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Unaudited Interim Financial Statements of

# COPPER FOX METALS INC.

Three months ended January 31, 2011 and 2010

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## **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 to these 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

*Signed: Murray Hunter*

Murray Hunter  
Chief Financial Officer

# COPPER FOX METALS INC.

Balance sheets

As at January 31, 2011 and October 31, 2010

(unaudited)

	31-Jan-11	31-Oct-10
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 610,294	\$ 464,572
Accounts receivable	351,758	485,256
Prepaid expenses and deposits	863,360	826,801
	1,825,412	1,776,629
Mineral properties (Note 5)	24,478,880	21,423,389
Property and equipment (Note 4)	532,537	549,485
	\$ 26,836,829	\$ 23,749,503
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 631,316	\$ 2,613,384
Loan payable (note 8)	1,500,000	-
	2,131,316	2,613,384
Asset retirement obligations (note 9)	430,501	423,479
Shareholders' equity:		
Share capital (note 6)	53,838,872	49,901,521
Share purchase warrants (note 6)	124,402	-
Contributed surplus (note 6)	8,282,166	8,423,336
Deficit	(37,970,428)	(37,612,217)
	24,275,012	20,712,640
	\$ 26,836,829	\$ 23,749,503
Going concern (note 2)		
Commitments (note 10)		
Subsequent event (note 11)		

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  
 Three months ended January 31, 2011 and 2010  
 (unaudited)

	2011		2010
Expenses:			
Administration	\$ 193,070	\$	147,079
Amortization and accretion	28,955		34,327
Professional fees	73,560		104,593
Processing fees	28,430		18,136
Rent	8,188		7,559
Stock based compensation (note 6)	4,983		119,031
Travel	21,142		25,934
Exchange (gain)/loss	(117)		(9,607)
Interest income	-		(230)
Net loss and comprehensive loss	358,211		446,822
Deficit, beginning of period	37,612,217		35,998,190
Deficit, end of period	\$ 37,970,428	\$	36,445,012
Loss per share – basic and diluted (note 7)	\$ 0.00	\$	0.00

See accompanying notes to financial statements.

# COPPER FOX METALS INC.

## Statements of cash flows

Three months ended January 31, 2011 and 2010

(unaudited)

	2011	2010
Cash provided by (used in):		
Operations:		
Net loss for the period	\$ (358,211)	\$ (446,822)
Items not involving cash:		
Amortization and accretion	28,955	34,327
Stock-based compensation	4,983	119,031
Change in non-cash working capital	(50,343)	(724,206)
	(374,616)	(1,017,670)
Financing:		
Loan	1,500,000	-
Issue of shares and warrants, net of issue costs	3,915,600	207,275
	5,415,600	207,275
Investing:		
Mineral property expenditures	(3,055,491)	(1,153,498)
Additions to property and equipment	(4,985)	(1,564)
Net change in non-cash working capital	(1,834,786)	(59,829)
	(4,895,262)	(1,214,891)
Decrease in cash during period	145,722	(2,025,286)
Cash and cash equivalents, beginning of period	464,572	2,638,927
Cash and cash equivalents, end of period	\$ 610,294	\$ 613,641
Supplementary information:		
Interest received	\$ -	\$ 230

See accompanying notes to financial statements.

# COPPER FOX METALS INC.

## Notes to Financial Statements

Three months ended January 31, 2011 and 2010

### 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. GOING CONCERN

These interim 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 January 31, 2011, the Company had a working capital deficiency, defined as current assets less current liabilities, of \$305,904 and a deficit of \$37,970,428 and had incurred a net loss of \$358,211 for the three months ended January 31, 2011. During the quarter ended January 31, 2011 the Company received \$3,915,600 (net of costs) in proceeds on two private placements and the exercise of warrants and options. In March 2011, the Company completed a private placement for total proceeds of \$3,750,000 (see note 13). 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.

These interim 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. ACCOUNTING POLICIES

These interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended October 31, 2010. The disclosures included below are incremental to those included with the annual financial statements.

### 4. PROPERTY AND EQUIPMENT

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

	Rate	Cost	Accumulated Amortization	Net Book Value January 31, 2011	Net Book Value October 31, 2010
Buildings	10%	\$ 549,000	\$ 178,217	\$ 370,783	\$ 380,290
Furniture & equipment	20%	47,568	23,603	23,965	20,241
Heavy equipment	30%	566,020	442,218	123,802	133,839
Leasehold improvements	20%	1,197	918	279	294
Computer equipment	30%	47,404	33,696	13,708	14,821
		\$ 1,211,189	\$ 678,652	\$ 532,537	\$ 549,485

### 5. MINERAL PROPERTIES

	Balance October 31, 2010	Expenditures	Balance January 31, 2011
Acquisition of property rights	\$ 100	\$ -	\$ 100
Technical analysis	51,992,204	3,055,491	55,047,695
Licenses and permits	106,623	-	106,623
Asset retirement costs	324,462	-	324,462
	52,423,389	3,055,491	55,478,880
Property write down (2009)	(31,000,000)	-	(31,000,000)
	\$ 21,423,389	\$ 3,055,491	\$ 24,478,880

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 project, subject to 30% net proceeds interest, the "indirect interest", held by a private company 78%-owned by Teck Resources Limited ("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.

## **MINERAL PROPERTIES (continued)**

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 project by solely funding subsequent expenditures equal to either 100%, 300% or 400% of Copper Fox’s prior expenditures. As at January 31, 2011 the Company has spent approximately \$57.8 million in qualified expenditures (58.1 million as of March 29, 2011) 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.

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

For the quarter ended January 31, 2011 the Company has capitalized \$106,500 (2010 - \$127,568) of management and technical services provided by its officers and directors (see note 8).

## **6. 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, 2009	242,356,660	\$ 37,182,648
Options exercised	40,000	18,000
Transferred from contributed surplus on stock option exercise		13,327
Warrants exercised	119,940,893	9,471,100
Transferred from contributed surplus on warrant exercise		3,216,446
Balance, October 31, 2010	362,337,553	\$ 49,901,521
Flow through shares issued	4,450,000	4,005,000
Options exercised	525,000	144,900
Transferred from contributed surplus on stock option exercise		146,153
Transferred to contributed surplus on warrant issue		(124,402)
Share issue costs		(234,300)
Balance, January 31, 2011	367,312,553	\$ 53,838,872

### (c) Share purchase warrants:

Share Purchase Warrants	Number	Amount
Balance, October 31, 2009	119,940,894	\$ 3,216,446
Exercised	(119,940,894)	(3,216,446)
Balance, October 31, 2010	-	\$ -
Issued	260,333	124,402
Balance, January 31, 2011	260,333	\$ 124,402

As at January 31, 2011, warrants to purchase common shares are outstanding as follows:

Exercise Price	Expiry Date	Fair Value	Number of Warrants	Amount
\$ 0.75	26-Nov-12	\$ 0.47	126,833	\$ 60,013
0.75	15-Dec-12	0.48	133,500	64,389
			260,333	\$ 124,402

## SHAREHOLDERS' EQUITY (continued)

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

Dividend yield	0.00%
Expected volatility	125.60% to 128.47%
Risk-free interest rate	1.43% to 1.70%
Expected life	2 years

(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	(146,153)
Stock based compensation	4,983
Balance, January 31, 2011	\$ 8,282,166

(e) Stock options:

There are 10,470,000 stock options outstanding at January 31, 2011 with weighted average price of \$0.3861 per share. Options expire five years from the grant date. The outstanding options expire between February 2011 and September 2014. There are 10,136,657 options vested at January 31, 2011 with weighted average price of \$0.3954 per share.

Options	Number Of Options
Balance, October 31, 2009	11,485,000
Issued	1,000,000
Exercised	(40,000)
Expired	(1,450,000)
Balance, October 31, 2010	10,995,000
Exercised	(525,000)
Balance, January 31, 2011	10,470,000

## SHAREHOLDERS' EQUITY (continued)

The fair value of stock options vested during the period ended January 31, 2011 was \$0.089 per option, resulting in compensation expense of \$4,983 (2010 – \$119,031). 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 years ended October 31, 2010 and 2009 have been determined using the Black-Scholes valuation model using the following assumptions:

	2010	2009
Dividend yield	0.00%	0.00%
Expected volatility	125.96%	125 to 126%
Risk-free interest rate	2.42%	2.32 to 2.44%
Expected life	5 years	5 years
Fair value	\$0.089 to \$0.114	\$0.09 to \$0.16

Outstanding options at January 31, 2011 are as follows:

Exercise Price	Issue Date	Expiry Date	Balance Outstanding	Balance Vested
\$0.51	Jul-06	Jul-11	835,000	835,000
\$0.78	Feb-07	Feb-12	950,000	950,000
\$0.97	Feb-07	Feb-12	785,000	785,000
\$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	1,950,000	1,950,000
\$0.10	Jul-09	Jul-14	1,000,000	666,657
\$0.15	Oct-09	Sep-14	3,350,000	3,350,000
\$0.15	Nov-09	Sep-14	1,000,000	1,000,000
			10,470,000	10,136,657

## 7. 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 quarter ended January 31, 2011 was 363,059,457 (2010 – 242,441,587) 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.

## 8. RELATED PARTY TRANSACTIONS

During the quarter ended January 31, 2011 directors and officers of the Company incurred \$162,500 (2010 - \$127,568) for management and technical services on behalf of the Company. In addition, \$71,559 of legal fees were paid during the quarter ended January 31, 2011 (2010 – \$28,478) to a law firm of which one of the Company’s Directors is a partner. At January 31, 2011 \$24,034 (2009 – \$11,427) is included in accounts payable for legal fees.

Also, the Company paid a securities firm, of which one of the Company’s Directors is an Officer and Director, \$120,150 and issued 133,500 broker warrants (exercisable at \$0.75 and expiring on December 15, 2012) for finder’s fees in relation to the equity private placement which closed on December 15, 2010.

In addition, during the quarter a Director loaned the Company \$1,500,000. 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.

## 9. 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		7,022
Balance, January 31, 2011	\$	430,501

## 10. 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. At January 31, 2011, there is \$15,000 remaining to be paid against this commitment.

## **COMMITMENTS (continued)**

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

Period	2011	2012	2013	2014
Amount	\$ 103,062	\$ 140,088	\$ 113,826	\$ 18,406

## **11. SUBSEQUENT EVENT**

In March 2011 the Company completed a non-brokered private placement financing of \$3,750,000 in flow through funds (the "Offering").

The Offering consisted of 3,000,000 flow-through units at a price of \$1.25. 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. Also, the Company paid a securities firm, of which one of the Company's Directors is an Officer and Director, \$243,750 and issued 195,000 broker warrants (exercisable at \$1.25 and expiring on March 16, 2012) for finder's fees.

Funds generated from this financing will be used to toward completing the Updated Resource Estimate and Feasibility Study at Schaft Creek.