

**COPPER ONE INC.**

(formerly Continent Resources Inc.)

**Consolidated Financial Statements**

(Expressed in Canadian Dollars)

**December 31, 2009 and 2008**

## AUDITORS' REPORT

To the Shareholders of  
Copper One Inc.  
(formerly Continent Resources Inc.)

We have audited the consolidated balance sheets of Copper One Inc. (formerly Continent Resources Inc.) as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss, deficit, shareholders' equity, 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2009 and 2008 and the consolidated results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Saturna Group Chartered Accountants LLP  
Vancouver, Canada

April 8, 2010

**COPPER ONE INC.**  
(formerly Continent Resources Inc.)  
**Consolidated Balance Sheets**  
(Expressed in Canadian dollars)

	December 31, 2009 \$	December 31, 2008 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6,180,734	929,861
Amounts receivable	57,239	10,289
Prepaid expenses	29,338	62,318
	<u>6,267,311</u>	<u>1,002,468</u>
Reclamation deposits (Note 5)	31,001	-
Mineral property interests (Note 6)	1,949,252	1,092,172
	<u>8,247,564</u>	<u>2,094,640</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	131,016	73,268
<b>Shareholders' Equity</b>		
Share capital (Note 7)	8,958,199	2,536,246
Contributed surplus	2,504,246	1,025,188
Deficit	(3,345,897)	(1,540,062)
	<u>8,116,548</u>	<u>2,021,372</u>
	<u>8,247,564</u>	<u>2,094,640</u>

Going Concern (Note 2)  
Commitments (Note 10)  
Subsequent Events (Note 17)

Approved on behalf of the Board:

"Lawrence Dick"

Lawrence Dick, Director

"Herrick Lau"

Herrick Lau, Director

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

**COPPER ONE INC.**

(formerly Continent Resources Inc.)

**Consolidated Statement of Changes in Shareholders' Equity**

(Expressed in Canadian dollars)

	Number of Shares	Common Shares \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
<b>Balance - December 31, 2007</b>	12,215,901	611,141	52,556	(273,938)	389,759
Issuance pursuant to mineral property agreement	40,000	12,000	-	-	12,000
Non-brokered private placement	8,358,000	2,089,500	-	-	2,089,500
Share issuance cost	-	(176,395)	-	-	(176,395)
Stock-based compensation	-	-	972,632	-	972,632
Loss for the year	-	-	-	(1,266,124)	(1,266,124)
<b>Balance - December 31, 2008</b>	20,613,901	2,536,246	1,025,188	(1,540,062)	2,021,372
Issuance pursuant to agent options exercised	287,500	57,500	-	-	57,500
Issuance pursuant to warrants exercised	480,000	138,000	-	-	138,000
Non-brokered private placements	20,065,300	7,129,568	-	-	7,129,568
Share issuance costs	-	(480,731)	-	-	(480,731)
Issuance of warrants as finders' fees	-	(484,884)	484,884	-	-
Issuance pursuant to stock options exercised	210,000	62,500	-	-	62,500
Stock-based compensation	-	-	994,174	-	994,174
Loss for the year	-	-	-	(1,805,835)	(1,805,835)
<b>Balance - December 31, 2009</b>	41,656,701	8,958,199	2,504,246	(3,345,897)	8,116,548

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

**COPPER ONE INC.**

(formerly Continent Resources Inc.)

**Consolidated Statements of Loss, Comprehensive Loss, and Deficit**

(Expressed in Canadian dollars)

	Years ended	
	December 31,	
	2009	2008
	\$	\$
General and administrative expenses		
Consulting services (Note 11)	327,059	16,720
Foreign exchange loss (gain)	1,909	(1,535)
Investor relations	72,674	-
Management services (Note 11)	78,000	49,500
Professional fees	78,610	56,699
Property investigations	4,982	-
Office (Note 11)	101,860	33,947
Rent (Note 11)	36,000	28,875
Regulatory and shareholder services	74,606	35,590
Stock-based compensation	994,174	972,632
Travel	42,138	81,531
	1,812,012	1,273,959
Loss before other income (expenses)	(1,812,012)	(1,273,959)
Other income (expenses)		
Write-off of mineral property interests (Note 6)	(82,688)	-
Interest and miscellaneous income	25,470	7,835
Gain on sale of mineral property interests (Note 6)	63,395	-
	6,177	7,835
Net loss for the year	(1,805,835)	(1,266,124)
Loss per share, basic and diluted	(0.06)	(0.09)
Weighted average common shares outstanding	29,581,597	14,596,431

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

**COPPER ONE INC.**

(formerly Continent Resources Inc.)

**Consolidated Statements of Cash Flows**

(Expressed in Canadian dollars)

	Years ended December 31,	
	2009	2008
	\$	\$
Cash provided by (used in):		
<b>Operating activities</b>		
Net loss for the year	(1,805,835)	(1,266,124)
Items not involving cash:		
Stock-based compensation	994,174	972,632
Write-off of mineral property interests	82,688	-
Gain on disposition of mineral property interests	(63,395)	-
Changes in non-cash operating working capital:		
Amounts receivable	(46,950)	111
Prepaid expenses	32,980	(62,318)
Accounts payable and accrued liabilities	4,927	68,010
	(801,411)	(287,689)
<b>Financing activities</b>		
Proceeds from shares issued	7,387,568	2,089,500
Share issuance costs	(480,731)	(176,395)
	6,906,837	1,913,105
<b>Investing activities</b>		
Mineral property interests		
Reclamation deposits	(31,001)	-
Exploration expenditures	(757,725)	(1,045,484)
Acquisition costs	(453,639)	-
Recoveries of exploration expenditures	220,694	-
Proceeds from sale of mineral property interests	167,118	-
	(854,553)	(1,045,484)
Net change in cash	5,250,873	579,932
Cash and cash equivalents, beginning of year	929,861	349,929
Cash and cash equivalents, end of year	6,180,734	929,861
<b>Cash and cash equivalents comprises:</b>		
Cash	485,623	135,213
Cashable guaranteed investment certificates	5,695,111	794,648
	6,180,734	929,861

Supplementary cash flow information (Note 14)

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

# **COPPER ONE INC.**

(formerly Continent Resources Inc.)

## **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

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### **1. Nature of Operations**

Copper One Inc. (formerly Continent Resources Inc, the "Company") was incorporated on November 8, 2005 pursuant to the British Columbia Business Corporations Act (British Columbia) and continued under the Alberta Business Corporations Act (Alberta) on January 12, 2006. On August 18, 2008, the Company continued under the British Columbia Business Corporations Act. On October 9, 2009, the Company changed its name from Continent Resources Inc. to Copper One Inc. under the Canada Business Corporations Act. On June 20, 2008, the Company incorporated its wholly-owned subsidiary, Continent Resources (USA) Inc. and changed its name to Copper One USA, Inc. on September 23, 2009, under the laws of the state of Nevada. The Company's common shares commenced trading on the TSX Venture Exchange on November 16, 2009 under the symbol "CUO" and prior to that on the Canadian National Stock Exchange from July 11, 2007 to November 18, 2009 when it elected to delist.

The Company is engaged in the acquisition, exploration, and development of mineral resource properties located in south-western United States, including a 100% undivided interest in various properties located in Arizona and New Mexico.

### **2. Going Concern**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. As at December 31, 2009, the Company has no source of operating cash flow and has an accumulated deficit of \$3,345,897. Operations for the year ended December 31, 2009 have been funded primarily from the issuances of share capital.

Continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing to support its exploration costs. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **3. Significant Accounting Policies**

#### **(a) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Copper One USA, Inc. ("Copper USA") and all significant intercompany transactions and balances have been eliminated upon consolidation.

## **COPPER ONE INC.**

(formerly Continent Resources Inc.)

### **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

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#### **3. Significant Accounting Policies (continued)**

##### **(b) Use of estimates**

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of valuation of long-lived assets, stock-based compensation, asset retirement obligations, and valuation allowances on future income tax assets. Actual results could differ from these estimates.

##### **(c) Reclassifications**

Where applicable, comparative figures have been reclassified to conform with the presentation used in the current year.

##### **(d) Cash and cash equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

##### **(e) Mineral property interests**

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are charged to operations.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs, option proceeds and recoveries, and do not necessarily reflect present or future values.

When options are granted on mineral properties, or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed carrying value of that particular claim group, the excess proceeds are reported as a gain.

Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- (i) the Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- (ii) exploration results are not promising and no further work is being planned in the foreseeable future; or
- (iii) the remaining lease term is insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, carrying value is written down to net realizable value.

## **COPPER ONE INC.**

(formerly Continent Resources Inc.)

### **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

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#### **3. Significant Accounting Policies (continued)**

##### **(f) Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant asset retirement obligations at December 31, 2009 and 2008.

##### **(g) Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

##### **(h) Foreign currency translation**

The operations of the Company's foreign subsidiary are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses on translation are included in operating results.

##### **(i) Stock-based compensation**

The Company has a stock option plan, which is described in Note 9. The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

## **COPPER ONE INC.**

(formerly Continent Resources Inc.)

### **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

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#### **3. Significant Accounting Policies (continued)**

##### **(j) Income taxes**

Future income taxes are recorded using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

##### **(k) Financial instruments – recognition and measurement**

Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of each financial instrument. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Items classified as available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Items classified as held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has implemented the following classifications for its financial instruments:

- a) Cash and cash equivalents have been classified as held-for-trading.
- b) Amounts receivable have been classified as loans and receivables.
- c) Accounts payable and accrued liabilities have been classified as other financial liabilities.

##### **(l) Comprehensive Income**

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

##### **(m) Impairment of long-lived assets**

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

## **COPPER ONE INC.**

(formerly Continent Resources Inc.)

### **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

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#### **3. Significant Accounting Policies (continued)**

##### **(n) Adoption of new accounting policies**

The Company adopted the following new accounting policies during the year:

##### **(i) Goodwill and intangible assets**

The Company has adopted the Canadian Institute of Chartered Accountants Handbook standard 3064 ("Section 3064") *Goodwill and Intangible Assets* for its fiscal year beginning January 1, 2009. This section replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in *Section 3062*. The adoption of this section has had no significant impact on the Company's consolidated financial statements.

##### **(ii) Credit risk and the fair value of financial assets and financial liabilities**

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board ("AcSB") issued EIC Abstract 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities* ("EIC 173"), which establishes that an entity's own credit risk and the credit risk of the counterparty, should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this section has had no significant impact on the Company's financial statements.

##### **(iii) Mining exploration costs**

In March 2009, the Company adopted CICA issued EIC Abstract 174 – *Mining Exploration Costs* which amends EIC-126 – *Accounting by Mining Enterprises for Exploration Costs*, to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs are required. The adoption of this section has had no significant impact on the Company's financial statements

##### **(iv) Financial instruments**

In June 2009, the AcSB issued an amendment to CICA Handbook Section 3862, "Financial Instruments – Disclosures", to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending January 31, 2010. The standard requires the Company to categorize its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement. Level one includes unadjusted quoted prices in active markets for identical assets and liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

## **COPPER ONE INC.**

(formerly Continent Resources Inc.)

### **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

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#### **4. Recent Accounting Pronouncements**

##### **(a) Business combinations, non-controlling interest and consolidated financial statements**

In January 2009, the CICA issued Handbook Section 1582 *Business Combinations*, 1601 *Consolidated Financial Statements* and 1602 *Non-controlling Interests* which replace CICA Handbook Sections 1581 *Business Combinations* and 1600 *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated 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 and all three Sections must be adopted concurrently.

##### **(b) International financial reporting standards ("IFRS")**

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB") in 2006 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 International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises 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.

The Company has begun to evaluate the impact of IFRS on its financial accounting and reporting systems. The Company has appointed internal staff to lead the IFRS conversion process and prepare a diagnostic analysis that identifies the differences between our current accounting policies and IFRS.

The Company will begin to design and build an IFRS framework, which includes decisions on available accounting policy choices, formulate policy positions and execution and roll-out of communications strategy. Once the design and build phase is complete, the Company will move to the implement and review phase which includes preparation of an IFRS opening balance sheet, compilation of comparative data, preparation of quarterly financial statements and disclosures, preparation of annual financial statements and disclosures, monitoring how IFRS evolves, conducting post implementation review and communicating ongoing requirements.

**COPPER ONE INC.**

(formerly Continent Resources Inc.)

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

**5. Reclamation Deposits**

Reclamation deposits represent term deposits pledged in favour of regulatory authorities as security for performance of site restoration. These deposits will be released to the Company on satisfactory reclamation of the property.

	December 31, 2009 \$	December 31, 2008 \$
LT Ranch	20,982	-
Twin Peaks and West Safford	9,442	-
Other	577	-
	<u>31,001</u>	<u>-</u>

**6. Mineral Property Interests**

The Company's mineral property interests are comprised of properties located in Canada and the United States.

## (a) Sol D'Or Property

On January 10, 2006, the Company entered into a Mineral Property Option Agreement (the "Sol D'Or Agreement") to acquire an undivided 100% interest in a mining property located in North-western Ontario known as the Sol D'Or Property ("Sol D'Or"). Under the terms of the agreement, the Company has been granted an exclusive option to acquire a 100% undivided interest in Sol D'Or in exchange for \$96,000 and issuance of 100,000 common shares of the Company over a four-year period from the date of acquisition.

	Sol D'Or
Balance, December 31, 2007	\$ 34,688
Acquisition costs	<u>28,000</u>
Balance, December 31, 2008	62,688
Acquisition costs	20,000
Properties written-off	<u>(82,688)</u>
Balance, December 31, 2009	<u>\$ -</u>

**COPPER ONE INC.**

(formerly Continent Resources Inc.)

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

**6. Mineral Property Interests** (continued)

## (a) Sol D'Or Property (continued)

On August 31, 2009, the Company entered into an agreement to amend the payment terms of the Agreement. To ensure that the agreement is held in good standing, the Company is committed to the following amended payment terms:

<u>Date</u>	<u>Cash</u>	<u>Shares</u>
January 10, 2006	\$ 8,000 (paid)	-
January 10, 2007	12,000 (paid)	60,000 (issued)
January 10, 2008	16,000 (paid)	40,000 (issued)
January 10, 2009	20,000 (paid)	-
March 1, 2010	10,000	-
July 31, 2010	<u>30,000</u>	<u>-</u>
	\$ <u>96,000</u>	<u>100,000</u>

As at December 31, 2009, the Company decided to discontinue its exploration in Sol D'Or and impaired all acquisition and exploration costs totalling \$82,688. In February 2010, the Sol D'Or Agreement was terminated. Refer to Note 17(b).

**COPPER ONE INC.**

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**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2009

(Expressed in Canadian dollars)

**6. Mineral Property Interests (continued)**

## (b) Southwest Exploration Group ("SEG") Properties

	Lone Mountain \$	Lone Mountain (LT Ranch) \$	Mimbres \$	Teague Springs \$	Twin Peaks \$	West Jerome \$	West Safford \$	Total \$
Balance, December 31, 2007	-	-	-	-	-	-	-	-
Acquisition costs	98,380		110,927	117,425	110,035	104,029	127,420	668,216
Exploration expenditures								
Assays and reports	1,900	-	-	-	-	-	-	1,900
Drilling	152,734	-	-	-	-	-	-	152,734
Environmental permitting	1,984	-	-	-	6,158	-	-	8,142
Field expenses	2,454	-	-	-	-	-	-	2,454
General administration	4,191	-	11	-	24	-	-	4,226
Geochemistry	7,203	-	-	-	-	-	-	7,203
Geological consulting	152,983	-	5,230	-	2,782	1,204	-	162,199
Geophysical studies	4,614	-	-	-	-	-	-	4,614
Staking and recording	1,236	-	914	8	190	17	10	2,375
Travel and accommodation	14,752	-	660	-	10	-	-	15,422
Balance, December 31, 2008	442,431	-	117,742	117,433	119,199	105,250	127,430	1,029,485
Acquisition costs	86,888	105,791	27,448	27,448	27,448	27,448	27,448	329,919
Exploration expenditures								
Assays and reports	5,327	-	-	-	-	-	-	5,327
Drilling	96,195	-	-	-	-	-	-	96,195
Environmental permitting	-	-	423	-	587	-	-	1,010
Field expenses	8,575	-	-	-	1,141	-	-	9,716
General administration	10,800	4,631	371	-	10	-	76	15,888
Geochemistry	13,484	-	-	-	-	264	-	13,748
Geological consulting	169,249	1,485	2,064	574	12,376	10,983	17,198	213,929
Geological mapping	14,405	-	-	-	-	-	-	14,405
Geophysical studies	14,732	-	-	7,221	1,777	17,663	42,774	84,167
Staking and recording	21,990	32	13,865	17,103	16,425	9,989	39,220	118,624
Travel and accommodation	12,757	12	766	-	149	893	2,262	16,839
Balance, December 31, 2009	896,833	111,951	162,679	169,779	179,112	172,490	256,408	1,949,252

On August 12, 2008, the Company signed an agreement of purchase and sale with SEG to acquire an undivided 100% interest in six properties in Arizona and New Mexico in exchange for US\$450,000, comprised of US\$150,000 on August 12, 2008 (paid), US\$150,000 on completion of the private placement offering (paid), and US\$150,000 on August 12, 2009 (paid).

## COPPER ONE INC.

(formerly Continent Resources Inc.)

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

(Expressed in Canadian dollars)

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#### 6. Mineral Property Interests (continued)

##### (b) Southwest Exploration Group ("SEG") Properties (continued)

On August 12, 2008, the Company issued 9,000,000 stock options (the "SEG options") to three SEG principals at an exercise price of \$0.25 per share which will expire on August 11, 2018. The SEG options vest at a rate of 25% on the grant date, 25% on October 12, 2009, 25% on December 12, 2010, and 25% on February 12, 2012. The fair value of the SEG options, using the Black-Scholes option pricing model, was \$2,161,077. Of this amount, the Company recognized \$1,181,998 for the vested portion which was recorded as contributed surplus and charged to operations.

On October 13, 2009, the SEG Purchase Agreement was amended. Upon the Company's common shares listing on the TSX Venture Exchange, the expiration of the SEG options were amended to November 16, 2014 (Note 8). All other provisions of the agreement remain unchanged. The modification of the SEG options resulted in no incremental compensation costs.

The Company has fulfilled all of its obligations according to its agreement with SEG and accordingly the Company owns 100% interest in the mineral properties.

SEG is entitled to a royalty equal to 2% of the net smelter returns ("NSR"). The Company has the option to purchase an additional 0.5% of the NSR from SEG for each of the individual properties in exchange for \$1,000,000 for each property.

As part of the agreement, the Company was assigned an access and purchase agreement that was previously in place relating to surface title to part of the Lone Mountain property, which gives the Company the rights to access to explore the northern part of the property in return for the following payments:

<u>Date</u>	<u>Cash</u>	
February 16, 2007	\$ 50,000	(paid by previous group )
February 16, 2008	50,000	(paid by previous group )
February 16, 2009	50,000	(paid)
February 16, 2010	50,000	(paid)
February 16, 2011	50,000	
February 16, 2012	50,000	
February 16, 2013	<u>4,500,000</u>	
	\$ <u>4,800,000</u>	

The final payment of \$4,500,000 is the purchase price for the surface title to part of the property and the Company has the right to exercise the option to purchase at any time within the option period. Once the purchase payment is made, the Company is not obligated to any further payments.

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**6. Mineral Property Interests** (continued)

(b) Southwest Exploration Group ("SEG") Properties (continued)

LT Ranch Property

On October 1, 2009, the Company entered into an exploration and purchase option agreement with LT Ranch LLC which is located at the southern portion of the Lone Mountain property. In return for paying US\$100,000, the Company was granted the exclusive right to access and conduct exploration activities on the property for a period of one year, with five annual renewal periods which is granted upon payment of an annual fee to be agreed upon between the Company and the property owner. During the annual exploration period, the Company may exercise an option to purchase the surface title to this portion of the property in return for US\$3,000,000.

(c) Dos Cabezas Property

	Dos Cabezas \$
Balance, December 31, 2008	-
Acquisition costs	103,723
Exploration expenditures	
Drilling	88,864
Environmental permitting	2,241
Field expenses	12,308
General administration	18,511
Geochemistry	3,587
Geological consulting	83,014
Geological mapping	2,959
Travel and accommodation	7,320
	<u>322,527</u>
Recapture of expenditures	(220,694)
Proceeds from assignment agreement	(101,833)
	<u>Balance, December 31, 2009</u>
	-

## COPPER ONE INC.

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### Notes to the Consolidated Financial Statements

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#### 6. Mineral Property Interests (continued)

(c) Dos Cabezas Property (continued)

On July 31, 2009, the Company entered into an option agreement with Fronteer Development (USA) Inc. under which the Company has the right to purchase the Dos Cabezas Property in southern Arizona for the total price of US\$400,000 payable over 3 years. To ensure that the Dos Cabezas Agreement is held in good standing, the Company is committed to the following payment terms:

	<b>Cash</b>
July 31, 2009	US\$ 50,000 (paid)
July 31, 2010	US\$ 100,000
July 31, 2011	US\$ 100,000
July 31, 2012	US\$ 150,000

On October 30, 2009, the Company entered into an assignment agreement with Golden Fame (USA) Inc. (the "Assignee"), a company with common management, under which the Company has assigned 100% of its right, title and interest in the Dos Cabezas Property for the total price of US\$150,000 (received) and reimbursement of expenses incurred by the Company resulting in a gain on sale of \$63,395. The Assignee agrees to be irrevocably bound by all the terms identified in the Dos Cabezas Agreement with the exception of the obligation of the first payment of US\$50,000 to Fronteer Development (USA) Inc. which was made by the Company.

#### 7. Share Capital

##### Preferred Shares

Authorized: unlimited, without par value

Issued and outstanding: nil preferred shares

##### Common Shares

Authorized: unlimited, without par value

##### Issued Share Capital

At December 31, 2009 there were 41,656,701 common shares issued and outstanding (2008 – 20,613,901 common shares).

##### Common Share Issuances

- a) In August 2009, the Company completed the non-brokered private placement of 12,000,000 units at a price of \$0.50 per unit for gross proceeds of \$6,000,000. Each unit was comprised of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at a price of \$0.80 for a period of two years from the date of issuance.

The Company paid finders' fees of \$108,000 and the issuance of 621,500 units in aggregate at a fair value of \$0.50 per finder's unit, with the units having the same terms as the units sold under the non-brokered private placement. One finder also received 836,500 finder's warrants where each finder's warrant entitles the holder to purchase one share of the Company at a price of \$0.85 for a period of two years from the closing date of the private placement. The fair value of the broker warrants was calculated using the Black-Scholes model using the following assumptions: risk-free interest rate of 1.29%, expected life of five years, and expected volatility of 104.47%.

## COPPER ONE INC.

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### Notes to the Consolidated Financial Statements

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#### 7. Share Capital (continued)

- b) In June 2009, the Company completed a non-brokered private placement of 7,000,000 units at \$0.11 per unit resulting in gross proceeds of \$770,000. Each unit is comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the warrant holder to purchase one common share of the Company at an exercise price of \$0.20 per common share for a period of two years from the date of issuance.

In connection with this private placement, the Company paid finders' fees totalling 443,800 units in aggregate at a fair value of \$0.11 per unit, with the units having the same terms as those units being sold under the non-brokered private placement. One finder also received 443,800 finder's warrants where each finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for a period of two years from the closing of the private placement. The fair value of the broker warrants was calculated using the Black-Scholes model using the following assumptions: risk-free interest rate of 1.4%, expected life of five years, and expected volatility of 105.56%.

- c) In September 2008, the Company completed a non-brokered private placement of 8,358,000 units at \$0.25 per unit resulting in gross proceeds of \$2,089,500. Each unit was comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the warrant holder to purchase one common share of the Company at an exercise price of \$0.35 per common share until September 19, 2010. In connection with this private placement, the Company paid aggregate finders' fees of \$176,395.
- d) In January 2008, the Company issued 40,000 common shares with a fair value of \$12,000 as part of the acquisition of the Sol D'Or Property, as disclosed in Note 6.

#### Escrowed shares

As at December 31, 2009, the Company had 3,555,898 common shares (2008 – 4,888,500) in escrow. Under the terms of the Company's escrow agreements, the remaining escrowed shares will be released as follows:

	Number of Shares
2010	<u>3,020,048</u>
2011	370,550
2012	<u>165,300</u>
	<u>3,555,898</u>

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**8. Share Purchase Warrants**

The following table summarizes the continuity of share purchase warrants:

	December 31, 2009		December 31, 2008	
	Number	Weighted Avg. Exercise Price \$	Number	Weighted Avg. Exercise Price \$
Warrants outstanding, beginning of year	8,358,000	0.35	-	-
Issued	15,034,850	0.49	8,358,000	0.35
Exercised	(480,000)	0.29	-	-
Warrants outstanding, end of year	<u>22,912,850</u>	0.44	<u>8,358,000</u>	0.35

Full share equivalent warrants outstanding at of December 31, 2009:

Expiry Date	Price Per Share	Warrants Outstanding
September 19, 2010	\$ 0.35	8,078,000
May 31, 2011	\$ 0.20	3,921,450
May 31, 2011	\$ 0.30	226,450
June 11, 2011	\$ 0.20	3,322,350
June 11, 2011	\$ 0.30	217,350
August 26, 2011	\$ 0.80	6,310,750
August 26, 2011	\$ 0.85	836,500
		<u>22,912,850</u>

The Company estimated the fair value of each broker warrant at the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Risk-free interest rate	1.32%	-
Expected life (in years)	2.00	-
Expected volatility	110%	-

For the year ended December 31, 2009, the fair value of broker warrants issued \$484,884 (2008 - \$nil) which was credited to contributed surplus.

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#### 8. Share Purchase Warrants (continued)

At December 31, 2009, the Company had 5,606,250 share purchase warrants (2008 – nil), including 4,500,000 SEG options held in escrow. The share purchase warrants are governed by the October 30, 2009 escrow agreement. The escrowed warrants will be released as follows:

	Number of Shares
2010	3,574,000
2011	1,868,750
2012	163,500
	<u>5,606,250</u>

#### 9. Stock Options

The Company has adopted a Stock Option Plan (the “Plan”) pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan are determined by, and at the discretion of, the Board of Directors.

The following table summarizes the continuity of the Company’s stock options:

	December 31, 2009		December 31, 2008	
	Number	Weighted Avg. Exercise Price \$	Number	Weighted Avg. Exercise Price \$
Options outstanding, beginning of year	10,175,000	0.35	687,500	0.20
Granted	1,535,000	0.45	9,787,500	0.26
Exercised	(210,000)	0.30	-	-
Expired	-	-	(300,000)	0.20
Options outstanding, end of year	<u>11,500,000</u>	0.36	<u>10,175,000</u>	0.35

On July 17, 2009, the Company granted 800,000 incentive stock options to certain directors and consultants. The options are exercisable at \$0.64 per share and will expire on July 17, 2014. The fair value of \$406,808 was determined using the Black-Scholes option pricing model and has been recorded as stock-based compensation.

On January 8, 2009, the Company granted 735,000 incentive stock options to certain directors, officers and a consultant at an exercise price of \$0.25 per share. The options were fully vested upon grant and will expire on January 8, 2014. The fair value of \$124,819 was determined using the Black-Scholes option pricing model and has been recorded as stock-based compensation.

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**9. Stock Options** (continued)

Additional information regarding stock options outstanding as at December 31, 2009 is as follows:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number Outstanding	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Weighted Average Exercise Price \$
\$0.20-\$0.25	725,000	0.24	3.40	725,000	0.24
\$0.34-\$0.35	9,975,000	0.35	3.42	5,475,000	0.35
\$0.36-\$0.64	800,000	0.64	4.54	800,000	0.64
	<u>11,500,000</u>	0.36	3.52	<u>7,000,000</u>	0.36

During the year ended December 31, 2009 the Company recognized \$994,174 (2008 – \$855,954) of stock-based compensation expense. The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	<u>2009</u>	<u>2008</u>
Risk-free interest rate	2.36%	3.68%
Expected life (in years)	5.00	5.00
Expected volatility	164%	84%

The weighted average fair value of stock options granted during the year ended December 31, 2009 was \$0.43 (2008 - \$0.24) per stock option.

**Agent Options**

Full share equivalent agent options activity for the respective years is as follows:

	December 31, 2009		December 31, 2008	
	Number	Weighted Avg. Exercise Price \$	Number	Weighted Avg. Exercise Price \$
Agent options outstanding, beginning of year	287,500	0.20	287,500	0.20
Expired	<u>(287,500)</u>	0.20	-	-
Agent options outstanding, end of year	<u>-</u>	-	<u>287,500</u>	0.20

## COPPER ONE INC.

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### Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

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#### 10. Commitments

As of September 2009, the Company entered into a five-year consulting agreement whereby the Company agreed to pay a quarterly fee of \$25,000 in return for financial analysis and advice. The Company further agreed to pay a success fee of 1.5% of the total transaction value if: (i) 20% or more of the outstanding common shares of the Company are acquired by a third party; (ii) the Company acquires, merges or amalgamates with another entity; or (iii) all of the assets are acquired by a third party.

#### 11. Related Party Transactions

- (a) Included in accounts payable and accrued liabilities is an amount of \$23,380 (2008 - \$23,060) to directors and officers of the Company, and \$12,655 (2008 - \$nil) payable to a company whose officer is a director and an officer of the Company. These amounts are unsecured, non-interest bearing, and due on demand.
- (b) During the year ended December 31, 2009, the Company paid consulting fees of \$83,175 (2008 - \$14,675) to three directors of the Company with respect to consulting services on the acquisition and exploration of the Company's mineral properties.
- (c) For the year ended December 31, 2009, Copper USA paid \$260,617 (2008 - \$82,377) to directors and officers of the Company with respect to consulting services on the acquisition and exploration of the Company's mineral properties.
- (d) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee of \$10,000. During the year ended December 31, 2009, the Company recorded \$78,000 in management fees, \$36,000 in rent and \$6,000 in office expenses to Baron for a total of \$120,000 (2008 - \$89,648).
- (e) During the year ended December 31, 2009, the Company received US\$150,000 and was reimbursed \$229,012 from Golden Fame (USA), Inc., a company with common management, as part of the assignment agreement noted in Note 6(d).

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties.

#### 12. Financial Instruments

- (a) Classification of Financial Instruments

	December 31, 2009 \$	December 31, 2008 \$
Financial assets:		
Held for trading, measured at fair value:		
Cash and cash equivalents	6,180,734	929,861
Loans and receivables, measured at amortized cost:		
Amounts receivable	57,239	10,289
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	131,016	73,268

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### **Notes to the Consolidated Financial Statements**

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#### **12. Financial Instruments (continued)**

##### (b) Fair Values

The fair values of financial instruments, which include cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

As at December 31, 2009, the fair value of financial instruments measured on a recurring basis includes cash determined based on level one inputs, consisting of quoted prices in active markets for identical assets.

##### (c) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

##### (d) Foreign Exchange Rate and Interest Rate Risk

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of the foreign exchange rates as some of the Company's operations are located in the United States of America. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position, and cash flows. The Company has not entered into any derivative contracts or hedged its exposure to foreign currency fluctuations, and is not exposed to any significant interest rate risk.

##### (e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

##### (f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

#### **13. Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, and equity comprised of issued capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2008.

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**14. Supplementary cash flow information**

	December 31, 2009 \$	December 31, 2008 \$
Cash paid for income taxes	-	-
Cash paid for interest	-	-
Non-cash investing and financing activities:		
Shares issued for mineral property	-	12,000
Finders' fees paid in units	359,568	-
Finders' warrants on private placement	484,884	-
Mineral property expenditures included in accounts payable	45,040	-

**15. Income Taxes**

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise future tax assets and liabilities are as follows:

	2009 \$	2008 \$
Canadian statutory income tax rate	30.00%	29.50%
Income tax recovery at statutory rate	541,751	373,507
Tax effect of:		
Permanent differences and other	(221,784)	(235,261)
Change in valuation allowance	(319,967)	(138,246)
Income tax recovery	-	-

The significant components of future income tax assets and liabilities are as follows:

	2009 \$	2008 \$
Future income tax assets		
Non-capital losses carried forward	372,372	153,132
Share issuance costs	136,141	-
Resource pools	20,672	56,086
Total gross future income tax asset	529,185	209,218
Valuation allowance	(529,185)	(209,218)
Net future income tax asset	-	-

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**15. Income Taxes (continued)**

As at December 31, 2009, the Company has non-capital losses carried forward of \$1,489,486 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2026	138,386
2027	116,283
2028	351,551
2029	883,266
	<u>1,489,486</u>

**16. Segmented Disclosures**

	2009 \$	2008 \$
Mineral Property Interests		
Canada	—	62,688
United States	1,949,252	1,029,484
	<u>1,949,252</u>	<u>1,092,172</u>

**17. Subsequent Events**

- (a) On January 15, 2010, the Company granted 700,000 incentive stock options to a director and consultants. The options are exercisable at \$0.55 per share over a period of five years from the grant date.
- (b) On February 23, 2010, the Company terminated the Sol D'Or Mineral Property Option Agreement.