

COPPER CANYON RESOURCES LTD.
(An Exploration Stage Corporation)
FINANCIAL STATEMENTS

for the years ended
December 31, 2008 and 2007

Auditors' Report

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

We have audited the balance sheet of Copper Canyon Resources Ltd. as at December 31, 2008, and the statements of operations and deficit, and accumulated other comprehensive loss, cash flows and comprehensive loss for the year 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 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 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative financial statements as at and for the year ended December 31, 2007 were audited by another firm of Chartered Accountants which expressed an opinion without reservation on those financial statements in their report dated April 9, 2008.

**March 27, 2009
Vancouver, Canada**

“MacKay LLP”
Chartered Accountants

Copper Canyon Resources Ltd.
(An Exploration Stage Corporation)
Balance Sheets

As at December 31	2008	2007
Assets		
Current		
Cash and cash equivalents (Note 8)	\$ 925,533	\$ 1,339,776
Accounts receivable	4,461	12,215
Income taxes recoverable	95,765	-
	1,025,759	1,351,991
Investments (Note 3)	173,686	518,999
Mineral exploration properties (Note 4)	1,596	216,538
	\$ 1,201,041	\$ 2,087,528

Liabilities and Shareholders' Equity

Current		
Accounts payable and accrued liabilities	\$ 76,487	\$ 62,900
Due to related company	-	83,811
Income taxes payable	-	99,098
	76,487	245,809
Shareholders' equity		
Share capital (Note 5)	1,936,534	1,894,957
Warrants (Note 5)	534,249	534,249
Contributed surplus (Note 5)	1,548,110	1,129,476
Accumulated other comprehensive loss (Note 10)	(937,289)	(563,851)
Deficit	(1,957,050)	(1,153,112)
	1,124,554	1,841,719
	\$ 1,201,041	\$ 2,087,528

Nature of operations (Note 1)

Commitments and contingencies (Note 8)

Subsequent event (Note 11)

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.
(An Exploration Stage Corporation)
Statements of Operations and Deficit and
Accumulated Other Comprehensive Loss

For the years ended December 31	2008	2007
Expenses		
Administration costs	\$ 110,171	\$ 163,918
Trade shows, travel and promotion	204,883	273,351
Stock compensation expense	421,618	1,088,667
Public company costs	38,795	50,626
Professional fees	101,960	87,654
	<u>877,427</u>	<u>1,664,216</u>
Loss before other items		
Other items		
Interest and other income	(33,137)	(12,140)
Option proceeds in excess of carrying value (Note 4)	(16,163)	(661,444)
Loss on sale of investments	66,108	4,600
	<u>16,808</u>	<u>(668,984)</u>
	894,235	995,232
Loss before income taxes		
Income tax expense	(90,297)	99,098
Future income tax recovery	-	(65,882)
	<u>803,938</u>	<u>1,028,448</u>
Net loss for the year		
Deficit, beginning of year	1,153,112	124,664
	1,957,050	1,153,112
Deficit, end of year		
Accumulated other comprehensive loss	937,289	563,851
	<u>\$ 2,894,339</u>	<u>\$ 1,716,963</u>
Accumulated other comprehensive loss and deficit		
Net loss per share – basic and diluted (Note 6)	\$ 0.0159	\$ 0.0211
Weighted average number of shares- basic and diluted	50,628,545	48,809,232

Copper Canyon Resources Ltd.
(An Exploration Stage Corporation)
Statement of Comprehensive Loss

For the years ended December 31	2008	2007
Net loss	<u>\$ 803,938</u>	<u>\$ 1,028,448</u>
Other comprehensive loss		
Unrealized loss on investments (Note 3)	417,438	563,851
Reclassification adjustment for loss included in net income	<u>(44,000)</u>	<u>-</u>
Comprehensive loss	<u>\$ 1,177,376</u>	<u>\$ 1,592,299</u>

Copper Canyon Resources Ltd.
(An Exploration Stage Corporation)
Statements of Cash Flows

For the years ended December 31	2008	2007
Cash flows from operating activities		
Net loss for the year	\$ (803,938)	\$ (1,028,448)
Adjustments for :		
Stock compensation	421,618	1,088,667
Loss on sale of investments	66,108	4,600
Option proceeds in excess of carrying value	(16,163)	(661,444)
Future income tax recovery	-	(65,882)
	<u>(332,375)</u>	<u>(662,507)</u>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	(88,011)	7,800
Increase (decrease) in due to related party	(83,811)	83,811
Increase (decrease) in accounts payable and accrued liabilities	13,587	26,049
Increase (decrease) in income taxes	(99,098)	99,098
	<u>(589,708)</u>	<u>(445,749)</u>
Cash flows from financing activities		
Issue of shares for cash	41,768	1,478,251
Expense related to share issue	(3,175)	-
	<u>38,593</u>	<u>1,478,251</u>
Cash flows from investing activities		
Proceeds from property options	122,500	35,000
Proceeds from sale of investments	18,392	164,400
Exploration of mineral exploration properties	(4,020)	(11,987)
	<u>136,872</u>	<u>187,413</u>
Increase (decrease) in cash and cash equivalents	(414,243)	1,219,915
Cash and cash equivalents, beginning of year	<u>1,339,776</u>	<u>119,861</u>
Cash and cash equivalents, end of year	\$ 925,533	\$ 1,339,776
Cash and cash equivalents comprises:		
Bank deposits	\$ 66,690	\$ 29,568
Term deposits	858,843	1,310,208
	<u>\$ 925,533</u>	<u>\$ 1,339,776</u>

The Company made no cash payments for interest.

The Company made cash payments of \$5,468 for income taxes.

Non-cash investing activity

During the year ended December 31, 2008 the Company received 312,500 (2007 – 74,074) common shares with a value of \$112,625 (2007 - \$1,251,851) for property option payments.

December 31, 2008 and 2007

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"). 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.

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) Changes in accounting policies and practices

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

- i. Section 1400, "General Standards of Financial Statement Presentation"
- ii. Section 1535, "Capital Disclosures"
- iii. Section 3862, "Financial Instruments – Disclosures"
- iv. Section 3863, "Financial Instruments – Presentation"

These new standards have been adopted on a prospective basis with no restatement to prior period comparative balances.

Section 1400, "General Standards of Financial Statement Presentation"

The Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008 and was adopted on January 1, 2008. This section relates to disclosures and does not have an impact on the Company's financial results.

December 31, 2008 and 2007

2. Significant Accounting Policies – continued

Section 1535, “Capital Disclosures”

This standard requires disclosure of an entity’s objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

Our objectives when managing capital are to safeguard the Company’s assets while at the same time maximizing the growth of the company and returns to its shareholders.

The Company defines its capital as shareholders’ equity and cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Section 3862, “Financial Instruments – Disclosure, Section 3863, “Financial Instruments – Presentation”

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 is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk - The Company’s credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

Liquidity Risk – The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company’s holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company’s cash is invested in business accounts with quality financial institutions and which is available on demand for the Company’s programs.

Market Risk – The significant market risk exposures to which the Company is exposed are interest rate risk and commodity price risk. These are discussed further below:

Interest rate risk – In respect to the Company’s financial assets, the interest rate risk mainly arises from the interest rate impact on our cash and cash equivalents and permit security deposits.

Commodity price risk – The value of the Company’s mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically

December 31, 2008 and 2007

2. Significant Accounting Policies – continued

fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

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

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

	December 31 2008		December 31 2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Receivables				
Accounts receivable	4,461	4,461	12,215	12,215
			-	-
Available-for-sale financial assets				
Investments	173,686	173,686	518,999	518,999
Held-for-trading				
Cash and cash equivalents	925,533	925,533	1,339,776	1,339,776
Other financial liabilities				
Payables and accrued liabilities	76,487	76,487	245,809	245,809

b) 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 those project-capitalized costs will be charged to operations.

December 31, 2008 and 2007

2. Significant Accounting Policies – continued

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.

c) 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.

d) Asset retirement obligations

At December 31, 2008 and 2007, 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 stages. 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.

e) 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.

f) 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 period.

g) 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

December 31, 2008 and 2007

2. Significant Accounting Policies – continued

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.

h) Stock-based compensation plan

The Company has an equity incentive plan which is 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. 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.

i) 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.

j) 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.

k) Valuation of equity units issued in private placements

The Company has adopted a pro rata basis method with respect to the measurement of shares and warrants issued as private placement units. The pro rata basis method required each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black- Scholes pricing model. The fair value attributed to the warrants is recorded in warrants.

l) 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

December 31, 2008 and 2007

2. Significant Accounting Policies – continued

enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

m) 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.

n) 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.

3. Investments

	Dec 31 2008	Dec 31 2007
200,000 (2007 – nil) common shares of Egoli Resources Ltd.	\$ 50,000	\$ -
112,500 (2007 – nil) common shares of Northern Freegold Resources Ltd.	19,125	-
59,074 (2007 – 64,074) common shares of NovaGold Resources Inc.	104,561	518,999
	\$ 173,686	\$ 518,999

December 31, 2008 and 2007

3. Investments

For securities traded in an active market, market value is based on the quoted closing prices of the securities at December 31, 2008. 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. is carried at cost as their securities are not traded in an active market.

These investments have been classified as available-for-sale securities, in accordance with Handbook Section 3855, Financial Instruments.

4. Mineral Exploration Properties

	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>

	Dec 31 2006	Acquisition & Exploration Costs	Option Payments	Option proceeds in excess of carrying value	Dec 31 2007
British Columbia					
Abo (Harrison-Gold)	\$ 101,336	\$ 80,513	\$ (35,000)	\$ -	\$ 146,849
Copper Canyon	588,933	1,474	(1,251,850)	661,444	1
Yukon					
Severance project	69,688	-	-	-	69,688
	<u>\$ 759,957</u>	<u>\$ 81,987</u>	<u>\$ (1,286,850)</u>	<u>\$ 661,444</u>	<u>\$ 216,538</u>

Copper Canyon Project

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 15, 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.

December 31, 2008 and 2007

4. Mineral Exploration Properties - continued

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-percent interest in the Company's wholly owned Abo Gold property located in the Harrison Lake area of south-western British Columbia. Terms of the agreement were amended on November 30, 2008, the amended terms require Egoli to incur \$6,050,000 in exploration expenditures by December 31, 2012, issue 1,500,000 common shares of Egoli to the Company and make aggregate cash payments of \$1,385,000 by December 31, 2012. A 2% NSR is reserved for Eagle Plains.

Cash Payments	Share Payments	Exploration Expenditures	Due Date
\$ 10,000			At signing of LOI (received)
25,000	100,000		At execution of Agreement (received)
100,000	100,000		March 31, 2008 (received)
	300,000		December 31, 2008 (received Jan 9, 2009)
		\$ 50,000	April 1, 2009
200,000	300,000	500,000	December 31, 2009
250,000	300,000	1,000,000	December 31, 2010
350,000	400,000	2,000,000	December 31, 2011
450,000		2,500,000	December 31, 2012
<u>\$ 1,385,000</u>	<u>1,500,000</u>	<u>\$ 6,050,000</u>	

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.

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>	

December 31, 2008 and 2007

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

	2008		2007	
	Number of Shares	\$	Number of Shares	\$
<u>Common Shares</u>				
Balance, beginning of year	50,401,045	\$ 1,894,957	48,351,810	\$ 872,516
Share issue costs, net of future tax recovery of nil (2007 - \$23,117)	-	(3,175)	-	(61,447)
Proceeds from private placement	-	-	1,783,235	1,515,750
Proceeds from exercise of options	281,500	41,768	166,000	30,491
Issued in exchange for mineral claims	-	-	100,000	70,000
Black Scholes value of warrants issued	-	-	-	(534,249)
Black Scholes value of options exercised	-	2,984	-	1,896
Balance, end of year	50,682,545	\$ 1,936,534	50,401,045	\$ 1,894,957
<u>Warrants</u>				
Balance, beginning of year	891,617	\$ 534,249	-	\$ -
Issued	-	-	891,617	534,249
Balance, end of year	891,617	\$ 534,249	891,617	\$ 534,249

Directors and employees of the Company exercised 281,500 (2007 – 166,000) options, per the plan of arrangement, with an exercise price of \$0.15 (2007 - \$0.06 to \$0.83) resulting in proceeds to the Company of \$41,768 (2007 - \$30,491).

In 2007, the Company issued 1,783,235 common shares as part of a private placement financing at a price of \$0.85 resulting in proceeds to the Company of \$1,515,750 to be used for corporate affairs.

In 2007, the Company issued 100,000 common shares valued at \$70,000 to buyout the Abo Property NSR agreement.

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.

December 31, 2008 and 2007

5. Equity Instruments - continued

As at **December 31, 2008**, the Company has 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
Options outstanding, end of year	3,000,000	\$0.50 - \$1.00	\$0.83

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	4.75 years	1,012,500	\$0.50
3,000,000		\$0.83	3.94 years	2,962,500	\$0.83

As at December 31, 2007, 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	-	-	-
Issued	2,150,000	\$1.00	\$1.00
Options outstanding, end of year	2,150,000	\$1.00	\$1.00

The following table summarizes information about the stock options outstanding at December 31, 2007:

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
2,150,000	\$1.00	\$1.00	4.50 years	1,975,000	\$1.00

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.

December 31, 2008 and 2007

5. Equity Instruments - continued

As at December 31, 2008, \$421,618 - \$0.38 per option (2007 - \$1,088,667 - \$0.51 per option) has been recorded as stock based compensation related to the options issued to employees and consultants.

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% (2007 - 84%); risk-free interest rate 3.45% (2007 - 3.99%); and weighted average life of 5 years (2007 - 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, 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, end of year	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
10,000	\$0.386	1.00 years
793,000	\$0.386	1.25 years
625,000	\$0.445	1.50 years
855,000	\$0.415	2.00 years
95,000	\$0.831	2.50 years
3,563,000		

December 31, 2008 and 2007

5. Equity Instruments - continued

At December 31, 2007, 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	4,010,500	\$0.059 - \$0.831	\$0.374
Exercised	(166,000)	\$0.059 - \$0.831	\$0.184
Outstanding, beginning and end of period	3,844,500	\$0.148 - \$0.831	\$0.368

The following table summarizes information about the commitment to issue shares as at December 31, 2007:

Number of Shares Reserved to be Issued	Effective Issue Price	Weighted Average Remaining Contractual Life
281,500	\$0.148	0.25 years
10,000	\$0.297	1.25 years
525,000	\$0.297	1.50 years
650,000	\$0.297	1.75 years
20,000	\$0.386	2.00 years
793,000	\$0.386	2.25 years
625,000	\$0.445	2.50 years
845,000	\$0.415	3.00 years
95,000	\$0.831	3.50 years
3,844,500		

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, 2008 and 2007, the Company has the following share purchase warrants outstanding:

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

December 31, 2008 and 2007

5. Equity Instruments - continued

f) Contributed surplus

	2008		2007	
	Number of		Number of	
	options and		options and	
	reserved		reserved	
	shares		shares	
<u>Reserved shares</u>				
Outstanding, beginning of year	3,844,500	\$ 40,809	4,010,500	\$ 42,705
Exercised	(281,500)	(2,984)	(166,000)	(1,896)
Outstanding, end of year	3,563,000	\$ 37,825	3,844,500	\$ 40,809
<u>Options</u>				
Outstanding, beginning of year	2,150,000	\$ 1,088,667	-	\$ -
Cancelled	(200,000)	-	-	-
Issued	1,050,000	381,608	2,150,000	1,088,667
Black Scholes value of options vesting	-	40,010	-	-
Outstanding, end of year	3,000,000	1,510,285	2,150,000	1,088,667
	6,563,000	\$ 1,548,110	5,994,500	\$ 1,129,476

6. Per Share Amounts

The calculation of loss per share has been calculated based on the weighted average number of shares outstanding during the year ended December 31, 2008 of 50,628,545 (2007 – 48,809,232).

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, 2008 and December 31, 2007.

7. Related Party Transactions

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

- a) Management fees of \$60,000 (2007 - \$60,000) were paid to a related company which has common directors.
- b) Director's fees of \$34,750 (2007 – \$31,250) were paid in the year.
- c) Accounting fees of \$16,375 (2007 - \$9,450) were paid to a director and officer of the Company.
- d) Legal fees of \$57,764 (2007 – \$42,579) were paid to a law firm of which one of the directors is a partner.
- e) Exploration expenses of \$2,442 (2007 – \$11,987) were paid to a related company which has common directors.

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

December 31, 2008 and 2007

7. Related Party Transactions - continued

and agreed to by the related parties.

8. Commitments and Contingencies

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, option 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 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.

9. Financial Instruments

As disclosed in Note 2 (a), 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 currency 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, 2008 and 2007, 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.

10. Accumulated other comprehensive income (loss)

December 31, 2007	
Unrealized loss on available-for-sale long term investments	<u>\$ (563,851)</u>
December 31, 2008	
Unrealized loss on available-for-sale long term investments	<u>\$ (937,289)</u>

December 31, 2008 and 2007

10. Accumulated other comprehensive income (loss) - continued

No future income tax asset has been recorded as a result of this accumulated other comprehensive loss because it is not considered more likely than not that the potential benefits will be realized.

11. Subsequent Event

On January 9, 2009, the Company received 300,000 shares from Egoli Resources Ltd. to fulfill the option agreement requirement at December 31, 2008 on the Abo property.

12. Income Taxes

At the end of December 31, 2008, subject to confirmation by income tax authorities, the Company has approximately the following available tax pools:

	2008	2007
Non-capital loss carry forward	\$ 635	\$ -
Capital loss carry forward	70,708	4,660
Cumulative Canadian exploration expenses	2,426	-
Undeducted share issue costs carried forward	182,377	262,956
	<u>\$ 256,146</u>	<u>\$ 267,616</u>

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

Nature of temporary differences	2008	2007
Unused tax losses carry forward	\$ 9,357	\$ 792
Investments	121,848	95,855
Property	216	(73,623)
Undeducted share issue costs	47,418	89,405
	178,839	112,429
Valuation allowance	(178,839)	(112,429)
Net future income tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>

The effective tax rate varies from statutory rate as follows:

	2008	2007
Statutory rate	31%	34%
Expected income tax recovery	\$ (277,213)	\$ (338,379)
Permanent differences	139,958	371,595
Effect of tax rate change	1,579	-
Tax benefits recognized	45,379	-
Income tax expense (recovery)	<u>\$ (90,297)</u>	<u>\$ 33,216</u>

December 31, 2008 and 2007

13. Comparative figures

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