



ANNUAL REPORT

2009

President's Letter

Fellow Shareholders,

The last year has been most challenging with your company encountering a significant setback with the abandonment of the Mokambo property as well as enduring the full effect of the global financial crisis and resultant depressed commodity prices. Unable to raise equity due to the credit crisis to finance the exploration of other properties, and an unwillingness to do so due to historically low share prices, has meant your company has had to regroup and refocus itself on utilising its primary asset, an EMEW electrowinning plant.

In November 2008, the Company obtained a NI 43-101 independent inferred Mineral Resource Technical Report on the sulphide mineralization of the Mokambo Property prepared by Coffey Mining, 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. In January 2009, the Company obtained a similar NI 43-101 inferred Mineral Resource Technical Report on the oxide mineralization of the property with the resource being quantified at 6.75 Mt with a cut off grade of 0.3% Copper.

The Board subsequently concluded that the grade and the tonnage of the sulphide resource and oxide deposit would not support a mining operation and Coffey Mining concluded that further drilling would not significantly increase the tonnage and grade. The Board therefore decided to abandon the Mokambo project.

All equipment at Mokambo was dismantled and was transported to a new site in Kitwe and the capitalized mineral property expenditures and non-moveable equipment related to Mokambo totalling \$7,030,761 was written-off in the Company's 2009 Audited Financial Statements.

New Joint Venture Partners

The Company has signed a Heads of Agreement in August 2009 with two Zambian companies that have a strategic relationship with each other, namely JV Civils Ltd ("JVC") and Chantete Emeralds Ltd ("Chantete"). The principal operations of these companies encompass bulk earthworks, plant hire, material transportation, crushing and material handling mainly on the Zambian Copperbelt.

Highlights of the agreement are that JVC/Chantete will finance the cost of installation of ICS's 270 cell EMEW plant in Zambia and will supply the ore feed to ICS's EMEW plant. JVC/Chantete would be paid for this concentrate feed on a cost per tonne basis and ICS would be paid a monthly "processing" fee covering owning and operating costs of the plant with profits from the JV being split 50/50.

ICS would also undertake a feasibility study for the installation of a larger SXEW plant possibly with the capacity to process 6,000 to 18,000 tonnes per month of copper concentrate with minimum grades of 10% copper to be produced by JVC/Chantete. If this study was positive and indicates acceptable returns, ICS would undertake to raise capital for the project.

About JV Civils Ltd

JVC is a leading contracting company on the Zambian Copper Belt. JVC's core competencies include open pit mining and bulk material handling. JVC mines and hauls in excess of 1,000,000 tonnes per month. The Company has significant mobile and static crushing and screening plants. JVC currently has approximately 122 vehicles. In this fleet are large and small earthmoving vehicles, front end loaders, articulated dump trucks and a large variety of other vehicles. The company maintains extensive workshops and stock holdings of equipment spares. JVC has been built up over the last 10 years by Ian Le Roux and Russell Wilken, both Zimbabwean citizens. The company has a dynamic operational style with a strong culture of relationship management.

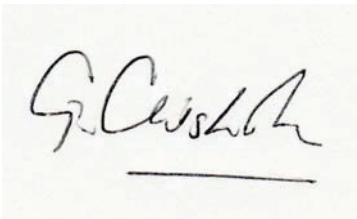
About Chantete Emeralds Ltd

Chantete Mining Services has core competencies similar to those of JVC and which include exploration drilling, overburden stripping, loading and hauling, mine management services, rehabilitation of mine sites, construction of slimes & tailings dams, earth wall reservoirs and earth dams, construction and maintenance of roads. Chantete own and operate a large fleet of articulated dump trucks, excavators, dozers, graders, compaction equipment, front-end loaders, water tankers and tractor loader backhoes. This fleet positions the company to progress naturally into civil construction. The recent acquisition of two specialized drilling rigs has allowed the company to venture into exploration drilling. Both rigs have fully equipped support vehicles that enhance their service delivery capacity. Chantete is owned and principally operated by Mr. JC Erasmus.

EMEW Copper Processing Plant at Kitwe

The JVC/Chantete consortium has chosen a site in Kitwe for the installation of the ICS EMEW plant and site design plans are being finalised. The steel structure at the Mokambo site from the old EMEW building and from the core shed building as well as the roofing and side panels of these buildings have been dismantled and moved to the new site in Kitwe. Acid tank and six ICS containers containing the EMEW equipment and supporting rectifiers, pumps and valves etc have been moved to the Kitwe site as well as the 1050 Kva generator. The leach circuit design was awarded to African Mining Consultants in Zambia who have subsequently prepared the mass balances and flow sheet for the leach circuit and initial equipment list.

An application for environmental compliance in the form of an Environmental Preliminary Brief (EPB) has been submitted to the Environmental Council of Zambia for approval. Once this approval is received we will be able to construct the leach circuit, pour concrete, erect the EMEW building and install the EMEW equipment. The time line to start first production of approximately 500 ton p/a of copper and approx 80 ton p/y of cobalt carbonate is April 2010.

A handwritten signature in black ink on a light-colored background. The signature is cursive and appears to read 'G. Chisholm'. Below the signature is a horizontal line.

Graham Chisholm, President and CEO



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

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, 2009.

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 deliver superior returns to shareholders through the acquisition and development of mineral properties with a (non-exclusive) focus on the Central African Copperbelt”.

During 1997 and 1998 the Company completed a 10,000 meter oxide drill program and a 1,200 meter sulphide drill program at the Mokambo property in Mufulira, Zambia. Coffey Mining (SA) Pty Ltd prepared a NI 43-101 Inferred Mineral Resource Report dated 21st January 2009 declaring an Oxide tonnage of 6.75Mt grading .4% (Cu) Copper with a cut off grade of .3% (Cu) Copper. It was their opinion “the property is unlikely to be economically viable under current market conditions. No further work on the oxidized zone on this property is currently warranted”. Similarly Coffey Mining prepared a NI 43-101 Inferred Mineral Resource Report dated 8th October 2008 declaring a Sulphide tonnage of 14.9 Mt grading 1.22% (Cu) Copper with a cut off grade of .75% (Cu) Copper. Based on this information a Board decision was taken to abandon the Mokambo project.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

ICS is currently seeking a replacement flagship property in Zambia and is reviewing several opportunities.

On September 10, 2009, the Company signed a Heads of Agreement (the "Agreement") with two Zambian companies to jointly develop a copper ore processing plant using the Company's Electrometals electrowinning equipment "EMEW". Terms of the Agreement provide that the Zambian partner companies will finance the installation and commission the processing plant and advance a non-interest bearing loan of USD \$150,000 to the Company, in three equal monthly amounts of \$50,000. The Company has ceded ownership of its EMEW plant to the Zambian companies as collateral against the loan, until such time as the loan is repaid. To date the Company has received \$75,000. The Company and its Zambian partners will share profits from the joint venture on a 50/50 basis.

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"). ICS also signed an MOU (Memorandum of Understanding) with Sodomico, a Congolese Crown corporation, as the ownership to these tailings was being contested by Sodomico.

On September 7, 2006 the Company entered into an option agreement with Exacom Ltd to undertake exploration on the Bayombwe property situated in the area of Kolwezi, DRC. Approximately \$100,000 has been invested in this property to date in general geological research.

OVERVIEW OF PROJECTS

JVC/Chantete Site - Zambia

ICS has currently secured its movable assets from the Mokambo site and has placed the equipment in containers which have been moved to the JVC/Chantete site.

ICS has \$2.4 million of EMEW copper electrowinning and other equipment. Using a PLS (pregnant leach solution) containing an optimum level of 40 gpl (grams per litre) of copper, the EMEW processing plant is capable of producing 500 tonnes of copper and 100 tonnes of cobalt per annum. The Company is also reviewing the opportunity to purchase additional used EMEW equipment which could increase annual production up to 1,000 tonnes of copper per annum. The purpose of the modular EMEW plant operation is to provide the Company with quick access to cash flow for growth and further exploration. The Company will initially be processing third party ore, purchased from its joint venture partners in Zambia and subsequently from ICS concessions in Zambia.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

PROSPECTING – ZAMBIA

Luapula Province - ATJ Memorandum of Understanding

On March 4, 2009, ICS signed a Memorandum of Understanding with ATJ Natural Resources AG of Belize (“ATJ”) to create a strategic partnership to explore a minimum of 4,000 square kilometres of licence areas in the Luapula Province of Zambia held by ATJ through its majority owned company Alfa Mines Limited (“Alfa”). ICS has also acquired a 49% equity position in a Zambian company, which has rights to a 1,000 hectare Prospecting Permit within ATJ’s Large Scale Prospecting License 251. ICS has paid US\$25,000 to ATJ to secure this 1,000 hectares and will pay deferred consideration to Alfa of 5% of ore extracted.

In addition to the 4,000 square kilometres, Alfa will include in the joint venture, a further 1,000 square kilometres held under separate licence which area is contiguous with the Lumwana Project owned by Equinox Minerals Ltd. (“Equinox”). The additional area is located 150 kilometres from the Kalalushi site and is accessible by road.

The main License area lies in the Luapula Province in northern Zambia, centered on Mansa Town, 200 kilometres from the Kalulushi site. Access is by paved and gravel road. To date limited exploration has been conducted. Conspicuous economic copper mineralization in the Luapula valley is comprised predominantly of malachite and chalcopyrite with minor azurite. Copper grades can be as high as 22.6% copper (Lubanda Copper Prospect). Mineralization occurs as disseminations in the conglomerate matrix and in some pebbles, in the sandstone bands and as coatings on pebble-surfaces and discontinuity planes. Primary minerals, in the form of bornite and chalcopyrite, also occur in the underlying volcanic rocks and may have been the source of the secondary malachite and azurite mineralization. The Luapula Coppers are 18 main groups of copper mineralization occurrences along the valley of the Luapula River. A geological assessment dated 2006 reports the presence of extensive copper mineralization based on the minimal exploration conducted to date and artisanal mining. While the Luapula Province is situated outside of the historically mapped Central African Copperbelt, it is now believed that the copperbelt extends beyond the boundaries of the original mapping completed in the mid 1900’s to include the Luapula Province.

ICS is reviewing the potential for processing ore from these concessions with its EMEW plant. Once production has been established, ICS plans to conduct a geological exploration program over the ATJ licences.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

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. 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"). ICS also signed an MOU (Memorandum of Understanding) with Sodomico, a Congolese Crown corporation, as the ownership to these tailings was being contested by Sodomico. ICS has recently been advised by the Directeur adjoint du Cabinet du Ministre des Mines that these tailings have been awarded to Sodomico and ICS has been invited to conclude negotiations with Sodomico for their development.

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 km² 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.

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.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

Karukuruku Concession

On March 4, 2008, ICS signed a Joint Venture Agreement with Cooperative Minière Maadini Kwa Kilimo (“CCMK”) to develop the Karukuruku Concession located near the town of Kipushi, Katanga Province, DRC. The town of Kipushi is located approximately 28 kilometres west of the city of Lubumbashi, a major mining centre with smelters and easily accessible infrastructure. The Karukuruku Concession is 3 “carres” (approximately 1 kilometre by 3 kilometres), is close to Lubumbashi and is easily accessible by road. CCMK holds a “Permit d’Exploitation” on the Karukuruku Concession allowing for the removal of ore.

Through the Joint Venture Agreement with CCMK, ICS has a 75% interest in the equity of the Karukuruku concession. ICS must pay US\$80,000 (of which US\$15,000 has been paid to date) with an option to increase the ownership to 90% under future terms.

ICS has completed a site visit and noted extensive visible malachite on the surface of the concession and as well as very high grade cobalt from an artisanal pit. There are 4 or 5 large pits on the property dug by artisanal miners. ICS would work with local groups to excavate ore. Due to the very high grade of ore, ICS believes that it will be economical to mine and concentrate the ore in the DRC and thereafter ship it to ICS’s plant in Zambia. An inexpensive, manually operated series of water based concentrators would be sufficient to produce a shippable “concentrate”.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

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:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Sales	\$ -	\$ -	\$ -
Net Loss from operations	\$ (9,317,430)	\$ (890,039)	\$ (2,161,409)
Net loss per share (basic and fully diluted)	\$ (0.31)	\$ (0.03)	\$ (0.15)
Total Assets	\$ 2,709,981	\$ 11,651,401	\$ 11,717,638
Long Term Financial Liabilities	\$ -	\$ -	\$ -
Cash Dividends per share	\$ -	\$ -	\$ -

RESULTS OF ANNUAL OPERATIONS

During the year ended July 31, 2009, the Company had interest income of \$11,617 and the Company's net loss from operations was \$9,317,430. The loss included significant expenditures as follows: investors' relations and promotion expenses of \$33,053; travel and accommodation expenses of \$21,712; management fees of \$164,250; salaries and employee benefits of \$126,733; stock-based compensation of \$144,902; professional fees of \$103,985; a foreign currency exchange loss of \$147,409, and a write-down of mineral property interests of \$7,168,196 and equipment impairment write-down of \$1,300,500.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

SUMMARY OF QUARTERLY RESULTS

	Quarter ended July 31, 2009	Quarter ended April 30, 2009	Quarter ended January 31, 2009	Quarter ended October 31, 2008
Sales	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Other income	\$ 5,967	\$ 492	\$ 1,180	\$ 9,819
Loss for the period from operations	\$ (521,494)	\$ (243,250)	\$ (8,186,948)	\$ (365,738)
Loss per share from operations - basic & fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.28)	\$ (0.01)
Net loss for the period	\$ (521,494)	\$ (243,250)	\$ (8,186,948)	\$ (365,738)
Net loss per share - basic & fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.28)	\$ (0.01)

	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)



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

LIQUIDITY AND CAPITAL RESOURCES

During the year ended July 31, 2009, the Company's capital resources were primarily limited to the short-term investments remaining from previous share issuances.

As at July 31, 2009, the Company had current assets of \$84,928 and working capital deficit of \$533,100. These amounts have been decreased by the required option payments and other expenditures on the mineral properties of \$951,918 and equipment purchased totaling \$437,974. Accounts payable and accrued liabilities also include \$252,353 to a supplier who has agreed to forgive \$126,176 of the balance as monthly payments are made over the next 22 months.

The following table outlines outstanding mineral property option payments by property:

<u>Mineral Property Option Payments</u>	<u>Total</u>	Less <u>than 1 year</u>	1 -3 <u>years</u>
	(United States Dollars)		
Bayombwe (Exacom), DRC	\$ 100,000	\$ 100,000	-
A & Cladava, DRC	-	-	-
Karukuruku, DRC	65,000	65,000	-
Luapula, Zambia	-	-	-
Total	<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$</u>

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.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

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.

RELATED PARTY TRANSACTIONS

	<u>July 31</u> <u>2009</u>	<u>July 31</u> <u>2008</u>
<u>Due from related parties</u>		
Unsecured housing loan, with interest at 3%		
per annum, repaid in full in September 2009	<u>\$ 15,000</u>	<u>\$ 80,000</u>
<u>Due to related parties</u>		
Unsecured loan payable, with interest at 4.5%		
per annum, with no fixed terms of repayment	<u>\$180,000</u>	<u>\$200,000</u>

During the year Company paid management and consulting fees to directors and officers totaling \$167,250 (2008-\$180,625) and paid consulting fees to a company owned by a director for mineral property exploration in the amount of \$37,000 (2008-\$120,500). Furthermore, the Company paid interest of \$8,475 (2008-\$15,772) 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.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

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 includes equipment and 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.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective August 1, 2008, the Company adopted the following new CICA Handbook Sections on a prospective basis with no restatement to prior period financial statements:

- i) Section 1535, Capital Disclosures, (Note 8) requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. Under this standard, the Company will be required to disclose the following:
 - qualitative information about its objectives, policies and processes for managing capital;
 - summary quantitative data about what it manages as capital;
 - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
 - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

- ii) Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. Section 3862 revises and enhances the disclosure requirements for financial instruments and Section 3863 carries forward unchanged the presentation requirements.

Section 3862 requires the Company to provide disclosures in its financial statements that enable users to evaluate:

- the significance of financial instruments for the Company's financial position and performance;
- 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; and
- how the Company manages those risks.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

Changes in Accounting Policies (Continued)

- iii) The CICA approved amendments to CICA Handbook Section 1400 "General Standards of Financial Statement Presentation". These amendments require management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The new requirements of the standard are applicable for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short-term investments, receivables, accounts payable and accrued liabilities, and due to/from 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.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

Internal Controls Over Financial Reporting (Continued)

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, 2009, 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

	<u>NUMBER</u>	<u>AMOUNT</u>
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, 2009 and 2008	<u>29,713,869</u>	<u>\$ 12,872,324</u>
Issue of shares for cash by private placements	2,050,000	\$ 205,000
Share issuance costs	-	\$ (5,000)
Balance, October 30, 2009	<u>31,763,869</u>	<u>\$ 13,072,324</u>



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

Share Capital (continued)

c) Escrow Shares

As at July 31, 2009, 2,463,036 common shares remained in escrow pursuant to an escrow agreement. The remaining escrow shares will be released in two equal tranches of 1,231,518 shares every six months from November 8, 2009 until May 8, 2010.

d) Share Purchase Warrants

A summary of the changes in warrants to acquire an equivalent number of shares for the years ended July 31, 2009 and 2008 was as follows:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance July 31, 2007	7,470,251	\$ 1.25
Granted	2,750,000	0.50
Balance July 31, 2008	10,220,251	1.05
Expired	(17,470,251)	(1.25)
Balance July 31, 2009	2,750,000	\$ 0.50

The Company had outstanding share purchase warrants as at July 31, 2009 as follows:

NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATE
2,750,000	\$ 0.50	June 10, 2010



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

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.

On December 29, 2008, the Company re-priced 2,150,000 options to \$0.10 per share with no change in their term. The fair value for options was estimated at the date of re-pricing using the Black-Scholes pricing model and recorded as stock based compensation in the amount of \$8,845, using the following assumptions: Exercise Price - \$0.10; Expected Life – 0.2 to 4.6 years; Volatility – 137%; Risk Free Rate – 0.8% to 1.9%; and Dividend Yield - \$Nil.

As of July 31, 2009 the weighted average remaining contractual life of the options was 4.1 years (2008 – 3.9 years).

A summary of the changes in stock options to acquire an equivalent number of shares for the years ended July 31, 2009 and 2008 was as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	
Balance, July 31, 2007	2,050,000	\$ 0.85	
Expired	(300,000)	\$ (0.85)	
Granted	<u>200,000</u>	<u>\$ 0.59</u>	
Balance, July 31, 2008	1,950,000	\$ 0.82	(repriced to \$0.10)
Expired	(1,100,000)	\$ 0.10	
Granted	<u>1,550,000</u>	<u>\$ 0.10</u>	
Balance, July 31, 2009	<u>2,400,000</u>	<u>\$ 0.10</u>	



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

Share Capital (continued)

e) Stock Options (continued)

The Company had outstanding stock options as of July 31, 2009 as follows:

<u>NUMBER OF OPTIONS</u>	<u>NUMBER OF OPTIONS EXERCISABLE</u>	<u>EXERCISE PRICE</u>	<u>EXPIRY DATE</u>
650,000	650,000	\$ 0.10	May 8, 2012
200,000	200,000	\$ 0.10	April 11, 2013
200,000	200,000	\$ 0.10	August 19, 2013
200,000	200,000	\$ 0.10	December 29, 2013
<u>1,150,000</u>	<u>1,150,000</u>	\$ 0.10	May 20, 2014
<u>2,400,000</u>	<u>2,400,000</u>		

Stock based compensation in the amount of \$136,057 (2008 - \$94,292) was recorded based on the stock options granted during the year. The fair value of the options granted was estimated using the following assumptions: Exercise Price – \$0.10 and \$0.44 (2008 - \$0.59); Expected Life - Five Years; Volatility – 137% (2008 - 110%); Risk-Free Interest Rate – 2.1% to 3.2% (2008 – 3.0%); and Dividend Yield – \$Nil (2008 - \$Nil).

On December 29, 2008, the Company re-priced 2,150,000 options to \$0.10 per share with no change in their term. The fair value for options was estimated at the date of re-pricing and recorded as stock based compensation in the amount of \$8,845, using the following assumptions: Exercise Price - \$0.10; Expected Life – 0.2 to 4.6 years; Volatility – 137%; Risk Free Rate – 0.8% to 1.9%; and Dividend Yield - \$Nil.



Form 51-102F1 - Management's Discussion and Analysis

For the Year ended July 31, 2009

Dated October 30, 2009

SUBSEQUENT EVENTS

- i) On September 10, 2009, the Company signed a Heads of Agreement (the "Agreement") with two Zambian companies to jointly develop a copper ore processing plant using the Company's Electrometals electrowinning equipment "EMEW". Terms of the Agreement provide that the Zambian partner companies will finance the installation and commission the processing plant and advance a non-interest bearing loan of USD \$150,000 to the Company, in three equal monthly amounts of \$50,000. The Company has ceded ownership of its EMEW plant to the Zambian companies as collateral against the loan, until such time as the loan is repaid. To date the Company has received \$75,000. The Company and its Zambian partners will share profits from the joint venture on a 50/50 basis.
- ii) On October 8, 2009, the Company issued 1,000,000 units at \$0.10 per unit for proceeds of \$100,000 by private placement. Each unit consisted of one common share and one non-transferable warrant entitling the holder to purchase one common share at a price of \$0.12 if completed within a period of 12 months, \$0.15 if completed within a period of 24 months, and \$0.20 if completed within a period of 36 months.
- iii) On October 29, 2009, the Company issued a further 1,000,000 units at \$0.10 per unit for proceeds of \$100,000 by private placement. Each unit consisted of one common share and one non-transferable warrant entitling the holder to purchase one common share at a price of \$0.12 if completed within a period of 12 months, \$0.15 if completed within a period of 24 months, and \$0.20 if completed within a period of 36 months. A finder's fee of 5% of units issued (a total of 50,000 units) will be paid in connection with this placement.

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

YEARS ENDED JULY 31, 2009 AND 2008
(Expressed in Canadian Dollars)



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, 2009 and 2008 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, 2009 and 2008 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

October 30, 2009

"Morgan & Company"

Chartered Accountants

ICS COPPER SYSTEMS LTD.

CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian Dollars)

	JULY 31	
	2009	2008
ASSETS		
Current		
Cash	\$ 18,785	\$ 347,690
Short-term investments (Note 3)	58,845	1,378,502
Taxes receivable	1,041	116,028
Accounts receivable	210	9,573
Inventory	-	13,182
Prepaid expenses	6,047	9,498
	<u>84,928</u>	<u>1,874,473</u>
Due From Related Party (Note 6)	15,000	80,000
Equipment (Notes 4 and 14)	2,471,511	3,376,071
Mineral Properties (Note 5)	138,542	6,320,857
	<u>\$ 2,709,981</u>	<u>\$ 11,651,401</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 438,028	\$ 186,920
Due to related party (Note 6)	180,000	200,000
	<u>618,028</u>	<u>386,920</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	12,872,324	12,872,324
Contributed Surplus	1,770,480	1,625,578
Deficit	(12,550,851)	(3,233,421)
	<u>2,091,953</u>	<u>11,264,481</u>
	<u>\$ 2,709,981</u>	<u>\$ 11,651,401</u>

Approved on behalf of the Board of Directors:

“G Chisholm”

Graham A. Chisholm, Director
President & Chief Executive Officer

“D A Fynn”

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)

	YEARS ENDED JULY 31	
	2009	2008
Expenses		
Amortization	\$ 8,071	\$ 11,194
Consulting and filing fees	39,887	11,486
Foreign currency exchange loss	147,409	66,907
Insurance	12,991	5,712
Interest and bank charges (Note 6(d))	9,579	17,447
Investor relations and promotion	33,053	197,747
Management fees (Note 6(a))	164,250	180,625
Office	3,880	22,394
Professional fees	103,985	80,043
Property investigation costs	-	22,196
Rent and utilities	26,009	23,990
Salaries and employee benefits	126,733	137,187
Stock-based compensation (Note 7(e))	144,902	94,292
Telecommunications	10,549	31,397
Travel and accommodation	21,712	79,349
	(853,010)	(981,966)
Other Income (Expenses)		
Gain on settlement of debt	5,841	-
Interest income	11,617	175,401
Equipment impairment (Note 4)	(1,300,500)	-
Write-down of inventory (Note 5)	(13,182)	-
Write-down of mineral property interests (Note 5)	(7,168,196)	(83,474)
	(8,464,420)	91,927
Net Loss And Comprehensive Loss For The Year	\$ (9,317,430)	\$ (890,039)
Loss Per Share, Basic and diluted	\$ (0.31)	\$ (0.03)
Weighted Average Number Of Shares Outstanding,		
Basic and diluted	29,713,869	27,348,116

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)

	YEARS ENDED JULY 31	
	2009	2008
Cash Provided By (Used In)		
Operating Activities		
Net loss for the year	\$ (9,317,430)	\$ (890,039)
Items not affecting cash:		
Amortization	8,071	11,194
Stock-based compensation	144,902	94,292
Gain on settlement and debt	(5,841)	-
Equipment impairment	1,300,500	-
Write-down of inventory	13,182	-
Write-down of mineral property interests	7,168,196	83,474
	<u>(688,420)</u>	<u>(701,079)</u>
Changes in non-cash operating assets and liabilities:		
Taxes receivable	114,987	(78,272)
Accounts receivable	9,363	63,427
Inventory	-	(13,182)
Prepaid expenses	3,451	(9,498)
Accounts payable and accrued liabilities	256,949	(116,899)
	<u>(303,670)</u>	<u>(855,503)</u>
Investing Activities		
Short-term investments redeemed - net	1,319,657	5,895,623
Acquisition of equipment	(437,974)	(1,434,011)
Mineral properties	(951,918)	(4,172,495)
	<u>(70,235)</u>	<u>289,117</u>
Financing Activities		
Issue of common shares	-	1,100,000
Share issuance costs	-	(100,000)
Due from (repayments to) related parties - net	45,000	(380,000)
	<u>45,000</u>	<u>620,000</u>
(Decrease) Increase In Cash	(328,905)	53,614
Cash, Beginning Of Year	347,690	294,076
Cash, End Of Year	\$ 18,785	\$ 347,690
Disclosure Of Supplementary Cash Flow And Non-Cash Investing and Financing Information		
Interest paid	\$ 8,475	\$ 15,772
Income taxes paid	\$ -	\$ -

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, 2009 AND 2008

	SHARE CAPITAL		CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	NUMBER	AMOUNT			
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
Stock-based compensation	-	-	144,902	-	144,902
Net loss and comprehensive loss for the year	-	-	-	(9,317,430)	(9,317,430)
Balance, July 31, 2009	29,713,869	\$ 12,872,324	\$ 1,770,480	\$ (12,550,851)	\$ 2,091,953

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

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

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 \$12,550,851 and the Company will need additional funds to continue to explore and, if exploration is successful, to develop its properties. As at July 31, 2009, the Company did not have sufficient cash to meet minimum general and administration expenses for the year ending July 31, 2010. 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").

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

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) 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, mineral property carrying values, determination of fair values for stock based compensation, 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 copper and metal 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.

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.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments (Continued)

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.

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.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2009 and 2008.

h) 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.

i) Inventory

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

j) 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%
Office equipment	Declining balance	20% to 45%

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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.

l) 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.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Impairment of Long-Lived Assets (Continued)

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.

m) 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, 2009, the Company had determined that there were no legal obligations for reclamation and remediation costs.

n) 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.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) 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 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.

p) 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.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Accounting Policy Changes

Effective August 1, 2008, the Company adopted the following new CICA Handbook Sections on a prospective basis with no restatement to prior period financial statements:

- i) Section 1535, Capital Disclosures, (Note 8) requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. Under this standard, the Company will be required to disclose the following:
 - qualitative information about its objectives, policies and processes for managing capital;
 - summary quantitative data about what it manages as capital;
 - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
 - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
- ii) Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. Section 3862 revises and enhances the disclosure requirements for financial instruments and Section 3863 carries forward unchanged the presentation requirements.

Section 3862 requires the Company to provide disclosures in its financial statements that enable users to evaluate:

- the significance of financial instruments for the Company's financial position and performance;
- 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; and
- how the Company manages those risks.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Accounting Policy Changes (Continued)

- iii) The CICA approved amendments to CICA Handbook Section 1400 "General Standards of Financial Statement Presentation". These amendments require management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The new requirements of the standard are applicable for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

r) Future Accounting Pronouncements Not Yet Adopted

- i) The CICA issued Section 3064 – *Goodwill and Intangible Assets* replacing Section 3450, *Research and Development Costs*. The new standard, which the Company will adopt effective August 1, 2009, establishes guidelines for the recognition, measurement, presentation and disclosure of research and development costs. Management has determined that the adoption of this standard will have no impact upon its consolidated financial statements.
- ii) In January 2009, the CICA issued Handbook Section 1601, *Consolidated Financial Statements*, and Handbook Section 1602, *Non-Controlling Interests*, which together replace Handbook Section 1600, *Consolidated Financial Statements*. These two sections are equivalent to the corresponding provisions of International Accounting Standard 27, *Consolidated and Separate Financial Statements* (January 2008). Handbook Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statement. The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interests to be presented as a separate component of shareholders' equity.

Under Handbook Section 1602, non-controlling interest income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interest based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new sections on its consolidated financial statements.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Future Accounting Pronouncements Not Yet Adopted (Continued)

- iii) In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, and provides the equivalent to International Financial Reporting Standards ("IFRS") 3R, Business Combinations (January 2008). The new section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date.

The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

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. Earlier adoption is permitted. This new section will only have an impact on our consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

- iv) Canada's Accounting Standards Board ratified a plan that will result in Canadian GAAP being converged with International Financial Reporting Standards ("IFRS") by 2011. Management has performed a preliminary analysis and highlighted areas where its current Canadian accounting practices differ from IFRS however, the impact on the Company's consolidated financial statements has not yet been determined.

3. SHORT-TERM INVESTMENTS

As at July of 2009, short-term investments in the amount of \$58,845 (2008 - \$1,378,502) comprised Canadian investments in marketable commercial paper held with Canadian Chartered Banks with effective interest rates of 1.0% (2008 - 3.0%) and maturity dates to August 25, 2009.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

4. EQUIPMENT

	2009		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Mining equipment	\$ 2,468,603	\$ 55,594	\$ 2,413,009
Office equipment	51,944	29,987	21,957
Vehicles	89,032	52,487	36,545
	\$ 2,609,579	\$ 138,068	\$ 2,471,511
	2008		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Mining equipment	\$ 2,509,938	\$ 55,594	\$ 2,454,344
Office equipment	51,944	16,747	35,197
Roads and buildings	799,305	-	799,305
Vehicles	127,289	40,064	87,225
	\$ 3,488,476	\$ 112,405	\$ 3,376,071

Amortization on exploration use of equipment in the amount of \$33,963 (2008 - \$20,932) has been capitalized in mineral properties.

On December 6, 2008, the Company exercised its right to terminate the Mokambo property agreement due to an evaluation of the NI 43-101 reports concluding that the grade and tonnage of the deposits will not support an economic mining operation. Accordingly, the Company has written off \$1,300,500 of equipment consisting of mining equipment totalling \$65,579, vehicles totalling \$21,886 and roads and buildings totalling \$1,213,035.

5. MINERAL PROPERTIES

	ZAMBIA	DRC	2009 TOTAL	2008 TOTAL
Acquisition Costs				
Balance, Beginning Of Year	\$ 1,571,522	\$ 176,816	\$ 1,748,338	\$ 666,474
Option payments	93,985	-	93,985	1,144,136
Abandoned interests	(1,633,372)	(112,877)	(1,746,249)	(62,272)
Balance, End Of Year	\$ 32,135	\$ 63,939	\$ 96,074	\$ 1,748,338

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (Continued)

	ZAMBIA	DRC	2009 TOTAL	2008 TOTAL
Exploration Costs				
Balance, Beginning Of Year	\$ 4,507,592	\$ 64,927	\$ 4,572,519	\$ 1,398,021
Abandoned interests	(5,397,389)	(24,558)	(5,421,947)	(21,202)
Amortization	33,963	-	33,963	20,932
Assay	68,983	-	68,983	243,443
Camp and general	101,113	2,099	103,212	315,892
Consulting	58,487	-	58,487	267,234
Drilling	245,337	-	245,337	1,341,445
Environmental expenses	2,767	-	2,767	109,264
Geological and engineering	54,433	-	54,433	4,722
Labour and benefits	238,481	-	238,481	489,112
License fees	-	-	-	13,576
Social expenses	3,400	-	3,400	64,798
Travel and accommodation	57,291	-	57,291	251,479
Utilities and communications	25,542	-	25,542	73,803
Balance, End Of Year	-	42,468	42,468	4,572,519
Total	\$ 32,135	\$ 106,407	\$ 138,542	\$ 6,320,857

2009 Cost Summary

	ACQUISITION COSTS	EXPLORATION COSTS	ABANDONED INTERESTS	TOTAL
Zambia	\$ 1,665,507	\$ 5,397,389	\$ (7,030,761)	\$ 32,135
DRC	176,816	67,026	(137,435)	106,407
	\$ 1,842,323	\$ 5,464,415	\$ (7,168,196)	\$ 138,542

2008 Cost Summary

	ACQUISITION COSTS	EXPLORATION COSTS	ABANDONED INTERESTS	TOTAL
Zambia	\$ 1,571,522	\$ 4,507,592	\$ -	\$ 6,079,114
DRC	239,088	86,129	(83,474)	241,743
	\$ 1,810,610	\$ 4,593,721	\$ (83,474)	\$ 6,320,857

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (Continued)

a) Mokambo Property - Zambia

In 2006, as amended April 14, 2008, the Company entered into an option agreement 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	<u>1,000,000</u>
		\$ <u>3,250,000</u>

On December 6, 2008, the Company terminated the Mokambo property agreement due to an evaluation of the NI 43-101 reports concluding that the grade and tonnage of the deposits will not support an economic mining operation. Accordingly, the Company has written off all mineral property option and development expenses incurred totalling \$7,030,761, and inventory totalling \$13,182.

b) Musoshi Tailings Property - DRC

The Company 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 exchange for the total sum of US\$2,000,000 (US\$50,000 paid) payable by January 31, 2008.

As of July 31, 2008, because of uncertainty of title, the Company wrote off all of its acquisition and exploration costs totalling \$83,474.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (Continued)

c) Bayombwe Property - DRC

The Company entered into an option agreement with an African company to acquire a 73.5% interest in a joint venture company that 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 to the successive achievement or completion of benchmarks:

<u>PAYMENT DUE DATE</u>	<u>BENCHMARK</u>	<u>CASH PAYMENT (US\$)</u>
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
		<u>\$ 200,000</u>

As of July 31, 2009, the Company wrote off all of its acquisition and exploration costs totalling \$137,435 as the Company did not identify any potentially economic surface mineralization.

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.

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 which remains subject to the Company's completion of a participation agreement with a third party:

- i) US\$10,000 on signing agreement (paid);
- ii) US\$50,000 within 21 days (\$5,000 paid);
- iii) US\$20,000 on obtaining Permis de Recherche.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (Continued)

f) Luapula – Zambia

In March 2009, the Company entered into a Memorandum of Understanding to acquire a 49% interest in a 1,000 hectare Prospecting Permit in the Luapula district of Zambia for USD \$25,000 (CDN \$32,135) and deferred consideration equivalent to 5% of the ore extracted.

6. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company had the following amounts due to related parties as of July 31, 2009 and 2008, 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 \$167,250 (2008 - \$180,625);
- b) Paid consulting fees for mineral property exploration of \$37,000 (2008 - \$120,500) to a company owned by a former director;
- c) Reimbursed vehicle lease and operating costs of a director and officer of the Company in the amount of \$9,717 (2008 - \$11,452);
- 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 \$8,475 (2008 - \$15,772). The balance owing to the related company as of July 31, 2009 was \$180,000 (2008 - \$200,000).
- 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 \$43,750 of the \$78,750 outstanding balance by application of management fees due to the director's holding company. A total of \$20,000 of the remaining balance of \$35,000 was received during the year ended July 31, 2009 and the balance was received on September 22, 2009.

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

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

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 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.

c) Escrow Shares

As at July 31, 2009, 2,463,036 (2008 – 4,926,072) common shares remained in escrow pursuant to an escrow agreement. The remaining escrow shares will be released in equal tranches of 1,231,518 shares every six months from November 8, 2008 until May 8, 2010.

d) Share Purchase Warrants

A summary of the changes in warrants to acquire an equivalent number of shares for the years ended July 31, 2009 and 2008 was as follows:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance July 31, 2007	7,470,251	\$ 1.25
Granted	2,750,000	0.50
Balance July 31, 2008	10,220,251	1.05
Expired	(7,470,251)	(1.25)
Balance July 31, 2009	2,750,000	\$ 0.50

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

d) Share Purchase Warrants (Continued)

The Company had outstanding share purchase warrants as at July 31, 2009 as follows:

NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATE
<u>2,750,000</u>	\$ 0.50	June 10, 2010

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.

A summary of the changes in stock options to acquire an equivalent number of shares for the years ended July 31, 2009 and 2008 was as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	
Balance, July 31, 2007	2,050,000	\$ 0.85	
Expired	(300,000)	\$ (0.85)	
Granted	<u>200,000</u>	\$ 0.59	
Balance, July 31, 2008	1,950,000	\$ 0.82	(repriced to \$0.10)
Expired	(1,100,000)	\$ 0.10	
Granted	<u>1,550,000</u>	\$ 0.10	
Balance, July 31, 2009	<u>2,400,000</u>	\$ 0.10	

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

e) Stock Options (Continued)

The Company had outstanding stock options as of July 31, 2009 as follows:

NUMBER OF OPTIONS	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
650,000	650,000	\$ 0.10	May 8, 2012
200,000	200,000	\$ 0.10	April 11, 2013
200,000	200,000	\$ 0.10	August 19, 2013
200,000	200,000	\$ 0.10	December 29, 2013
<u>1,150,000</u>	<u>1,150,000</u>	\$ 0.10	May 20, 2014
<u>2,400,000</u>	<u>2,400,000</u>		

As of July 31, 2009 the weighted average remaining contractual life of the options was 4.1 years (2008 – 3.9 years).

Stock based compensation in the amount of \$136,057 (2008 - \$94,292) was recorded based on the stock options granted during the year. The fair value of the options granted was estimated using the following assumptions: Exercise Price – \$0.10 and \$0.44 (2008 - \$0.59); Expected Life - Five Years; Volatility – 137% (2008 - 110%); Risk-Free Interest Rate – 2.1% to 3.2% (2008 – 3.0%); and Dividend Yield – \$Nil (2008 - \$Nil).

On December 29, 2008, the Company re-priced 2,150,000 options to \$0.10 per share with no change in their term. The fair value for options was estimated at the date of re-pricing and recorded as stock based compensation in the amount of \$8,845, using the following assumptions: Exercise Price - \$0.10; Expected Life – 0.2 to 4.6 years; Volatility – 137%; Risk Free Rate – 0.8% to 1.9%; and Dividend Yield - \$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 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. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

8. CAPITAL MANAGEMENT (Continued)

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. Subsequent to year end the Company has raised \$200,000 through private placements and has obtained a \$150,000 loan from a joint venture partner (Note 14). The Company also expects to receive revenues from the ore processing joint venture.

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.

As at July 31, 2009, the classification of the financial instruments, and as their carrying values and fair values, are shown in the table below:

	HELD FOR TRADING	LOANS AND RECEIVABLES/ OTHER	FAIR VALUE/ AMORTIZED COST
Financial assets			
Cash	\$ 18,785	\$ -	\$ 18,785
Short-term investments	58,845	-	58,845
Accounts receivable	-	210	210
Due from related party		15,000	15,000
	\$ 77,630	\$ 15,210	\$ 92,840
Financial liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 438,028	\$ 438,028
Due to related party	-	180,000	180,000
	\$ -	\$ 618,028	\$ 618,028

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.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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.

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, the Democratic Republic of Congo and Zambia and a portion of its expenses are incurred in U.S. dollars and Zambian Kwacha. A significant change in the currency exchange rates between the Canadian dollar and these currencies 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, 2009, the Company was exposed to currency risk through the following assets and liabilities denominated in U.S. dollars and Zambian Kwacha.

	<u>2009</u>	<u>2008</u>
U.S. Dollars		
Cash	\$ 8,228	\$ 274,918
Accounts payable and accrued liabilities	\$ (42,307)	\$ (73,421)
Zambian Kwacha		
Cash	\$ 125	\$ 27,130
Accounts receivable	\$ -	\$ 119,581
Accounts payable and accrued liabilities	\$ (48,473)	\$ (72,869)

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Currency Risk (Continued)

Based on the above net exposures at July 31, 2009, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of \$3,408 in the Company's loss from operations, and a 10% appreciation or depreciation of the Canadian dollar against the Zambia Kwacha would result in an increase/decrease of \$4,835 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.

The difficult market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations (see Note 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:

	<u>2009</u>	<u>2008</u>
Non-capital losses carried forward	\$ 633,000	\$ 431,000
Resource deductions	1,822,000	(41,000)
Equipment	376,000	27,000
Share issue costs	206,000	238,000
	<u>3,037,000</u>	<u>655,000</u>
Valuation allowance	<u>(3,037,000)</u>	<u>(655,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

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.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

10. INCOME TAXES (Continued)

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 30% (2008 – 33%) to the net loss for the year due to the following:

	<u>2009</u>	<u>2008</u>
Computed income tax recoveries	\$ (2,795,000)	\$ (294,000)
Change in tax rate	-	74,000
Non-deductible expenses	44,000	33,000
Valuation allowance	2,751,000	187,000
	<u>\$ -</u>	<u>\$ -</u>

The Company's non-capital losses of approximately \$2,435,000 (2008 - \$1,659,000) expiring between 2016 and 2028 and Canadian foreign exploration resource deductions of approximately \$7,147,000 (2008 - \$6,162,000) and share issue costs of approximately \$687,000 (2008 - \$917,000) are available to reduce taxable income in future years.

11. 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.

	<u>2009</u>	<u>2008</u>
Net Loss For The Year		
Canada	\$ (853,552)	\$ (777,767)
Africa	(8,481,878)	(112,272)
	<u>\$ (9,317,430)</u>	<u>\$ (890,039)</u>

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION

	2009	2008
Equipment		
Canada	\$ 19,199	\$ 27,270
Africa	2,452,312	3,348,801
	<u>\$ 2,471,511</u>	<u>\$ 3,376,071</u>
Mineral Properties		
Africa	<u>\$ 138,542</u>	<u>\$ 6,320,857</u>

12. COMMITMENTS

The Company's annual minimum future lease payments under office rental agreements are as follows:

2010	\$ 23,221
2011	\$ 23,221
2012	\$ 7,740

13. CONTINGENCIES

An action has been recommended against the Company 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. The outcome of this claim is not determinable and no loss provision has been recorded in the financial statements for this contingency.

14. SUBSEQUENT EVENTS

- i) On September 10, 2009, the Company signed a Heads of Agreement (the "Agreement") with two Zambian companies to jointly develop a copper ore processing plant using the Company's Electrometals electrowinning equipment "EMEW". Terms of the Agreement provide that the Zambian partner companies will finance the installation and commission the processing plant and advance a non-interest bearing loan of USD \$150,000 to the Company, in three equal monthly amounts of \$50,000. The Company has ceded ownership of its EMEW plant to the Zambian companies as collateral against the loan, until such time as the loan is repaid. To date the Company has received \$75,000. The Company and its Zambian partners will share profits from the joint venture on a 50/50 basis.

ICS COPPER SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2009 AND 2008

(Expressed in Canadian Dollars)

14. SUBSEQUENT EVENTS (Continued)

- ii) On October 8, 2009, the Company issued 1,000,000 units at \$0.10 per unit for proceeds of \$100,000 by private placement. Each unit consisted of one common share and one non-transferable warrant entitling the holder to purchase one common share at a price of \$0.12 if completed within a period of 12 months, \$0.15 if completed within a period of 24 months, and \$0.20 if completed within a period of 36 months.
- iii) On October 29, 2009, the Company issued a further 1,000,000 units at \$0.10 per unit for proceeds of \$100,000 by private placement. Each unit consisted of one common share and one non-transferable warrant entitling the holder to purchase one common share at a price of \$0.12 if completed within a period of 12 months, \$0.15 if completed within a period of 24 months, and \$0.20 if completed within a period of 36 months. A finder's fee of 5% of units issued (a total of 50,000 units) will be paid in connection with this placement.



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 A. Fynn, CA
CFO & Director

Robert S. Stewart
Director

Stephen Gregory, BSc Eng (Hons)
Director

Markus Janser
Proposed Director

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Stock Symbols

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