

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

for the years ended  
December 31, 2009 and 2008

**Auditors' Report**

**To the Shareholders of  
Copper Canyon Resources Ltd.**

We have audited the balance sheets of Copper Canyon Resources Ltd. as at December 31, 2009 and 2008, and the statements of operations and deficit, comprehensive loss, and accumulated other comprehensive loss and cash flows 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 disclosure in these 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 December 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.

**April 2, 2010**  
**Vancouver, Canada**

***"MacKay LLP"***  
**Chartered Accountants**

**Copper Canyon Resources Ltd.**  
**(A Development Stage Corporation)**  
**Balance Sheets**

As at December 31	2009	2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 685,218	\$ 925,533
Accounts receivable	47,133	4,461
Income taxes recoverable	-	95,765
	732,351	1,025,759
<b>Investments (Notes 3 and 8)</b>	<b>384,501</b>	<b>173,686</b>
<b>Mineral exploration properties (Notes 4 and 7)</b>	<b>35,713</b>	<b>1,596</b>
	<b>\$ 1,152,565</b>	<b>\$ 1,201,041</b>

**Liabilities and Shareholders' Equity**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 80,425	\$ 76,487
<b>Shareholders' equity</b>		
Share capital (Note 5)	1,936,534	1,936,534
Warrants (Note 5)	534,249	534,249
Contributed surplus (Note 5)	1,636,447	1,548,110
Accumulated other comprehensive loss (Note 10)	(553,124)	(937,289)
Deficit	(2,481,966)	(1,957,050)
	1,072,140	1,124,554
	<b>\$ 1,152,565</b>	<b>\$ 1,201,041</b>

**Nature of operations** (Note 1)  
**Commitments and contingencies** (Note 8)  
**Subsequent events** (Note 13)

Approved on behalf of the Board:

"Timothy J Termuende" Director  
Mr. Timothy J. Termuende

"Glen J Diduck" Director  
Mr. Glen J. Diduck

**Copper Canyon Resources Ltd.**  
**(A Development Stage Corporation)**  
**Statements of Operations and Deficit**

<b>For the years ended December 31</b>	<b>2009</b>	<b>2008</b>
<b>Expenses</b>		
Administration costs (Note 7)	\$ 164,804	\$ 110,171
Trade shows, travel and promotion (Note 7)	39,227	204,883
Stock compensation expense	88,337	421,618
Public company costs (Note 7)	41,123	38,795
Professional fees (Note 7)	31,872	101,960
	<u>365,363</u>	<u>877,427</u>
<b>Loss before other items</b>		
<b>Other items</b>		
Interest and other income	(4,119)	(33,137)
Option proceeds in excess of carrying value (Note 4)	(712)	(16,163)
Impairment of investment (Note 3)	52,999	-
Loss on sale of investments	111,709	66,108
	<u>159,877</u>	<u>16,808</u>
	525,240	894,235
<b>Loss before income taxes</b>	<b>525,240</b>	<b>894,235</b>
<b>Current income tax recovery</b>	<b>(324)</b>	<b>(90,297)</b>
<b>Net loss for the year</b>	<b>524,916</b>	<b>803,938</b>
Deficit, beginning of year	<u>1,957,050</u>	<u>1,153,112</u>
<b>Deficit, end of year</b>	<b>\$ 2,481,966</b>	<b>\$ 1,957,050</b>
<b>Net loss per share – basic and diluted (Note 6)</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>
<b>Weighted average number of shares</b>		
Basic and diluted (Note 6)	<u>50,682,545</u>	<u>50,628,545</u>

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

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**Copper Canyon Resources Ltd.**  
**(A Development Stage Corporation)**  
**Statement of Comprehensive Loss**

<b>For the years ended December 31</b>	<b>2009</b>	<b>2008</b>
<b>Net loss</b>	<b>\$ 524,916</b>	<b>\$ 803,938</b>
Other comprehensive loss		
Unrealized (gain) loss on investments (Note 3)	(272,456)	439,546
Reclassification adjustment for loss included in net income	(111,709)	(66,108)
<b>Comprehensive loss</b>	<b>\$ 140,751</b>	<b>\$ 1,177,376</b>

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**Copper Canyon Resources Ltd.**  
**(A Development Stage Corporation)**  
**Statement of Accumulated Other Comprehensive Loss**

<b>For the years ended December 31</b>	<b>2009</b>	<b>2008</b>
<b>Accumulated other comprehensive loss</b>		
Beginning of year	\$ 937,289	\$ 563,851
Other comprehensive (income) loss	(384,165)	373,438
<b>Accumulated other comprehensive loss</b>		
End of year	\$ 553,124	\$ 937,289

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

**Copper Canyon Resources Ltd.**  
**(A Development Stage Corporation)**  
**Statements of Cash Flows**

<b>For the years ended December 31</b>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Net loss for the year	\$ (524,916)	\$ (803,938)
Adjustments for :		
Stock compensation	88,337	421,618
Impairment of investment	52,999	-
Loss on sale of investments	111,709	66,108
Option proceeds in excess of carrying value	(712)	(16,163)
	<u>(272,583)</u>	<u>(332,375)</u>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	(42,672)	7,754
Increase (decrease) in due to related party	-	(83,811)
Increase (decrease) in accounts payable and accrued liabilities	(46,688)	13,587
Decrease (increase) in income taxes recoverable	95,765	(194,863)
	<u>(266,178)</u>	<u>(589,708)</u>
<b>Cash flows from financing activities</b>		
Issue of shares for cash	-	41,768
Expense related to share issue	-	(3,175)
	<u>-</u>	<u>38,593</u>
<b>Cash flows from investing activities</b>		
Proceeds from property options	-	122,500
Purchase of investments	(30,000)	-
Proceeds from sale of investments	41,642	18,392
Recoveries (expenditures) on mineral exploration properties	14,221	(4,020)
	<u>25,863</u>	<u>136,872</u>
<b>Decrease in cash and cash equivalents</b>	<b>(240,315)</b>	<b>(414,243)</b>
Cash and cash equivalents, beginning of year	<u>925,533</u>	<u>1,339,776</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 685,218</b>	<b>\$ 925,533</b>
<b>Cash and cash equivalents comprises:</b>		
Bank deposits	\$ 84,618	\$ 66,690
Term deposits	600,600	858,843
	<u>\$ 685,218</u>	<u>\$ 925,533</u>

The Company made no cash payments for interest.

The Company made cash payments of Nil (2008 -\$5,468) and received cash receipts of \$96,236 (2008 – Nil) for income taxes.

Non-cash investing activity

During the year ended December 31, 2009 the Company received 300,000 (2008 – 312,500) common shares with a value of \$3,000 (2008 - \$112,625) for property option payments.

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

**December 31, 2009 and 2008**

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## **1. Nature of Operations**

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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"). The Company is in the business of exploring for mineral resources located in British Columbia and the Yukon.

These statements have been prepared on the basis of accounting principles applicable to a going concern. Management has assessed that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. 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.

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## **2. Significant Accounting Policies**

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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) Changes in accounting policies

Effective January 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

(i) Section 3064, "Goodwill and Intangible Assets"

This new standard replaces the previous goodwill and intangible asset standard and revised the requirement for recognition, measurement, presentation, and disclosure of intangible assets. The adoption of this standard has had no impact on the Company's financial statements.

(ii) EIC-173, "Credit Risk and Fair Value of Financial Assets and Financial Liabilities"

Emerging Issues Committee Abstract 173 (EIC-173), "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities," was issued by the CICA in January 2009. EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's interim and annual financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-173 did not impact the financial statements of the Company.

**December 31, 2009 and 2008**

**2. Significant Accounting Policies - continued**

b) Financial instruments

Section 3862 provides guidance on disclosures in the financial statements to enable users of the financial statements to evaluate the significance of financial instruments to the Company's financial position and performance, and about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Section 3863 establishes standards for presentation of financial instruments.

The Company holds 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. Investments in entities in which the Company does not have control or significant influence are designated as available-for-sale. The fair value for investments designated as available-for-sale is recorded on the balance sheet, with unrealized gains and losses, net of related income taxes, recorded in accumulated other comprehensive income ("AOCI"). The cost of securities sold is based on the specific identification method. Realized gains and losses, including any other-than-temporary decline in value, on these equity securities are removed from AOCI and recorded in income or loss.

The Company has designated its cash and cash equivalents as held-for trading, which are measured at fair value. Amounts receivable are classified as receivables, which are measured at amortized cost. Long-term investments are classified as available-for-sale and are measured at fair value with changes in fair value recorded in other comprehensive income. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Transaction costs are expensed as incurred.

The carrying amounts and fair values of financial assets and liabilities are as follows:

	December 31 2009		December 31 2008	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Receivables				
Accounts receivable	\$ 47,133	\$ 47,133	\$ 4,461	\$ 4,461
Available-for-sale financial assets				
Investments	384,501	384,501	173,686	173,686
Held-for-trading				
Cash and cash equivalents	685,218	685,218	925,533	925,533
Other financial liabilities				
Payables and accrued liabilities	\$ 80,425	\$ 80,425	\$ 76,487	\$ 76,487

December 31, 2009 and 2008

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## 2. Significant Accounting Policies – continued

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c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, term deposits and investments with maturities of three months or less from the date of purchase.

d) 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; proceeds received in excess of costs incurred on a property by property basis are credited to income. In addition, if there has been a delay in development activity for several successive years, a write-down of capitalized costs will be charged to operations.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and the asset written down to fair value which is normally determined using the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value.

e) Investments

Securities acquired under option agreements executed with option partners on the Company's mineral properties are recorded at the "fair value" as determined by management. Fair value is based on closing market prices for publicly traded shares recognizing the possible effects of price fluctuations, quantities traded and similar items. The fair value may or may not approximate trading prices at the time the agreement is executed. The related capitalized mining expenditures are also reduced by the fair value of the investment received.

f) Asset retirement obligations

At December 31, 2009 and 2008, the Company's 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 stage. A liability for the fair value of environmental and site restoration obligations will be recorded when the obligations are incurred. For the Company, significant obligations will be incurred at the time the related assets are brought into production. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying value of the related long-lived asset. The asset retirement cost is subsequently charged to operations in a rational and systematic manner over the underlying asset's useful life. The initial fair value of the asset retirement liability is accreted, by charges to operations, to its estimated future value.

**December 31, 2009 and 2008**

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**2. Significant Accounting Policies – continued**

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g) Per share amounts

Basic income (loss) per common share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding for the period. 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. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

h) 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 in 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.

i) 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 option'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. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

j) Mineral tax credit

The Federal and Provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accrues these credits as a reduction of mineral exploration expenditures in the period that the related expenditures were incurred. These accrued credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments if any, resulting from such a review are recorded in the period that the tax filings are amended.

k) Option Agreements

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.

l) Share issue costs

Commissions paid to underwriters, and other related share issue costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

**December 31, 2009 and 2008**

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## **2. Significant Accounting Policies – continued**

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m) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes pricing model. The balance of proceeds is allocated to the common shares. The fair value attributed to the warrants is recorded as contributed surplus. If the warrants expire unexercised, the value attributable to the warrants is attributed to common shares.

n) Impairment of long-lived assets

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

EIC 174 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

o) Measurement Uncertainty

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. Significant areas requiring the use of management estimates include impairment of mineral properties; reclamation and environmental obligations; and contingencies reported in the notes to the financial statements. Financial results as determined by actual events could differ from those estimates.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

**December 31, 2009 and 2008**

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## **2. Significant Accounting Policies – continued**

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p) New accounting policies not yet adopted

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(i) Section 1582, "Business Combinations"

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations". This Section, which replaced the former Business Combination Section, Section 1581, establishes standards for the accounting for a business combination and provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations". Section 1582 requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The guidance within Section 1582 has an effective date of January 1, 2011. Early adoption of this section is permitted. The Company does not anticipate adopting this section prior to the adoption of IFRS and therefore does not expect any impact to the consolidated financial statements.

(ii) Section 1601, "Consolidated Financial Statements"

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements". This Section, together with new Section 1602 ("Non-controlling Interests"), replaces the former Consolidated Financial Statements (Section 1600) and establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this section is permitted. The Company does not anticipate adopting this section prior to the adoption of IFRS and therefore does not expect any impact to the consolidated financial statements.

(iii) Section 1602, "Non-controlling Interests"

Effective January 1, 2011, the Company will be required to adopt CICA Handbook Section 1602, "Non-controlling Interests", which with CICA Handbook Section 1601, will supersede the existing business combinations standard. This section establishes the standards for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. A non-controlling interest in a subsidiary will be required to be classified as a separate component of equity under this standard. Early adoption of this section is permitted. The Company does not anticipate adopting this section prior to the adoption of IFRS and therefore does not expect any impact to the consolidated financial statements.

**December 31, 2009 and 2008**

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## **2. Significant Accounting Policies – continued**

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p) New accounting policies not yet adopted (continued)

(iv) Section 1625, "Comprehensive Revaluation of Assets and Liabilities"

This Section has been amended as a result of the issuance of Business Combinations, Section 1582, Consolidated Financials Statements, Section 1601 and Non-Controlling Interests, Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The Company does not expect this amendment to have any impact on its financial statements.

(v) Section 3251, "Equity"

This Section has been amended as a result of issuing Section 1602. The amendments apply only to entities that have adopted Section 1602. The Company does not expect this amendment to have any impact on its financial statements.

(vi) Section 3855, "Financial Instruments - Recognition and Measurement"

This Section has been amended to clarify the application of the effective interest method after a debt instrument has been impaired. This Section has also been amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted. The Company does not expect this amendment to have any impact on its financial statements.

This Section has been further amended to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on or after July 1, 2009. Earlier adoption is permitted.

Also, this Section has been amended to:

- change the categories into which a debt instrument is required or permitted to be classified;
- change the impairment model for held-to-maturity financial assets to the incurred credit loss model of Impaired Loans, Section 3025; and
- require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances.

These further amendments apply to reclassifications made on or after July 1, 2009 and are not expected to have any impact on the Company's financial statements.

**Copper Canyon Resources Ltd.**  
**(A Development Stage Corporation)**  
**Notes to Financial Statements**

**December 31, 2009 and 2008**

**3. Investments**

	<b>Dec 31 2009</b>	Dec 31 2008
500,000 (2008 – 200,000) common shares of Egoli Resources Ltd	<b>\$ 1</b>	\$ 50,000
112,500 (2008 – 112,500) common shares of Northern Freegold Resources Ltd	<b>36,000</b>	19,125
50,000 (2007 – 59,074) common shares of NovaGold Resources Inc.	<b>318,500</b>	104,561
Guaranteed Investment Certificates (Note 8)	<b>30,000</b>	-
	<b>\$ 384,501</b>	\$ 173,686

For securities traded in an active market, market value is based on the quoted closing prices of the securities at December 31, 2009. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded. The investment in Egoli Resources Ltd. was carried at cost as their securities are not traded in an active market. During the year ended December 31, 2009, the costs of Egoli Resources shares were written down to \$1 to reflect an impairment in value.

**4. Mineral Exploration Properties**

	Dec 31 2008	Acquisition & Exploration Costs	Option & YMIP Payments	Option proceeds in excess of carrying value	<b>Dec 31 2009</b>
British Columbia					
Abo (Harrison-Gold)	\$ 1	\$ 3,788	\$ (3,000)	\$ 712	\$ 1,501
Copper Canyon	1,594	(1,593)	-	-	1
Yukon					
Anvil	-	25,083	(13,674)	-	11,409
Ark	-	23,694	(12,846)	-	10,848
Tally Ho	-	26,870	(14,917)	-	11,953
Severance	1	-	-	-	1
	<b>\$ 1,596</b>	<b>\$ 77,842</b>	<b>\$ (44,437)</b>	<b>\$ 712</b>	<b>\$ 35,713</b>

**December 31, 2009 and 2008**

**4. Mineral Exploration Properties - continued**

	Dec 31 2007	Acquisition & Exploration Costs	Option Payments	Option proceeds in excess of carrying value	Dec 31 2008
British Columbia					
Abo (Harrison-Gold)	\$ 146,849	\$ 2,427	\$ (150,000)	\$ 725	\$ 1
Copper Canyon	1	1,593	-	-	1,594
Yukon					
Severance Project	69,688	-	(85,125)	15,438	1
	<u>\$ 216,538</u>	<u>\$ 4,020</u>	<u>\$ (235,125)</u>	<u>\$ 16,163</u>	<u>\$ 1,596</u>

**Copper Canyon Project**

The property was acquired through an option agreement whereby a 2% Net Smelter Royalty is reserved for the vendor; 50% of which may be purchased at any time for \$1,000,000 and an additional 25% for \$1,000,000. If commercial production has not commenced by May 30, 2009, the Company will on or before May 30, 2009 (paid) and on or before May 30<sup>th</sup> of each and every subsequent year until the date of commencement of commercial production, pay the vendor a sum of \$15,000 as an advance royalty payment.

The Copper Canyon project was under option to NovaGold Resources Inc. ("NovaGold"). Under terms of the option agreement, NovaGold has formally acquired a 60% interest in the project from the Company by fulfilling the terms of the agreement.

On February 12, 2008, Copper Canyon Resources Ltd. and NovaGold Canada Inc., a wholly-owned subsidiary of NovaGold Resources Inc. agreed to form a 40/60 joint venture to explore and develop the Copper Canyon property.

**Abo (Harrison-Gold) Project**

The Company entered into an option agreement on December 27, 2007 with Egoli Resources Limited ("Egoli"), a private company, whereby Egoli may earn a 75% interest in the Company's wholly owned Abo Gold property located in the Harrison Lake area of south-western British Columbia. The Company terminated the option agreement on April 16, 2009, for failure of Egoli to meet obligations under the terms of the amended option agreement dated November 30<sup>th</sup>, 2008. Prior to the termination of the option agreement, the Company received \$135,000 cash and 500,000 shares of Egoli.

The Company signed a Letter of Intent on September 1, 2009 with Bling Capital Corp. ("Bling") whereby Bling may earn a 100% interest in the Abo property, which was allowed to terminate on November 12, 2009.

**Severance Project**

The property, located in the west-central Yukon, was acquired through an option agreement whereby a 2% Net Smelter Royalty is reserved for the vendor, 4763 NWT Ltd., 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, to date \$7,500 and 75,000 shares have been paid to the vendors.

**December 31, 2009 and 2008**

**4. Mineral Exploration Properties - continued**

**Severance Project (continued)**

On March 21, 2007, the Company executed an option agreement with Northern Freegold Resources Ltd. ("NFR"; which has common directors with the Company) whereby NFR may earn a 100% interest (less 3% NSR) in the Severance Property by making staged cash payments totaling \$37,500 and issuing 225,000 common shares. Payments are due as follows:

	Cash Payments	Share Payments	Due Date
\$	11,250	37,500	Approval date (January 23, 2008 - received)
	11,250	75,000	January 23, 2009 (received)
	15,000	112,500	January 23, 2010
\$	<u>37,500</u>	<u>225,000</u>	

**Anvil, Ark and Tally Ho Projects**

During the summer of 2009, the Company carried out grass roots exploration programs in the Yukon with total expenditures of \$75,647 offset by YMIP grants of \$41,437, culminating in the staking of three gold claim properties.

**5. Equity Instruments**

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

	2009		2008	
	Number of Shares	\$	Number of Shares	\$
<u>Common Shares</u>				
Balance, beginning of year	<b>50,682,545</b>	<b>\$ 1,936,534</b>	50,401,045	\$ 1,894,957
Share issue costs, net of future tax recovery	-	-	-	(3,175)
Proceeds from exercise of options	-	-	281,500	41,768
Black Scholes value of options exercised	-	-	-	2,984
Balance, end of year	<b>50,682,545</b>	<b>\$ 1,936,534</b>	50,682,545	\$ 1,936,534
<u>Warrants</u>				
Balance, beginning of year	<b>891,617</b>	<b>\$ 534,249</b>	891,617	\$ 534,249
Balance, end of year	<b>891,617</b>	<b>\$ 534,249</b>	891,617	\$ 534,249

In 2008, directors and employees of the Company exercised 281,500 options, per the plan of arrangement, with an exercise price of \$0.1484, resulting in proceeds to the Company of \$41,768.

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**5. Equity Instruments - continued**

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 of 10% of the then 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 10 years.

As at **December 31, 2009**, the Company has the following stock options outstanding:

	Number of Options	Option Price per Share Range	Weighted Average Exercise Price
<b>Options outstanding, beginning and end of year</b>	<b>3,000,000</b>	<b>\$0.40<sup>1</sup></b>	<b>\$0.40</b>

<sup>1</sup>On May 22, 2009, the Company re-priced 3,000,000 options from exercise prices ranging from \$0.50 to \$1.00 and currently expiring on June 29, 2012 and July 22, 2013, setting a new exercise price of \$.40. The vesting provisions and expiry dates of the re-priced options remain unchanged.

The following table summarizes information about the stock options outstanding at **December 31, 2009**:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
<b>1,950,000</b>	<b>\$0.40</b>	<b>\$0.40</b>	<b>2.50 years</b>	<b>1,950,000</b>	<b>\$0.40</b>
<b>1,050,000</b>	<b>\$0.40</b>	<b>\$0.40</b>	<b>3.56 years</b>	<b>1,037,500</b>	<b>\$0.40</b>
<b>3,000,000</b>		<b>\$0.40</b>		<b>2,987,500</b>	<b>\$0.40</b>

As at December 31, 2008, the Company had the following stock options outstanding:

	Number of Options	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding, beginning of year	2,150,000	\$1.00	\$1.00
Options cancelled	(200,000)	(\$1.00)	(\$1.00)
Options granted	1,050,000	\$0.50	\$0.50
<b>Options outstanding, end of year</b>	<b>3,000,000</b>	<b>\$0.50 - \$1.00</b>	<b>\$0.83</b>

**December 31, 2009 and 2008**

**5. Equity Instruments - continued**

c) Directors and management share options (continued)

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
1,950,000	\$1.00	\$1.00	3.50 years	1,950,000	\$1.00
1,050,000	\$0.50	\$0.50	4.56 years	1,012,500	\$0.50
3,000,000		\$0.83		2,962,500	\$0.83

d) Compensation expense for share options

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

As at December 31, 2009, \$88,337 (2008 – \$421,618) has been recorded as stock based compensation; \$9,387 (2008 - \$421,618) relating to options issued and vested and \$78,950 (2008- \$Nil) relating to options re-priced during the year.

For options re-priced in 2009, the fair value of stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: Dividend yield Nil, expected volatility 118%; risk-free interest rate 1.15%; and weighted average life of 1 year.

For options issued in 2008, the fair value of stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield Nil, expected volatility 224%; risk-free interest rate 3.45%; and weighted average life of 5 years.

e) Reserved shares

Per the plan of arrangement (June 9, 2006), 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%.

At **December 31, 2009**, 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:

	Number of Reserved shares	Price per Share Range <sup>1</sup>	Weighted Average Effective Issue Price
Outstanding, beginning of year	3,563,000	\$0.297 - \$0.831	\$0.385
Expired	(1,205,000)	(\$0.237 - \$0.297)	(\$0.264)
<b>Outstanding, end of year</b>	<b>2,358,000</b>	<b>\$0.237</b>	<b>\$0.237</b>

<sup>1</sup>On May 22, 2009, Eagle Plains Resources Ltd. re-priced 3,028,000 options from exercise prices ranging from \$0.50 to \$1.40 and expiring from September 20, 2009 to April 11, 2011, setting a new exercise price of \$.40. The vesting provisions and expiry dates of the re-priced options remain unchanged.

**December 31, 2009 and 2008**

**5. Equity Instruments - continued**

e) Reserved shares (continued)

The following table summarizes information about the commitment to issue shares as at **December 31, 2009**:

Number of Shares Reserved to be Issued	Effective Issue Price	Weighted Average Remaining Contractual Life
793,000	\$0.237	0.25 years
625,000	\$0.237	0.50 years
845,000	\$0.237	1.00 years
95,000	\$0.237	1.50 years
<b>2,358,000</b>		

At December 31, 2008, 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:

	Number of Reserved shares	Price per Share Range	Weighted Average Effective Issue Price
Outstanding, beginning of year	3,844,500	\$0.148 - \$0.831	\$0.368
Exercised	(281,500)	\$0.148	(\$0.148)
Outstanding, beginning and end of period	3,563,000	\$0.297 - \$0.831	\$0.385

The following table summarizes information about the commitment to issue shares as at **December 31, 2008**:

Number of Shares Reserved to be Issued	Effective Issue Price	Weighted Average Remaining Contractual Life
10,000	\$0.297	0.25 years
525,000	\$0.297	0.50 years
650,000	\$0.297	0.75 years
20,000	\$0.386	1.00 years
793,000	\$0.386	1.25 years
625,000	\$0.445	1.50 years
845,000	\$0.415	2.00 years
95,000	\$0.831	2.50 years
<b>3,563,000</b>		

**December 31, 2009 and 2008**

**5. Equity Instruments - continued**

f) 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.

g) Warrants outstanding

At **December 31, 2009**, the Company has the following share purchase warrants outstanding:

	Expiry	Number	Price
Warrants outstanding, beginning of year	April 30, 2009	891,617	\$1.10
<b>Warrants outstanding, end of year<sup>(1)</sup></b>	<b>October 31, 2010</b>	<b>891,617</b>	<b>\$1.10</b>

<sup>(1)</sup> The expiry date of these warrants was extended to October 31, 2010.

At December 31, 2008, the Company had the following share purchase warrants outstanding:

	Expiry	Number	Price
Warrants outstanding, beginning of year		-	-
Issued	April 30, 2009	891,617	\$1.10
Outstanding, end of year	April 30, 2009	891,617	\$1.10

h) Contributed surplus

	2009		2008	
	Number of options and reserved shares		Number of options and reserved shares	
<u>Reserved shares</u>				
Outstanding, beginning of year	3,563,000	\$ 37,825	3,844,500	\$ 40,809
Exercised	-	-	(281,500)	(2,984)
Expired	(1,205,000)	-	-	-
Options per plan of arrangement re-priced	-	78,950	-	-
Outstanding, end of year	<b>2,358,000</b>	<b>116,775</b>	3,563,000	37,825
<u>Options</u>				
Outstanding, beginning of year	3,000,000	1,510,285	2,150,000	1,088,667
Cancelled	-	-	(200,000)	-
Issued	-	-	1,050,000	381,608
Black Scholes value of options vesting	-	9,387	-	40,010
Outstanding, end of year	<b>3,000,000</b>	<b>1,519,672</b>	3,000,000	1,510,285
	<b>5,358,000</b>	<b>\$ 1,636,447</b>	6,563,000	\$ 1,548,110

**December 31, 2009 and 2008**

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## **6. Per Share Amounts**

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The calculation of loss per share has been calculated based on the weighted average number of shares outstanding during the year ended December 31, 2009 of 50,682,545 (2008 – 50,628,545). The net effect of applying the treasury-stock method to the weighted average number of shares outstanding had no dilutive effect for the years ended December 31, 2009 and 2008.

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## **7. Related Party Transactions**

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The Company was involved in the following related party transactions during the year:

- a) Management fees of \$30,000 (2008 - \$60,000) were paid to a related company which has common directors.
- b) Director's fees of \$35,750 (2008 – \$34,750) were paid in the year.
- c) Accounting fees of \$4,550 (2008 - \$16,375) were paid to a director and officer of the Company.
- d) Legal fees of \$15,331 (2008 – \$57,764) were paid to a law firm of which one of the directors is a partner.
- e) Consulting fees of \$48,500 (2008 – nil) were paid to a director and officer of the Company
- f) Operating expenses of \$68,823 (2008 – \$166,607) were paid to related companies which have common directors. As at December 31, 2009 \$4,051 (2008 - \$45,983) is included in accounts payable and accrued liabilities.
- g) Exploration and related expenses of \$78,749 (2008 – \$21,159) were paid to a related companies which have common directors. As at December 31, 2009 \$53,158 (2008 - \$3,180) is included in accounts payable and accrued liabilities.

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.

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## **8. Commitments and Contingencies**

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The Company has a \$25,000 term deposit with a Canadian financial institution for the guarantee of business credit cards and a \$5,000 term deposit for a reclamation bond.

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 a beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks association with such indemnification.

**December 31, 2009 and 2008**

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**9. Financial Instruments**

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CICA Handbook Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 685,218	\$ -	\$ -	\$ 685,218
Investments	\$ 384,501	\$ -	\$ -	\$ 384,501

As disclosed in Note 2 (b), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to concentration risk and price risk. The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical.

a) Concentration risk

At December 31, 2009 and 2008, substantially all of the Company's cash was held at two recognized Canadian National financial institutions. As a result, the Company was exposed to all of the risks associated with those institutions.

b) Price risk

The Company's investments designated as available-for-sale are traded on the TSX Venture. A \$0.01 change in the quoted share price would change the fair value of the investments by approximately \$1,625. The change would be recorded in Accumulated Other Comprehensive Income.

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**10. Accumulated other comprehensive income (loss)**

No future income tax asset has been recorded as a result of the accumulated other comprehensive loss because it is not considered more likely than not that the potential benefits will be realized. The balance of accumulated other comprehensive income (loss) is entirely comprised of unrealized losses on available for sale investments.

**11. Income Taxes**

At the end of December 31, 2009, subject to confirmation by income tax authorities, the Company has approximately the following available tax pools:

	<u>2009</u>	<u>2008</u>
Non-capital loss carry forward	\$ 347,134	\$ 635
Capital loss carry forward	182,417	70,708
Cumulative Canadian exploration expenses	27,417	2,426
Cumulative Canadian development expenses	9,232	-
Undeducted share issue costs carried forward	98,622	182,377
	<u>\$ 664,822</u>	<u>\$ 256,146</u>

At December 31, 2009 the non-capital tax losses of \$347,134 available for carry-forward to reduce future years' taxable income, expire as follows:

2028	\$ 635
2029	<u>346,499</u>
	<u>\$ 347,134</u>

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

<b>Nature of temporary differences</b>	<u>2009</u>	<u>2008</u>
Unused tax losses carry forward	\$ 109,585	\$ 9,357
Investments	75,765	121,848
Property	234	216
Undeducted share issue costs	24,656	47,418
	<u>210,240</u>	<u>178,839</u>
Valuation allowance	<u>(210,240)</u>	<u>(178,839)</u>
Net future income tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2009</u>	<u>2008</u>
Statutory rate	30%	31%
Expected income tax recovery	\$ (157,572)	\$ (277,213)
Permanent differences	51,713	139,958
Effect of tax rate change	27,315	1,579
Tax benefits not recognized	78,220	45,379
	<u>\$ (324)</u>	<u>\$ (90,297)</u>

**December 31, 2009 and 2008**

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## **12. Capital management**

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The Company includes cash and cash equivalents and equity, comprising of issued common shares, contributed surplus and deficit, 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.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

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## **13. Subsequent Events**

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On February 9, 2010, the Company received 112,500 shares and \$15,000 cash from Northern Freegold Resources Ltd. for the Severance option agreement.

On March 12, 2010, the Company completed a private placement of 1,050,000 flow-through shares at \$0.40 per share, and the issuance of 80,000 non-flow through shares as finders fees.

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## **14. Comparative figures**

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The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.