

Unaudited interim Financial Statements of

## **COPPER FOX METALS INC.**

Three and nine months ended July 31, 2009 and 2008

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Copper Fox Metals Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

*Signed: Elmer Stewart*

Elmer Stewart  
President and CEO

September 14, 2009

*Signed: Murray Hunter*

Murray Hunter  
Chief Financial Officer

# COPPER FOX METALS INC.

## Balance Sheets (unaudited)

	31-Jul-09	31-Oct-08
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,915,080	\$ 939,462
Accounts receivable	62,788	714,753
Prepaid expenses and deposits	241,039	241,240
	2,218,907	1,895,455
Mineral properties (Note 5)	8,717,522	38,971,959
Property and equipment (Note 4)	678,055	781,918
	\$ 11,614,484	\$ 41,649,332
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 321,588	\$ 3,954,481
Asset retirement obligations (note 9)	338,033	316,967
Future income taxes	-	2,167,646
Shareholders' equity:		
Share capital (note 6)	38,660,661	35,003,704
Share purchase warrants (note 6)	2,336,844	2,759,123
Contributed surplus (note 6)	7,488,923	4,920,997
Deficit	(37,531,565)	(7,473,586)
	10,954,863	35,210,238
Going concern (note 2)		
Commitment (note 10)		
	\$ 11,614,484	\$ 41,649,332

See accompanying notes to interim 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  
Three and nine months ended July 31  
(unaudited)

	Three Months Ended		Nine Months Ended	
	July 31, 2009	July 31, 2008	July 31, 2009	July 31, 2008
Expenses:				
Administration	\$ 219,242	\$ 466,710	\$ 592,763	\$ 1,199,885
Amortization and accretion	43,454	51,980	124,929	155,724
Insurance	47,772	76,593	47,772	137,282
Mineral property write down (note 5)	-	-	31,000,000	-
Professional Fees	89,903	61,681	311,588	237,765
Processing fees	47,742	45,614	67,030	69,690
Rent	5,702	7,281	23,483	24,670
Stock Based Compensation	29,901	626,705	24,610	787,788
Travel	7,140	27,083	33,829	110,852
Interest Income	-	(56,247)	(379)	(97,828)
Net loss and comprehensive loss before income taxes	490,856	1,307,400	32,225,625	2,625,828
Future income tax reduction	-	-	(2,167,646)	-
Net loss and comprehensive loss	490,856	1,307,400	30,057,979	2,625,828
Deficit, beginning of period	37,040,709	8,055,300	7,473,586	6,736,872
Deficit, end of period	\$ 37,531,565	\$ 9,362,700	\$ 37,531,565	\$ 9,362,700
Loss per share – basic and diluted (note 7)	\$ (0.00)	\$ (0.01)	\$ (0.25)	\$ (0.03)

See accompanying notes to interim financial statements.

# COPPER FOX METALS INC.

## Statements of Cash Flows

Three and nine months ended July 31  
(unaudited)

	Three Months Ended		Nine Months Ended	
	July 31, 2009	July 31, 2008	July 31, 2009	July 31, 2008
Cash provided by (used in):				
Operations:				
Net loss for the period	\$ (490,856)	\$ (1,307,400)	\$ (30,057,979)	\$ (2,625,828)
Items not involving cash:				
Amortization and accretion	43,454	51,980	124,929	155,724
Property write down	-	-	31,000,000	-
Stock-based compensation	29,901	626,705	24,610	787,788
Future income tax reduction	-	-	(2,167,646)	-
Change in non-cash working capital	(44,133)	(1,356,756)	674,017	(2,058,055)
	(461,634)	(1,985,471)	(402,069)	(3,740,371)
Financing:				
Issue of shares and warrants	5,777,994	5,125,079	5,777,994	11,798,317
	5,777,994	5,125,079	5,777,994	11,798,317
Investing:				
Mineral property expenditures	(129,102)	(6,228,692)	(745,563)	(8,420,685)
Additions to property and equipment	-	-	-	(7,684)
Change in non-cash working capital	(3,307,036)	2,619,743	(3,654,744)	2,619,743
	(3,436,138)	(3,608,949)	(4,400,307)	(5,808,626)
Increase/(decrease) in cash during period	1,880,222	(469,341)	975,618	2,249,320
Cash and cash equivalents, beginning of period	34,858	7,806,226	939,462	5,087,565
Cash and cash equivalents, end of period	\$ 1,915,080	\$ 7,336,885	\$ 1,915,080	\$ 7,336,885
Supplementary information:				
Interest received	\$ -	\$ 56,247	\$ 379	\$ 41,581

See accompanying notes to interim financial statements.

# **COPPER FOX METALS INC.**

## **Selected notes to interim Financial Statements**

**Three and nine months ended July 31, 2009 and 2008  
(unaudited)**

### **1. COMPANY OPERATIONS**

Copper Fox Metals Inc. ("Copper Fox" or the "Company") is incorporated under the Business Corporations Act of Alberta and is engaged in the exploration for and development of mining properties in Western Canada. Since inception the efforts of the Company have been devoted to identifying exploration and production licenses for acquisition and conducting exploration activities thereon. To date, the Company has not received revenue from these operations and is considered to be in the exploration and development stage.

### **2. GOING CONCERN**

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 July 31, 2009, the Company had working capital of \$1,897,319, a deficit of \$37,531,565 and a net loss and comprehensive loss for the quarter of \$490,856 and for the nine months ended July 31, 2009 a net loss and comprehensive loss of \$30,057,979. The Company's mineral license is at the exploration stage. The application of going concern is dependent upon the Company's ability to generate future profitable operations and obtain the necessary financing to do so.

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 inappropriate, and these adjustments could be material.

### **3. CAPITAL AND RISK MANAGEMENT**

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.

## **CAPITAL AND RISK MANAGEMENT (continued)**

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 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.

### **Financial Risk Management:**

The Company has exposure to the following risks:

*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 the market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

As at July 31, 2009, if the Canadian dollar had weakened 5% against the United States dollar with all other variables held constant, the net loss for the quarter ended July 31, 2009 would have increased by approximately \$6,400 (2008- \$4,600). 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 does not currently have any other exposure to a significant market risk other than foreign currency risk referred to in the preceding paragraph.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consist of the following:

	Cost	Accumulated Amortization	Net Book Value July 31, 2009	Net Book Value October 31, 2008
Buildings	\$ 549,000	\$ 114,718	\$ 434,282	\$ 469,494
Property & equipment	601,598	371,664	229,934	294,612
Leasehold improvements	1,197	807	390	459
Computer equipment	38,872	25,423	13,449	17,353
	\$ 1,190,667	\$ 512,612	\$ 678,055	\$ 781,918

#### 5. MINERAL PROPERTY

	Balance October 31, 2008	Expenditures	Balance July 31, 2009
Acquisition of property rights	\$ 100	\$ -	\$ 100
Technical analysis	38,591,110	745,563	39,336,673
Property write down	-	(31,000,000)	(31,000,000)
Licenses and permits	106,623	-	106,623
Asset retirement costs	274,126	-	274,126
	\$ 38,971,959	\$ (30,254,437)	\$ 8,717,522

By way of an Agreement which provides the terms and conditions for the acquisition from Teck Resources Ltd. ("Teck"), the Company holds the sole and exclusive right and option to acquire 100% of Teck's interest in the Schaft Creek property, located in British Columbia. Teck holds a 70% direct participating interest and an indirect 23.4% carried interest in Schaft Creek. Teck has a Back-In Right, which it may exercise, to buy back into Schaft Creek at any time up until the Back-In Right expires, which is 120 days after the delivery of a Feasibility Study by the Company. The option consists of two parts whereby:

- The Company may acquire the 70% direct interest by incurring \$5,000,000 in expenditures on or before December 31, 2006 and aggregate expenditures of \$15,000,000 on or before December 31, 2011; and
- The Company may acquire the additional 23.4% indirect interest at any time after incurring the \$5,000,000 in expenditures by completing a positive Bank Feasibility Study. If the Company has delivered a Feasibility Notice to Teck prior to completing the \$15,000,000 in expenditures, the Company will, in addition to having acquired the indirect interest, be deemed to have exercised the Option as to the direct interest.



## **MINERAL PROPERTY (continued)**

The Company has earned the 70% direct participating interest held by Teck by incurring the required expenditures required in the option agreement outlined in item (a) above.

For the three and nine months ended July 31, 2009 the Company has capitalized \$35,975 (2008 - \$16,815) and \$86,770 (2008 - \$38,446) of management and technical services from its directors and officers (see note 8).

During the first quarter, the mineral properties were written down by \$31,000,000 based on a proposed merger with another company.

At July 31, 2009, there are no encumbrances registered on the mineral property.

## **6. 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, 2007	82,897,737	\$ 27,066,951
Options exercised during period	1,215,000	258,500
Flow through shares issued	20,853,848	9,384,232
Non Flow through shares issued	7,535,000	3,014,000
Value ascribed to warrants		(2,301,045)
Transfer from contributed surplus		243,356
Share issue costs		(858,415)
Future taxes on renounced expenditures		(1,803,875)
Balance, October 31, 2008	112,501,585	35,003,704
Non Flow through shares issued	106,666,669	6,000,000
Value ascribed to warrants		(2,121,037)
Share issue costs		(222,006)
Balance, July 31, 2009	219,168,254	\$ 38,660,661

During the three months ended July 31, 2009, the Company granted 106,666,669 units for a purchase price of \$0.05625 per Unit. 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

## **SHAREHOLDERS' EQUITY continued**

common share of Copper Fox for an exercise price of CDN \$0.075 prior to 5:00pm on July 13, 2010. Included in the offering were 1,444,445 units issued to directors and officers of the Company.

### (c) Share purchase warrants:

As at July 31, 2009 warrants to purchase common shares are outstanding as follows:

	Number of Warrants	Amount
Balance, October 31, 2008	17,006,225	\$ 2,759,123
Warrants issued	108,052,554	2,121,037
Warrants expired	(16,473,337)	(2,543,316)
Balance, July 31, 2009	108,585,442	\$ 2,336,844

The fair value of the warrants issued during the nine month period ending July 31, 2009 have been determined using the Black-Scholes valuation model using the following assumptions:

Dividend yield	0.00%
Expected volatility	154.38 to 160.91%
Risk-free interest rate	1.04 to 1.33%
Expected life	1 year

### (d) Contributed surplus:

	31-Jul-09	31-Oct-08
Balance, beginning of period	\$ 4,920,998	\$ 3,533,520
Stock based compensation	24,609	922,752
Capitalized stock based compensation	-	707,269
Warrants expired	2,543,316	812
Options exercised	-	(243,355)
Balance, end of period	\$ 7,488,923	\$ 4,920,998

### (e) Stock options and stock based compensation:

There are 7,785,000 stock options outstanding at July 31, 2009 with weighted average price of \$0.57 per share. Of these, 7,118,333 are vested with a weighted average price of \$0.61.

## **SHAREHOLDERS' EQUITY continued**

Options expire between three and five years from the grant date. The outstanding options expire between July 2011 and June 2014.

	Number Of Options
Balance, October 31, 2008	8,898,000
Options issued	1,000,000
Options expired	(2,113,000)
Balance, July 31, 2009	7,785,000

The fair value of stock options vested during the nine month period ended July 31, 2009 were from \$0.03 to \$0.09 per option, resulting in compensation expense of \$24,610 (2008 - \$1,549,138). This amount is recorded to contributed surplus and upon exercise will be recorded as an increase to share capital.

The fair value of the options issued during the nine month period ended July 31, 2009 have been determined using the Black-Scholes valuation model using the following assumptions:

Dividend yield	0.00%
Expected volatility	124 to 126%
Risk-free interest rate	1.61 to 2.44%
Expected life	5 years

## **7. PER SHARE AMOUNTS**

The weighted average number of common shares used to calculate the net loss per share for the three and nine month period ended July 31, 2009 was 119,597,324 and (2008 – 94,973,524 and 89,973,524), respectively. The effect of outstanding options and warrants is anti-dilutive for the three and nine months ended July 31, 2009 and 2008.

## **8. RELATED PARTY TRANSACTIONS**

During the three and nine months ended July 31, 2009 directors and officers of the Company incurred \$141,200 (2008 - \$173,825) and \$334,703 (2008 - \$477,628) for management and technical services on behalf of the Company. At July 31, 2009 \$61,847 (2008 – \$30,070) is included in accounts payable. These transactions were recorded at the exchange amount agreed to by the related parties.

Included in accounts payable at July 31, 2009 is an amount due to a company controlled by a former Director of Copper Fox for \$Nil (2008 – \$492,986).

## 9. ASSET RETIREMENT OBLIGATIONS

Balance, October 31, 2008	\$ 316,967	Balance, October 31, 2007	\$ 266,717
Accretion of retirement obligation	21,066	Accretion of retirement obligation	19,386
Balance, July 31, 2009	\$ 338,033	Balance, July 31, 2008	\$ 286,103

## 10. COMMITMENT

The Company has established a \$75,000 university bursary, to a deserving student within the Tahltan Nation, over a 5 year period commencing in the Company's 2007 fiscal year and ending in 2011. The remaining balance at July 31, 2009 is \$45,000.

## 11. CHANGE IN ACCOUNTING POLICIES

*International Financial Reporting Standards:* In February, 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be required for publicly accountable enterprises' interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Copper Fox will be required to begin reporting under IFRS for its fiscal year beginning November 1, 2011. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.