

COPPER ONE INC.
Consolidated Financial Statements
(Expressed in Canadian Dollars)
December 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Copper One Inc.

We have audited the accompanying consolidated financial statements of Copper One Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of loss, comprehensive loss, and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and 2009 and its financial performance and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 of the consolidated financial statements which describe certain conditions that give rise to substantial doubt about the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.


Chartered Accountants

Vancouver, Canada

April 1, 2011

COPPER ONE INC.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

	Note	December 31, 2010 \$	December 31, 2009 \$
Assets			
Current Assets			
Cash and cash equivalents		3,018,766	6,180,734
Amounts receivable		41,722	57,239
Prepaid expenses		55,404	29,338
		3,115,892	6,267,311
Reclamation deposits	5	95,267	31,001
Mineral property interests	6	3,858,075	1,949,252
Equipment	7	1,285	-
		7,070,519	8,247,564
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		212,856	131,016
Shareholders' Equity			
Share capital	8	9,017,877	8,958,199
Contributed surplus		3,229,809	2,504,246
Deficit		(5,390,023)	(3,345,897)
		6,857,663	8,116,548
		7,070,519	8,247,564
Going Concern	2		
Commitment	11		
Subsequent Events	18		

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

(Expressed in Canadian dollars)

	Number of Shares	Common Shares \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
Balance - December 31, 2008	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)
Balance - December 31, 2009	41,656,701	8,958,199	2,504,246	(3,345,897)	8,116,548
Issuance pursuant to warrants exercised	67,500	13,500	-	-	13,500
Issuance pursuant to stock options exercised	110,000	27,500	-	-	27,500
Fair value of stock options exercised	-	18,678	(18,678)	-	-
Stock-based compensation	-	-	744,241	-	744,241
Loss for the year	-	-	-	(2,044,126)	(2,044,126)
Balance - December 31, 2010	41,834,201	9,017,877	3,229,809	(5,390,023)	6,857,663

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

COPPER ONE INC.**Consolidated Statements of Loss, Comprehensive Loss, and Deficit**

(Expressed in Canadian dollars)

		Year Ended December 31,	
	Note	2010 \$	2009 \$
Operating expenses			
Amortization		494	-
Consulting services		317,125	327,059
Directors' fees	12	20,846	-
Foreign exchange loss		26,307	1,909
Investor relations		114,291	72,674
Management services	12	213,712	78,000
Professional fees		55,517	78,610
Property investigations		342,806	4,982
Office		89,400	101,860
Rent		49,561	36,000
Regulatory and shareholder services		33,335	74,606
Stock-based compensation		744,241	994,174
Travel		71,507	42,138
Write-off of mineral property interests		-	82,688
		2,079,142	1,894,700
Loss before other income		(2,079,142)	(1,894,700)
Other income			
Interest and miscellaneous income		35,016	25,470
Gain on sale of mineral property interests	6	-	63,395
		35,016	88,865
Net loss and comprehensive loss for the year		(2,044,126)	(1,805,835)
Loss per share, basic and diluted		(0.05)	(0.06)
Weighted average common shares outstanding		41,687,393	29,581,597

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

COPPER ONE INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Fiscal Year Ended December 31,	
	2010	2009
	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss for the year	(2,044,126)	(1,805,835)
Items not involving cash:		
Amortization	494	-
Gain on disposition of mineral property interests	-	(63,395)
Stock-based compensation	744,241	994,174
Write-off of mineral property interests	-	82,688
Changes in non-cash operating working capital:		
Amounts receivable	15,517	(46,950)
Prepaid expenses	(26,066)	32,980
Accounts payable and accrued liabilities	90,847	4,927
	(1,219,093)	(801,411)
Investing activities		
Mineral property interests:		
Reclamation deposits	(64,266)	(31,001)
Exploration expenditures	(1,719,895)	(757,725)
Acquisition costs	(197,935)	(453,639)
Recoveries of exploration expenditures	-	220,694
Proceeds from sale of mineral property interests	-	167,118
Purchase of equipment	(1,779)	-
	(1,983,875)	(854,553)
Financing activities		
Proceeds from shares issued	41,000	7,387,568
Share issuance costs	-	(480,731)
	41,000	6,906,837
Net change in cash	(3,161,968)	5,250,873
Cash and cash equivalents, beginning of year	6,180,734	929,861
Cash and cash equivalents, end of year	3,018,766	6,180,734
Cash and cash equivalents comprises:		
Cash	638,865	485,623
Cashable guaranteed investment certificates	2,379,901	5,695,111
	3,018,766	6,180,734

Supplementary cash flow information (Note 15)

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

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010
(Expressed in Canadian dollars)

1. Nature of Operations

Copper One Inc. (the "Company") was incorporated on November 8, 2005 pursuant to the British Columbia Business Corporations Act and continued under the Alberta Business Corporations Act 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. which then 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. As at December 31, 2010, the Company has no source of operating cash flow and has an accumulated deficit of \$5,390,023. Operations for the year ended December 31, 2010 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"). All significant intercompany transactions and balances have been eliminated upon consolidation.

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010
(Expressed in Canadian dollars)

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) 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.

(d) 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(e) 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.

As at December 31, 2010 and 2009, the Company did not have any significant asset retirement obligations.

(f) 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.

(g) 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.

(h) Stock-based compensation

The Company has a stock option plan, which is described in Note 10. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(i) 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.

(j) 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.

(k) 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. The Company does not have any items representing comprehensive income or loss.

(l) 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(m) Adoption of new accounting policies

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

(n) Equipment

Equipment is composed of computer equipment and is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of 3 years.

4. Recent Accounting Pronouncements

(a) Comprehensive Revaluation of Assets and Liabilities

In August 2009, the Accounting Standards Board (“AcSB”) issued CICA Handbook Section 1625, “Comprehensive Revaluation of Assets and Liabilities” for consistency with new Section 1582, “Business Combinations”. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on the Company’s financial statements.

(b) Equity

In August 2009, AcSB issued CICA Handbook Section 3251, “Equity” in response to issuing Section 1602, “Non-controlling Interests”. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the Company’s financial statements.

(c) 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.

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

(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, 2010 \$	December 31, 2009 \$
Lone Mountain	5,013	-
LT Ranch	86,299	20,982
Twin Peaks and West Safford	3,955	9,442
Other	-	577
	95,267	31,001

6. Mineral Property Interests

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

Canada

	Riviere Dore	Sol D'Or
Balance, December 31, 2008	\$ -	\$ 62,688
Acquisition costs	-	20,000
Properties written-off	-	(82,688)
Balance, December 31, 2009	-	-
Acquisition costs	41,861	-
Balance, December 31, 2010	\$ 41,861	\$ -

(a) Riviere Dore Property - Quebec

In October 2010, the Company entered into a letter of intent with Cartier Resources Inc. ("Cartier"), to acquire up to a 75% equity interest in the Riviere Dore Copper Nickel property ("Riviere") located southeast of the town Val D'Or, Quebec. In January 2011, the Company signed an option agreement with Cartier. Refer to note 18.

(b) Sol D'Or Property

As at December 31, 2009, the Company discontinued 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.

COPPER ONE INC.
Notes to the Consolidated Financial Statements

For the year ended December 31, 2010
(Expressed in Canadian dollars)

6. Mineral Property Interests (continued)

United States

	Lone Mountain \$	Lone Mountain (LT Ranch) \$	Mimbres \$	Teague Springs \$	Twin Peaks \$	West Jerome \$	West Safford \$	Total \$
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 (note 12)	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
Acquisition costs	52,073	104,001	-	-	-	-	-	156,074
Exploration expenditures								
Assays and reports	46,532	-	-	-	18,022	-	-	64,554
Drilling	639,926	3,277	-	-	161,378	-	-	804,581
Environmental permitting	33,960	21,167	-	-	-	-	-	55,127
Field expenses	16,473	-	-	-	360	-	-	16,833
General administration	24,553	25,471	2,105	-	(678)	38	-	51,489
Geochemistry	2,119	-	-	-	2,912	-	-	5,031
Geological consulting (note 12)	323,551	817	9,079	810	60,392	11,385	6,442	412,476
Geological mapping	7,941	-	-	-	3,363	-	97	11,401
Geophysical studies	8,115	-	-	-	45	82,254	-	90,414
Reclamation	9,138	-	-	-	8,658	-	-	17,796
Staking and recording	36,341	-	11,426	14,997	10,148	8,605	26,519	108,036
Travel and accommodation	58,539	4,272	1,600	110	6,654	1,975	-	73,150
Balance, December 31, 2010	2,156,094	270,956	186,889	185,696	450,366	276,747	289,466	3,816,214

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

(Expressed in Canadian dollars)

6. Mineral Property Interests (continued)

(c) Southwest Exploration Group ("SEG") Properties

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).

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 would 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 \$1,528,226 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 was amended to November 16, 2014 (Note 10). All other provisions of the agreement remain unchanged. The modification of the SEG options resulted in no incremental compensation costs.

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:

	\$	
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	(paid)
February 16, 2012	50,000	
February 16, 2013	4,500,000	
	<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.

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

(Expressed in Canadian dollars)

6. Mineral Property Interests (continued)

(d) LT Ranch Property

On October 1, 2009, the Company entered into an exploration and purchase option agreement with LT Ranch LLC, 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 (Year 2 paid) 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.

(e) Dos Cabezas Property

	\$
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> </u>
Balance, December 31, 2010 and 2009	-

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:

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.

COPPER ONE INC.
Notes to the Consolidated Financial Statements

For the year ended December 31, 2010
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7. Equipment

	Computer equipment
Cost	
At December 31, 2009	\$ -
Additions	<u>1,779</u>
At December 31, 2010	1,779
Accumulated Amortization	
At December 31, 2009	-
Charge for the period	<u>494</u>
At December 31, 2010	494
Net book value	
At December 31, 2009	<u>-</u>
At December 31, 2010	<u>\$ 1,285</u>

8. 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, 2010 there were 41,834,201 common shares issued and outstanding (December 31, 2009 – 41,656,701 common shares).

Common Shares

- a) During the year ended December 31, 2010, the Company issued 67,500 common shares upon the exercise of share purchase warrants for proceeds of \$13,500.
- b) In December 2010, the Company issued 110,000 common shares upon the exercise of stock options for proceeds of \$27,500.
- c) 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.

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

(Expressed in Canadian dollars)

8. Share Capital (continued)

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, expected volatility of 104%, and no expected dividends.

- d) 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, expected volatility of 105%, and no expected dividends.

Escrowed shares

As at December 31, 2010, the Company had 535,850 common shares (2009 – 3,555,898) in escrow. Under the terms of the Company's escrow agreements, the remaining escrowed shares will be released as follows:

	Number of Shares
2011	370,550
2012	165,300
	<u>535,850</u>

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For the year ended December 31, 2010

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9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	2010		2009	
	Number	Weighted Avg. Exercise Price \$	Number	Weighted Avg. Exercise Price \$
Warrants outstanding, beginning of year	22,912,850	0.44	8,358,000	0.35
Issued	-	-	15,034,850	0.49
Expired	(8,078,000)	0.35	-	-
Exercised	(67,500)	0.20	(480,000)	0.29
Warrants outstanding, end of year	<u>14,767,350</u>	0.50	<u>22,912,850</u>	0.44

Full share equivalent warrants outstanding as at December 31, 2010:

Expiry Date	Price Per Share	Warrants Outstanding
May 31, 2011	\$ 0.20	3,853,950
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>14,767,350</u>

The Company estimated the fair value of each broker warrant at the date of issuance using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2010	2009
Risk-free interest rate	-	1.32%
Expected life (in years)	-	2.00
Expected volatility	-	110%

At December 31, 2010, the Company had 2,032,250 share purchase warrants (2009 – 5,606,250) 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
2011	1,868,750
2012	163,500
	<u>2,032,250</u>

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

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10. 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:

	2010		2009	
	Number	Weighted Avg. Exercise Price \$	Number	Weighted Avg. Exercise Price \$
Options outstanding, beginning of year	11,500,000	0.36	10,175,000	0.35
Granted	900,000	0.49	1,535,000	0.45
Exercised	(110,000)	0.25	(210,000)	0.30
Options outstanding, end of year	<u>12,290,000</u>	0.30	<u>11,500,000</u>	0.36
Options exercisable, end of year	<u>10,040,000</u>	0.31	<u>7,000,000</u>	0.37

On January 15, 2010, the Company granted 700,000 incentive stock options to certain directors, officers and consultants at an exercise price of \$0.55 per common share and a further 200,000 on July 1, 2010 at an exercise price of \$0.30 per common share. The options were fully vested upon grant and will expire on January 15, 2015 and July 1, 2015 respectively. The fair value of \$281,391 was determined using the Black-Scholes option pricing model and has been recorded as stock-based compensation.

Additional information regarding stock options outstanding as at December 31, 2010 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-\$0.30	9,815,000	0.25	2.49	7,565,000	0.25
\$0.34-\$0.35	975,000	0.35	2.39	975,000	0.35
\$0.36-\$0.64	1,500,000	0.60	3.78	1,500,000	0.60
	<u>12,290,000</u>	0.30	3.70	<u>10,040,000</u>	0.31

COPPER ONE INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

(Expressed in Canadian dollars)

10. Stock Options (continued)

During the year ended December 31, 2010, the Company recognized \$744,241 (2009 – \$994,174) 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:

	2010	2009
Risk-free interest rate	2.27%	2.03%
Expected life (in years)	5.00	5.00
Expected volatility	129%	131%

The weighted average fair value of stock options granted during the year ended December 31, 2010 was \$0.31 (2009 - \$0.43) per stock option.

11. Commitment

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.

12. Related Party Transactions

- Included in accounts payable and accrued liabilities is an amount of \$42,297 (2009 - \$23,380) owed to directors and officers of the Company. These amounts are unsecured, non-interest bearing, and due on demand.
- During the year ended December 31, 2010, the Company paid fees of \$83,360 (2009 - \$79,986) to two directors of the Company, of which \$20,846 (2009 - \$nil) was recorded as directors' fees with the remainder relating to geological consulting services recorded in mineral property interests.
- During the year ended December 31, 2010, Copper One USA, Inc. paid \$451,307 (2009 - \$260,617) to directors and officers of the Company with respect to geological consulting services recorded in mineral property interests.
- 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, 2010, 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 (2009 - \$12,000).

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.

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13. Financial Instruments

Classification of Financial Instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2010 as follows:

	Fair Value Measurements Using			Balance, December 31, 2010 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash and cash equivalents	3,018,766	–	–	3,018,766

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

(b) 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.

(c) 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.

(d) 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.

(e) 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.

COPPER ONE INC.

Notes to the Consolidated Financial Statements

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14. 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, 2009.

15. Supplementary Cash Flow Information

	December 31, 2010 \$	December 31, 2009 \$
Cash paid for income taxes	-	-
Cash paid for interest	-	-
Non-cash investing and financing activities:		
Finders' fees paid in units	-	359,568
Fair value of stock options exercised	18,678	-
Finders' warrants on private placement	-	484,884
Mineral property expenditures included in accounts payable	84,087	45,040

16. 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:

	2010 \$	2009 \$
Canadian statutory income tax rate	28.50%	30.00%
Income tax recovery at statutory rate	582,576	541,751
Tax effect of:		
Permanent differences and other	(257,875)	(221,784)
Change in valuation allowance	(324,701)	(319,967)
Income tax recovery	-	-

COPPER ONE INC.**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2010

(Expressed in Canadian dollars)

16. Income Taxes (continued)

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

	2010	2009
	\$	\$
Future income tax assets		
Non-capital losses carried forward	737,201	372,372
Share issuance costs	96,013	136,141
Resource pools	20,672	20,672
Total gross future income tax asset	853,886	529,185
Valuation allowance	(853,886)	(529,185)
Net future income tax asset	-	-

As at December 31, 2010, the Company has non-capital losses carried forward of \$2,948,803 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
2030	1,459,317
	2,948,803

17. Segmented Disclosures

	2010	2009
	\$	\$
Mineral Property Interests		
Canada	41,861	-
United States	3,816,214	1,949,252
	3,858,075	1,949,252

COPPER ONE INC.

Notes to the Consolidated Financial Statements

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18. Subsequent Events

- a) In January 2011, the Company entered into an option agreement to acquire up to a 75% equity interest in the Riviere Dore Copper Nickel property ("Riviere") located southeast of the town Val D'Or, Quebec.

Under the terms of the agreement, the Company has the right to earn a 51% interest in Riviere by funding \$5,000,000 of exploration expenditures, paying \$250,000 cash, and issuing 350,000 common shares to Cartier by December 31, 2015. The Company can earn an additional 24% in Riviere, for an aggregate total interest of 75%, by completing a definitive feasibility study or by making further exploration expenditures of \$20,000,000.

In connection with this agreement, the Company paid a finder's fee consisting of 265,625 common shares at a deemed value of \$0.24 per share. If the Company exercises the initial option, the Company agrees to pay an additional 135,625 common shares at a deemed value of \$0.24 per share.

- b) Subsequent to December 31, 2010, 1,190,000 warrants were exercised for gross proceeds of \$238,000.