Audited Financial Statements of

COPPER FOX METALS INC.

Years ended October 31, 2009 and 2008

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Copper Fox Metals Inc. as at October 31, 2009 and 2008 and the statements of loss and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2009 and 2008 and the results of its 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 23, 2010

COPPER FOX METALS INC.

Balance Sheets
As at October 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 2,638,927	$ 939,462
Accounts receivable	62,933	714,753
Prepaid expenses and deposits	349,603	241,240
	3,051,463	1,895,455
Mineral properties (note 6)	9,855,549	38,971,959
Property and equipment (note 5)	648,751	781,918
	$ 13,555,763	$ 41,649,332
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 507,122	$ 3,954,481
Asset retirement obligations (note 10)	345,055	316,967
Future income taxes (note 11)	-	2,167,646
Shareholders' equity:		
Share capital (note 7)	37,182,648	35,003,704
Share purchase warrants (note 7)	3,216,446	2,759,123
Contributed surplus (note 7)	8,302,682	4,920,997
Deficit	(35,998,190)	(7,473,586)
	12,703,586	35,210,238
	$ 13,555,763	$ 41,649,332
Going concern (note 2)		
Commitments (note 14)		
Related party transactions (note 9)		

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, 2009 and 2008

		2009		2008
Expenses:				
Administration	$	904,285	$	1,478,042
Amortization and accretion		166,782		207,704
Professional fees		533,176		291,044
Processing fees		86,419		80,403
Mineral property write down (note 6)		31,000,000		-
Rent		30,710		33,364
Stock based compensation (note 7)		340,688		922,752
Travel		91,230		165,746
Exchange gain		(9,774)		(51,145)
Interest income		-		(116,214)
Loss before income taxes		33,143,516		3,011,696
Future income tax (reduction)		(4,618,912)		(2,274,982)
Net loss and comprehensive loss		28,524,604		736,714
Deficit, beginning of year		7,473,586		6,736,872
Deficit, end of year	$	35,998,190	$	7,473,586
Loss per share – basic and diluted (note 8)	$	(0.19)	$	(0.01)

See accompanying notes to financial statements.

COPPER FOX METALS INC.

Statements of Cash Flows
Years ended October 31, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Net loss for the period	$ (28,524,604)	$ (736,714)
Items not involving cash:		
Amortization and accretion	166,782	207,704
Mineral property write down	31,000,000	-
Stock-based compensation	340,688	922,752
Future income tax (reduction)	(4,618,912)	(2,274,982)
Change in non-cash working capital	688,691	(302,040)
	(947,355)	(2,183,280)
Financing:		
Issue of shares and warrants, net of issue costs	7,752,698	11,798,317
Investing:		
Mineral property expenditures	(1,507,758)	(15,599,833)
Additions to property and equipment	(5,527)	(7,684)
Net change in non-cash working capital	(3,592,593)	1,844,377
	(5,105,878)	(13,763,140)
Increase/(decrease) in cash during year	1,699,465	(4,148,103)
Cash and cash equivalents, beginning of year	939,462	5,087,565
Cash and cash equivalents, end of year	$ 2,638,927	$ 939,462
Supplementary information:		
Interest received	$ -	$ 116,214

See accompanying notes to financial statements.

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 earned any 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 October 31, 2009, the Company had working capital of $2,544,341 and a deficit of $35,998,190 and had incurred a net loss of $28,524,604 for the year, which includes a write down of its mineral property of $31,000,000. The Company's mineral license is in the exploration stage.

Additional sources of financing will be necessary for the Company to continue exploration and development of its property. Management is seeking equity financing for the Company and although management has been successful in the past, there is no assurance that these initiatives will be successful in the future.

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. 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 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 expand existing capacity and develop new ore bodies are capitalized.

Exploration expenditures are charged to earnings in the period incurred except where these costs relate to specific properties in which case they are deferred. 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 net cash flows expected to result from the use 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 obligation:

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. The provision for future income taxes is increased and share capital is reduced when the tax deductions are renounced.

(g) Stock-based compensation:

The Company uses the fair value method of accounting for the cost of stock-based compensation granted to employees, directors and others. 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, and accounts payable and accrued liabilities. 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 and accrued liabilities are classified as other liabilities which are measured at amortized cost.

(k) 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 revenues and 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. CHANGES IN ACCOUNTING POLICIES

Financial Instruments - Disclosure

In May 2009, the Canadian Institute of Chartered Accountants amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The Company has adopted these amendments in these financial statements.

Mining Exploration Costs

On March 27, 2009, the AcSB issued EIC-174 "Mining Exploration Costs". In this EIC the Committee provided additional guidance for an enterprise that has initially capitalized exploration costs and has an obligation in the current and subsequent accounting periods to test

CHANGES IN ACCOUNTING POLICIES (continued)

such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has adopted EIC-174 in these financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

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.

Business Combinations

In January 2009, the CICA issued Section 1582 "Business Combinations". This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after November 1, 2011 for the Company. Early adoption is permitted. This section replaces Section 1581 "Business Combinations" and harmonizes the Canadian standards with IFRS.

5. PROPERTY AND EQUIPMENT

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

	Cost	Accumulated Amortization	Net Book Value October 31, 2009
Buildings	$ 549,000	$ 126,456	$ 422,544
Property & equipment	601,598	393,222	208,376
Leasehold improvements	1,197	830	367
Computer equipment	44,399	26,935	17,464
	$ 1,196,194	$ 547,443	$ 648,751

	Cost	Accumulated Amortization	Net Book Value October 31, 2008
Buildings	$ 549,000	$ 79,506	$ 469,494
Property & equipment	601,598	306,986	294,612
Leasehold improvements	1,197	738	459
Computer equipment	38,872	21,519	17,353
	$ 1,190,667	$ 408,749	$ 781,918

6. MINERAL PROPERTIES

	Balance October 31, 2008	Expenditures	Balance October 31, 2009
Acquisition of property rights	$ 100	$ -	$ 100
Technical analysis	38,591,110	1,883,590	40,474,700
Licenses and permits	106,623	-	106,623
Asset retirement costs	274,126	-	274,126
Mineral property write down	-	(31,000,000)	(31,000,000)
	$ 38,971,959	$ (29,116,410)	$ 9,855,549

	Balance October 31, 2007	Expenditures	Balance October 31, 2008
Acquisition of property rights	$ 100	$ -	$ 100
Technical analysis	22,043,752	16,547,358	38,591,110
Licenses and permits	106,623	-	106,623
Asset retirement costs	254,224	19,902	274,126
	$ 22,404,699	$ 16,567,260	$ 38,971,959

MINERAL PROPERTIES (continued)

Copper Fox is a Canadian-based resource company listed on the TSX-Venture Exchange (CUU). Copper Fox's activities are focused exclusively on Schaft Creek, one of the largest undeveloped copper, gold, molybdenum and silver deposits in Canada.

Copper Fox holds a 100% interest in the Schaft Creek project subject to 30% net proceeds interest held by Liard Copper Mines Limited, a Company 78% owned by Teck Resources Limited ("Teck"), the "indirect interest". Copper Fox will earn Teck's indirect interest, which is equivalent to 23.4% of the project, upon completion of a feasibility study. Under the option agreement Teck has an earn back option.

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 bankable 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.

During the first quarter the Company wrote down the carrying value of its mineral property by $31,000,000 based on the implied fair value of the proposed transaction with Lions Gate Metals Inc. This proposed transaction was terminated in April 2009.

The Company has capitalized $290,405 (2008 - $254,479) of management and technical services provided by five of its directors (see note 9). In addition, $281,874 (2008 - $707,269) of compensation expense has been capitalized (see note 7 (d)). The future tax liability of $93,958 (2008 - $235,756) associated with the capitalized stock based compensation has also 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.

SHAREHOLDERS' EQUITY (continued)

(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	129,855,075		8,000,000
Value ascribed to warrants			(3,165,100)
Share issue costs			(298,648)
Future taxes on renounced expenditures			(2,357,308)
Balance, October 31, 2009	242,356,660	$	37,182,648

During the year, the Company issued 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 common share of Copper Fox for an exercise price of $0.075 exercisable at any time until the close of business on July 13, 2010.

The Company also issued 23,188,405 units at a price of $0.08625 per "unit". Each unit consisted of one common share and one-half of a common share purchase warrant. Each full warrant will entitle the purchaser to purchase one common share at a price of $0.115 per common share, exercisable at any time until the close of business on October 21, 2010.

In addition, the Company has issued agent warrants of 1,385,884 exercisable until July 13, 2010 at a price of $0.075 and agent warrants of 292,133 exercisable until October 21, 2010 at a price of $0.115 per common share. The fair value of these warrants was estimated to be $51,346 and was included in share issue cost.

Flow through shares issued by the Company have resulted in the renouncement of Canadian Exploration Expenditures (CEE) that would otherwise be available for deduction in computing the taxable income for income tax purposes. As at October 31, 2009, the Company has renounced $24,778,056 (2008 - $15,348,824) in CEE through the issuance of flow through shares.

SHAREHOLDERS' EQUITY (continued)

Of the shares issued during the year ended October 31, 2009, 103,854,156 (2008 – 44,445) were issued to directors and/or officers of the Company.

The Company adopted a shareholder rights plan ("the Plan"). The Plan is designed to encourage the fair and equal treatment of shareholders in connection with any take-over bid for the outstanding securities of the Company. Under the terms of the Plan, one right will be issued by the Company to each outstanding common share exercisable only if a person acquires, or announces its intention to acquire, 20% or more of the common shares of the Company without complying with the "permitted bid" provisions of the Plan, or without approval of the Company's Board of Directors.

Should such a bid occur, Rights holders (other than the acquiring person or related persons) can purchase common shares of the Company at a substantial discount to the prevailing market price (as defined in the Plan) at the time the Rights become exercisable. "Permitted bids" under the Plan must be made to all holders of Copper Fox's common shares and must be open for acceptance for a minimum of 60 days. If at the end of 60 days at least 50% of the outstanding common shares, other than those owned by the bidder and certain related parties, have been tendered and not withdrawn, the bidder may take up and pay for shares but must extend the bid for a further 10 days to allow other shareholders to tender to the bid.

(a) Share purchase warrants:

Share Purchase Warrants	Number	Amount
Balance, October 31, 2007	1,621,210	458,890
Issued	15,388,515	2,301,045
Expired	(3,500)	(812)
Balance, October 31, 2008	17,006,225	2,759,123
Issued	119,938,897	3,216,446
Expired	(17,006,225)	(2,759,123)
Balance, October 31, 2009	119,938,894	$ 3,216,446

SHAREHOLDERS' EQUITY (continued)

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

Exercise Price	Expiry Date	Fair Value	Number of Warrants	Amount
$ 0.075	1-Jun-10	$ 0.02	10,968,759	$ 213,729
0.075	16-Jun-10	0.02	8,156,509	187,671
0.075	13-Jul-10	0.02	88,927,285	1,983,877
0.115	21-Oct-10	0.07	11,886,341	831,169
			119,938,894	$ 3,216,446

The fair value of the warrants issued during the year ending October 31, 2009 has been determined using the Black-Scholes valuation model using the following assumptions:

	2009	2008
Dividend yield	0.00%	0.00%
Expected volatility	167 to 172%	99.17 to 99.79%
Risk-free interest rate	1.25 to 1.37%	2.63 to 2.74%
Expected life	1 year	1 year

(b) Contributed surplus:

Balance, October 31, 2007	$ 3,533,520
Stock based compensation	922,752
Capitalized stock based compensation	707,269
Warrants expired	812
Options exercised	(243,356)
Balance, October 31, 2008	4,920,997
Stock based compensation	622,562
Warrants expired	2,759,123
Balance, October 31, 2009	$ 8,302,682

(c) Stock options and stock based compensation:

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 4,700,000 options to directors, officers,

SHAREHOLDERS' EQUITY (continued)

employees and consultants of the Company exercisable at $0.10 to $0.145 per option (2008 – 3,375,000 at $0.45 to $0.85 per option).

The fair value of stock options granted during the year ended October 31, 2009 were $0.09 to $0.16 per option (2008 $0.08 to $1.05), resulting in compensation expense of $622,562 (2008 - $1,630,021) including $281,874 (2008 - $707,269) being capitalized to the mineral properties. This amount is recorded to contributed surplus and upon exercise will be recorded as an increase to share capital. Assumptions used in determining stock based compensation related to these options using the Black-Scholes Valuation model as follows:

	2009	2008
Dividend yield	0.00%	0.00%
Expected volatility	125 to 126%	115 to 120%
Risk-free interest rate	2.32 to 2.44%	2.98 to 4.22%
Expected life	5 years	5 years

Options	Number Of Options
Balance, October 31, 2007	6,738,000
Issued	3,375,000
Exercised	(1,215,000)
Balance, October 31, 2008	8,898,000
Issued	4,700,000
Expired	(2,113,000)
Balance, October 31, 2009	11,485,000

SHAREHOLDERS' EQUITY (continued)

Outstanding options at October 31, 2009 are as follows:

Exercise Price	Issue Date	Expiry Date	Balance Outstanding	Balance Vested
$0.51	Jul-06	Jul-11	1,485,000	1,485,000
$0.56	Sep-06	Feb-11	140,000	140,000
$0.78	Feb-07	Feb-12	775,000	775,000
$0.97	Feb-07	Feb-12	1,360,000	1,360,000
$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	2,425,000	2,425,000
$0.10	Jul-09	Jul-14	1,000,000	394,442
$0.15	Oct-09	Sep-14	3,700,000	3,700,000
			11,485,000	10,879,442

8. PER SHARE AMOUNTS

Loss per share is computed by dividing net loss for the period 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, 2009 was 147,118,469 (2008 – 97,435,315) common shares. 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, 2009 directors and officers of the Company incurred $634,571 (2008 - $620,482) for management and technical services on behalf of the Company. In addition, $148,216 of legal fees were paid during the year ended October 31, 2009 (2008 – Nil) of which one of the Company's Directors is a partner. At October 31, 2009 $70,450 (2008 – $38,312) is included in accounts payable for management and technical services and $68,688 (2008 – Nil) is included in accounts payable for legal fees. These transactions were recorded at the exchange amount agreed to by the related parties.

10. ASSET RETIREMENT OBLIGATIONS

	2009	2008
Balance, beginning of year	$ 316,967	$ 266,717
Increase to retirement obligation	-	24,402
Accretion of retirement obligation	28,088	25,848
Balance, end of year	$ 345,055	$ 316,967

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 $376,000 (2008 - $376,000) which will be incurred no sooner than the next 2 years. A credit adjusted risk-free rate of 10% and an inflation rate of 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:

	2009	2008
Combined federal and provincial tax rate	29.08%	29.94%
Income tax reduction at combined rates	$ 9,638,134	$ 901,601
Decrease resulting from:		
Stock based compensation	(99,072)	(276,241)
Non-deductible expenses and other	(55,941)	262,767
Share issue costs	74,662	214,604
Change in effective tax rates	(1,351,191)	173,027
Valuation allowance	(3,587,680)	999,224
Future income tax recovery	$ 4,618,912	$ 2,274,982

The components of future income taxes at October 31 are:

	2009	2008
Non-capital losses	$ 2,021,596	$ 1,485,551
Share issue costs	258,438	486,002
Asset retirement obligation	86,264	79,242
Mineral properties	1,284,923	(4,154,900)
Valuation allowance	(3,651,221)	(63,541)
Future income tax liability	$ -	$ (2,167,646)

INCOME TAXES (continued)

The Company has non-capital losses for Canadian income tax purposes of approximately $8,058,000 (2008 - $5,942,000) which are available to reduce future years' taxable income. These losses expire commencing in 2010, with approximately $210,000 before 2014 and the remainder for the years ended between 2025 and 2028.

12. FINANCIAL INSTRUMENTS

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

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	October 31, 2009	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 2,638,927	$ 2,638,927
Accounts receivable	62,933	62,933
Prepaid deposits	108,574	108,574
Accounts payable	(507,122)	(507,122)
	$ 2,303,312	$ 2,303,312

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

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

FINANCIAL INSTRUMENTS (continued)

market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company has not commenced production.

As at October 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 year ended October 31, 2009 would have increased by approximately $6,600 (2008 - $7,700). 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.

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 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 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 Company advanced $15,000 in 2009 (2008 - $15,000) with $30,000 remaining to be paid against this commitment at October 31, 2009.

The Company has a commitment with respect to its office lease of $23,184 payable in the year ending October 31, 2010.

15. SUBSEQUENT EVENT

As described in Note 6 of these financial statements, the Company now holds a 100% interest in the Schaft Creek project subject to a 30% net proceeds interest royalty held by Liard Copper Mines Limited, a company 70% owned by Teck, the "indirect interest". Formal transfer of this interest took place in February 2010.