Brian Tang, BBA, CFA
Analyst

Siddharth Rajeev, B.Tech, MBA
Analyst

Martha Buckwalter-Davis, BA (Geology)
Research Associate—Mining and Energy

Kevin Liu, BBA, BSc
Research Associate

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

January 4, 2008

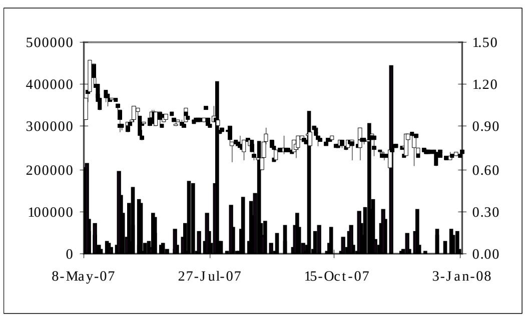
ICS Copper Systems Ltd. (TSXV: ICX, WT: ICX) – Mokambo Project Development; Valuation reduced due to lower long-term copper price forecasts

Sector/Industry: Mining/Copper **www.icscopper.com**

Market Data (as of January 3, 2008)

Current Price	C$0.72
Fair Value	C$1.20 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	N/A
Shares O/S	26,963,869
Market Cap	C$19.41 million
Current Yield	N/A
P/E	N/A
P/B	1.81
YoY Return	N/A
YoY TSXV	-1.1%

*see back of report for rating and risk definitions



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

	2007	Q1-2008 3 mo
Cash & Short-term Investments	294,076	5,810,409
Working Capital	7,021,547	5,089,922
Mineral Assets & PPE	2,064,495	3,193,177
Total Assets	11,717,638	11,566,579
Net Loss	(2,161,409)	(315,496)
Loss per Share	(0.15)	(0.01)

Investment Highlights

- The Mokambo Mine is quickly advancing towards production. Extensive infrastructure development has been undertaken by the company over the past four months.
- A resource delineation drilling program on the oxide cap is 65% completed. A NI 43-101 compliant resource estimate is expected in the first half of 2008.
- The sulfide deposit has a historic, non NI 43-101 compliant historic estimate of 12 million indicated tonnes grading 1.72% copper and a further 12 million inferred tonnes grading 1.47% copper.
- The company is expecting a preliminary assessment report (scoping study) in April 2008.
- The company is planning a drilling program in January 2008 to target deeper sulfide mineralization.
- We have lowered our fair value estimate from $1.65 per share to $1.20 per share. Our valuation dropped primarily because we lowered our long-term copper price forecasts from US$2/lb to US$1.75/lb.

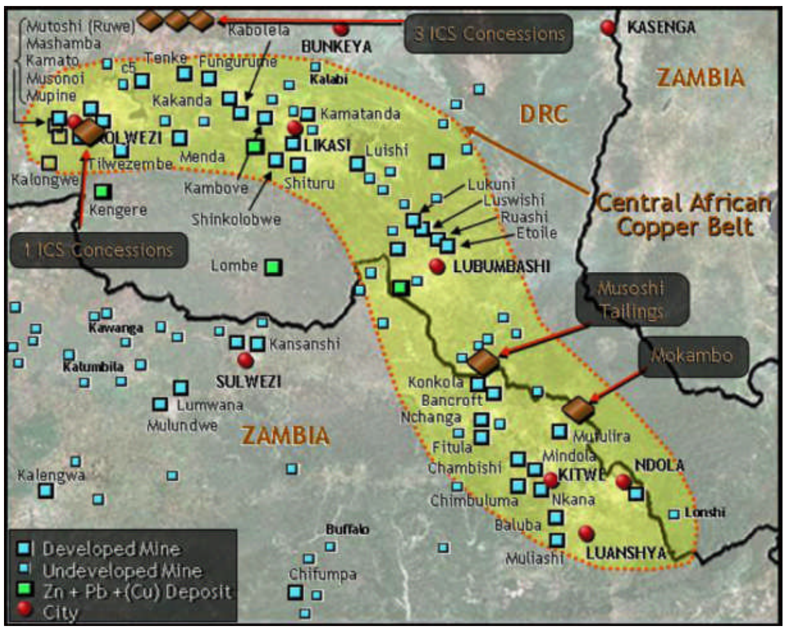
Risks

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

ICS Copper Systems holds 70% interest in the Mokambo Mine. It lies within the Mufulira Syncline that has produced 20 billion pounds of copper over the last 50 years. The long-term growth potential is good, as the large sulfide historic estimate could be exploited following the extraction of the oxide cap mineralization.

Company Overview

In our initial report, dated August 31, 2007, we introduced ICS Copper Systems. The company's flagship property is the Mokambo Mine, in Zambia. The company is currently drilling to delineate an oxide copper mineral resource, which may be mined by open pit. This material would be leached using a continuous vat leach process followed by standard SXEW processing. Drilling on the Mokambo oxide deposit is approximately 65% complete and drilling is expected to be completed at the end of February. The sulfide deposit has a large historic estimate of 12 million indicated tonnes grading 1.72% copper and a further 12 million inferred tonnes grading 1.47% copper. Historic drilling data will be combined with new drilling to bring the sulfide estimate to NI 43-101 standards. Some of the sulfide minerals could be recovered using the oxide circuit, while chalcopyrite may require a concentrate. This could be processed at a concentrator nearby.



Source: ICS Copper Systems

Outlook for Zambia

As we discussed in our initial report, Zambia is a more stable jurisdiction than its neighbor, the Democratic Republic of Congo. Zambia's mining economy is closely linked to the DRC, and Zambia suffered greatly in March and December 2007, when the government of the DRC shut down all mineral exports from the DRC to Zambia. The DRC halted exports for a period of time to establish better practices regarding the export of ore material and concentrates. Corruption was also cited. Any border closures have the potential to impact ICS Copper, as the Mokambo project in Zambia is located directly on the border with DRC and the company purchases supplies and utilizes transportation routes through the DRC. Recently, 500 Zambian workers at the Chinese owned Chambishi Copper Smelter Plant waged a strike, citing poor working conditions and low wages. We believe the company has established strong community development programs, which may insulate them against such concerns.

Mokambo

Property Overview: The 403 hectare Mokambo Mine is an advanced stage project in a brownfield environment. The company's goal is to generate cash flow as quickly as possible through oxide copper mining and processing the material using a SXEW 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 70% interest by completing a bankable feasibility study, paying US$3.2 million, and incurring all expenses for exploration and development on the property. ICS Copper is required to complete a bankable feasibility study by June 30, 2008, and to place the Mokambo Property into production by May 31, 2009. Upon earning 70% interest, the company can negotiate for an additional 10% interest for an amount that will be determined by an arms-length third party.

Accessibility and Infrastructure: The Mokambo property is located in north central Zambia, on the border with DRC. The property is accessible by road, 60 kilometers north of Kitwe. At this time, the project is powered by diesel generation. The company is in talks with Zambian electrical producers to provide a dedicated transmission line to the mine. This line will be approximately 23 kilometers long. The company is continuing their infrastructure program, which includes road development, support and processing, building construction, and upgrading mine infrastructure. The compound area has been fenced and gated. The company is very well prepared to begin production.

Mining Infrastructure: Unfortunately, much of the mining infrastructure installed in the 1970s was scavenged by subsequent owners. The company has completed extensive infrastructure development over the past four months. As part of the drilling program, the company is dewatering the flooded 1975 exploration shaft and using the water for drilling.

Metallurgy: The company is currently opting for a continuous vat leach process after crushing and standard SXEW of oxide material. The company has acquired an EMEW facility for additional electrowinning capacity. Most of this equipment is on site at this time. Preliminary metallurgical testing is being undertaken by Mintek in South Africa. The company is currently looking at either continuous vat leaching or bioleaching as options for the oxided copper ore. They hope to make a decision on the leaching method in early 2008.

Current Status: The company is approximately 65% through a Phase I resource delineation program for the copper oxide deposit that began in June 2007. The program will consist of 10,300 meters in approximately 113 shallow (100 meters), angled holes. The drilling program should be completed in February 2008, and we expect to see a NI 43-101 compliant resource estimate in the first half of 2008. The company has released drilling results. Holes M-07-01 through M-07-05, summarized below in the table, were drilled outside of the main oxide zone. Hole M-07-25 is from within the main oxide zone and indicates the high-grade potential of the oxide zone. Assay backlogs, due in part to mechanical difficulties at the assay lab, have delayed receipt of assay results.

Hole Number	From (m)	To (m)	Interval (True Width m)	Copper (%)	Cobalt (%)
M-07-01	35.35	41.35	5.44	0.093	**0.0215**
M-07-02	101.00	103.55	2.85	0.106	
M-07-04	36.00	28.00	2.85	0.104	
M-07-05	25.80	28.05	1.95	0.062	
M-07-025	13.60	16.60	2.72	0.114	
and	69.90	74.30	4.26	**1.695**	
including	70.30	71.30	0.91	**2.830**	
including	73.30	74.30	0.91	**2.960**	
and	23.60	24.60	0.91	0.020	**0.0135**

The company has commissioned an Environmental Impact Assessment report for the Mokambo Mine, which they expect will be approved by the Environmental Council of Zambia in early January 2008. They have also applied for a Large Scale Mining Permit from the Zambian government.

The company has appointed GRD Minproc to complete a preliminary assessment report and a feasibility study for the Mokambo Mine. GRD Minproc is an Australian based engineering firm with an office and experience in African mining projects. The preliminary economic assessment report is expected in April 2008, but this is dependent on the completion of drilling and a NI 43-101 technical report.

Resource Estimates: The company plans to begin mining the oxide copper resource. This material was considered waste by historic explorers, and a historic estimate 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 historic estimate in the copper sulfide 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 tailings from the Musoshi concentrator. This facility processed materials from the Musoshi and Kinsenda Mines between 1972 and 2002. The company hopes to delineate a NI 43-101 compliant resource and begin a small EMEW processing program there.

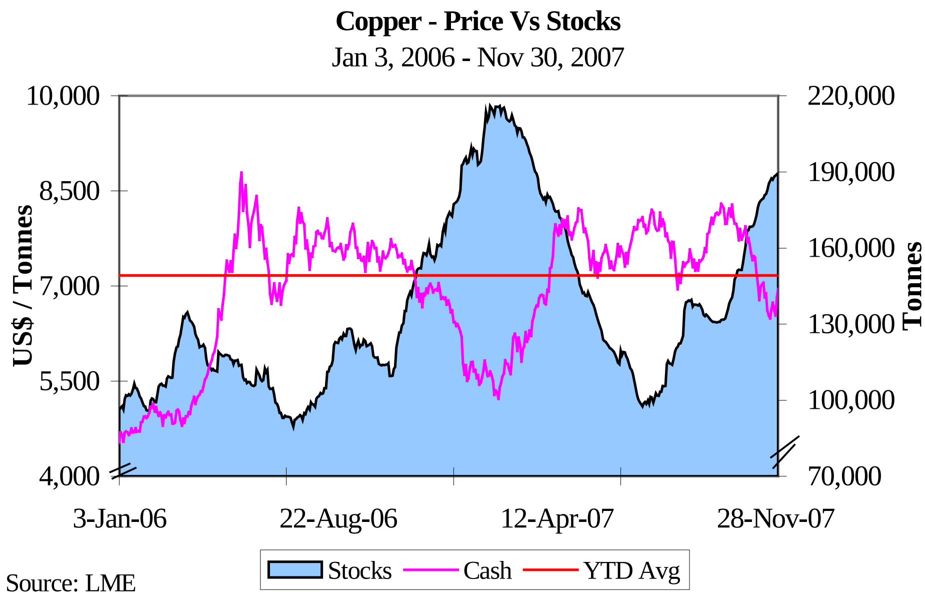
Ownership: The company can earn 76% interest in the Musoshi tailings deposit, but the option agreement is on hold as an underlying owner is claiming rights to the deposit. Therefore, the company has not been able to meet its option agreement obligations, including the delineation of a NI 43-101 mineral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

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

Resource Estimates: A previously disclosed historic estimate has been rescinded, pending resolution of ownership. The company needs to complete a sampling program to confirm historic work and will release a NI 43-101 technical report if a favorable decision is granted.

Industry Conditions

As of January 3, 2008, copper was trading at US$3.07/lb, which reflected a YOY increase of 21%.



Source: LME

The recent drop in prices from its highs was due to a rapid increase in inventory levels. As of January 3, 2007, LME stocks were 198,175 tonnes, which reflects an increase of 106% since the beginning of 2006.

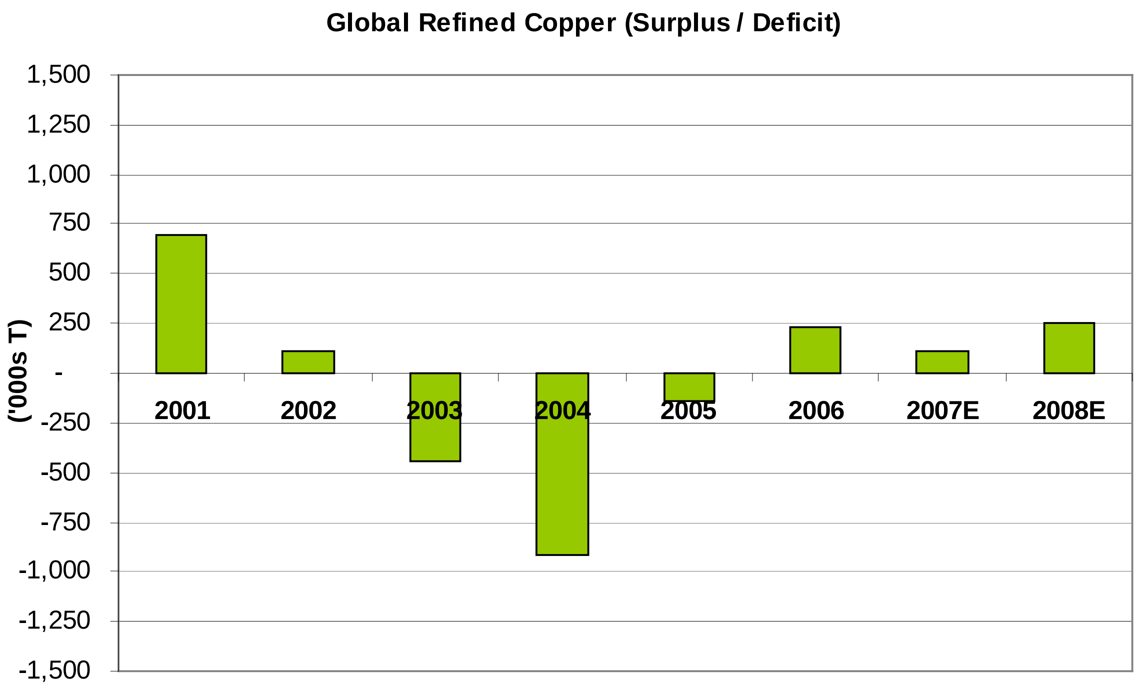
We believe that strong copper demand from China and India (both countries combined, accounted for 25% of global copper consumption), slightly offset by lower demand growth in the U.S., led to the drop in the production surplus of refined copper from 0.23 million tonnes to 0.11 million tonnes in 2007. **The global supply surplus, however, is expected to rise by 124% YOY and reach 0.25 million tonnes in 2008.** According to the International Copper Study Group (ICSG), growth in global production is expected to outpace demand growth in 2008. As shown in the table below, global supply is expected to grow by 4.6% YOY (from 18.12 million tonnes to 18.95 million tonnes) in 2008, while demand is expected to grow by only 3.8% YOY (from 18.01 million tonnes to 18.70 million tonnes).

World Refined Copper Production and Consumption ('000T)

	2001	2002	2003	2004	2005	2006	2007E	2008E
Refined Production (S&P)	15,594	15,269	15,224	15,869	16,588	17,353	18,119	18,951
Increase (YOY)	**5.6%**	**-2.1%**	**-0.3%**	**4.2%**	**4.5%**	**4.6%**	**4.4%**	**4.6%**
Refined Usage	14,903	15,157	15,667	16,785	16,731	17,123	18,009	18,701
Increase (YOY)	**-1.5%**	**1.7%**	**3.4%**	**7.1%**	**-0.3%**	**2.3%**	**5.2%**	**3.8%**

Source: ICSG

Based on their revised forecasts, the ICSG is expecting a production surplus of 0.25 million tonnes in 2008 (up from 0.11 million tonnes in 2007).



Source: ICSG

Over the long-term, we continue to expect prices to soften from current price levels based on slower growth in global GDP, and an increase in global production levels. According to the International Monetary Fund (IMF), global GDP growth is expected to decline to 4.8% in 2008, compared to 5.4% in 2006. However, we believe that global economic growth rate forecasts are high enough to support above average historic prices for copper.

China is currently experiencing an inflation rate of 6.9% (in November 2007), its highest inflation in 11 years. As a move to counter inflation and overheating, the Chinese Central Bank recently raised interest rates for the sixth time this year. We believe rising interest rates in China will put downward pressure on growth in the Chinese economy. However, we believe, the consensus Chinese GDP growth forecast of 10.5% in 2008 is healthy enough to support global growth in copper demand.

In 2006, China and India, accounted for 25% of global copper consumption, while the U.S. accounted for 13%. Demand in the U.S. is expected to soften due to a slowdown in the U.S. housing industry, which is not expected to improve before the end of 2008. According to the Copper Development Association, 40% of copper's application is in the construction industry. This implies that the U.S. housing industry accounts for less than 5.2% of global consumption. Therefore, we believe, lower demand in the U.S., due to a slowdown in the U.S. housing industry, will only slightly offset global demand growth. Also, the recent rate cut by the U.S. Federal Reserve to tackle the ongoing credit crunch problems, we believe, might help sustain U.S. economic growth, and demand for copper *(The U.S Federal Reserve recently cut rates by 100 basis points to 4.25% in three meetings, the first cut in over four years.).*

The average forecasts for copper prices are US$3.00/lb in 2008, and US$2.50/lb in 2009, which are significantly higher than historical average price of copper. Based on an expected increase in the supply surplus moving forward, we have lowered our long-term copper price forecast from US$2/lb to US$1.75/lb.

Financials

Operations: At the end of October 2007, the company had cash, short-term investments and working capital of $0.37 million, $5.45 million and $5.09 million, respectively. The company had a net loss of $2.16 million for FY2007, compared to a net loss of $0.18 million for FY2006. For the 3-months ended October 31, 2007, the company had a net loss of $0.32 million, compared to a net loss of $0.08 million during the same period in the previous year.

During FY2007, the company spent $2.06 million on exploration and acquisition costs related to its mineral properties. During the 3-month period ended October 31, 2007, the company spent $2.53 million on exploration and acquisition costs related to its mineral properties. We estimate the company had a burn rate of $0.34 million per month and $0.59 million per month for FY2007, and the first three months of FY2008, respectively. The table below shows the company's cash position and liquidity ratios.

	2007	**Q1-2008**
Working Capital	7,021,547	5,089,922
LT Debts/ Assets	-	-
Burn Rate (incl exploration costs)	(341,489)	(585,931)
Cash from financing activities	11,193,679	-

Recent Financing: There was no major financing by the company since our initiating report.

Options and Warrants: As at October 31, 2007, the company had 2.35 million stock options outstanding with a weighted average exercise price of $0.85 and a weighted average remaining contractual life of 4.5 years. The company also has 7.47 million outstanding warrants with exercise price ranging from $0.85 to $1.50, and maturity periods between May 2009 to June 2009. All the outstanding options and warrants are currently 'out-of-the-money'.

Conclusion: As at October 31, 2007, the company had $5.81 million in cash and short-term investments. According to management, the company has a budget of about $4 million in capital expenditures for the next 12 months. Based on a burn rate of $0.59 million per month, we believe the company is in good cash position to fund its exploration activities and working capital for the next 10 months.

Valuation

We made the following major changes in our Discounted Cash Flow (DCF) model on the Mokambo project.

1. As mentioned earlier in the report, we have lowered our long-term copper price forecast from US$2/lb to US$1.75/lb.
2. In our initiating report, we had used a discount rate of 15%. Considering the current risk levels in the country, we have raised our discount rate to 17.63% (discount rate for a similar project in a relatively risk-free country of 11.63% + country risk premium of 6%)
3. We have delayed our estimate of production commencement from mid 2009 to early 2010.
4. We believe that our capital cost estimate for the project of $145 million in our initial model was too conservative. As a result, we have lowered our estimate to $85 million.

Even though our revised capital cost estimate is considerably lower than our initial estimate, our valuation on ICX dropped from $44.37 million ($1.65 per share) to $32.73 million ($1.20 per share) due to the first three changes mentioned above. A summary of our valuation model is shown below.

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	2010
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$1.75/lb
Average Operating Costs	$0.75/lb (oxide) & $1.02/lb (sulphide)
Capital Costs (in $mm)	$35 million (in 2009) & $50 million (in 2014)
Discount Rate	17.63%
Net Present Value	**$38,833,942**
ICS's Share	70%
Net Value for ICS	$27,183,759
Working Capital	$5,089,922
Debt	-
Net Value	$32,273,681
No. of Shares	26,963,869
Value per share	**$1.20**

Conclusions & Rating

We believe the company has made good progress on advancing the Mokambo property. The drilling results highlight the excellent potential for this project. Therefore, based on our revised valuation models, we reiterate our BUY rating on ICX, but lower our fair value estimate from $1.65 per share to $1.20 per share. Upward catalysts include the delineation of NI 43-101 compliant resource estimates and favorable economic studies.

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.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

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.