

# COPPER FOX METALS INC

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## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2010

February 15, 2011

## **Introduction**

This management's discussion and analysis ("MD&A") should be read in conjunction with Copper Fox Metals Inc's (the "Company" or "Copper Fox") audited annual financial statements for the year ended October 31, 2010 and related notes thereto. Technical information contained in this MD&A has previously been disseminated by way of news release and is filed on Sedar at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.copperfoxmetals.com](http://www.copperfoxmetals.com). The reader should be aware that historical results are not necessarily indicative of future performance (readers should refer to "Forward Looking Statements" on pages 9 and 10). The effective date of this MD&A is February 15, 2010. All amounts are in Canadian dollars unless otherwise stated.

## **Description of Business**

Copper Fox is a Canadian-based resource company listed on the TSX-Venture Exchange (CUU) involved in the exploration and development of a "Giant Porphyry" copper-molybdenum-gold-silver mineral deposit located at Schaft Creek in northwest British Columbia, Canada.

Copper Fox holds title and a 100% working interest in a contiguous 21,025 hectares (51,954 acres) property which includes the Schaft Creek deposit subject to certain royalty agreements, a 30% carried interest held by Liard Copper and an option held by Teck Resources Limited ("Teck"). Copper Fox is currently earning a 78% interest in Liard Copper from Teck. Teck's earn back option to acquire either, 20%, 40% or 75%, of the Schaft Creek project is triggered upon completion of a positive Feasibility Study. Should Teck elect to exercise its option for 75% they are required to fund subsequent property expenditures up to a total of 400% of those incurred by Copper Fox (\$57.2 million to December 31, 2010) and arrange for project financing, including the Copper Fox portion. For full details of the option please refer to the Company's website [www.copperfoxmetals.com](http://www.copperfoxmetals.com).

In addition Copper Fox owns a further contiguous group of mineral claims encompassing 3,937 hectares not subject to the Teck option agreement.

### **Schaft Creek – A New Perspective:**

The Schaft Creek deposit was explored between the early 1960's and the mid 1980's. Since that time the understanding of porphyry deposits has advanced considerably. The discovery of high-grade copper-gold mineralization at depth below the Red Chris porphyry deposit located in northwest British Columbia has changed the thinking related to the possibility of finding deep higher grade mineralization below what typically was thought to be moderate to low grade porphyry deposits.

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Schaft Creek is no exception. The work completed in 2010 clearly shows a large zone of higher grade mineralization at depth which could have significant depth extent, possibly in excess of 800m. The depth of the drilling completed at Schaft Creek prior to the 2010 drilling averaged 226m, a very shallow depth in terms of porphyry deposits.

The majority of the resources defined to date at Schaft Creek are in what was formerly referred to as the Liard Zone. The 2010 geophysical program combined with the drilling completed prior to 2010 strongly suggests this zone occurs on the flank of the deposit and the former Paramount Zone, at the north end of the deposit, is the core of the porphyry system, where deep and higher grade mineralization would be expected to occur. So far, the drilling completed in the Paramount Zone in 2010 supports this interpretation.

At the north end of the Schaft Creek deposit (the Paramount Zone), the 2010 geophysical programs clearly show that the chargeability anomaly which is interpreted to represent this deposit has a sharp upper edge and does not extend to surface at the eastern edge of the anomaly. As the topography rises toward Mount LaCasse, the upper edge of the chargeability anomaly occurs at deeper levels toward the east.

The historical drill holes completed at the northern portion of the deposit were too shallow to intersect the upper edge of the chargeability anomaly identified in 2010. This strongly suggests that a considerable portion of the Schaft Creek deposit has not been tested by diamond drilling.

### Feasibility Study – Strategy:

The value of a mineral project has two components, the Net Present Value of a mineral deposit based on a feasibility study and the value related to the potential of finding additional mineralization.

Copper Fox is working toward completing a feasibility study on the Schaft Creek deposit. A major component of the value attributed to the Schaft Creek deposit will be the revised estimate of the grade of the resource, expected to be completed at the end of March 2011. Due to the limited amount of drilling completed, only a portion of the deep zone of higher grade mineralization intersected in 2010 will be included in the resource estimate. Additional drill testing, after completion of the feasibility study of the deep zone of higher grade mineralization if successful, is expected to add considerable value to the Schaft Creek project.

In "porphyry districts" a number of deposits typically occur. The Schaft Creek project covers a large area of which only approximately 1,500 acres of the 50,000 acre property have been explored using modern exploration techniques. To try and identify/add value to the Schaft Creek project over and above that established by the feasibility study, Copper Fox is considering the merits of completing a high sensitivity airborne geophysical survey over the entire Schaft Creek property to identify other potential areas of porphyry style mineralization. If successful, a limited amount of geophysical work and diamond drilling would be required to test these targets.

## Feasibility Study – Strategic Parameters:

Prior to commencing work on the feasibility study, Copper Fox identified four aspects of the preliminary feasibility study that would have a direct impact on the ability to improve the economics of the Schaft Creek deposit. These are: i) “higher-grade” starter pit, ii) increasing the daily milling rate, iii) reducing capital costs, and iv) a realistic resource estimate geared toward maximizing the economic return/benefits of the Schaft Creek deposit over the life of mine.

In order to achieve two of the four points illustrated above, additional field work consisting of a “state of the art” geophysical survey and a limited diamond drilling program was required.

The objective of the geophysical program was to identify the geophysical signature of the Schaft Creek deposit for reference purposes which could be used to demonstrate that the proposed area of the mill site and other infrastructure did not contain, or have the possibility to contain, a mineral inventory.

The updated geological model was instrumental in locating an area that had the potential to host a higher-grade starter pit. The geological model combined with the results of the 2010 geophysical programs strongly indicated that the copper-gold-molybdenum-silver mineralization in the northern portion of the Schaft Creek deposit had a considerable depth extent. The objectives of the diamond drilling program were to identify a near surface “higher-grade” starter pit and at the same time test the mineral potential of the geophysical anomaly at depth and along strike.

## Highlights

During the quarter, Copper Fox’s activities focused on completing the work necessary to update the resource estimate and the feasibility study on the Schaft Creek deposit. Field work completed in the quarter included prospecting, mapping, compilation of historical data, a second geophysical survey, diamond drilling and additional environmental baseline studies.

### **Financial:**

During the year, Copper Fox received \$9.5 million in cash from the exercise of warrants and incurred an additional \$11.5 million of capital expenditures related to the Schaft Creek Project.

### **Field work:**

- six diamond drill holes were completed in an area that measures approximately 600m by 200m wide to outline a “higher-grade” starter pit;

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- the drilling intersected an intrusive breccia of unknown thickness and strike length at depth that contains significantly higher grades of copper-gold-molybdenum-silver. This higher-grade zone is open at depth and to the east under Mount LaCasse;
- the Induced Polarization/Resistivity (chargeability) anomaly outlined by the geophysical surveys completed in 2010 strongly suggest that the Schaft Creek mineral deposit extends a significant distance to the north, the east and at depth beyond the limits of the diamond drilling;
- the chargeability anomaly shows that at the north end of the Schaft Creek deposit, the mineralization could extend beyond a vertical depth of 800m being the limit of detection for the Titan-24 geophysical system. At a depth of 800m the chargeability anomaly is approximately 1,000m long by 400m wide; and
- environmental baseline studies show that the Schaft Creek deposit contains a very low amount (estimated 5%) of potential acid generating rock and that the streams in the immediate vicinity of the proposed open pit mine, waste rock storage areas and tailings areas are non fish bearing.

## **Operating Activities**

### **Feasibility Study:**

All the technical work required for an updated resource estimate has been completed and the Company is working with its contractors to complete the resource update before the end of March 2011. If the resource estimate is completed before the end of March, 2011, the feasibility study is expected to be completed by the end of June 2011.

During the quarter, Wardrop, a Tetra Tech Company, the main contractor for the feasibility study, finalized the site layout, design of the infrastructure including mill, reagent and explosive facilities, road system and maintenance facilities. Wardrop also completed studies on the options available to the Company for transportation and shipping facilities of bulk concentrate for smelting and refining. The metallurgical process and expected mill recoveries were also reviewed and finalized during the quarter. Quotes from suppliers for the main components of the proposed open pit mine, milling facility and infrastructure were requested and are expected to be received before the end of March 2011.

Knight Piésold Ltd. completed the Tailing Storage Facility Design, the proposed location of the tailings pipeline, reclaim water design for the processing plant and the design parameters for the site water management. Based on the geotechnical drilling completed during the third quarter, the site for the milling and maintenance facilities as well as other components of the infrastructure were finalized during the quarter.

BGC Engineering completed the potential geo-hazards assessment for the access road and power line to the Schaft Creek site.

**Resource Estimation:**

One of the key components of a feasibility study is the average grade of the metals contained in the resource estimate which is then used to estimate proven and probable mineral reserves and the life of mine plan. The results of the 2010 drilling strongly suggested that a significant portion of the north end of the Schaft Creek deposit could contain significantly higher grades of copper-gold-molybdenum-silver that has not been tested by diamond drilling. Small increases in metal content in large porphyry deposits such as Schaft Creek can have a significant impact on the Net Present Value of the deposit. With the strong possibility of including higher grade mineralization into the resource estimate, completion of the resource estimate was deferred to include the assay results from the 2010 diamond drilling and core re-sampling program. These assays have been received and are being entered into the Schaft Creek data base which has to undergo QA/QC testing prior to delivery to AMEC Americas Limited (AMEC)

AMEC has completed a considerable number of tests and work required to complete the updated resource estimate. On receipt of the data base, AMEC will complete the final phases of the resource estimate which is expected by the end of March 2011.

**Environmental Assessment Application:**

During the quarter, Copper Fox worked with the Tahltan Heritage Resources Environmental Assessment Team and provincial and federal regulators to complete the Application Information Requirement (formerly the Terms of Reference) for the Environmental Assessment (EA) Application for the Schaft Creek project. The collection of environmental base line data including detailed environmental and socio-economic studies related to development of the Schaft Creek deposit continued during the quarter.

A thirty day public consultation to obtain comments from interested parties and communities that may be affected by the development of the Schaft Creek project was completed during the quarter. The purpose of these consultations was to finalize the Application Information Requirements (AIR) the last major milestone in the pre-Application stage of the environmental assessment process for the Schaft Creek project.

Copper Fox engaged Stantec Consulting Ltd. (Stantec) to assemble the environmental data collected over the past five years and to prepare the Environmental Assessment (EA) Application for the Schaft Creek project. Copper Fox continues to advance the Schaft Creek Project through the British Columbia (BC) and federal environmental assessment (EA) process and is working closely with the Canadian Environmental Assessment Agency and the BC Environmental Assessment Office to harmonize the EA process for Schaft Creek.

The Company's goal is to minimize the impact on the environment. Working in conjunction with provincial, federal and Tahltan Heritage Resources Environmental Assessment Team representatives should allow the development of the Schaft Creek Project in an environmentally responsible manner. Following the mandatory review period of the EA

Application, Copper Fox expects to obtain a BC Environmental Assessment Certificate and an approval under the Canadian Environmental Assessment Act in the fourth quarter of 2011.

## **Field Operations**

### **Geophysical Survey:**

The Quantec Titan-24 DCIP and MT system is a "State of the Art" geophysical tool used to explore for porphyry style copper mineralization. During the quarter, a second Titan-24 survey (22.4 kilometres in five lines) was completed over the Schaft Creek deposit. The Titan-24 survey typically images DC resistivity to depths of 500-750m and the IP (chargeability) typically images to 500-750m, in sub-vertical tabular geologic settings and up to 50% more for sub-horizontal settings.

The results of both surveys completed in 2010 have been combined into a three dimensional (3D) geophysical model of the Schaft Creek deposit. To view the 3D geophysical model, go to the Copper Fox website at [www.copperfoxmetals.com](http://www.copperfoxmetals.com). The chargeability anomaly that is interpreted to represent the Schaft Creek deposit has a strike length of 3,200 m and significantly increases the potential size of the deposit.

### **Diamond Drilling Program:**

In late October after receipt of the interpretation of the second Titan-24 geophysical survey, another diamond drill was added to expedite the drilling program. Drilling operations continued up to mid December 2010. A total of 3,781m of HQ and NQ core were completed in 10 diamond drill holes (DDH). Seven of the 10 holes were designed to try and delineate a "higher-grade" starter pit and three holes were designed to test the 2010 chargeability anomaly. All holes in the area of the proposed starter pit were drilled on a west to east orientation and at dips of between -55 and -60 degrees. Broken ground conditions and technical difficulties caused early shut down of some of the drill holes.

DDH CF397 and DDH CF400 were designed to test the east extension of the strong chargeability anomaly located at the north end of the deposit. The collars of these two holes are located approximately 400m east of the collar for DDH CF398 and both drill holes failed to reach the anomaly due to extremely difficult ground conditions. No significant mineralization was encountered in either of these holes. DDH CF404 is located at the south end of the chargeability anomaly and was designed to test this anomaly where it came close to surface.

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The weighted average grades (at 0% cut-off) for each hole and intervals of significantly higher grade mineralization are set out below:

DDH ID	Dip	Azimuth	From (m)	To (m)	Interval (m)	Copper (%)	Gold (g/t)	Molybdenum (%)	Silver (g/t)	Cu Eqv (%)
CF398	-55	90	7.10	539.20	532.10	0.42	0.27	0.020	2.00	0.67
		including	7.10	61.40	54.30	0.70	0.42	0.040	2.80	1.13
		including	325.50	539.20	213.70	0.47	0.37	0.020	3.00	0.78
CF399	-55	90	9.14	517.24	508.10	0.39	0.10	0.050	2.09	0.67
		including	9.14	159.70	150.56	0.53	0.05	0.040	2.87	0.77
		including	462.74	517.24	54.50	0.45	0.33	0.060	3.01	0.94
CF401	-55	90	5.66	495.90	489.53	0.43	0.25	0.028	2.4	0.75
		including	158.00	442.49	283.78	0.55	0.38	0.034	3.15	0.98
		including	345.40	429.20	83.80	0.66	0.50	0.036	3.10	1.17
CF402	-55	90	4.57	581.25	576.68	0.31	0.32	0.03	2.27	0.70
		including	247.67	475.17	227.50	0.36	0.43	0.05	2.64	0.89
		including	421.42	475.17	53.75	0.45	0.53	0.06	3.74	1.12
CF403	-55	90	34.42	204.60	170.18	0.23	0.11	0.01	1.52	0.36
		including	38.42	89.00	50.25	0.46	0.29	0.02	3.31	0.76
CF404	-80	270	21.1	82.33	61.23	0.18	0.04	0.00	0.36	0.22

Note: Mineralized intervals reported in the above table are not true thickness

The 2010 drilling program has outlined a significantly large zone of near surface, higher grade copper-gold-molybdenum-silver mineralization that could provide a higher grade starter pit for the initial three years of operations. The weighted average grade for the five drill holes is 0.39% copper, 0.24 g/t gold, 0.032% molybdenum and 2.22 g/t silver which compares favourably to the average grade for these metals in the measured and indicated resources used in the preliminary feasibility study dated September 15, 2008.

The mineralization occurs as disseminated and vein controlled chalcopyrite-bornite as well as molybdenite associated with thin quartz veins in a series of heterolithic intrusive breccias, granodiorite, quartz feldspar porphyry and intrusive breccia. These holes exhibit potassic alteration overprinted by argillic and vein controlled prophylic alteration, an alteration pattern typical of a porphyry copper deposit.

A general trend of increasing higher average grades of copper-gold-molybdenum-silver at depth has been identified in the lower portion of the 2010 diamond drill holes.

**Future Activities:**

During the next two quarters, the Company's primary objective will be to complete the updated resource estimate which will include all assay data from the 2010 diamond drilling and the re-sampling of selected historical drill holes. On completion of the updated resource estimate, Copper Fox plans to complete the feasibility study as soon as possible with a completion date of June 30, 2011.

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Copper Fox is of the opinion that the chargeability anomaly defined by the two Titan-24 surveys completed in 2010 more appropriately defines the limits of the Schaft Creek deposit, not the diamond drilling completed to date. If this is correct, then a substantial portion of the deposit has not been tested by diamond drilling.

On completion of the resource estimate, the block model would be used to locate the collars for approximately 8 to 10 strategically located diamond drill holes to test the strike extension and more importantly to test the deep, higher grade zone of mineralization outlined by the 2010 drill program. The purpose of this drilling would be to test the zone of higher grade mineralization from the 500m to the 800m level below surface to try and increase the size and overall average grade of the northern portion of the Schaft Creek deposit.

A porphyry copper deposit usually occurs in clusters, typically referred to as a district. There is no reason to suspect that Schaft Creek is different than other porphyry districts. The Schaft Creek project consists of 50,000 acres, of which approximately 1,500 acres has been explored to date. Copper Fox is considering the merits of completing a high sensitivity airborne geophysical (magnetic, radiometric and electromagnetic) over the entire Schaft Creek property to identify additional areas of porphyry style copper-gold-molybdenum-silver mineralization. If such areas are identified then a Titan-24 DCIP and MT survey would be completed to explore these areas for copper-gold-molybdenum-silver mineralization. Contingent on the results of the Quantec Titan-24 survey, several diamond drill holes would be necessary to test identified chargeability anomalies.

Elmer B. Stewart, MSc. P. Geol., President of Copper Fox, is the Corporation's nominated Qualified Person pursuant to National Instrument 43-101, Standards for Disclosure for Mineral Projects, has reviewed the technical information disclosed in the preceding paragraphs.

## Year Overview

### **Revenues:**

The Company has no income producing assets and has not reported any revenue from operations for any of the years ended October 31, 2010, October 31, 2009 or October 31, 2008. The Company is considered to be in the exploration and development stage.

### **Expenses:**

A comparison of the expenses incurred by Copper Fox for the years ended October 31, 2010, October 31, 2009 and October 31, 2008 are set out below. During the year ended October 31, 2010 Copper Fox incurred expenses of \$1,614,027 compared to \$33,143,516 for the year ended October 31, 2009 and \$3,011,696 for the year ended October 31, 2008.

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	2010	2009	2008
Expenses:			
Administration	\$ 789,283	\$ 904,285	\$ 1,478,042
Amortization and accretion	137,366	166,782	207,704
Mineral property write down	-	31,000,000	-
Professional fees	368,919	533,176	291,044
Processing fees	49,676	86,419	80,403
Rent	29,190	30,710	33,364
Stock based compensation	133,981	340,688	922,752
Travel	106,679	91,230	165,746
Exchange (gain)/loss	(737)	(9,774)	(51,145)
Interest income	(330)	-	(116,214)
Net loss before income taxes	\$ 1,614,027	\$ 33,143,516	\$ 3,011,696

The decrease in expenditures from 2008 to 2010 is primarily related to stock based compensation, which does not affect the cash flow of the Company, and a decrease in administration fees. The decrease in expenditures from 2009 to 2010 is primarily related to the write down of the mineral property. The write down does not affect the cash flow of the Company.

**Loss:**

Copper Fox incurred a net loss and comprehensive loss for the year ended October 31, 2010 of \$1,614,027 (2009 - \$28,524,604), (2008 - \$736,714). The loss recorded in 2009 related to a one time write down in the carrying value of the Schaft Creek project.

**Loss per Share:**

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, 2010 were 290,223,364 (2009 – 147,118,4469), (2008 – 97,435,315) common shares. The increase in the number of shares issued between 2009 and 2010 is due to the exercise of share purchase warrants issued on previous financings completed by Copper Fox in 2009. 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.

The loss per share for the year ended October 31, 2010 was (\$0.01) compared to a loss per share of (\$0.19) for the year ended October 31, 2009 and (\$0.01) for the year ended October 31, 2008. The large difference in loss per share for the year ended October 31, 2009 is due to a one time write down of the Schaft Creek project.

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**Cash Flow and Loss:**

Copper Fox reported a loss for the year ended October 31, 2010 of \$1,614,027 compared to a loss of \$28,524,604 for the year ended October 31, 2009 and a loss of \$736,714 for the year ended October 31, 2008. Included in the loss is \$133,981 (2009 – \$340,688), (2008 – \$922,752) of stock based compensation charges, \$137,366 (2009 - \$166,782), (2008 - \$207,704) of amortization and accretion and Nil (2009 - \$31,000,000), (2008 – Nil) of mineral property write down which do not affect the cash flow of the Company. Cash flow from operations for the year was (\$2,346,205) compared to (\$947,355) for the year ended October 31, 2009 and (\$2,183,280) for the year ended October 31, 2008.

**Total Assets:**

Total assets of the Company at October 31, 2010 are \$23,749,503 (October 31, 2009 - \$13,555,763), (October 31, 2008 - \$41,649,332) which is the carrying value of Copper Fox's investment in the Schaft Creek project. Since 2005, Copper Fox has incurred \$57.2 million (at December 31, 2010) in qualifying expenditures as per the Option Agreement with Teck to collect the information required to complete the feasibility study on the Schaft Creek deposit.

**Selected Financial Information**

	Net Loss	Net (loss)/income per share - basic and diluted
<u>2010</u>		
Fourth Quarter	\$ (421,346)	\$ 0.00
Third Quarter	\$ (436,792)	\$ 0.00
Second Quarter	\$ (309,067)	\$ 0.00
First Quarter	\$ (446,822)	\$ 0.00
<u>2009</u>		
Fourth Quarter	\$ 1,533,575	\$ 0.01
Third Quarter	\$ (491,057)	\$ 0.00
Second Quarter	\$ (431,763)	\$ 0.00
First Quarter	\$ (29,135,359)	\$ (0.28)

The gain in the fourth quarter of 2009 is due to a reversal of future income tax expense of \$2,451,266. The increased loss in the first quarter of 2009 is due to a one time write down of the Schaft Creek project of \$31,000,000.

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**Liquidity and Capital Resources:**

The Company's working capital, defined as current assets less current liabilities, was (\$836,755) at October 31, 2010, (2009 - \$2,544,341), (2008 - (\$2,059,026)). The Company has sufficient funds available to meet its current obligations.

During the year, 108,052,553 warrants were exercised at a strike price of \$0.075 and 11,888,341 warrants were exercised at a strike price of \$0.115 for total proceeds of \$9,471,100. In addition, the Company completed private placements in November and December of 2010 for total proceeds of \$4,005,000. In addition, in November of 2010 a Director loaned \$1,500,000 to the Company. The loan bears no interest and there are no fixed terms of repayment.

The Company has in place a budgeting process to help determine the funds required for the completion of the feasibility study. At the end of December 2010, the Company has spent \$57.2 million of qualifying expenditures toward this study. The Company will require additional capital to complete this study and to provide for the administration of its Vancouver and Calgary offices. The Company believes that it will be able to raise the capital required to complete the feasibility study through the continued exercise of its outstanding options or through the public market as required. Circumstances that could affect liquidity are early positive or negative results from the feasibility study, the general state of the equity markets for junior exploration companies and the overall state of the economy.

**Off Balance Sheet Arrangements:**

The Company has commitments for office space as follows:

Period	2011	2012	2013	2014
Amount	\$ 138,817	\$ 140,088	\$ 113,826	\$ 18,406

The Company entered into a lease for the premises for its Vancouver office which expires in February 2014 and has signed a three year lease commitment commencing July 1, 2010 and expiring June 30, 2013 for the Calgary office. The Calgary office presently sublets 56% of its office space thereby reducing the gross rent cost by \$41,525 pa.

**Related Party Transactions:**

During the year ended October 31, 2010 directors and officers of the Company charged \$716,750 (2009 - \$634,571) for management and technical services incurred on behalf of the Company. In addition, \$142,733 (2009 - \$148,216) of legal fees were paid during the year ended October 31, 2010 to a law firm of which one of the Company's directors is a partner. At October 31, 2010 \$22,750 (2009 - \$70,450) was included in accounts payable for management and technical services and \$30,474 (2009 - \$68,688) was included in accounts payable for legal fees. These transactions were recorded at the exchange amount agreed to by the related parties.

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**Mineral Property:**

As at December 31, 2010, the Company incurred \$57.2 million qualifying expenditures ("QE") at Schaft Creek under the terms of the option agreement with Teck. Teck has an earn-back right under the terms of the option which is based on the qualifying expenditures incurred by Copper Fox. Should Teck elect to exercise its earn-back option it will be required to solely fund subsequent project expenditures to the extent of 100%, 300% or 400% to earn 20%, 40% or 75% of the Copper Fox interest. Also, in the event Teck elects to earn 75% interest, it will be responsible for arranging project financing including that of Copper Fox.

Copper Fox's balance sheet shows a carrying value of the Schaft Creek Project to be \$21,423,389, an increase of \$11,567,840 from October 2009. During the first quarter of 2009, the Company wrote down the carrying value of these expenditures by \$31,000,000. The write down in carrying value of Copper Fox's interest in the Schaft Creek Project was based on a number of factors indicating impairment including its market capitalization, the value of competing offers to acquire the company and its working capital deficiency.

A comparison and details of these expenditures related to the Schaft Creek project for 2008, 2009 and 2010 are as follows:

	Expenditures November 1, 2009 to October 31, 2010	Expenditures November 1, 2008 to October 31, 2009	Expenditures November 1, 2007 to October 31, 2008
Drilling Program/camp activities	\$ 4,520,022	\$ 173,034	\$ 8,661,113
Environmental Program	1,688,798	424,208	2,670,108
Feasibility Study	3,270,241	844,558	2,843,863
Social License	138,924	52,594	235,616
Geology, Engineering, Metallurgy	1,190,290	221,835	1,277,769
Testing, Assaying, Mapping, Etc.	470,200	36,071	371,362
Miscellaneous	239,029	37,332	247,269
Mineral property write down	-	(31,000,000)	-
Tax benefit - Capital Compensation/ARO	50,336	93,958	260,160
	\$ 11,567,840	\$ (29,116,410)	\$ 16,567,260

The Preliminary Feasibility Study ("PFS") on the Development of the Schaft Creek Project Located in Northwest British Columbia, Canada dated September 15, 2008 is filed on SEDAR.

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The PFS is based on a daily milling rate of 100,000 tonnes and with the expected percentage metal recoveries of the PFS it was estimated the project could generate total revenues of \$25.5 billion over a 22.6 year mine life. With a net smelter return of \$31.50 per tonne and a total operating cost (includes transportation, refining and smelting of the concentrate) of \$12.50 per tonne of ore processed, the Schaft Creek Project was estimated to generate Net Present Value of the cash flow stream of \$2.7 billion using a discount rate of 8% over 22.6 years after recovery of all capital costs and before taxes.

**Reporting Standards:**

The Canadian Accounting Standards Board has announced that International Financing Reporting Standards (IFRS) will replace Canada's current GAAP for publically-accountable, profit-oriented enterprises starting January 1, 2011. The Company will be required to adopt these standards commencing November 1, 2011. The Company has evaluated the different accounting policy options that will be available under IFRS. The Company anticipates that the most significant adjustment to the Company's financial statements will relate to the carrying value of its mineral property at Schaft Creek. After completion of the feasibility study on the economic viability of the Schaft Creek deposit there may be a significant difference in the fair value of this asset compared to its carrying value. Adoption of the IFRS accounting standards will have some policy choices related to the carrying value of these assets. A decision related to this adjustment cannot be made until all of the information and facts are available after completion of the feasibility study. Additionally, the Company has determined that adjustments will be required to the opening future tax balances as well as adjustments for the accounting for stock based compensation and asset retirement obligations. The Company has completed the review of its accounting systems to properly implement any required changes resulting from the adoption of IFRS.

**Share Capital**

The Company has 367,362,553 shares, 260,333 warrants and 10,420,000 options outstanding as of the effective date of this MD&A of February 15, 2011.

**Subsequent Event**

During November and December 2010 the Company completed a non-brokered private placement financing of \$4,005,000 (the "Offering").

Details of the Financing

The offering was completed in two tranches, each consisting of 2,225,000 flow-through shares at a purchase price of \$0.90 per share totalling \$2,002,500. The total offering raised gross proceeds of \$4,005,000 from the issuance of 4,450,000 flow-through shares. The company paid commission/finder's fees totalling \$234,300 and issued 260,333 non-

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transferable warrants. Each non-transferable warrant entitles the holder to purchase one non flow-through common share at a purchase price of \$0.75 per share, exercisable at any time until the close of business on the expiry of 24 months.

The first tranche was completed on November 26, 2010 and the second tranche was completed on December 15, 2010. The shares and warrants issued are subject to a four month hold period.

Funds generated from this financing will be used to advance the feasibility study and include drilling programs, metallurgical testing and engineering studies associated with the development of the Schaft Creek property.

In addition, in November of 2010 a Director loaned the Company \$1,500,000. The loan bears no interest and has no fixed terms of repayment.

### **Basis of Presentation**

The accompanying financial statements of Copper Fox have been prepared by management in accordance with Canadian generally accepted accounting principles.

### **Cautionary Note Regarding Forward-Looking Information**

This Management's Discussion and Analysis (MD&A) contains "forward-looking information" within the meaning of the Canadian securities laws. Forward-looking information is generally identifiable by use of the words "believes," "may," "plans," "will," "anticipates," "intends," "budgets", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions. Forward-looking information in this MD&A include statements about anticipated analytical results of the core sampling of current diamond drill holes and historical diamond drill holes; the possible higher grade starter pit; the nature of the previously identified chargeability anomaly; the scope of mineralization identified in testing of recent IP anomalies; the potential depth of mineralization; future drilling potential at Schaft Creek; the timing and availability of assay results; the timing and anticipated results of the proposed updated resource estimate; the timing and scope of the feasibility study for the Schaft Creek project; the timing, approvals and anticipated results of an Environmental Assessment Application for the Schaft Creek project; the timing and possibility of completing a high sensitivity airborne geophysical survey; estimated timing and amounts of future expenditures and "earn-back" options; geological interpretations and potential mineral recovery processes. Information concerning mineral reserve and resource estimates also may be deemed to be forward-looking information in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined.

The forward-looking information contained in this MD&A, Copper Fox has made numerous assumptions, regarding, among other things: the geological, metallurgical, engineering, financial and economic advice that Copper Fox has received is reliable, and is based upon practices and methodologies which are consistent with industry standards, the obtaining of an Environmental Assessment Certificate; and the continued financing of the Feasibility Study; and the anticipated analytical results of the current drilling program. While Copper Fox considers these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies. Additionally, there are known and unknown risk factors which could cause Copper Fox's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include, among others: anticipated assays results may not prove expected extensions of mineralization on a timely basis, or at all; the Feasibility Study may not be completed within the contemplated time frame, or at all; the possibility that the analytical results from the core sampling does not return significant grades of copper mineralization; the possibility that future drilling on the Schaft Creek project may not occur on a timely basis, or at all; the possibility that an Environmental Assessment Certificate may not be obtained on a timely basis, or at all, or that additional

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approvals will be necessary in order to obtain an Environmental Assessment Certificate; fluctuations in copper and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, and estimated economic return; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals

A more complete discussion of the risks and uncertainties facing Copper Fox is disclosed in Copper Fox's continuous disclosure filings with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com). All forward-looking information herein is qualified in its entirety by this cautionary statement, and Copper Fox disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.