Directory

Board of Directors

Richard Molyneux, BSc(Hons) Geo, PrNatSc(RSA)
Chairman & Director

Graham A. Chisholm, A.C.I.S.
President, CEO & Director

David K. Makepeace, M Eng, P Eng
Director

David A. Fynn, CA
CFO & Director

Robert S. Stewart
Director

Stephen Gregory, BSc Eng (Hons)
Proposed Director

Management Team

Graham A. Chisholm, A.C.I.S.
President, CEO & Director

David K. Makepeace, M.Eng., P.Eng.
Director of Technical Services

David A. Fynn, CA
Chief Financial Officer

Jeannette Durand
Corporate Secretary

John Mutambo
Project Manager

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Auditors

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Vancouver, British Columbia, Canada