

COPPER CANYON RESOURCES LTD.
(A Development Stage Company)
FINANCIAL STATEMENTS

from incorporation on June 15, 2006 to
December 31, 2006



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Auditors' Report

To the Shareholders of
Copper Canyon Resources Ltd.
(A Development Stage Company):

We have audited the balance sheet of Copper Canyon Resources Ltd. as at December 31, 2006 and the statements of operations and deficit and of cash flows from incorporation on June 15, 2006 to December 31, 2006. 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 audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows from incorporation on June 15, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
April 5, 2007

(signed) "Deloitte & Touche LLP

Chartered Accountants

Copper Canyon Resources Ltd.
(A Development Stage Company)
Balance Sheet

As at December 31

2006

Assets

Current

Cash and cash equivalents	\$ 119,861
Accounts receivable	20,014
	<u>139,875</u>

Mineral exploration properties (Note 4) 759,957

\$ 899,832

Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities \$ 36,850

Future income tax (Note 10) 72,425

109,275

Shareholders' equity

Share capital (Note 5) 872,516

Contributed surplus (Note 3) 42,705

Deficit (124,664)

790,557

\$ 899,832

Commitments and contingencies (note 9)

Subsequent events (note 11)

On behalf of the Board:

"Signed" Director
Mr. Timothy J. Termuende

"Signed" Director
Mr. Glen J. Diduck

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

Copper Canyon Resources Ltd.
(A Development Stage Company)
Statement of Operations and Deficit

From incorporation on June 15 to December 31	2006
Expenses	
Administration costs	\$ 125,504
Trade shows, travel and promotion	11,658
Public company costs	15,290
Professional fees	<u>43,416</u>
Loss before other items	195,868
Other items	
Interest and other	<u>2,172</u>
Loss before future income tax	193,696
Future income tax recovery	<u>(69,032)</u>
Net loss for the period and Deficit, end of period	\$ 124,664
Loss per share – basic and diluted (Note 6)	\$ (0.0030)

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

Copper Canyon Resources Ltd.
(A Development Stage Company)
Statement of Cash Flows

From incorporation on June 15 to December 31	2006
Cash flows from operating activities	
Net loss for the period	\$ (124,664)
Adjustment for: Future income tax	(69,032)
	<u>(193,696)</u>
Changes in non-cash working capital items	
Increase in accounts receivable	(20,014)
Increase in accounts payable and accrued liabilities	36,850
	<u>(176,860)</u>
Cash flows from financing activity	
Plan of arrangement (Note 3)	650,000
Expense related to share issue	(347,607)
	<u>302,393</u>
Cash flows from investing activities	
Development of mineral exploration properties	(5,672)
	<u>(5,672)</u>
Increase in cash and cash equivalents	119,861
Cash and cash equivalents beginning of period	<u>-</u>
Cash and cash equivalents end of period	\$ 119,861
Cash and cash equivalents comprises:	
Bank overdraft	\$ (81,498)
Term deposits bearing interest at 3.35 – 4.10%	201,359
	<u>\$ 119,861</u>

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

December 31, 2006

1. Nature of Operations

Copper Canyon Resources Ltd. (the "Company" or "Copper Canyon") was incorporated on June 15, 2006, pursuant to the Alberta Business Corporation Act (Alberta), and is extra-provincially registered in the Yukon and British Columbia.

The Company was created as a result of a plan of arrangement undertaken to reorganize Eagle Plains Resources Ltd. ("Eagle Plains") (Note 3). The Company is in the business of exploring for mineral resources and is exploring properties located in British Columbia and the Yukon.

The future recoverability of amounts recorded as mineral exploration properties is 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 the necessary financing to complete the development, and attain profitable production or proceeds from the disposition of the properties in excess of the carrying amount.

2. Significant Accounting Policies

Management has prepared the financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Mineral exploration properties

Costs of acquisition, exploration and development of mineral properties are capitalized on an area-of-interest basis. General and administrative costs are either charged to expense in the year incurred or capitalized if they directly relate to exploration. Amortization of these costs will be on a unit-of-production basis, based on estimated proven reserves of minerals of the areas, should such reserves be found. Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property since it has no value to the Company. When significant properties in an area of interest are abandoned, the costs related thereto are charged to operations on a pro-rata basis to the total costs to date included in the area, in the year of abandonment. The proceeds received from a partial disposition or an option payment is credited against the capitalized costs. In addition, if there has been a delay in development activity for several successive years, a write-down of those project-capitalized costs will be charged to operations.

b) Asset retirement obligations

A liability for the fair value of environmental and site restoration obligations are recorded when the obligations are incurred. For most projects, the Company maintains the site on an ongoing basis as is required by local laws. For the Company, significant obligations will be incurred at the time the related assets are brought into production. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the credit adjusted risk free rate. The fair value of the obligations is recorded as a liability with the same amount recorded as an increase in capitalized costs. The amounts included in capitalized costs will be depleted using the unit-of-

December 31, 2006

2. Significant Accounting Policies – continued

production method. The liability is adjusted for accretion expense representing the increase in the fair value of the obligations due to the passage of time. The accretion expense is recorded as an operating expense. The Company currently has no asset retirement obligations.

c) Loss per share

Basic loss per common share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

d) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and investments with maturities of 90 days or less from the date of purchase.

e) Future income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset and liability in the balance sheet and its tax basis and the carry forward of unused tax pools and unamortized share issue costs. Future income tax assets and liabilities are measured using income tax rates expected to apply on the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered “more likely than not”, a valuation allowance is provided.

f) Stock-based compensation plan

The Company has equity incentive plans which are described in Note 5. The fair value of options to purchase common shares is calculated at the date of grant using the Black-Scholes option-pricing model and that value is recorded as compensation expense over the grant’s vesting period with an offsetting credit to contributed surplus. Upon exercise of the share purchase option, the associated amount is reclassified from contributed surplus to share capital. Consideration paid by employees upon exercise of share purchase options is credited to share capital.

g) Joint venture

Substantially all of the Company’s exploration and development activities are conducted jointly with others. These financial statements reflect only the Company’s proportionate interest in such activities.

h) Financial instruments

The Company carries various financial instruments. Unless otherwise indicated, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

December 31, 2006

2. Significant Accounting Policies – continued

i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant of these estimates are related to impairment of mineral properties; impairment of capital assets; useful lives for amortization of capital assets; reclamation and environmental obligations; stock-based compensation; and contingencies reported in the notes to the financial statements. Financial results as determined by actual events could differ from those estimates.

3. Plan of Arrangement

On June 9, 2006, the shareholders of Eagle Plains approved a plan of arrangement (“the arrangement”) to reorganize the Eagle Plains’ mineral property assets.

Under the terms of the arrangement, three of Eagle Plains’ existing projects, Copper Canyon, Severance, Abo (Harrison-gold) and \$650,000 in cash was transferred into Copper Canyon. Under the terms of the arrangement, Eagle Plains’ shareholders of record on closing of the arrangement received one share of Copper Canyon for every one Eagle Plains share held for a total of 48,351,810 shares issued valued using the fair value of Eagle Plains shares.

Included in the arrangement was an agreement whereby those entitled to exercise options within Eagle Plains receive when exercised, in addition to the new Eagle Plains shares, an equal number of Copper Canyon shares. The proceeds from the exercise of options will be split between Eagle Plains and Copper Canyon 40.65% and 59.35%, respectively. The purpose of this agreement was to ensure that the value attributed to the Eagle Plains option holders was not diluted and to ensure compliance with the requirements of this type of corporate restructuring. The options were valued using the black scholes model.

The carrying value of the assets transferred included:

Cash	\$ 650,000
Mineral properties	754,285
Future tax liability	<u>(256,457)</u>
	<u>\$ 1,147,828</u>

The carrying value has been allocated based on relative fair values to:

48,351,810 shares issued	\$ 1,105,123
Value attributed to commitment to issue 4,020,500 shares	<u>42,705</u>
	<u>\$ 1,147,828</u>

December 31, 2006

4. Mineral Properties

Mining exploration properties

Pursuant to the plan of arrangement the Company transferred three mineral exploration properties from Eagle Plains Resources Ltd. valued at \$754,285.

	June 15 2006	Mineral Property Interest		December 31 2006
		Properties transferred per plan of arrangement	Acquisition and Exploration costs incurred	
British Columbia				
Copper Canyon	\$ -	\$ 588,933	\$ -	\$ 588,933
Abo (Harrison-Gold)	-	101,336	-	101,336
Yukon				
Severance project	-	64,016	5,672	69,688
	<u>\$ -</u>	<u>\$ 754,285</u>	<u>\$ 5,672</u>	<u>\$ 759,957</u>

	Gross Hectares
British Columbia	
13 claims	4,340
Yukon	
30 claims	630
	<u>4,970</u>

Copper Canyon Project

The Copper Canyon project is under option to NovaGold Resources Inc. ("NovaGold") under which NovaGold is the operator.

Under terms of the option agreement, NovaGold has the option to acquire a 60% interest in the project from the Company by completing \$3,000,000 of exploration expenditures by 2013 (\$1,817,025 completed to date), issuing 74,074 more shares of NovaGold and making the remaining payments of \$90,000. NovaGold may also earn an additional 20% interest in the project by paying the Company \$1 million and completing a Feasibility Study on the project by September 2011.

Abo (Harrison-Gold) Project

The wholly owned Abo Gold property is located in the Harrison Lake area of south-western British Columbia. The property was optioned to Northern Continental Resources Ltd. in October 2002 and Northern Continental terminated their option in January 2006.

December 31, 2006

4. Mineral Properties - continued

Severance Project

The property, located in the west-central Yukon, was acquired through an option agreement whereby a 2% NSR is reserved for the vendor, half of which may be purchased at any time for \$1,000,000. The Company has also agreed to reserve for the vendors 25% of the proceeds from any subsequent third-party sale or option of the claims, to a maximum of \$100,000.

5. Share Capital

a) Authorized

Unlimited number of common shares without nominal or par value.

Unlimited number of first and second preference shares without nominal or par value, with the rights, privileges and conditions thereof determined by the directors of the Company at the time of issuance.

b) Issued and outstanding

	Number of Shares	\$
<u>Common Shares</u>		
Issued per plan of arrangement (Note 3)	48,351,810	\$1,105,123
Share issue costs, net of future tax recovery of \$115,000		(232,607)
Balance, December 31, 2006	<u>48,351,810</u>	<u>\$ 872,516</u>

c) Directors and management share options

The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% of the issued and outstanding common shares of the Company. The exercise price of options granted is not less than the market price of the common shares traded less the available discount under TSX Venture Exchange Inc. policies, and the vesting period is determined by the Board of Directors. Options granted can have a term of up to 5 years.

Compensation expense will be determined based on the estimated fair value of the options at the grant dates and amortized over the vesting period..

No options have yet been issued pursuant to the Company's stock option plan.

d) Reserved shares

Per the arrangement (Note 3), all option holders of record in Eagle Plains are to receive, in addition to an Eagle Plains share, one share of the Company when the option is exercised. Proceeds from the exercise of options will be split between Eagle Plains 40.65% and Copper Canyon 59.35%.

December 31, 2006

5. Equity instruments - continued

As at December 31, 2006, the Company had a commitment to issue the following shares upon the exercise of certain Eagle Plains options outstanding as per the plan of arrangement (Note 3):

	Number of Reserved shares	Price per Share Range	Weighted Average Effective Issue Price
Granted per plan of arrangement	4,020,500	\$0.059 - \$0.831	\$0.499
Expired Eagle Plains option	(10,000)	(\$0.387)	(\$0.387)
Outstanding, December 31, 2006	4,010,500	\$0.059 - \$0.831	\$0.374

For option commitments as disclosed above, the fair value of stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield nil, expected volatility 37%; risk free interest rate 4.04%; and weighted average life of 5 years.

The following table summarizes information about the commitment to issue shares as at December 31, 2006:

Number of Shares Reserved to be Issued	Effective Issue Price	Weighted Average Remaining Contractual Life
97,500	\$0.059	0.75 years
300,000	\$0.148	1.25 years
10,000	\$0.297	2.25 years
525,000	\$0.297	2.50 years
650,000	\$0.297	2.75 years
30,000	\$0.386	3.00 years
813,000	\$0.386	3.25 years
625,000	\$0.445	3.50 years
860,000	\$0.415	4.00 years
100,000	\$0.831	4.50 years
4,010,500		

e) Shareholder rights protection plan

The shareholders have approved a plan which the directors intend to implement at their discretion to provide adequate time for the shareholders and the directors to seek alternatives to, and to assess the merits of, bids for the shares of the Company. This plan attaches special rights to the issued shares of the Company. These special rights are void to a bidder who seeks to acquire more than 20 % of the voting shares of the Company.

December 31, 2006

6. Per Share Amounts

The calculation of loss per share has been calculated based on the weighted average number of shares outstanding during the period ended December 31, 2006 of 48,351,810 shares.

The net effect of applying the treasury-stock method to the weighted average number of shares outstanding had no dilutive effect for the period ended December 31, 2006.

7. Related Party Transactions

During the period ended December 31, 2006 the Company incurred:

- a) legal fees of \$9,155 were paid to a company of which a director is a partner.
- b) director's fees in the amount of \$16,500.
- c) management fees of \$30,000 and other costs of \$36,180 were paid to a related company of which there are common Directors of the Company.
- d) accounting fees of \$4,250 were paid to a director and officer of the Company.

Except as discussed, all related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties. The exchange amounts approximate fair values.

8. Asset Retirement Obligation

At December 31, 2006, the Company estimate for asset retirement obligations is not material. The Company has currently made no provision for site restoration costs or potential environmental liabilities as all properties are still in the exploration stages and sites explored are restored on an ongoing basis.

9. Commitments and Contingent Liabilities

The Company has \$25,000 of term deposits and cash balances with a Canadian financial institution for the guarantee of business credit cards.

The Company has agreed to indemnify directors and officers under the bylaws of the Company to the extent permitted by law. The nature of the indemnifications prevent the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks association with such indemnification.

Additionally, in the ordinary course of business, other indemnifications may have also been provided pursuant to provisions of purchase and sale contracts, service agreements, joint venture agreements, operating agreements and leasing agreements. In these agreements, the Company has indemnified counterparties if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits

December 31, 2006

9. Commitments and Contingent Liabilities - continued

included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

10. Income Taxes

At the end of the period, subject to confirmation by income tax authorities, the Company has approximately the following available tax pools:

	<u>2006</u>
Non-capital losses carried forward for tax purposes available from time to time until 2016	\$ 263,217
Cumulative Canadian exploration expenses	5,641
Undeducted share issue costs carried forward	<u>278,085</u>
	<u>\$546,943</u>

The components of the Company's future income tax liability are a result of the origination and reversal of temporary differences and are comprised of the following:

Nature of temporary differences	<u>2006</u>
Unused tax losses carry forward	\$ 89,494
Property	(256,467)
Share issue costs	<u>94,548</u>
Future income tax	<u>\$ (72,425)</u>

The effective tax rate of income tax varies from the statutory rate as follows:

	<u>2006</u>
Statutory tax rates	<u>34%</u>
Expected income tax recovery at statutory rates	\$ (65,857)
Other permanent differences	<u>(3,175)</u>
	<u>\$ (69,032)</u>

December 31, 2006

11. Subsequent Events

Subsequent to the year end, the Company received 74,074 shares of NovaGold, as required under the arrangement with NovaGold on the Copper Canyon project (Note 4). NovaGold shares had a fair market value of \$19.89 when received and valued at \$1,473,332.

On March 26, 2007, the Company executed an option agreement with Northern Freegold Resources Ltd ("NFR"), a company related by virtue of common directors, whereby NFR may earn a 100% interest (less 3% NSR) in the Severance Property by making staged cash payments totaling \$50,000 and issuing 300,000 common shares to Copper Canyon.
