

ICS Copper Systems Ltd. (TSXV: ICX, ICX.WT) – Initiating Coverage; Drilling open pittable copper deposit on prolific DRC-Zambian Copperbelt

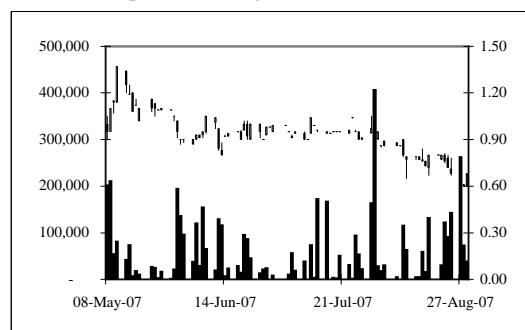
Sector/Industry: Mining/Copper

www.icscopper.com

Market Data (as of August 30, 2007)

Current Price	C\$0.79
Fair Value	C\$1.65
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.65 – C\$1.37
Shares O/S	26,963,869
Market Cap	C\$21.30 mm
Current Yield	N/A
P/E	N/A
P/B	N/A
YoY Return	N/A
YoY TSX	-3.5%

*see back of report for rating and risk definitions



Key Financial Data (FYE - July 31) (C \$)

	Q3-2007 - 9 mo (as of April 30, 2007)
Cash	104,461
Working Capital	(365,138)
Mineral Assets & PPE	1,282,055
Total Assets	2,076,811
Net Loss	(599,399)
Loss per Share	(0.05)

*** ICS's financials have changed significantly since April 30, 2007. The company completed its IPO in May 2007, and has raised a total of \$10.8 million since May 2007.**

ICS Copper Systems holds a 70% interest in the Mokambo Mine, one of the few remaining copper deposits in the Central African Copperbelt. The long-term growth potential is good, as a large sulphide resource could be exploited following the open pittable oxide mining.

Investment Highlights

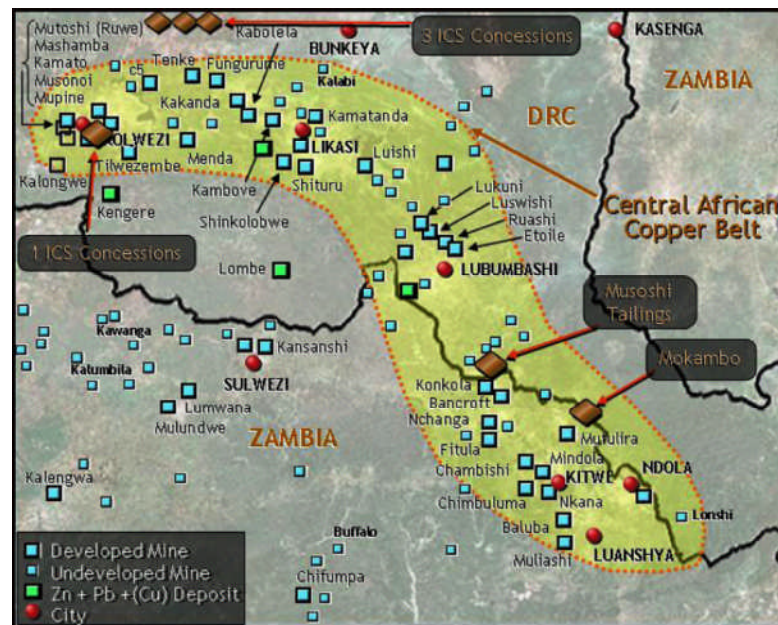
- ICS Copper Systems holds a 70% interest in the Mokambo Mine, one of the few remaining copper deposits in the Central African Copperbelt. It is considered one of the last remaining copper deposits in the DRC-Zambia Copper Belt.
- The company is in a good position to commence commercial production by mid-2009 (11,000 – 12,000 tpa of copper). They have technical expertise in EMEW systems, a low cost electrowinning facility.
- Drilling began in June 2007 to delineate the oxide copper deposit. Subsequently, the company will drill the copper sulphide deposit. They plan to begin processing the upper oxide copper deposit, while delineating resources in the copper sulphide deposit at depth.
- EMEW electrowinning equipment has begun arriving on site as part of the company's plan to operate a pilot plant heap leach operation producing 600 tonne/year of 99.99% copper.
- The sulphide deposit has a historic resource estimate of 24 million tonnes grading approximately 1.6% copper. This resource was calculated by a joint venture between the Zambian and Romanian governments that aimed to put the property into production in 1970s.
- The company has raised a total of \$10.8 million since May 2007. We believe the company is in an excellent cash position.

Risks

- The company has not delineated any NI 43-101 compliant resource estimates and do not yet have any operating mines.

Company Overview

ICS Copper Systems has operated since early 2006, sourcing advanced stage copper deposits in the Democratic Republic of Congo and Zambia with near term production potential. The company's priority property is the Mokambo Mine, which has two dimensions. The company is currently drilling to delineate an open pittable oxide copper resource, which could easily be exploited using heap leach technology and processed at the EMEW facility that has been purchased and is being constructed on site. The Mokambo oxide deposit is being drilled and a feasibility study to be undertaken by GRD Minproc is expected to be completed by March 2008. The sulphide deposit has a large historic resource estimate of 24 million tonnes of ore grading 1.6% copper. This material requires a different processing system, but could be processed at existing processing plants in the region.



Source: ICS Copper Systems

Corporate History

The company operated as a private entity from July 2006, to May 2007, acquiring copper properties in the Copperbelt of the DRC and Zambia. ICS completed their initial public offering in May 2007, which was approximately three times oversubscribed, and listed on the TSX Venture Exchange under the symbol ICX beginning May 8, 2007. The company has recently announced its intention to list on the Toronto Stock Exchange.

Social Responsibility

Africa is a resource rich country, and Central Africa, including the DRC and Zambia, is no exception. Political instability, natural disasters, economic conditions, and conflict have contributed to Central Africa's reputation as a riskier place to operate. We believe the company has good social programs in place to establish themselves in this region. The company provides employment through their programs in Zambia and the DRC. Mining and exploration in Central Africa may carry a higher risk, but the rewards can be great as well. We believe the company has a chance to establish Canadian "best practices" for the environment, community, health and safety.

Mokambo

Property Overview: The 403 hectare Mokambo Mine is the company's priority property at this time. Their goal is to generate cash flow as quickly as possible through oxide copper mining and processing at a low cost EMEW electrowinning facility.

Ownership: The Mokambo Mine is under a joint venture agreement between ICS Copper Systems Ltd., the operator, and North Western Plant Hire Ltd., a private Zambian company. ICS Copper can earn a 70% interest by completing a bankable feasibility study, paying US\$3.2 million, and incurring all expenses for exploration and development on the property. The company has to pay US\$400,000 by September 30, 2007, US\$400,000 before January 31, 2008, US\$1 million by July 31, 2008, subject to receipt of a bankable feasibility study, and US\$1 million by January 31, 2009. ICS Copper is required to complete a bankable feasibility study by June 30, 2008, and place the Mokambo Property into production by May 31, 2009. Upon earning a 70% interest, the company can negotiate for an additional 10% interest for an amount that will be determined by an arms-length third party.

Historic Exploration/Production: The property has experienced exploration since 1929, but the majority of exploration in the region was focused on the prolific Mufulira deposit 18 kilometers to the southwest. The project was developed from 1970-1975, when a joint venture between the Zambian and Romanian governments sank an exploration shaft designed to access copper sulphide mineralization. The shaft was flooded in 1975 before it was completed, and it only reached the 125 meter level. The project was abandoned in 1977 due to low copper prices, disagreement, and tension between the Zambian and Romanian governments.

The Mokambo property is surrounded by mining operations. The Mufulira Mine was operated continuously from 1933 to the present under several owners. It currently operates under a joint venture between Glencore International A.G. (73.1%), First Quantum Minerals Ltd. (16.9%) and the Zambian Consolidated Copper Mines Limited (10%) (government owned). The copper refinery processes most of the material mined in Zambia. First Quantum also operates the Frontier Mine (25 km to the southeast) and Lonshi Mine (95 km to the southeast).

Accessibility and Infrastructure: The Mokambo property is located in northeastern Zambia, on the border with DRC. In the last few years, Zambia has established itself as a relatively stable country. The property is accessible by road, 60 kilometers north of Kitwe. There are several large cities in the area, including Mufulira (pop. 700,000), Ndola (pop. 1.1 million), Kitwe (pop. 1.5 million). Electrical power could be sourced from the power line that runs along Mokambo road 6.5 kilometers away. The company has located the water table level and plans to install a well for future operations. The company recently completed an infrastructure program that included road development, building construction, and upgrading mine infrastructure.

Mining Infrastructure: Unfortunately, much of the mining infrastructure installed in the 1970s was scavenged by subsequent owners. The exploration shaft sunk in the 1970s was designed to have four levels: 120 meter, 190 meter, 260 meter, and 330 meter. During the construction of the 120 meter level, water laden faults were uncovered that flooded the mine.

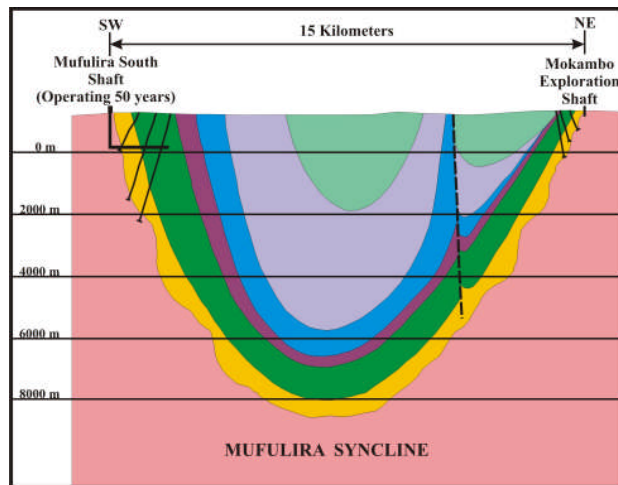
The remaining levels were never completed. As part of the drilling program, the company will dewater the flooded 1975 exploration shaft and use the water for drilling. The company plans to use the shaft as an escapeway and ventilation shaft when the sulphide copper mineralization is mined using underground mining methods.



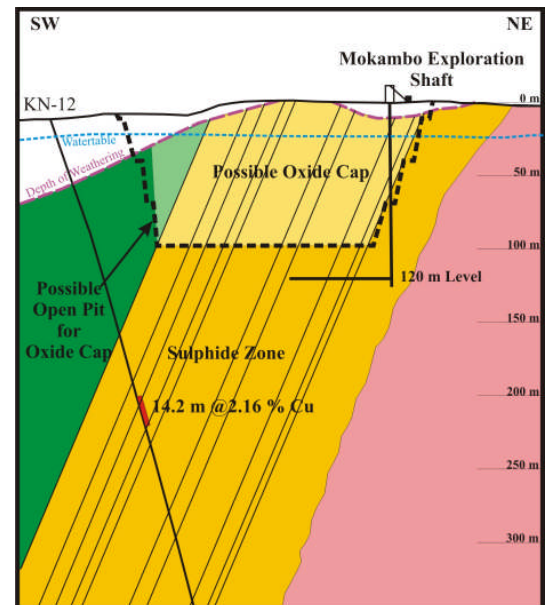
Source: ICS Copper Systems Ltd.

Geology and Mineralization: The Mokambo property is located on the Mufulira Syncline, which hosts rich copper deposits including the Mufulira Mine, Mineralization is contained within steeply dipping sedimentary beds. Approximately 65% of Copperbelt deposits occur in the Ore Formation of the Lower Roan Group. The majority of the company's property is located in the Lower Roan Group, with a smaller portion in the Upper Roan Group. The Upper Roan Group is known to host cobalt mineralization. The company controls 4 kilometers of copper mineralization, and the upper 80 meters of the Lower Roan Formation is oxidized.

As you can see in the image on the next page, the deposit is located on the northeastern arm of a syncline structure. Synclines are concave fold structures where the geologic beds are younger in age in the center. The Mufulira syncline is approximately 40 to 50 kilometers long, 12 to 15 kilometers wide and up to 10 kilometers deep. The beds tend to strike NE-SW and dip 50° to 75° to the southwest. The beds are thinner on the northeast side, where the Mokambo property is, than on the southwest side (Mufulira Mine).



The Mufulira Mine 15 kilometers to the southwest has operated for over 50 years and has produced over 20 billion pounds of copper.



The Mokambo Mine covers the Lower Roan Formation, which is the same deposit as the Mufulira Mine.

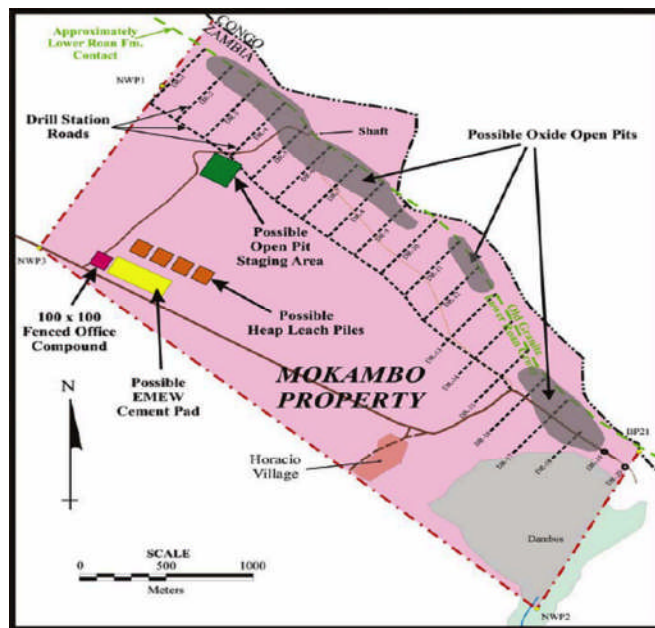
Source: ICS Copper Systems Ltd.

The primary oxide ore minerals are secondary copper minerals, including malachite, azurite, chrysocolla, native copper, and heterogenite. The primary sulphide ore minerals are pyrite, chalcopyrite, bornite, chalcocite, digenite, carollite, and linnaeite.

Metallurgy: The company is currently constructing a heap leaching facility to process oxide material. The electrolyte copper solution will be recovered using EMEW electrowinning technology. The company has purchased EMEW equipment, which will enable it to produce 600 tonne/year of 99.99% copper, on a pilot scale. We expect commercial production to commence by mid-2009.

EMEW: EMEW electrowinning technology is a low cost, quick processing option for copper electrolyte solution. The advantages of EMEW are many: high efficiency, ability to process low grade material, versatility, portability, and creation of a high purity product. ICS's president, Graham Chisholm, has operated an EMEW facility in the DRC for the past few years and is highly experienced in this technology.

Current Status: The Mokambo Technical Report outlined a two stage exploration program that is in progress. The company began a Phase I resource delineation program for the open pitable, copper oxide deposit in June 2007. They plan to drill 10,300 meters in approximately 115 shallow (100 meters), angled holes. The drilling program should be completed in November 2007, and we expect to see a NI 43-101 compliant resource estimate early in 2008. The drilling program layout is displayed in the image below.



Source: ICS Copper Systems Ltd.

Permitting and Feasibility Status

The company has commissioned an Environmental Impact Assessment report for the Mokambo Mine, which they hope to complete by December 2007. They have also applied for a Large Scale Mining Permit from the Zambian government.

The company has appointed GRD Minproc to complete the Feasibility Study for the Mokambo Mine. GRD Minproc is an Australian based engineering firm with an office and experience in African mining projects. Current estimates put the completion date at April 2008, but this is dependent on the completion of drilling and a NI 43-101 compliant resource.

Resource Estimates: The company plans to begin mining the oxide copper resource. This material was considered waste by historic explorers, and a resource has never been defined. The Mokambo Technical Report states the oxide potential could range between 0.5 to 10 million tonnes at approximately 1 to 2% copper.

A joint venture between the Zambian and Romanian governments calculated a resource in the copper sulphide deposit and began mine development in the 1970s. This resource is contained in a mineralized bed 1.5 kilometers long, 100-640 meters deep, and approximately 1 meter thick. The historic resource estimate, calculated by Geomin, is outlined in the table below. This resource was calculated with a higher degree of certainty, as cut-off grades and dilution were factored into the calculations.

Resource	Tonnes	Copper Grade (%)	Pounds of Copper
Indicated	12 million	1.72%	455 million
Inferred	12 million	1.47%	389 million

Musoshi Tailings

Property Overview: The Musoshi tailings deposit is the oxidized waste rock from the Musoshi concentrator. This facility processed materials from the Musoshi and Kisenda Mines, which operated from 1972-2002. The company hopes to delineate a resource and begin a small EMEW processing program there.

Ownership: The company can earn a 76% interest in the Musoshi tailings deposit, but the option agreement is on hold as an underlying owner is claiming rights to the deposit. Therefore, the company has not been able to meet its option agreement obligations, including the delineation of a NI 43-101 compliant resource and a bankable feasibility study.

Current Status: Work on the property is on hold pending resolution of the ownership battle.

Resource Estimates: The Musoshi Tailings have a historic resource estimate of 20 million tonnes.

Other Properties

The company has entered into option agreements on other earlier stage copper and gold properties in the DRC. The first group of properties includes four mining concessions in the DRC. The company has an option agreement to acquire up to a 73.5% interest in this group of properties.

The company entered into an agreement on May 20, 2007, to acquire a 77% interest in two properties known as Changulube and Kasamwa for \$42,000. The Changulube and Kasamwa properties are located in Katanga Province. These two properties were briefly explored for gold in the 1920s, but have seen minimal exploration since. We expect the company to complete a preliminary exploration program on these properties in 2007.

Management**Graham Chisholm, A.C.I.S. Director, President and Chief Executive Officer.**

Mr. Chisholm is an Associate of the Chartered Institute of Secretaries and Administrators (Canada, South Africa and Zimbabwe) and has over 26 years experience in executive management, fifteen of which were in financial management including a four year expatriate contract as Group Financial Executive of Mobil Oil agency in Swaziland. Mr. Chisholm founded Industrial Copper Systems Ltd, one of the largest importers of copper tube into Canada as of January 2005. Industrial Copper subsequently installed and produced copper and cobalt at a pilot plant in DRC in 2005. He has visited close to 40 countries resulting in considerable cross-cultural experience. In addition to English, he is fluent in French and Shona (African dialect).

David Makepeace, M.Eng., P.Eng, Director

Mr. Makepeace has an undergraduate degree in Geological Engineering, a graduate degree in Environmental Engineering and is a registered professional engineer in British Columbia and Alberta. He has 30 years of geological, mining and engineering experience in all phases of mineral exploration and mine operations, both underground and open pits, throughout Canada, western USA and Africa. He specializes in 3-dimensional computer geologic and mine modeling, as well as National Instrument 43-101 mineral resource / ore reserve estimations, analysis and mine design, planning and development.

Michael Halvorson, Director

Michael Halvorson is president of Halcorp Capital Ltd., a private investment corporation. He has an extensive background in financing natural resource exploration companies and over 35 years experience in capital markets.

Previous and current directorships include Western Silver Corporation, Gentry Resources Ltd., NovaGold Resources Inc., Viceroy Exploration Ltd., Esperanza Silver Corp., Orezone Resources Inc. and Strathmore Minerals Corp.

Mr. Mel Smale, Chairman

Mr. Smale is an acknowledged leader in planning and construction of mine facilities worldwide and is the principal of his own construction company, past chairman of Gold City (now merged with SanGold) and the co-founder and principal of Merit Consultants. During 17 years of service to Placer Dome he was directly responsible for the construction of over 12 major mines in North America, Australia, Papua New Guinea and the Phillipines. As project Manager he has been responsible for all phases of construction of mining, hydro electrical and commercial projects including scheduling, planning, training and coordinating construction engineering. He is an experienced negotiator with unions, owners and governments.

Fred Sveinson, B.Sc. B.A., P.Eng, Director

A professional mining engineer, Fred Sveinson has acted in senior operating and management positions for Terra Mines Ltd., Echo Bay Mines Ltd. including general manager of the Lupin and Sunnyside mines, vice president of operations for Dynatec Mining Ltd., president and chief operating officer for United Keno Hill Mines Ltd. and chief operating officer for Lytton Minerals Ltd. He has had extensive experience in mine development and operations in Africa, the United States and Canada, including the Arctic.

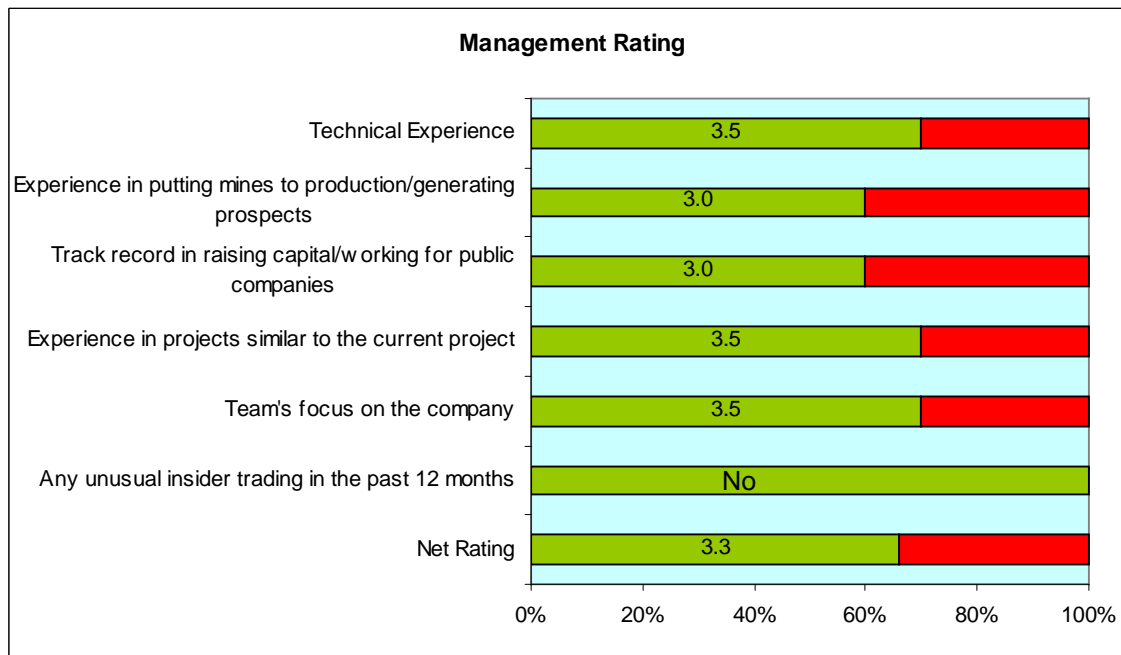
Mr. Douglas Brett Whitelaw, Director

President of Whitelaw Enterprises Ltd., Consultants and Investment advisors to the Resource Industry. Mr. Whitelaw has over 25 years of international and domestic business experience, including 10 years in financing of junior resource companies. Mr Whitelaw is Vice-President and Director of Conquest Resources Limited and a Director of Newcastle Minerals Ltd, both public companies trading on the Toronto Venture Exchange. Mr Whitelaw spent 25 years in Southern Africa and consequently has many contacts in the mining, business and financial marketplace in South Africa.

David Fynn, C.A. CFO**Jeannette Durand, Corporate Secretary****Management Rating**

We believe that the most important aspect of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management's time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for ICS Copper is 3.3, which we have**

rated average. Management’s strengths include experience in operating in Africa, technical experience in the operation of EMEW electrowinning systems, and ability to source prospects in Central Africa. We have been impressed with the quality of ICS Copper’s experienced management team.



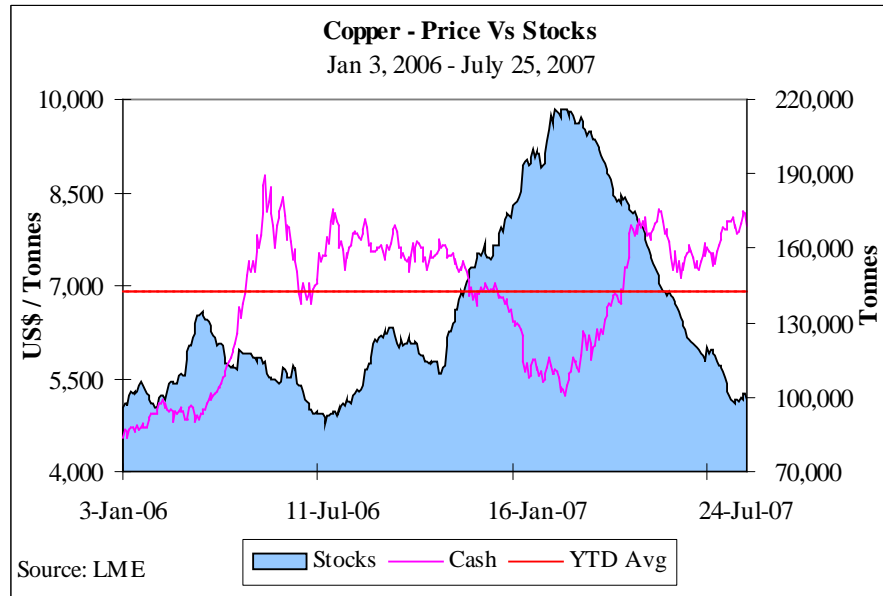
Strength of Board

The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. The strength of board section uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Board. This report also identifies any non-arms length transactions and management’s compensation. We are unable to complete a strength of board section for ICS Copper Systems, as the company has not yet held an annual general meeting.

Industry Conditions

Copper is one of the most widely used metals in the world. About 50% of the world’s copper production is used in electrical wires and cables. The construction and automobile sectors are other major markets for copper.

Price and Inventory Levels: Like most other commodities, copper prices have been highly volatile since the beginning of 2006. Copper prices ranged between US\$2.06/lb and US\$3.99/lb in 2006. As of July 25, 2007, copper was trading at US\$3.62/lb (cash). Current prices represent a YOY increase of 6.9%. As shown in the chart below, current prices are well above the average price of US\$3.14/lb since the beginning of 2006.



We believe the recent drop in inventory levels (as shown in the chart above) was one of the major catalysts for the price increase. Although copper stocks are slightly up YOY, they have declined considerably from their highs in early 2007. As of July 25, 2007, LME stocks were 99,025 tonnes, which reflects a 0.5% YOY increase and 45.8% YTD decrease.

Fundamentals: Supply and Demand

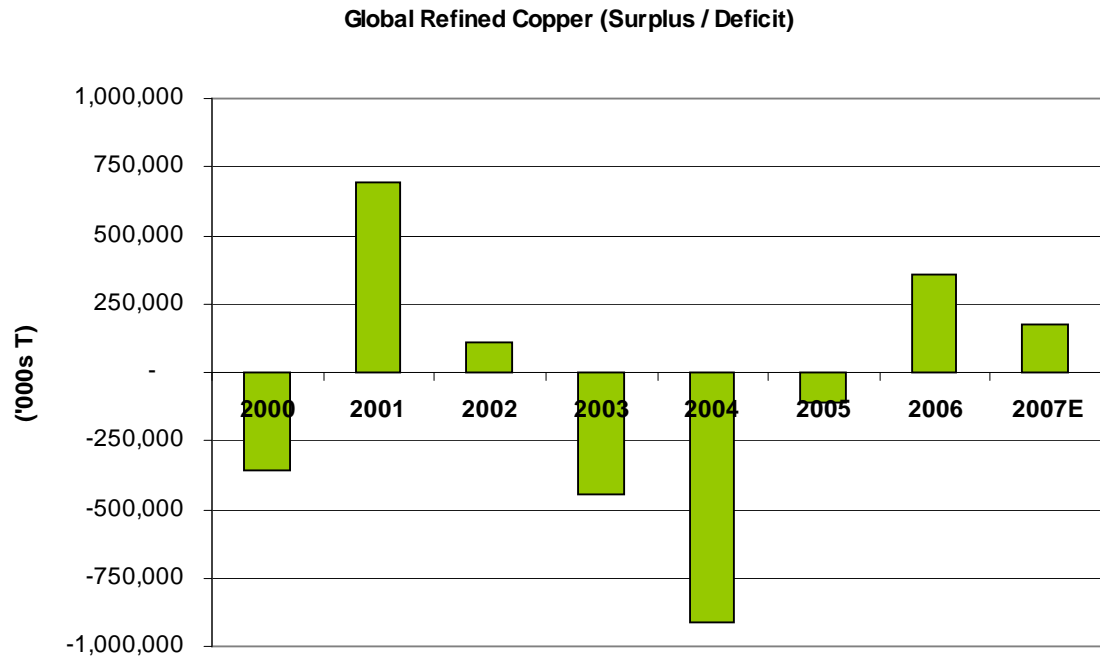
The table below shows the historical supply and demand of refined copper, along with the International Copper Study Group’s (ICSG) forecasts for 2007.

World Refined Copper Production and Consumption ('1000T)

	2000	2001	2002	2003	2004	2005	2006	2007E
Refined Production (S&P)	14,772	15,594	15,269	15,224	15,869	16,541	17,384	18,059
Increase (YOY)		5.6%	-2.1%	-0.3%	4.2%	4.2%	5.1%	3.9%
Refined Usage	15,133	14,903	15,157	15,667	16,785	16,648	17,022	17,884
Increase (YOY)		-1.5%	1.7%	3.4%	7.1%	-0.8%	2.2%	5.1%

Source: ICSG

According to the ICSG, total production of refined copper (primary and secondary) was 17.38 Mt in 2006, compared to 16.54 Mt in 2005, an increase of 5.1% YOY. Consumption, however, only grew at 2.2% YOY, from 16.64 Mt in 2005, to 17.02 Mt in 2006. According to ICSG’s forecasts (October 2006), production is expected to increase at 3.9% YOY, while consumption is expected to grow at 5.1% YOY in 2007. The chart below shows the global copper supply surplus/deficit since 2000.



Source: ICSG

There were supply deficits during 2003-05 (as shown in the chart above), as growth in consumption was higher than production during 2002-04. However, 2006 ended up in a production surplus, as production growth was higher than consumption. The surplus, however, is expected to decline in 2007, due to higher consumption growth.

Positive short-term outlook: We believe that strong copper demand from China and India, slightly offset by lower demand from the U.S., will support growth in consumption and a decline in the production surplus in 2007.

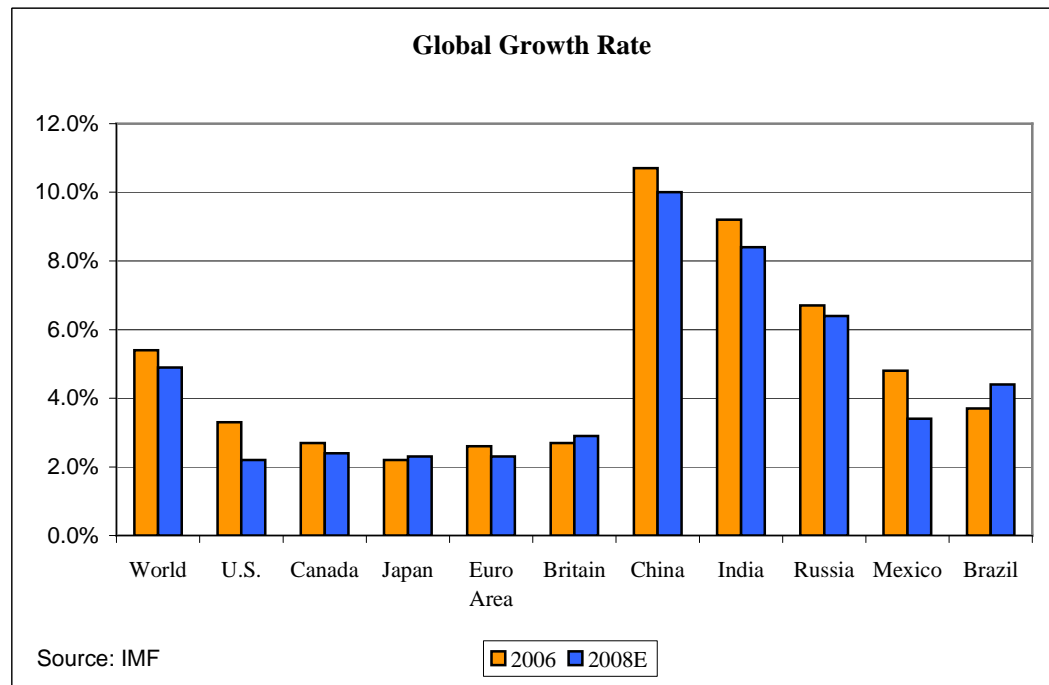
Strong demand from China and India: The demand for copper in China, the world's biggest consumer of copper, has been the biggest driver of the metal's prices since the beginning of 2006. The Chinese economy grew at 10.7% (the fastest in more than a decade) in 2006. In 2006, China accounted for 22% of global copper consumption. Goldman Sachs forecasts demand for the metal in China to increase by 13% in 2007. Another major driver of demand has been the rapid growth in India. According to Credit Suisse, India's economy is expected to grow at 8% - 10% per year over the next 5 years. Although India accounts for only 3% of total global consumption, we believe, demand growth in India will become more significant in the copper market, as their share of global consumption rises.

Slowdown in the U.S. Housing sector: According to the Copper Development Association, 40% of the metal's application is in the construction industry. The U.S. housing industry underwent a major slowdown in 2006. According to Standard Chartered Bank, the U.S. accounts for 13% of global copper demand. Although the housing sector is expected to improve by the end of 2007, we believe demand for copper will soften due to the expected slowdown in the U.S. economy. According to the International Monetary Fund (IMF), U.S.

GDP growth is expected to decline to 2.8% and 2.2% in 2007 and 2008, respectively, compared to growth of 3.3% in 2006.

Overall, our outlook on short-term copper prices is positive, based on strong demand growth in China and India, slightly offset by a decline in demand in the U.S.

Long-term prices could soften based on a projected decline in global demand and increasing supply: We believe a slowdown in the global economy is looming as a result of rising global interest rates. To keep inflation under control, the Central Banks of the U.S., EU, Japan (1st hike in 6 years), U.K., India and South Korea (5 –yr high), have raised interest rates. There is also an indication that China’s central bank will increase interest rates to slow down its economic growth to keep a check on inflation. We believe demand for most of the base metals will soften as global economic growth declines in the longer-term. The chart below shows the IMF’s forecasts for global economic growth in 2008, compared to 2006.



According to the IMF, global GDP growth is expected to decline to 4.9% in 2008, compared to 5.4% in 2006. As shown in the chart above, the economic growth rates of all the major countries in the world, except Brazil, are expected to decline in 2008, compared to 2006. The economic growth rates of China and the U.S. are expected to decline to 10.0% and 2.2%, respectively, in 2008, compared to 10.7% and 3.3% in 2006.

Global copper production growth has stayed above 4% YOY since 2004. High copper prices in 2006, resulted in a significant increase in spending on exploration projects. According to the Metals Economics Group, spending on exploration increased by 47%, to \$7.13 billion in 2006 (forth consecutive yearly increase), the highest since the Metal Economic's study began

in 1989. We believe that as long as exploration spending and copper prices stay high, growth in production capacity will remain higher than consumption in the long-term.

Forecasts: We believe that growth in the Chinese and Indian economies will keep copper prices high in the short-term. The strong demand from China will more than offset the decline in U.S. demand for copper. Over the longer-term, based on softening global economic growth, we expect copper prices to also soften due to reduced demand for the metal for use in cars, appliances and homes. However, we believe that global economic growth rate forecasts are high enough to support above average historic prices for copper. The average forecasts for copper prices are \$3.10/lb in 2007, and \$2.60/lb in 2008, which are significantly higher than historic averages

Financials

In the first nine months of FY2007, the company recorded a net loss of \$0.60 million (EPS: -\$0.05). We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.23 million per month in the first nine months of FY2007.

The company had cash and working capital of \$0.10 million and (\$0.37 million), at the end of April 2007. ICX completed its initial public offering (IPO) in May 2007, and raised \$8.5 million, by issuing 10 million units at a unit price of \$0.85. Each unit consists of one Class A voting common share, and one-half of one transferable share purchase warrant (exercise price of \$1.30, and maturing in May 2009). Cannacord Capital Corporation acted as the lead agent for the IPO.

Recent Financings: Since the IPO, the company raised an additional \$2.28 million through the following financings.

- On May 16, 2007, Canaccord Capital Corporation, exercised its green shoe option, and invested an additional \$1.28 million in the company, by purchasing 1.5 million units at a unit price of \$0.85.
- In May 2007, the company completed a private placement, and raised \$1 million, by issuing one million units at a unit price of \$1.00. Each unit consists of one Class A voting common share, and one-half of one transferable share purchase warrant (at \$1.50 per share for a period of 24 months)

Stock Options and Warrants: The company currently has 2.35 million stock options outstanding, with an exercise price of \$0.85, and maturing in five years. The company also has 7.4 million warrants outstanding, with exercise prices ranging between \$0.85 and \$1.50, and maturity periods between May 2009 and June 2009. None of the outstanding options and warrants are currently 'in-the-money'.

Conclusion: The company expects to spend \$1 million on the Mokambo Property, and another \$0.1 million on the rest of the properties in the next 12 months. Based on capital raised in the IPO (\$8.5 million), and the recent financings (\$2.28 million), we believe the company is in an excellent cash position.

Valuation

We have valued the company based on its main project, the Mokambo Project.

Valuation of the Oxide deposit: We first valued the company, based only on the oxide deposit of the Mokambo property, using a real options valuation model (shown below).

Real Options Valuation Model (oxide deposit)					
	Resources	Grade	Contained Metal	Price of Cu	Value
	(in tonnes)	%	(in lbs)	(US\$)	(C\$)
Copper	5,000,000	1.50%	165,346,697	2.50	404,065,990
Operating Costs (\$/tonne)	\$20.00			Total Value (C\$)	\$404,065,990
Recovery	85%			Operating Costs (C\$)	\$112,500,000
C\$/US\$	1.15			Net Value (C\$)	\$291,565,990

Inputs relating to the underlying asset			
Estd. Mineral Resources (in tons)			5,000,000
Estd. Value of Minerals if extracted today			\$168,730,318
Annualized Standard Deviation of Mineral prices			26%
Capital Investment			\$50,000,000
Estd. Mine Life (years)			5.0
Riskfree Rate			4.20%
Output			
Stock Price	\$168,730,318		T. Bond rate
Strike Price	\$50,000,000		Variance
Expiration (in years)	5.0		Annualized div yield
			4.20%
			0.07
			20.00%
			Value of Option
			\$25,386,136
			ICS's share (70%)
			\$17,770,295
			Working Capital
			\$10,775,000
			Debt
			-
			No of outstanding shares (diluted)
			26,963,869
			Value per share
			\$1.06

According to our real options valuation, the value of the company just based on the oxide deposit, is \$1.06 per share. Our fair value estimate clearly indicates that ICS shares are trading well below the company's fair value, solely based on the oxide deposit. The following assumptions were used in the valuation model.

- **Resource Estimate:** The Mokambo Technical Report states the oxide potential could range between 0.5 to 10 million tonnes at approximately 1 to 2% copper. We have used a resource estimate of 5 million tonnes (with an average grade of 1.5% Cu) in our analysis.
- **Operating Rate:** 1 million tonnes per year
- **Production Commencement:** mid-2009
- **Capital Cost:** \$45 million

In the next section, we valued the company, using a Discounted Cash Flow (DCF) model, based on the Mokambo property's oxide and sulphide deposit.

DCF Valuation Summary	
Resource	5 million tonnes (oxide)
	12 million tonnes (sulphide)
Total Resources	17 million tonnes
Grade (%)	1.50% (oxide) & 1.60% (sulphide)
Recovered Metal (in lbs)	509,763,861
Recovery	85% (oxide) & 87.5% (sulphide)
Production Commencement	mid-2009
Operating Rate	1,000,000 tonnes per year
Mine Life (in years)	5 years for oxide & 12 years for sulphide
Total Mine Life	17 years
Long-Term Copper Price (in US\$)	US\$2.25/lb (2009-10); US\$2.00/lb (2011+)
Average Operating Costs	\$0.68/lb (oxide) & \$1.00/lb (sulphide)
Capital Costs (in \$mm)	\$45 million (in 2008-09) & \$100 million (in 2013-14)
Discount Rate	15%
Net Present Value	\$47,998,814
ICS's Share	70%
Net Value for ICS	\$33,599,170
Working Capital	\$10,775,000
Debt	-
Net Value	\$44,374,170
No. of Shares	26,963,869
Value per share	\$1.65

According to our DCF model, the value of the company, based on the oxide and sulphide deposits, is \$1.65 per share. For conservatism, we have used only half the historic resource estimate (calculated by Geomin) of the sulphide deposit, in our analysis.

Conclusions & Rating

For a young company, ICS Copper is very advanced in putting the Mokambo Mine into production. Drilling is in progress to outline a NI 43-101 compliant resource estimate and a feasibility study is ongoing. An oxide heap leaching operation is a low cost way to go into production quickly, and the company plans to produce 99.999% purity copper cathodes from the EMEW electrowinning facility. This facility has already been sourced and is being constructed on site.

Our fair value of the company, just based on the oxide deposit is \$1.06 per share. However, we believe, the fair value of the company should also include the value of the sulphide deposit. **Therefore, based on our analysis on the company and our valuation models, we initiate coverage on ICS Copper with a BUY rating, and a fair value estimate of \$1.65 per share. Our fair value estimate reflects an upside potential of 109% from current price levels.**

Risks The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company does not currently have any operating mines.
- The success of drilling, project studies, and project development are important long-term success factors for the company.
- The value of the company depends on commodity prices.
- The company is subject to delays that are affecting the entire mining industry.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

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2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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