

Copper Development Corporation

Unaudited condensed interim financial statements

For the six month period ended 30 June 2012

Copper Development Corporation

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Copper Development Corporation

Management and administration

Registered office	Craigmuir Chambers, Road Town Tortola, British Virgin Islands
Secretary	Denham Eke 4 th Floor Viking House Nelson Street Douglas Isle of Man IM1 2AH
Nominated Adviser	Beaumont Cornish Limited 2nd Floor Bowman House 29 Wilson Street London EC2M 2SJ
Broker	GMP Securities Europe LLP 5 Stratton Street London W1J 8LA
Registrar	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town, Tortola British Virgin Islands
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
Legal Advisers	Kerman & Co LLP 200 Strand London WC2R 1DJ
Depositary	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE
Administrator	Burnbrae Limited 4 th Floor Viking House Nelson Street Douglas Isle of Man IM1 2AH

Copper Development Corporation

Chairman's statement

Dear Shareholders,

In the first half of 2012, Copper Development Corporation ("CDC" or the "Company") continued to encounter excellent drill results at the Basay Project on Negros Island in the Philippines, with long, high-grade intersections that, together with magnetic and induced polarisation ground surveys, increasingly pointed to a structural model for the continuity of mineralisation in the deposits and the potential for Basay to develop into a major world class copper project. In view of this potential, the Company focused its strategy on the Basay Project and, decided to pursue a trade sale or joint venture of the Hinoba-an Project.

In accordance with its new strategy, the Company commenced an aggressive marketing campaign for Hinoba-an, based on a Comprehensive Technical Report ("CTR") completed in April 2012. The CTR contains the technical information necessary for prospective buyers or joint venture partners to evaluate the Hinoba-an Project, including geological, resource, mining, metallurgical, environmental, social and infrastructure studies, the majority of which have been prepared to a pre-feasibility study level of accuracy. The CTR has been supplemented by financial analysis undertaken by the Company based on its proposed configuration of the Hinoba-an Project and its own estimates of capital and operating costs.

The CTR shows that the Hinoba-an Project has a large JORC compliant resource with 1,130,000 tonnes of contained copper, with a planned annual average production of 47,665 tonnes of copper for over 15 years in the form of a clean 25% concentrate. A subsequent updated JORC compliant resource estimate issued in June 2012 increased contained copper by 57,000 tonnes to 1,187,000 tonnes, a level that is attractive to many mining companies and indicated that the deposit has the potential for further resource expansion through additional drilling. Also, by adding 20% to the tonnage in the measured resource category, the new resource estimate ensures that additional drilling is not required for a bankable feasibility study.

The Hinoba-an Project is 25 km from the coast where there is an excellent natural harbour that can be easily developed for shipping concentrate to nearby Far East markets, including China and South Korea. At a US\$ 3.00 per pound copper price, the Hinoba-an Project is financially attractive, with a post-tax net present value (NPV) at 10% of US\$ 440 million and a post-tax, post-financing internal rate of return (IRR) of 36%. Initial capital costs are estimated at US\$ 480 million; and the average cash operating costs are forecast at US\$ 1.57 per lb over the life of the mine and at only US\$ 1.39 per lb during the first five years.

Despite the attractiveness of the Hinoba-an Project and the continuing strength of the prospects for long term copper prices, interest of Chinese mining companies in a trade sale or a joint venture has been tempered by the territorial dispute in the South China Sea between China and the Philippines. Other strategic partners or buyers for Hinoba-an are restricted due to limited cash resources and the inability to raise additional funds in current financial markets. As a result, CDC intends to conserve cash by reducing expenditures to the minimum necessary to maintain the site while continuing with its marketing efforts.

At the Basay Project, the Company has completed drilling 34,002 metres for 71 holes. Drill results to date continue to confirm the presence of long drill intervals of significant high-grade copper-gold-silver-molybdenum mineralisation and generally support the theory that the known deposits are part of a much larger system with the potential to comprise a major copper deposit.

Copper Development Corporation

Chairman's statement (continued)

As drilling progress has been to some degree outstripping the capacity for analysis and reaching convincing conclusions, the Company decided in June 2012 to suspend further drilling and to concentrate on putting together an interim geological report that will include all of its knowledge and analysis of the geology, the geological model, its own estimate of the extent of the potential resource and an analysis of future exploration targets and strategy. The interim report, which is to be completed shortly, will show the extent and quantitative potential of the deposit and provide the basis for discussion with a range of mining companies with a view to concluding a joint venture on Basay.

Analysis of geophysical and soil sampling data at Basay suggest that there is resource (exploration) potential to the north and south of the main existing resource areas which may yield re-resources after further exploration drilling in the future. In addition, there exists the potential for developing an underground mine that could be supported by a massive ore body; however, this would require substantially more drilling to delineate given the depth limitations of the current geological model.

With this view in mind — as well as our view that the copper price will continue at the current high level or increase, as it continues to be driven by worldwide supply constraints and hence by the marginal cost of bringing production from new and relatively expensive mines on stream — the Company will continue the current suspension of drilling at Basay in order to minimise costs until the situation of the financial market improves substantially or until we are able to embark on a joint venture for the Basay project.

In addition, as announced on 20 August 2012, the Company continues vigorously to defend the challenge posed by the unfounded PMO claim on Basay and shall, in due course, file for renewal by MGB of the Basay exploration permit, due in December 2012. In the event the Company is unsuccessful with its efforts to renew the Basay exploration permit and/or secure approval of the Basay Deed of Assignment to Adanacex, it will review all available legal options. As such the Directors are of the view that no impairment of the Basay deferred mining costs is necessary at this time

Whilst, as noted above, the Company faces a number of challenges, it should be remembered that the Group currently has cash balances in excess of US\$16.9 million.

Mitch Alland
Executive Chairman

Copper Development Corporation

Directors' report

The Directors present their interim report and the financial statements for Copper Development Corporation (the "Company" or "CDC") for the six month period ended 30 June 2012.

Principal activity

The Group was formed primarily to engage in the exploration, development, mining and processing of minerals, petroleum and other mineral oils.

The Group, through its holding company subsidiaries, own 92.5% rights to the Hinoba-an copper mine development project and a 70% interest to the Basay copper mine development project, both within the jurisdiction of the Republic of the Philippines.

Results and transfers to reserves

The results and transfers to reserves for the year are set out on pages 5 to 8 of the financial statements.

The Group made a total comprehensive loss for the period after taxation of US\$ 4,935,267 (period ended 30 June 2011: US\$ 4,866,532).

Dividend

The Directors do not propose the payment of a dividend for the period (2011: US\$ nil).

Directors

The Directors who served during the period and to date are:

	Appointed	Resigned
Denham Eke	30 October 2009	
Mitchell Alland	30 October 2009	
Brian Lueck	25 November 2009	14 June 2012
Guy Elliott	16 April 2010	
Clyde Heintzelman	23 June 2011	

By order of the Board

Denham Eke
Secretary

Craigmuir Chambers
Road Town
Tortola
British Virgin Islands

Copper Development Corporation

Unaudited consolidated statement of comprehensive income

for the six month period ended 30 June 2012

	Notes	For the period from 1 January 2012 to 30 June 2012 (Unaudited) US\$	For the period from 1 January 2011 to 30 June 2011 (Unaudited) US\$	For the year ended 31 December 2011 (Audited) US\$
Unrealised loss on investment	16	(1,576,656)	-	(3,290,965)
Expenses				
Directors' fees	4,18	(338,000)	(344,873)	(658,047)
Consultants' fees		(330,597)	(294,004)	(485,500)
Salaries and wages		(323,964)	(14,008)	(513,158)
Other professional fees		(594,187)	(2,620,395)	(2,352,725)
Travel and entertainment		(110,891)	(90,540)	(201,858)
Administration expenses		(228,183)	(219,365)	(553,852)
Share option charge	13	-	(409,375)	(1,132,147)
Warrants charge	12	-	-	-
Unrealised exchange (losses)/gain		(32,067)	289,456	(9,642)
Deed payments		(1,493,751)	(1,227,290)	(1,534,700)
Impairment losses		-	-	-
Loss before finance income	4	(5,028,296)	(4,930,394)	(10,732,594)
Finance income		797	140,364	279,045
Loss before income tax		(5,027,499)	(4,790,030)	(10,453,549)
Deferred tax expense	5	-	-	-
Loss after income tax		(5,027,499)	(4,790,030)	(10,453,549)
Other comprehensive (loss)/income - foreign currency translation reserve		92,232	(76,502)	(329,864)
Total comprehensive loss for the period/year		(4,935,267)	(4,866,532)	(12,240,259)
Loss attributable to:				
Minority interests		(123,818)	(91,706)	(111,784)
Equity shareholders		(4,903,681)	(4,698,324)	(10,341,765)
		(5,027,499)	(4,790,030)	(10,453,549)
Total comprehensive loss attributable to:				
Minority interests		(148,405)	(84,068)	(110,450)
Equity shareholders		(4,786,862)	(4,782,464)	(10,672,963)
		(4,935,267)	(4,866,532)	(10,783,413)
Basic and diluted loss per share	21	(0.0217)	(0.0209)	(0.0458)

The notes on pages 9 to 21 form part of these condensed consolidated interim financial statements.

The Directors consider that all results derive from continuing activities.

Copper Development Corporation

Unaudited consolidated statement of financial position

as at 30 June 2012

	Notes	At 30 June 2012 (Unaudited) US\$	At 31 December 2011 (Audited) US\$
Assets			
Property, plant and equipment	7	941,440	1,054,748
Deferred mine exploration costs	6	30,334,677	24,778,844
Investment in Crazy Horse Resources	16	993,788	2,570,444
Total non-current assets		32,269,905	28,404,036
Current assets			
Cash and cash equivalents		16,956,870	26,789,456
Trade and other receivables	8	1,313,839	1,239,670
Total current assets		18,270,709	28,029,126
Total assets		50,540,614	56,433,162
Equity			
Share premium	11	73,737,654	73,737,654
Share option reserves	13	2,486,344	2,486,344
Warrants	12	1,940,280	1,940,280
Foreign currency translation reserve		(216,301)	(333,120)
Retained deficit		(27,570,737)	(22,667,056)
Shareholders' equity		50,377,240	55,164,102
Non-controlling interest	14	(323,348)	(174,943)
Total equity		50,053,892	54,989,159
Non-current Liabilities			
Deferred tax liability	5	44	44
Total non-current liabilities		44	44
Current Liabilities			
Trade and other payables due within less than 1 year	10	486,678	1,443,959
Total liabilities		486,722	1,444,003
Total equity and liabilities		50,540,614	56,433,162

The notes on pages 9 to 21 form part of these condensed consolidated interim financial statements.

These financial statements were approved by the board of directors on 27 September 2012 and were signed on their behalf by:

Mitch Alland
Director

Denham Eke
Director

Copper Development Corporation

Unaudited consolidated statement of changes in equity

for the six month period ended 30 June 2012

	Notes	Share premium US\$	Warrants US\$	Share options US\$	Foreign currency exchange reserves US\$	Retained deficit US\$	Total attributable to shareholders US\$	Non - controlling interest US\$	Total US\$
Balance at 1 January 2012 (audited)		73,737,654	1,940,280	2,486,344	(333,120)	(22,667,056)	55,164,102	(174,943)	54,989,159
Total comprehensive loss for the period									
Loss for the period		-	-	-	-	(4,903,681)	(4,903,681)	(123,818)	(5,027,499)
Other comprehensive loss for the period		-	-	-	116,819	-	116,819	(24,587)	92,232
Transactions with owners of the Company									
Shares issued	11	-	-	-	-	-	-	-	-
Warrants issued	12	-	-	-	-	-	-	-	-
Share options issued	13	-	-	-	-	-	-	-	-
Balance at 30 June 2012 (unaudited)		73,737,654	1,940,280	2,486,344	(216,301)	(27,570,737)	50,377,240	(323,348)	50,053,892

		Share premium US\$	Warrants US\$	Share options US\$	Foreign currency exchange reserves US\$	Retained deficit US\$	Total attributable to shareholders US\$	Non - controlling interest US\$	Total US\$
Balance at 1 January 2011 (audited)		73,324,027	1,940,280	1,354,197	(1,923)	(12,325,291)	64,291,290	(9,088)	64,282,202
Total comprehensive loss for the period									
Loss for the period		-	-	-	-	(4,698,324)	(4,698,324)	(91,706)	(4,790,030)
Other comprehensive loss for the period		-	-	-	(84,140)	-	(84,140)	7,638	(76,502)
Transactions with owners of the Company									
Shares issued	11	-	-	-	-	-	-	-	-
Warrants exercised	12	44,168	-	-	-	-	44,168	-	44,168
Share options issued	13	-	-	409,375	-	-	409,375	-	409,375
Changes in ownership interests in subsidiaries									
Minority interest on acquisition	14	-	-	-	-	-	-	(55,404)	(55,404)
Balance at 30 June 2011 (unaudited)		73,368,195	1,940,280	1,763,572	(86,063)	(17,023,615)	59,962,369	(148,560)	59,813,809

The notes on pages 9 to 21 form part of these condensed consolidated interim financial statements.

Copper Development Corporation

Unaudited consolidated statement of cash flows

for the six month period ended 30 June 2012

	Notes	For the period from 1 January 2012 to 30 June 2012 (Unaudited)	For the period from 1 January 2011 to 30 June 2011 (Unaudited) US\$	For the year ended 31 December 2011 (Audited) US\$
Cash flows from operating activities				
Loss before income tax		(5,027,499)	(4,790,030)	(10,453,549)
<i>Adjusted for non cash and non operating items:</i>				
Share option charge	13	-	409,375	1,132,147
Warrants charge	12	-	-	-
Unrealised loss on investment	16	1,576,656	-	3,290,965
Finance income		(797)	(140,364)	(279,045)
		(3,451,640)	(4,521,019)	(6,309,482)
Change in trade and other receivables		(74,169)	(1,444,177)	(666,263)
Change in trade and other payables		(957,281)	513,010	604,750
Net cash used in operating activities		(4,483,090)	(5,452,186)	(6,370,995)
Cash flows from investing activities				
Purchase of property, plant and equipment		(78,065)	(345,616)	(483,067)
Proceeds from sale of property, plant and equipment		29,453	-	-
Amounts paid in cash for deferred mine exploration costs	6	(5,393,913)	(5,482,083)	(20,372,409)
Investment in Crazy Horse Resources	16	-	-	(5,861,409)
Loan and advances to subsidiary prior to acquisition	14	-	(1,400,000)	(1,400,000)
Cash acquired on acquisition of subsidiary		-	9,023	9,023
Net cash used in investing activities		(5,442,525)	(7,218,676)	(28,107,862)
Cash flows from financing activities				
Interest received		797	140,364	279,045
Issue of shares	11	-	-	297,500
Warrants exercised	11, 12	-	44,168	57,794
Options exercised	11, 13	-	-	58,333
Decrease in share issue received in advance		-	58,333	-
Unrealised foreign exchange loss		92,232	(130,077)	(329,864)
Net cash generated from financing activities		93,029	112,788	362,808
Decrease in cash and cash equivalents		(9,832,586)	(12,558,074)	(34,116,049)
Cash and cash equivalents at beginning of period/year		26,789,456	60,905,505	60,905,505
Cash and cash equivalents at end of period/year		16,956,870	48,347,431	26,789,456
Significant non-cash transaction				
Conversion of debenture loan into 70% equity interest in Basay Copper Limited	14	-	1,900,000	1,900,000

The notes on pages 9 to 21 form part of these condensed consolidated interim financial statements.

Copper Development Corporation

Notes

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

1 Reporting Entity

Copper Development Corporation is a company domiciled in the British Virgin Islands. The address of the Company's registered office is Craigmuir Chambers, Road Town, Tortola, British Virgin Islands. The condensed consolidated interim financial statements of the Company as at and for the period ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is engaged in the exploration, development, mining and processing of minerals, petroleum and other mineral oils.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS34 Interim Financial Reporting and do not include all of the information required for full annual financial statements.

These consolidated financial statements were authorised for issue by the Board of Directors on 27 September 2012.

(b) Basis of measurement

Functional and Presentation Currency

The consolidated financial statements of the Group are presented in US Dollars (US\$), which is the Group's functional currency. All financial information presented in US Dollars has been rounded to the nearest dollar.

Estimates

The preparation of consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Going concern

The Company's ability to continue as a going concern is dependent upon conducting successful exploration and the recovery of mineral resources and obtaining financing to fund its exploration efforts in the future. Although as at the period end, there is sufficient cash balances to meet current obligations, there can be no assurance the Company will be able to raise sufficient funds as and when funds are required in order to complete its current available projects in entirety. If such funding is not available, the Company may cease operations.

These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and liabilities that might be necessary, should the Company be unable to complete its currently on-going projects. Such adjustments could be material.

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

3 Significant accounting policies

The condensed interim financial statements of the Company for the period ending 30 June 2012 comprises the Company and its subsidiaries (together referred to as the "Group").

The accounting policies adopted by the Group in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011. There were no new accounting policies adopted during the period.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2011 are available at the Group's website below:

<http://www.copperdevelopmentcorp.com/investors/financialreports.html>

4 Loss before finance income

Loss before finance income is stated after charging:

	For the period from 1 January 2012 to 30 June 2012 (Unaudited) US\$	For the period from 1 January 2011 to 30 June 2011 (Unaudited) US\$	For the year ended 31 December 2011 (Audited) US\$
<i>Company and Group</i>			
Auditors' Fees	30,068	47,749	115,288
Auditors' Fees – non audit services	-	-	19,734
Directors' Fees (note 19)	338,000	344,873	658,047

5 Taxation

Income tax

The British Virgin Islands under the International Business Companies Act 2004 imposes no corporate taxes or capital gains taxes. However, the Group may be liable for taxes in the jurisdictions where it is operating however, such operations are currently loss making.

Deferred tax assets and liabilities

Deferred tax assets have not been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered.

The Group's deferred tax liability amounting to US\$ 44 pertains to interest income at a subsidiary level of US\$ 30,869 recognised during the year ended 31 December 2010.

6 Deferred mine exploration costs

Deferred mine exploration costs represent intangible assets. Equipment and other assets used in exploratory activities are capitalised in Property, Plant and Equipment. Depreciation charges in respect of these assets are capitalised in deferred mine exploration costs.

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

6 Deferred mine exploration costs (continued)

The schedule below details the current projects of the Group and the related acquisition cost capitalised:

	Hinoba-an (Selenga) US\$	Basay (Adanacex) US\$	Total US\$
Gross capitalised cost at 1 January 2012	31,726,778	7,832,832	39,559,610
Impairment allowance	(14,780,766)	-	(14,780,766)
Net deferred mine exploration costs at 1 January 2012	16,946,012	7,832,832	24,778,844
Costs capitalised during the period	1,106,622	4,287,292	5,393,914
Depreciation charges capitalised during the period (note 7)	132,859	29,060	161,919
Balance at 30 June 2012	18,185,493	12,149,184	30,334,677

Costs capitalised on acquisition of subsidiary represents the net book value of total deferred mine exploration costs of Adanacex in respect of the Basay project as at 8 April 2011, the date when the Company took ownership control of Adanacex through conversion of its debenture loan into equity.

The Group's subsidiary, Selenga Mining Corporation ("Selenga"), has undertaken significant exploration of the Hinoba-an project.

The Company assessed the deferred mine costs capitalised in respect of the Basay project for impairment as at 30 June 2012 and considered that the recoverable amount of these assets exceeded the carrying amount and as such, no impairment was recognized. Refer to note 14 for the basis of assessment.

The Company also assessed the deferred mine costs capitalised in respect of the Hinoba-an project for impairment as at 30 June 2012 and considered that the recoverable amount of these assets exceeded the carrying amount and as such, no impairment was recognized. The Directors are of the opinion that there have been no adverse developments to date from exploration activities undertaken.

7 Property, plant and equipment

Group	Buildings & improvements US\$	Construction in progress US\$	Office furniture & fixtures US\$	Transportation equipment US\$	Tools and equipment US\$	Total US\$
Cost						
At 1 January 2012	794,539	-	314,727	313,015	171,381	1,593,662
Additions	21,889	-	9,941	-	46,235	78,065
Disposal	(25,014)	-	(10,568)	-	(3,691)	(39,273)
As at 30 June 2012 (unaudited)	791,414	-	314,100	313,015	213,925	1,632,454
Depreciation						
At 1 January 2012	247,584	-	138,761	97,646	54,923	538,914
Charge for the period (capitalised)	61,371	-	51,380	28,174	20,994	161,919
Disposal	(5,420)	-	(2,984)	-	(1,415)	(9,819)
As at 30 June 2012 (unaudited)	303,535	-	187,157	125,820	74,502	691,014
Net book value						
As at 30 June 2012 (unaudited)	487,879	-	126,943	187,195	139,423	941,440

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

7 Property, plant and equipment (continued)

Group	Buildings & improvements US\$	Construction in progress US\$	Office furniture & fixtures US\$	Transportation equipment US\$	Tools and equipment US\$	Total US\$
Cost						
At 1 January 2011	405,995	95,081	200,322	107,694	94,219	903,311
Additions	202,714	51,642	88,839	79,425	60,447	483,067
Acquired on acquisition of subsidiary	39,107	-	26,853	125,896	16,715	208,571
Reclassification	146,723	(146,723)	-	-	-	-
Disposal	-	-	(1,287)	-	-	(1,287)
As at 31 December 2011 (audited)	794,539	-	314,727	313,015	171,381	1,593,662
Depreciation						
At 1 January 2011	171,278	-	53,841	49,301	26,375	300,795
Charge for the year	76,128	-	84,698	46,247	28,084	235,157
Acquired on acquisition of subsidiary	178	-	615	2,098	464	3,355
Reclassification	-	-	-	-	-	-
Disposal	-	-	(393)	-	-	(393)
As at 31 December 2011 (audited)	247,584	-	138,761	97,646	54,923	538,914
Net book value						
As at 31 December 2011 (audited)	546,955	-	175,966	215,369	116,458	1,054,748

8 Trade and other receivables

	30 June 2012 US\$	31 December 2011 US\$
Related party advances (note 19)	-	72,001
Advances and other receivables	1,211,885	1,096,179
Prepayments and other debtors	101,954	71,490
	1,313,839	1,239,670

9 Intercompany receivables

The Company provides unsecured non-interest bearing advances to its subsidiaries for working capital requirements and support for capital expenditures, which are interest free and repayable on demand. These amounts consist of:

Company	30 June 2012 US\$	31 December 2011 US\$
Selenga Mining Corporation	24,768,466	22,346,827
Adanacex Resources Inc.	4,136,064	-
CDC Philippines Holdings	2,708	2,708
	28,907,238	22,349,535

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

10 Trade and other payables

	Group 30 June 2012 US\$	Group 31 December 2011 US\$
Withholding tax payable	7,594	15,449
Accounts payable	442,484	472,484
Accrued expenses and other payables	36,600	956,026
	<u>486,678</u>	<u>1,443,959</u>

11 Share premium

Authorised

The Company is authorised to issue an unlimited number of nil par value shares of a single class.

	Date	Issue price	Shares	US\$
Issued ordinary shares of US\$ 0.00 each				-
<i>Share premium</i>				
At 01 January 2011			224,963,502	73,324,027
Warrants exercise	19/05/2011	£0.0284	580,000	26,140
Warrants exercise	21/06/2011	£0.0284	400,000	18,028
Option exercise	22/07/2011	US\$0.35	166,667	58,333
Warrants exercise	24/11/2011	£0.0284	300,000	13,626
Private placement (i)				297,500
			<u>226,410,169</u>	<u>73,737,654</u>

12 Warrants

The total number of share warrants in issue as at the period end is set out below. The value of these warrants is US\$ 1,940,280.

Holder	Issue Date	Expiry date (years from admission)	Exercise Price	As at 01 January 2012	Exercised during the period	Expired during the period	As at 30 June 2012
Holder of existing warrants In Solfotara	01/11/09	2 years	£0.0284 (US\$ 0.05)	9,770,000	-	-	9,770,000
Holder of existing warrants In Solfotara	01/11/09	2 years	£0.284 (US\$ 0.55)	5,380,071	-	-	5,380,071
Brant Investments Limited	23/12/10	5 years	£0.35 (US\$ 0.55)	2,000,000	-	-	2,000,000
Beaumont Cornish	01/12/10	2 years	£0.35 (US\$ 0.55)	562,408	-	-	562,408
Fox Davies	01/12/10	2 years	£0.35 (US\$ 0.55)	1,724,236	-	-	1,724,236
				<u>19,436,715</u>	<u>-</u>	<u>-</u>	<u>19,436,715</u>

There were no new warrants issued during the period.

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

12 Warrants (continued)

Warrants issued on 1 November 2009 were deemed to have no value on issue due to the Company's position at that time, the uncertain future outlook, conditions attaching to exercise and the exercise price of the warrants.

The Company has utilised the Black Scholes Model for the purposes of estimating fair value of the warrants upon issue. In accordance with accounting guidance the Company used share price data of a similar actively listed company as the Company did not have its own appropriate share trading data at the point of issue of such warrants.

The following table lists the inputs to the models used for warrants issued at:

	23 December 2010 US\$	1 December 2010 US\$
Dividend yield (%)	-	-
Expected volatility (%)	100	100
Risk-free interest rate (%)	1.24%	1.07%
Share price at grant date	0.67	0.60
Share price (market value)	0.60	0.33
Exercise price	0.35	0.55
Expected exercise period	4 years	1 year

13 Share options

The following share options are in issue as at 31 December 2011:

Holder	Issue Date	Vesting period and Exercise period from grant date	Exercise Price	As at 01 January 2012	Exercised during the period	Expired during the period	As at 30 June 2012
Directors and certain key employees	01/06/10	3 years / 5 years	US\$ 0.35	3,550,000	-	-	3,550,000
Key employees and consultants	09/05/11	3 years / 5 years	£0.35	1,620,000	-	133,333	1,486,667
				5,170,000	-	133,333	5,036,667

Share Option Scheme

In accordance with, and subject to the terms of the Company's Share Option Scheme, options issued during the year shall vest in equal instalments annually over a period of three years from the date of grant or over a period stated in relevant option certificate. Vested options are exercisable at the Exercise Price and may not be exercised later than the tenth anniversary of the Date of Grant or such earlier time as determined by the grantor. The Directors shall have an absolute discretion as to the selection of persons to whom an Option is granted by the Company. An option shall not be granted to any person unless he is a person/company who has provided or is providing services to the Group as a consultant or otherwise ("Approved Grantee") or an employee or any person nominated by such Approved Grantee or employee. The exercise price shall be determined by the Directors and shall be the market value of a Share on the date of the grant of the option to the option holder or shall be such greater or lesser price as the Directors shall determine in their discretion provided always that in the case of a subscription option, the price shall not be less than the nominal value of a Share.

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

13 Share options (continued)

Share Option Scheme (continued)

Exercise of the option may be conditional upon satisfaction of performance-related conditions as shall be determined by the Directors and notified to the option holder on the date of the grant. They are not transferable and may not be exercised when to do so would contravene the provisions of the Company's code governing share dealings by directors and employees. In the event that a director/consultant resigns and ceases to be engaged by the Company in any role, pursuant to the Share Option Scheme rules, he or she may only exercise options which have vested and for a period of no later than six months from resignation.

The Company has utilised the Black Scholes Model for the purposes of estimating fair value of the share options upon issue. In accordance with accounting guidance the Company has used share price data of a similar actively listed company where the Company did not have its own appropriate share trading data.

The following table lists the inputs to the models used for options issued at:

	9 May 2011	1 June 2010
	US\$	US\$
Dividend yield (%)	-	-
Expected volatility (%)	100	100
Risk-free interest rate (%)	1.85%	1.24%
Share price at grant date	0.57	0.67
Share price (market value)	0.35	0.60
Exercise price	0.58	0.35
Expected exercise period	3 years	4 years

14 Investments in subsidiary undertakings

	31 December 2011 and 30 June 2012
	US\$
<i>Company</i>	
Cost	
CDC Philippines Holdings Limited	1,500,000
Basay Copper Limited	1,900,000
	<hr/>
At 30 June 2012	3,400,000
	<hr/> <hr/>

All subsidiary companies are included in the consolidated financial statements of Copper Development Corporation.

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

14 Investments in subsidiary undertakings (continued)

At 31 December 2011, the Group had the following subsidiaries:

Name of company	Place of incorporation	Ownership interest	Principal activity
Hinoba Holdings (Australia) Pty Limited	Australia	100%	Administration Offices (Dormant)
Hinoba Holdings (Philippines), Inc.	Philippines	100%	Holding company of Hinoba-an & Sipalay Holdings
Hinoba-an & Sipalay Holdings, Inc.	Philippines	100%	Holding company of Selenga Mining Corporation
Selenga Mining Corporation	Philippines	92.5%	Mining exploration
CDC Philippines Holdings Limited*	British Virgin Islands	100%	Holding company of Hinoba Holdings (Philippines), Inc.
Basay Copper Limited *	British Virgin Islands	70%	Holding company of Adanacex Resources Inc.
Adanacex Resources Inc.	Philippines	70%	Mining exploration

* Held directly by Copper Development Corporation. All other holdings are indirect.

Hinoba-an & Sipalay Holdings Inc has two different classes of shares, being class A ordinary shares and class B preferred shares. Hinoba Holdings (Philippines), Inc (“HHPI”) owns 100% of the class A shares and three Directors of Hinoba-an & Sipalay Holdings Inc. own 100% of the class B shares. The class A shares entitle the holder to 100% of the economic benefits of the Company after the class B shares preference dividend. Holders of class B shares are entitled to a fixed cumulative annual preference dividend equal to 10% of the par value of the Class B shares (US\$ 32/PHP 1,500). The voting rights of the class A and B shares are 40% and 60% respectively. The Group has executed Assignable Option Agreements with each of the Class B shareholders which granted the Group a call option to acquire the Class B shares at any time during a five year term and a right of first refusal should a Class B shareholder wish to dispose of his Class B shares (the “Assignable Option Agreements”).

HHPI is a wholly owned subsidiary of CDC Philippines Holdings Limited which is a wholly owned subsidiary of Copper Development Corporation. Hence, the Group has a 100% economic equity interest in the Company and it is consolidated accordingly.

With signing of the joint venture agreement in April 2011, CDC completed the acquisition of a 70% interest in Basay Copper Limited (“BCL”) from Solfotara Mining Corp., a private Canadian company (note 19). The acquisition was completed through conversion of existing US\$ 1.9m convertible loan. BCL is a company incorporated in the British Virgin Islands which legally and/or beneficially owns 100% of the Basay Project through its wholly owned subsidiary Adanacex Resources, Inc. (“Adanacex”). Full details of acquisition are disclosed in the Group’s audited consolidated financial statements for the year ended 31 December 2011.

Status of approval of Basay Deed of Assignment in respect of Basay Project

On 10 January 2011, Euzkadi Holdings Corporation (“Euzkadi”), the registered holder of the Basay tenement, executed a deed of assignment with Adanacex Resources Inc. (“Adanacex”), a 70% owned subsidiary of Copper Development Corporation (AIM: CDC) to assign and transfer all of its rights, title and interest in the Basay exploration permit to Adanacex (the “Basay Deed of Assignment”). Upon the approval of the Basay Deed of Assignment by the relevant Philippine authorities, Adanacex will formally be registered as the holder of the Basay exploration permit.

The Company has not yet received approval of the assignment of the Basay exploration permit to its Philippine subsidiary Adanacex.

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

14 Investments in subsidiary undertakings (continued)

Status of approval of Basay Deed of Assignment in respect of Basay Project (continued)

As previously announced by CDC, VeraLaw, a leading Philippine law firm, advised the Company that the Privatization and Management Office (“PMO”) has, in the past, alleged that part of the area covered by the Basay exploration permit covers land it holds in trust for the Government of the Philippines. However, in its legal opinion on this matter VeraLaw advised that, on the evidence it reviewed at the office of the Mines and Geosciences Bureau (“MGB”), this would not appear to be the case (a view shared at that time by the MGB, which awarded the Basay exploration permit). In the light of this, VeraLaw’s legal opinion stated that there is no reason that the Basay Deed of Assignment would not be formally approved.

On 26 September 2011, CDC received a second legal opinion from the Philippine affiliate office of a leading international law firm, which upheld the first legal opinion that PMO did not have a legal claim to any area of the Basay tenement, that the Regional MGB office certified that Basay was outside the areas under PMO claims, and that PMO had not filed an adverse claim within the ten days of publication of the Basay exploration permit, which is the time limit and last opportunity for filing such claims.

CDC expected to receive approval of the Basay Deed of Assignment, having satisfied all documentary requirements for this purpose. However, not having received the approval, CDC had several meetings with MGB’s director and a meeting with PMO, without being successful in dissuading PMO from dropping its claim to areas under the Basay exploration permit. Most recently, CDC’s local counsel received a letter dated 16 July 2012 from MGB, which, ignoring the legal position presented to it from the two above legal opinions, stated that PMO “is also a government agency and it is only proper for this Office [MGB] to pay attention to the concerns of the PMO, particularly about the PMO-held area in Basay”.

Pending approval of the assignment, CDC operates under the terms of the Basay Deed of Assignment, under which it effectively holds full rights to operate on the tenement. Adanacex has complied with all legal and regulatory requirements, and has met the minimum annual work commitments and is accordingly confident that, through Euzkadi, such application for another two-year renewal of the exploration permit shall be approved.

Further, the Company initiated direct discussions with Philippine government officials at the highest level and presented its case, which is underpinned by the legal opinions issued by two leading Philippine law firms, one of which is the affiliate of a major international law firm, that there is no overlap between PMO’s and CDC’s areas and, consequently, no legal basis for the PMO claim.

CDC continues vigorously to defend the challenge posed by the unfounded PMO claim on Basay and shall, in due course, file for renewal by MGB of the Basay exploration permit, due in December 2012. In the event the Company is unsuccessful with its efforts to renew the Basay exploration permit and/or secure approval of the Basay Deed of Assignment to Adanacex, it will review all available legal options. As such the Directors are of the view that no impairment of the Basay deferred mining costs is necessary at this time (note 6).

15 Company loss

The loss made by the Company during the period was US\$ 3,455,234 (2011: US\$ 3,508,269).

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

16 Investment in Crazy Horse Resources

On 1 July 2011, the Company acquired, by way of private placement, a strategic investment in Crazy Horse Resources Inc. ("CHR"), a copper and gold company traded on the TSX Venture Exchange and owns the Taysan Project, an advanced copper gold porphyry deposit located 100 km south of Manila in the Philippines. Total number shares acquired were 7,490,642 at a total cost of US\$ 5,861,409.

This investment is classified as financial asset at fair value through profit or loss. For valuation purposes, it was revalued using the closing bid price as at the reporting period.

	At 30 June 2012	At 31 December 2011
Total number of shares held	7,490,642	7,490,642
	No.	No.
Market value of investment at closing bid price	993,788	2,570,444
Total cost	(5,861,409)	(5,861,409)
	US\$	US\$
Unrealised loss on investment	(4,867,621)	(3,290,965)

17 Financial instruments

Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

18 Related party transactions

Key management personnel

At the period end the Directors held the following number of shares in the Company:

	No	% of issued share capital
Brian Lueck (resigned 14 June 2012)	2,591,600	1.14%
Guy Elliott	2,000,000	0.88%
Mitch Alland	450,002	0.20%
Denham Eke ¹	285,714	0.13%
	<u>5,327,316</u>	<u>2.35%</u>

Notes to Directors' Interests:

¹ Denham Eke is a director of Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest. At 31 December 2011 Galloway Limited held 286,000 shares representing 0.13% of the issued share premium at the period end.

The Directors of the Company received the following remuneration during the period:

	US\$
Mitch Alland	150,000
Denham Eke	90,000
Brian Lueck (resigned 14 June 2012)	60,000
Guy Elliott	19,000
Clyde Heintzelman	19,000
	<u>338,000</u>

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

18 Related party transactions (continued)

Key management personnel (continued)

The following table summarises a reconciliation of warrants and options in issue to key personnel as at 30 June 2012:

Name	Holding at 01 January 2012	Granted	Exercised	Holding at 30 June 2012
<i>Share warrants</i>				
Brian Lueck (resigned 14 June 2012)	4,900,000	-	-	4,900,000
<i>Options</i>				
Denham Eke	1,000,000	-	-	1,000,000
Mitch Alland	1,000,000	-	-	1,000,000
Brian Lueck (resigned 14 June 2012)	1,000,000	-	-	1,000,000
Guy Elliott	250,000	-	-	250,000

Burnbrae Limited

The Company has entered into a service agreement with Burnbrae Limited for the provision of administrative and general office services. Mr Denham Eke is a director of Burnbrae Limited and the Company. During the period the Company incurred costs of US\$ 71,868 (2011: US\$ 70,394) under this agreement of which US\$ Nil were outstanding as at 30 June 2012 (2011: US\$ Nil).

Crazy Horse Resources ("CHR")

The Company made a strategic investment in Crazy Horse Resources, a publicly listed mining company with common directors and officers. Details of investment made are disclosed in Note 16.

Resminco Philippines (BVI) Corporation ("Resminco")

The Company operates its Philippine operations from the premises of Resminco, a private company with common directors and officers. Resminco provides geological consulting, management services and office and administrative services to the Company and various other public and private companies in the Philippines. During the period, the Company paid US\$ 317,522 (2011: US\$ 733,862) for geological and management consulting and for office and administrative expenditures to Resminco.

Solfotara Mining Corp. ("Solfotara")

The Company and Solfotara are considered to be related parties as both entities are under the control and influence of same directors. As at 30 June 2012, Solfotara held 4,579,334 shares in the capital of the Company.

The above transactions occurred in the normal course of operations, and are measured at the fair value, which is the amount of consideration established and agreed to by the related parties.

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

19 Significant shareholdings

As of 30 June 2012 the Company is aware of the following persons who hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of the Company to which voting rights are attached:

	Number of ordinary shares held	Percentage of total issued capital
Senator Sidecar Master Fund LP	45,319,998	20.02%
Luxor Capital Group LP (1)	39,189,077	17.31%
MSDC Management, L.P.	21,400,000	9.45%
Tocqueville Gold (2)	17,874,284	7.89%
Haywood Securities Inc.	10,392,840	4.59%
Regent Mercantile Holdings Limited	9,725,000	4.30%
Libra Advisors LLC (3)	7,124,714	3.15%

Notes:

(1) Includes holdings through entities with respect to which Luxor Capital Group LP acts as investment manager.

(2) Tocqueville Gold includes the holdings of four funds: Tocqueville Gold Fund, Tocqueville Gold Partners, L.P., Tocqueville Gold Offshore Fund Ltd and Tocqueville Gold Private Equity Master Fund Ltd.

(3) Libra Advisors LLC includes the holdings of two funds: Libra Fund LP and Libra Offshore Master Fund LP.

20 Segment reporting

The Group operates in one industry segment: mineral exploration and development in two exploration projects in the Philippines, Hinoba-an and Basay. The activities of these projects alongside those of the corporate entities within the Group are regularly monitored by management to make decisions about resources and assess its performance and discrete financial information is maintained for each. Below is the analysis of Group's exposures in these segments:

	Hinoba-an \$	Basay \$	Corporate \$	Total \$
Deferred mine exploration costs	13,168,391	11,351,768	5,814,518	30,334,677
Other non-current assets	710,620	230,820	993,788	1,935,228
Current assets	1,765,515	295,619	16,209,575	18,270,709
Total liabilities	(170,894)	(9,550)	(306,278)	(486,722)
Finance income	755	41	1	797
Expenses	(1,544,507)	(28,554)	(3,455,235)	(5,028,296)
Net loss	(1,543,752)	(28,513)	(3,455,234)	(5,027,499)
Other comprehensive income	232,250	(140,018)	-	92,232

Total expenses are as disclosed in the consolidated statement of comprehensive income.

21 Basic and diluted earnings per share

The calculation of basic earnings per share of the Group is based on the net loss attributable to shareholders for the period of US\$4,903,681 (2011: net loss of US\$ 4,698,324) and the weighted average number of shares outstanding of 226,410,169 (2011: 225,117,977).

Copper Development Corporation

Notes (continued)

forming part of the condensed interim financial statements for the six month period ended 30 June 2012

21 Basic and diluted earnings per share (continued)

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2012 and 2011 there is no dilutive effect, because the Group incurred net losses. Therefore, basic and diluted earnings per share are equal.

Weighted average number of ordinary shares

	30 June 2012	30 June 2011
Issued ordinary shares at 01 January	226,410,169	224,963,502
Effect of share warrants exercised	-	134,586
Effect of share warrants exercised	-	19,889
	<u>226,410,169</u>	<u>225,117,977</u>

22 Subsequent events

On 03 August 2012, the Company issued 4,000,000 new ordinary shares pursuant to an exercise of 4,000,000 warrants at an exercise price of 2.84 pence each.