Audited Financial Statements of

COPPER FOX METALS INC.

Years ended October 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Copper Fox Metals Inc.

We have audited the accompanying financial statements of Copper Fox Metals Inc., which comprise the balance sheets as at October 31, 2011 and 2010, the statements of loss and comprehensive loss and deficit, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Copper Fox Metals Inc. as at October 31, 2011 and 2010, and of its results of operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 27, 2012

COPPER FOX METALS INC.

Balance sheets
As at October 31, 2011 and 2010

		2011		2010
Assets				
Current assets:				
Cash and cash equivalents	$	1,271,025	$	464,572
Accounts receivable		821,891		485,256
Prepaid expenses and deposits		1,194,635		826,801
		3,287,551		1,776,629
Investment (note 5)		759,305		-
Mineral properties (note 6)		40,873,441		21,423,389
Property and equipment (note 4)		556,714		549,485
	$	45,477,011	$	23,749,503
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	3,698,943	$	2,613,384
Shareholder loan (note 9)		1,400,000		-
		5,098,943		2,613,384
Asset retirement obligations (note 10)		472,555		423,479
Shareholders' equity:				
Share capital (note 7)		70,468,395		49,901,521
Share purchase warrants (note 7)		1,019,607		-
Contributed surplus (note 7)		9,912,109		8,423,336
Deficit		(41,494,598)		(37,612,217)
		39,905,513		20,712,640
	$	45,477,011	$	23,749,503
Future operations (note 2)				
Commitments (note 14)				
Subsequent events (note 15)				

See accompanying notes to financial statements.

On behalf of the Board:

(Signed)
Elmer Stewart, Director

(Signed)
J. Michael Smith, Director

COPPER FOX METALS INC.

Statements of loss and comprehensive loss and deficit
Years ended October 31, 2011 and 2010

		2011		2010
Expenses:				
Administration (note 11)	$	969,666	$	723,138
Amortization and accretion		148,143		137,365
Insurance		67,924		65,409
Professional fees		568,494		368,919
Processing fees		168,522		49,676
Rent		27,619		29,190
Stock based compensation		1,780,708		133,981
Travel		151,530		106,679
Interest income		(225)		(330)
Net loss and comprehensive loss		3,882,381		1,614,027
Deficit, beginning of year		37,612,217		35,998,190
Deficit, end of year	$	41,494,598	$	37,612,217
Loss per share – basic and diluted (note 7)	$	(0.01)	$	(0.00)

See accompanying notes to financial statements.

COPPER FOX METALS INC.

Statements of cash flows
Years ended October 31, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Net loss for the year	$ (3,882,381)	$ (1,614,027)
Items not involving cash:		
Amortization and accretion	148,143	137,366
Stock-based compensation	1,780,708	133,981
Change in non-cash working capital	114,656	(1,003,525)
	(1,838,874)	(2,346,205)
Financing:		
Shareholder loan	1,400,000	-
Issue of shares and warrants, net of issue costs	17,924,575	9,489,100
	19,324,575	9,489,100
Investing:		
Mineral property expenditures	(15,919,339)	(11,517,504)
Mineral property acquisitions	(620,000)	-
Investment	(300,047)	-
Additions to property and equipment	(106,295)	(10,010)
Net change in non-cash working capital	266,433	2,210,264
	(16,679,248)	(9,317,250)
Increase(decrease) in cash during year	806,453	(2,174,355)
Cash and cash equivalents, beginning of year	464,572	2,638,927
Cash and cash equivalents, end of year	$ 1,271,025	$ 464,572
Supplementary information:		
Interest received	$ 225	$ 330

See accompanying notes to financial statements.

1. COMPANY OPERATIONS

Copper Fox Metals Inc. ("Copper Fox" or the "Company") was incorporated under the Business Corporations Act of Alberta. On July 14, 2010 the Company transferred its registration from Alberta and became incorporated under the Business Corporations Act of British Columbia. The Company is engaged in the exploration for and development of porphyry copper mineral properties in Western Canada. Since inception, the efforts of the Company have been devoted to verifying the historical exploration information and completion of a feasibility study of the Schaft Creek copper-molybdenum-gold-silver porphyry deposit located in northwest British Columbia. To date, the Company has not earned any revenue from these operations and is considered to be in the exploration and development stage. The Company's mineral license is in the advanced exploration stage.

2. FUTURE OPERATIONS

These financial statements have been prepared by management in accordance with accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

At October 31, 2011, the Company had a working capital deficiency of $1,811,392 and a deficit of $41,298,956 and had incurred a net loss of $3,686,739 for the year ended October 31, 2011. During the year ended October 31, 2011 the Company received $18,402,625 in proceeds on private placements and the exercise of warrants and options. Subsequent to October 31, 2011, the Company completed financing agreements for total proceeds of $7,600,000 (see note 15). While these funds may be sufficient to complete the current planned activities in the next year, the Company will need additional equity in order to develop the property and realize in its amount.

These financial statements have been prepared on the basis that the Company will be able to discharge its obligations and realize its asset in the normal course of business at the values at which they are carried in these financial statements, and that the Company will be able to continue its business activities. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption be determined to be inappropriate, and these adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in Management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant policies summarized below:

(a) Property and equipment:

Property and equipment is recorded at cost and is depreciated using the declining balance method at 10 to 30 percent per annum.

(b) Mineral properties:

Mineral properties are recorded at cost less provisions for impairment and will be depleted on the unit-of-production method over the estimated economic life of the mine to which they relate. Development costs incurred to develop new ore bodies and to expand existing capacity are capitalized.

General exploration expenditures are charged to earnings in the period incurred except costs related to specific properties are capitalized. Significant property payments for active exploration properties are capitalized. If no mineable ore body is discovered, previously capitalized costs are expensed.

Mineral property costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future potential cash flows expected to result from the development of properties and their eventual disposition are less than the carrying amount, then these properties are written down to their estimated recoverable amount.

Amounts recorded for the mineral properties represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and the future production or proceeds from the disposition thereof.

(c) Asset retirement obligations:

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred or when a reasonable estimate of fair value can be made. The fair value of an asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties and will be depleted based on the unit-of-production method. The liability increases and accretion expense is recognized each period due to the passage of time. Subsequent to initial measurement, period-to-period changes in the liability are recognized for revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Actual costs incurred upon settlement are charged against the asset retirement obligation. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in earnings in the period in which the settlement occurs.

(d) Foreign currency translation:

Monetary items denominated in a foreign currency are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in earnings.

(e) Income taxes:

The Company uses the asset and liability method of accounting for future income taxes. Under the asset and liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

(f) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. To recognize the forgone tax benefit to the Company, a future income tax liability is recognized at the time the tax benefits are renounced to shareholders.

(g) Stock-based compensation:

The Company uses the fair value method of accounting for the cost of stock-based compensation granted to employees, and directors. The Company records the expense associated with such compensation on a straight-line basis over the vesting period of such compensation payments with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

(h) Per share amounts:

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities of other contracts to issue common shares were exercised or converted to common shares. The treasury-stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents:

Cash and cash equivalents consist of bank balances and term deposits with original maturities of three months or less.

(j) Financial instruments:

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and shareholder loan. The Company has designated its cash and cash equivalents as held for trading which is measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable, accrued liabilities and shareholder loan are classified as other liabilities which are measured at amortized cost.

(k) Investment:

Investment represents share investments in private companies which are recognized at cost less impairment. All realized gains and losses are recognized in net income in the period of disposition.

(l) Measurement uncertainty:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. The most significant estimate relates to determining the recoverable amount of mineral properties. By its nature this estimate is subject to measurement uncertainty, and the effect on the financial statements from changes in such estimate in future periods could be significant.

4. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and amortization is determined using the declining balance method using the rates below which approximate the estimated useful life of the asset. Property and equipment consist of the following:

	Rate	Cost	Accumulated Amortization	Net Book Value October 31, 2011
Buildings	10%	$ 549,000	$ 206,739	$ 342,261
Furniture & equipment	20%	45,637	26,836	18,801
Heavy equipment	30%	661,231	483,317	177,914
Leasehold improvements	20%	1,197	1,197	-
Computer equipment	30%	55,434	37,696	17,738
		$ 1,312,499	$ 755,785	$ 556,714

PROPERTY AND EQUIPMENT (continued)

	Rate	Cost	Accumulated Amortization	Net Book Value October 31, 2010
Buildings	10%	$ 549,000	$ 168,710	$ 380,290
Furniture & equipment	20%	42,583	22,342	20,241
Heavy equipment	30%	566,020	432,181	133,839
Leasehold improvements	20%	1,197	903	294
Computer equipment	30%	47,404	32,584	14,820
		$ 1,206,204	$ 656,720	$ 549,484

5. INVESTMENT

In March 2011, Copper Fox acquired 26,954 shares of Liard Copper Mines Ltd. ("Liard"), a private company incorporated in British Columbia for a cash payment of $269,540 and 245,000 common shares of Copper Fox at a fair value of $428,750. Liard holds a 30% net proceeds interest ("NPI") royalty in the Schaft Creek project. Teck Resources Limited ("Teck") owns 78% of the issued and outstanding shares of Liard. Upon completion of a positive feasibility study, Copper Fox will acquire Teck's 78% interest in Liard. The shares acquired by Copper Fox as a result of this transaction represent approximately 1.47% of the issued and outstanding shares of Liard.

In July 2011, Copper Fox acquired an additional 2,388 common shares of Liard for a cash payment of $30,507 and 14,391 common shares of Copper Fox at a fair value of $30,508. Liard holds a 30% NPI royalty in the Schaft Creek project. The shares acquired by Copper Fox as a result of this transaction represent approximately 0.13% of the issued and outstanding shares of Liard.

6. MINERAL PROPERTIES

	Balance October 31, 2010	Expenditures	Balance October 31, 2011
ES, GS and South Zone			
Acquisition of property rights	$ -	$ 2,943,788	$ 2,943,788
Technical analysis		116,133	116,133
	-	3,059,921	3,059,921
SC Zone			
Acquisition of property rights	100	-	100
Technical analysis	51,992,204	16,390,131	68,382,335
Licenses and permits	106,623	-	106,623
Asset retirement costs	324,462	-	324,462
	52,423,389	16,390,131	68,813,520
SC zone write down (2009)	(31,000,000)	-	(31,000,000)
	21,423,389	16,390,131	37,813,520
Total mineral properties	$ 21,423,389	$ 19,450,052	$ 40,873,441

	Balance October 31, 2009	Expenditures	Balance October 30, 2010
SC Zone			
Acquisition of property rights	100	-	100
Technical analysis	40,474,700	11,517,504	51,992,204
Licenses and permits	106,623	-	106,623
Asset retirement costs	274,126	50,336	324,462
	40,855,549	11,567,840	52,423,389
SC zone write down (2009)	(31,000,000)	-	(31,000,000)
	9,855,549	11,567,840	21,423,389
Total mineral properties	$ 9,855,549	$ 11,567,840	$ 21,423,389

The Schaft Creek deposit is located within a contiguous group of mineral claims that cover 21,025 hectares (51,954 acres). Copper Fox holds a 100% working interest in the Schaft Creek property, subject to 30% net proceeds interest, the "indirect interest", held by a private company 78%-owned by Teck, and a 3.5% net profits interest held by Royal Gold, Inc. Copper Fox can earn Teck's indirect interest by completing a positive "bankable" feasibility study, as defined in the option agreement with Teck.

Teck may elect at any time to exercise one of its "earn-back" options, however, completion of a bankable feasibility study will trigger a 120 day-period for Teck to elect to either: i) exercise one of its earn-back options; ii) retain 1% net smelter return royalty; or iii) receive shares of Copper Fox to a value of $1,000,000.

If Teck exercises its earn-back option, then Teck can elect to acquire either 20%, 40% or 75% of Copper Fox's interest in the Schaft Creek property by solely funding subsequent expenditures equal to either 100%, 300% or 400% of Copper Fox's prior expenditures. As at October 31, 2011 the Company has spent approximately $70.8 million in qualified expenditures under this option agreement with Teck.

If Teck elects to earn back a 75% working interest Teck would also be responsible for arranging Copper Fox's share of project financing to be repaid from Copper Fox's share of future metal sales, until payout is reached. If Teck elects to earn back a 20 or 40% working interest there is no financing agreement.

In addition, Copper Fox owns a 100% working interest in another contiguous group of mineral claims (South Zone) covering 3,947 hectares (9,753 acres) that is not subject to the option agreement.

During the year ended October 31, 2011, the Company completed the acquisitions of mineral properties and the purchase of shares of Liard Copper Mines Limited ("Liard"). Details of the transactions are provided below:

1) In March 2011, Copper Fox acquired two mineral claims (2,786.54 hectares) that are contiguous to the Company's Schaft Creek project. Consideration paid by Copper Fox was $250,000 cash, 1,250,000 common shares of Copper Fox and a 2% net smelter return (NSR) royalty on the mineral claims subject to a "Partial NSR Buyout Option". The Partial NSR Buyout Option allows Copper Fox at any time to purchase half of the NSR for a cash payment of $1.5 million such that the net smelter royalty is reduced from 2% to 1%.
2) In March 2011, Copper Fox acquired one mineral claim (192 hectares) that abuts the current Schaft Creek mineral claims owned by Copper Fox. Copper Fox paid $350,000 cash and granted a 2% net smelter return royalty on the mineral claim subject to a "Partial NSR Buyout Option". The Partial NSR Buyout Option allows Copper Fox to purchase half of the NSR for a cash payment of $1.5 million such that the net smelter royalty is reduced from 2% to 1%.
3) In September 2011, Copper Fox acquired four mineral claim blocks (consisting of 41 mineral tenures totaling 6,115.11 hectares) that are contiguous to the Company's Schaft Creek project. Consideration paid by Copper Fox was $20,000 cash, 25,200 common shares of Copper Fox and a 2% net smelter return (NSR) royalty on the mineral claims subject to a "Partial NSR Buyout Option". The Partial NSR Buyout Option allows Copper Fox at any time to purchase half of the NSR for a cash payment of $1.0 million such that the NSR is reduced from 2% to 1%.

MINERAL PROPERTIES (continued)

During the first quarter of the year ended October 31, 2009 the Company wrote down the carrying value of its mineral property by $31,000,000 based on the implied fair value of a proposed board approved transaction with Lions Gate Metals Inc. This proposed transaction was subsequently terminated.

For the year ended October 31, 2011 the Company has capitalized $425,250 (2010 - $387,750) of management and technical services provided by its officers and directors (see note 8). In addition, $586,925 (2010 - NIL) of compensation expense has been capitalized.

7. SHAREHOLDERS' EQUITY

(a) Authorized:

Unlimited number of common shares.

Unlimited number of first and second preferred shares, of which none have been issued.

(b) Issued and outstanding:

Common Shares	Number		Amount
Balance, October 31, 2009	242,356,660	$	37,182,648
Options exercised	40,000		18,000
Transfer from contributed surplus on option exercise			13,327
Warrants exercised	119,940,893		9,471,100
Transfer from contributed surplus on warrant exercise			3,216,446
Balance, October 31, 2010	362,337,553	$	49,901,521
Flow through shares issued	7,450,000		7,755,000
Non Flow through shares issued	6,719,777		9,783,046
Value ascribed to warrants issued			(1,714,102)
Options exercised	2,235,000		1,053,750
Transfer from contributed surplus on option exercise			878,860
Warrants exercised	1,828,500		2,593,875
Transfer from contributed surplus on warrant exercise			944,668
Share issue costs			(728,223)
Balance, October 31, 2011	380,570,830	$	70,468,395

SHAREHOLDERS' EQUITY (continued)

During the year ended October 31, 2011, the Company completed several private placements as follows (see note 9):

i. In November and December 2010, the Company issued 4,450,000 flow through shares in two tranches, each consisting of 2,225,000 flow through shares at a purchase price of $0.90 per share totaling $2,002,500. The total raised gross proceeds were $4,005,000. The Company paid commission/finder's fees totaling $234,300 and issued 260,333 non-transferable warrants (see note 9). Each non-transferable warrant entitles the holder to purchase one non flow through common share at a purchase price of $0.75, exercisable at any time until the close of business on the expiry of 24 months.

ii. In March 2011, the Company completed an issuance of 3,000,000 flow-through units at a price of $1.25, for gross proceeds of $3,750,000. Each unit consisted of one flow through common share and one half of a non flow through purchase warrant. One full purchase warrant plus $1.50 entitles the holder to purchase a Copper Fox common share until expiry on December 31, 2011. In the event Copper Fox trades above $1.65 for ten (10) consecutive days, the purchase warrants, if unexercised, will expire 30 days thereafter. The Company paid commission/finder's fees totaling $243,750 and issued 195,000 non-transferrable warrants (see note 9). Each non-transferrable warrant entitles the holder to purchase one non flow-through common share at a purchase price of $1.25 until March 16, 2012.

iii. In October 2011, the Company completed an issuance of 1,851,852 units at a purchase price of $1.35 per unit, for aggregate net proceeds of $2,500,000. Each unit consisted of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.50 prior to 5.00 PM September 30, 2012. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.

   The Company also issued 1,851,852 common shares at an issue price of $1.35 to settle the debt in the amount of $2,500,000 previously advanced to the Company by Mr. Echavarria. Mr. Echavarria is a Director, an insider, and a control person of Copper Fox, as defined by the regulations of the TSX-Venture Exchange, and has from time to time made advances to the Company, as required, interest free and with no set terms of repayment.

iv. In October 2011, the Company completed an issuance of 1,481,482 units at a purchase price of $1.35 per unit, for aggregate net proceeds of $2,000,000. Each unit consists of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of CDN $1.50 prior to 5.00 PM October 31, 2012. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.

SHAREHOLDERS' EQUITY (continued)

In addition, the Company issued shares for property acquisitions as follows:

i. March 2011 – 1,250,000 non flow through common shares, at fair value of $1.83 per share for consideration of $2,287,500, issued for 2 mineral claims;
ii. September 2011 – 25,200 non flow through common shares, at fair value of $1.44 per share for consideration of $36,288, issued for 4 mineral claim blocks.

(See note 6 for details)

The Company issued 259,391 non flow through common shares as part of investment purchases (see note 5).

(c) Share purchase warrants:

Share Purchase Warrants	Number	Amount
Balance, October 31, 2008	17,006,225	$ 2,759,123
Issued	119,940,894	3,216,446
Expired	(17,006,225)	(2,759,123)
Balance, October 31, 2009	119,940,894	$ 3,216,446
Exercised	(119,940,894)	(3,216,446)
Balance, October 31, 2010	-	$ -
Issued	5,288,667	1,964,275
Exercised	(1,828,500)	(944,668)
Balance, October 31, 2011	3,460,167	$ 1,019,607

The fair value of the warrants issued during the year ending October 31, 2011 was determined using the Black-Scholes valuation model using the following assumptions:

Dividend yield	0.00%
Expected volatility	87% to 128%
Risk-free interest rate	0.95% to 1.70%
Expected life	.75 to 2 years

SHAREHOLDERS' EQUITY (continued)

(d) Contributed surplus:

Balance, October 31, 2009	$	8,302,682
Exercise of options		(13,327)
Stock based compensation		133,981
Balance, October 31, 2010		8,423,336
Exercise of options		(878,860)
Stock based compensation		2,367,633
Balance, October 31, 2011	$	9,912,109

(e) Stock options:

The Company established a stock option plan for its directors, officers, consultants and employees under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. During the year the Company granted 1,700,000 options to directors of the Company exercisable at $1.69 per option (2010 – 1,000,000 at $0.145 per option).

There are 10,560,000 stock options outstanding at October 31, 2011 with weighted average price of $0.57 per share. Options expire five years from the grant date. The outstanding options expire between February 2012 and March 2016. There are 10,393,319 options vested at October 31, 2011 with weighted average price of $0.58 per share.

Balance, October 31, 2009	11,485,000
Issued	1,000,000
Exercised	(40,000)
Expired	(1,350,000)
Balance, October 31, 2010	11,095,000
Issued	1,700,000
Exercised	(2,235,000)
Balance, October 31, 2011	10,560,000

The fair value of stock options vested during the year ended October 31, 2011 were from $0.089 to $1.3809 per option, resulting in compensation expense of $1,780,708 (2010 – $133,981). This amount is recorded to contributed surplus and upon exercise will be recorded as an increase to share capital.

SHAREHOLDERS' EQUITY (continued)

The fair value of the options issued during the years ended October 31, 2011 and 2010 have been determined using the Black-Scholes valuation model using the following assumptions:

	2011	2010
Dividend yield	0.00%	0.00%
Expected volatility	116%	126%
Risk-free interest rate	0.23%	2.42%
Expected life	5 years	5 years
Fair value	$ 1.38	$0.089 to $0.114

Outstanding options at October 31, 2011 are as follows:

Exercise Price	Issue Date	Expiry Date	Balance Outstanding	Balance Vested
$0.78	Feb-07	Feb-12	825,000	825,000
$0.97	Feb-07	Feb-12	635,000	635,000
$0.78	Sep-07	Sep-12	400,000	400,000
$0.85	Nov-07	Nov-12	200,000	200,000
$0.45	Jun-08	Jun-13	1,675,000	1,675,000
$0.10	Jul-09	Jul-14	1,000,000	833,319
$0.15	Oct-09	Sep-14	3,150,000	3,150,000
$0.15	Nov-09	Sep-14	1,000,000	1,000,000
$1.69	Mar-11	Mar-16	1,675,000	1,675,000
			10,560,000	10,393,319

8. PER SHARE AMOUNTS

Loss per share is computed by dividing net loss for the year by the weighted average number of shares outstanding. In computing loss per share the weighted average number of shares outstanding during the year ended October 31, 2011 were 371,626,823 (2010 – 290,223,364). Stock options and warrants granted by the Company during this period have not been included in the computation of loss per share as they are anti-dilutive.

9. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2011 Directors and officers of the Company charged $745,858 (2010 - $716,750) for management and technical services incurred on behalf of the Company. In addition, $431,903 (2010 – $142,733) of legal fees were paid during the year ended October 31, 2011 to a law firm of which one of the Company's directors is a partner. At October 31, 2011 $22,000 (2010 – $22,750) was included in accounts payable for management and technical services and $116,055 (2010 – $30,474) was included in accounts payable for legal fees. These transactions were recorded at the exchange amount agreed to by the related parties.

Also, the Company paid an investment dealer, of which one of the Company's Directors is an Officer and Director (1) $120,150 and issued 133,500 broker warrants (exercisable at $0.75 per share and expiring on December 15, 2012) for finder's fees in relation to the equity private placement which closed on December 15, 2010 and; (2) $243,750 and issued 195,000 broker warrants (exercisable at $1.25 per share and expiring on March 16, 2012) for finder's fees in relation to the equity private placement which closed on March 16, 2011 (see note 7).

In addition, during the year a Director loaned the Company $1,400,000. The loan bears no interest and has no fixed terms of repayment. These transactions were recorded at the exchange amount agreed to by the related parties.

10. ASSET RETIREMENT OBLIGATIONS

Balance, October 31, 2009	$	345,055
Increase to retirement obligation		50,336
Accretion of retirement obligation		28,088
Balance, October 31, 2010	$	423,479
Accretion of retirement obligation		49,076
Balance, October 31, 2011	$	472,555

The Company's asset retirement obligations result from exploration and drilling activities on the Company's properties. The Company estimates the total undiscounted amount of cash flows required to settle the asset retirement obligations to be approximately $750,000 (2010 - $750,000) which will be incurred no sooner than the next 10 years. A credit adjusted risk-free rate of 8% (2010 – 8%) and an inflation rate of 2% (2010 – 2%) were used to calculate the fair value of the asset retirement obligations.

11. INCOME TAXES

The following is a reconciliation of the income tax provision calculated at the combined federal and provincial income tax rates with the income tax provision in the statement of loss and deficit:

	2011	2010
Combined federal and provincial tax rate	26.75%	28.17%
Income tax reduction at combined rates	$ 1,038,537	$ 454,671
Increase/(decrease) resulting from:		
Stock based compensation	(476,339)	(37,742)
Non-deductible expenses and other	(1,226,781)	71,844
Share issue costs	182,056	-
Change in effective tax rates	(43,514)	(58,206)
Valuation allowance	526,041	(430,567)
Future income tax recovery	$ -	$ -

The components of future income taxes at October 31 are:

	2011	2010
Non-capital losses	$ 3,012,153	$ 2,498,616
Share issue costs	219,372	188,256
Asset retirement obligation	118,139	105,870
Mineral properties	97,566	1,289,046
ECE	108,526	-
Valuation allowance	(3,555,756)	(4,081,788)
Future income tax liability	$ -	$ -

The Company has non-capital losses for Canadian income tax purposes of approximately $12,049,000 (2010 - $9,994,000) which are available to reduce future years' taxable income. These losses expire commencing in 2012.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and shareholder loan. The carrying value of accounts receivable, accounts payable and accrued liabilities and shareholder loan approximate their fair value due to their demand nature or short terms to maturity.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

FINANCIAL INSTRUMENTS (continued)

Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its current obligations as they are due. The Company's approach to managing liquidity is to issue shares to raise cash in advance of incurring exploration costs.

The Company prepares annual capital and administrative budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes a purchase order system to authorize expenditures to further manage capital expenditures.

Market risk:
Market risk is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable limits, while maximizing returns.

As at October 31, 2011, if the Canadian dollar had weakened 5% against the United States dollar with all other variables held constant, the net loss for the year ended October 31, 2011 would have increased by approximately $3,900 (2010 - $1,200). An equal and opposite impact would have occurred had the Canadian dollar improved by 5% against the United States dollar. These changes relate to the Company's exposure on its United States dollar cash chequing account.

The Company has deposited its cash and cash equivalents with reputable financial institutions for which management believe the risk of loss to be remote.

The Company has not commenced production and does not currently have any other exposure to a significant market risk other than foreign currency risk referred to in the preceding paragraph.

13. CAPITAL MANAGEMENT

The Company considers its capital structure to include shareholders' equity and working capital. In order to operate, the Company from time to time issues shares to fund its capital spending and operational needs.

In order to facilitate the management of its capital requirements, the Company prepares annual capital and administrative expenditure budgets that are updated as necessary. The annual and any updated budgets are approved by the board of directors.

The Company's share capital is not subject to any external restriction. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

14. COMMITMENTS

The Company has a commitment with respect to its office leases in Calgary and Vancouver as follows:

Period	Nov 1, 2011 - Oct 31, 2012	Nov 1, 2012 - Oct 31, 2013	Nov 1, 2013 - Feb 28, 2014
Amount	$ 140,078	$ 113,818	$ 18,406

The Company had an obligation to spend $3,750,000 of qualified expenditures by December 31, 2011 related to the flow through shares issued during the year. The Company has satisfied this obligation as of October 31, 2011.

15. SUBSEQUENT EVENTS

In December 2011 the Company completed a non-brokered private placement financing consisting of 3,278,689 units at a purchase price of $1.22 per unit, for aggregate gross proceeds of $4,000,000. Each unit consists of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.35 prior to December 13, 2012. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.

In January 2012 the Company settled $1,400,000 of debt by way of issuance of 1,272,727 common shares of Copper Fox at an issue price of $1.10 per share.

In January 2012 the Company completed a non-brokered private placement financing consisting of 2,000,000 units at a purchase price of $1.10 per unit, for aggregate net proceeds of $2,200,000. Each unit consists of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.25 prior to January 30, 2013. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.