

Unaudited Consolidated Financial Statements of



**COPPER FOX METALS INC.**

January 31, 2014

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

Under National Instrument 51-102, "Continuous Disclosure Obligations", 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 consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated 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 auditors.

# COPPER FOX METALS INC.

Consolidated Statements of Financial Position  
As at January 31, 2014 and October 31, 2013

|   | 31-Jan-14            | 31-Oct-13            |
|---|----------------------|----------------------|
| Assets  |                      |                      |
| Current assets:                                   |                      |                      |
| Cash and cash equivalents                         | \$ 7,744,126         | \$ 8,800,237         |
| Trade and other receivables                       | 4,724,767            | 4,473,194            |
| Prepaid expenses and deposits                     | 86,207               | 261,695              |
| Total current assets                              | 12,555,100           | 13,535,126           |
| Non-current assets                                |                      |                      |
| Investment (note 6)                               | 759,305              | 759,305              |
| Exploration & evaluation assets (note 5)          | 65,196,558           | 64,423,199           |
| Property and equipment (note 4)                   | 208,664              | 220,149              |
| Total non-current assets                          | 66,164,527           | 65,402,653           |
| <b>Total assets</b>                               | <b>\$ 78,719,627</b> | <b>\$ 78,937,779</b> |
| Liabilities and Shareholders' Equity              |                      |                      |
| Current liabilities:                              |                      |                      |
| Trade and other payables                          | \$ 405,226           | \$ 436,662           |
| Total current liabilities                         | 405,226              | 436,662              |
| Non-current liabilities                           |                      |                      |
| Decommissioning liabilities (note 7)              | 162,555              | 167,176              |
| Deferred tax liabilities                          | 4,492,277            | 4,492,277            |
| Total non-current liabilities                     | 4,654,832            | 4,659,453            |
| Shareholders' equity                              |                      |                      |
| Share capital (note 8)                            | 73,259,655           | 73,259,655           |
| Share purchase warrants (note 8)                  | 196,623              | 2,424,210            |
| Contributed surplus                               | 16,221,177           | 13,993,590           |
| Currency translation reserve                      | 287,334              | -                    |
| Deficit   | (16,305,220)         | (15,835,791)         |
| Total shareholders' equity                        | 73,659,569           | 73,841,664           |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 78,719,627</b> | <b>\$ 78,937,779</b> |
| Commitment (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.

Consolidated Statements of Comprehensive Loss  
Three months ended January 31, 2014 and January 31, 2013

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | January 31, 2014   | January 31, 2013 |
| Expenses:                                  |                    |                  |
| Administration                             | \$ 361,881         | \$ 327,396       |
| Depreciation, amortization and accretion   | 10,204             | 35,867           |
| Professional fees                          | 97,344             | 155,286          |
| Share based compensation                   | -                  | 7,046            |
| Net loss                                   | 469,429            | 525,595          |
| Foreign currency translation               | (287,334)          | -                |
| Net loss and comprehensive loss            | \$ 182,095         | \$ 687,927       |
| Loss per share - basic and diluted         | \$ 0.00            | \$ 0.00          |
| Weighted average number of shares (note 9) | 404,740,044        | 388,148,045      |

See accompanying notes to financial statements.

# COPPER FOX METALS INC.

Statements of Changes in Equity

Three months ended January 31, 2014 and January 31, 2013

|                                 | Share Capital | Warrants     | Contributed Surplus | Currency Translation Reserve | Deficit         | Total Shareholder Equity |
|---------------------------------|---------------|--------------|---------------------|------------------------------|-----------------|--------------------------|
| Balance as at October 31, 2013  | \$ 73,259,655 | \$ 2,424,210 | \$ 13,993,590       | \$ -                         | \$ (15,835,791) | \$ 73,841,664            |
| Warrants expired                |               | (2,227,587)  | 2,227,587           |                              |                 | -                        |
| Currency translation adjustment |               |              |                     | 287,334                      |                 | 287,334                  |
| Net loss for the period         |               |              |                     |                              | (469,429)       | (469,429)                |
| Balance as at January 31, 2014  | \$ 73,259,655 | \$ 196,623   | \$ 16,221,177       | \$ 287,334                   | \$ (16,305,220) | \$ 73,659,569            |

|   | Share Capital | Warrants     | Contributed Surplus | Currency Translation Reserve | Deficit         | Total Shareholder Equity |
|---|---------------|--------------|---------------------|------------------------------|-----------------|--------------------------|
| Balance as at October 31, 2012                            | \$ 79,484,847 | \$ 4,771,977 | \$ 11,469,644       | \$ -                         | \$ (17,222,535) | \$ 78,503,933            |
| Non flow through private placement                        | 4,153,000     |              |                     |                              |                 | 4,153,000                |
| Return of capital to shareholders                         | (11,130,351)  |              |                     |                              |                 | (11,130,351)             |
| Common shares issued in connection with options exercised | 1,327,462     |              | (516,213)           |                              |                 | 811,249                  |
| Warrants issued   | (575,303)     | 575,303      |                     |                              |                 | -                        |
| Warrants expired  |               | (2,923,070)  | 2,923,070           |                              |                 | -                        |
| Share based compensation                                  |               |              | 117,089             |                              |                 | 117,089                  |
| Net loss for the period                                   |               |              |                     |                              | 1,386,744       | 1,386,744                |
| Balance as at October 31, 2013                            | \$ 73,259,655 | \$ 2,424,210 | \$ 13,993,590       | \$ -                         | \$ (15,835,791) | \$ 73,841,664            |

See accompanying notes to financial statements.

# COPPER FOX METALS INC.

Consolidated Statements of Cash Flow

Three months ended January 31, 2014 and January 31, 2013

|   | Three Months Ended |                  |
|---|--------------------|------------------|
|   | January 31, 2014   | January 31, 2013 |
| Cash provided by (used in):                         |                    |                  |
| Operations:   |                    |                  |
| Net loss for the period                             | \$ (469,429)       | \$ (525,595)     |
| Depreciation, amortization and accretion            | 10,204             | 35,867           |
| Share based compensation                            | -                  | 7,047            |
| Change in non-cash working capital                  |                    |                  |
| Prepaid expenses                                    | 175,488            | (156,805)        |
| Other receivables                                   | (251,574)          | 8,009            |
| Other payables                                      | 87,677             | 87,126           |
| Net cash used in operating activities               | (447,634)          | (544,351)        |
| Financing:  |                    |                  |
| Proceeds from issue of shares and warrants          | -                  | 1,665,000        |
| Net cash from financing activities                  | -                  | 1,665,000        |
| Investing:  |                    |                  |
| Mineral property expenditures                       | (486,025)          | (1,203,939)      |
| Mineral property acquisitions                       | -                  | (75,433)         |
| Acquisition of property and equipment               | (3,339)            | -                |
| Change in non-cash working capital                  |                    |                  |
| Mineral property payables                           | (119,113)          | 22,451           |
| Net cash used in investing activities               | (608,477)          | (1,256,921)      |
| Increase in cash and cash equivalents during period | (1,056,111)        | (136,272)        |
| Cash and cash equivalents, beginning of period      | 8,800,237          | 1,457,148        |
| Cash and cash equivalents, end of period            | \$ 7,744,126       | \$ 1,320,876     |

See accompanying notes to financial statements.

**COPPER FOX METALS INC.**  
**Notes to the Consolidated Financial Statements**  
**Three months ended January 31, 2014 and 2013**

**1. Reporting entity and nature of 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. Copper Fox's shares trade on the TSX Venture ('TSXV') under the trading symbol CUU. 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 registered office is at Suite 650 – 340 12 Avenue SW, Calgary, AB. The consolidated financial statements as at and for the three months ended January 31, 2014 comprise the accounts of the Company and its wholly owned subsidiaries.

**2. Basis of presentation and significant accounting policies**

These consolidated financial statements have been prepared in accordance and in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved for issue by the Board of Directors on March 12, 2014.

**3. Recent accounting pronouncements**

The IASB issued a number of new and revised accounting standards that are effective for annual periods beginning on or after January 1, 2013. These standards include the following:

- i. IFRS 10, Consolidated Financial Statements;
- ii. IFRS 11, Joint Arrangements;
- iii. IFRS 12, Disclosure of Interests in Other Entities;
- iv. IFRS 13, Fair Value Measurement;
- v. Amended IAS 27, Separate Financial Statements;
- vi. Amended IAS 28, Investments in Associates and Joint Ventures; and
- vii. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.

These new and revised accounting standards have been adopted by Copper Fox, and the Company has determined there is no impact on its financial statements.

#### 4. Property and equipment

|                             | Rate | Cost       | Accumulated Amortization | Net Book Value January 31, 2014 | Net Book Value October 31, 2013 |
|-----------------------------|------|------------|--------------------------|---------------------------------|---------------------------------|
| Computer equipment          | 30%  | \$ 80,985  | \$ 55,641                | \$ 25,344                       | \$ 24,013                       |
| Furniture & equipment       | 20%  | 46,887     | 34,554                   | 12,333                          | 12,982                          |
| Buildings                   | 10%  | 137,250    | 70,370                   | 66,880                          | 68,595                          |
| Heavy equipment             | 30%  | 173,332    | 146,237                  | 27,095                          | 29,292                          |
| Asset retirement obligation |      | 136,261    | 59,249                   | 77,012                          | 85,267                          |
|                             |      | \$ 574,715 | \$ 366,051               | \$ 208,664                      | \$ 220,149                      |

#### 5. Exploration and evaluation assets

|                                   | Balance October 31, 2013 | Additions  | Balance January 31, 2014 |
|-----------------------------------|--------------------------|------------|--------------------------|
| Arizona properties                |                          |            |                          |
| Acquisition of property rights    | \$ 3,303,355             | \$ -       | \$ 3,303,355             |
| Technical analysis                | 549,375                  | 479,406    | 1,028,781                |
| Licenses and permits              | 87,894                   | 2,978      | 90,872                   |
| Foreign currency translation      | -                        | 287,334    | 287,334                  |
| Total Arizona properties          | 3,940,624                | 769,718    | 4,710,342                |
| British Columbia Properties       |                          |            |                          |
| Schaft Creek                      |                          |            |                          |
| Acquisition of property rights    | 3,053,755                | -          | 3,053,755                |
| Technical analysis                | 61,750,009               | 3,641      | 61,753,650               |
| Licenses and permits              | 106,623                  | -          | 106,623                  |
| Sub-total Schaft Creek            | 64,910,387               | 3,641      | 64,914,028               |
| BC mineral exploration tax credit | (4,427,812)              | -          | (4,427,812)              |
| Total Schaft Creek                | 60,482,575               | 3,641      | 60,486,216               |
| Total mineral properties          | \$ 64,423,199            | \$ 773,359 | \$ 65,196,558            |



|                                     | Balance October 31, 2012 | Additions              | Balance October 31, 2013 |
|-------------------------------------|--------------------------|------------------------|--------------------------|
| Arizona properties                  |                          |                        |                          |
| Acquisition of property rights      | \$ 977,808               | \$ 2,325,547           | \$ 3,303,355             |
| Technical analysis                  | 22,808                   | 526,567                | 549,375                  |
| Licenses and permits                | 30,119                   | 57,775                 | 87,894                   |
| <b>Total Arizona properties</b>     | <b>1,030,735</b>         | <b>2,909,889</b>       | <b>3,940,624</b>         |
| British Columbia Properties         |                          |                        |                          |
| ES, GS and South Zone               |                          |                        |                          |
| Acquisition of property rights      | 3,035,788                | 17,867                 | 3,053,655                |
| Technical analysis                  | 171,213                  | 17,809                 | 189,022                  |
| Sub-total ES, GS and South Zone     | 3,207,001                | 35,676                 | 3,242,677                |
| Joint venture capital reimbursement | -                        | (2,432,008)            | (2,432,008)              |
| <b>Total ES, GS and South Zone</b>  | <b>3,207,001</b>         | <b>(2,396,332)</b>     | <b>810,669</b>           |
| SC Zone                             |                          |                        |                          |
| Acquisition of property rights      | 100                      | -                      | 100                      |
| Technical analysis                  | 80,774,250               | 3,854,108              | 84,628,358               |
| Licenses and permits                | 106,623                  | -                      | 106,623                  |
| Sub-total SC Zone                   | 80,880,973               | 3,854,108              | 84,735,081               |
| Joint venture capital reimbursement | -                        | (20,635,363)           | (20,635,363)             |
| BC mineral exploration tax credit   | (4,225,067)              | (202,745)              | (4,427,812)              |
| <b>Total SC Zone</b>                | <b>76,655,906</b>        | <b>(16,984,000)</b>    | <b>59,671,906</b>        |
| <b>Total mineral properties</b>     | <b>\$ 80,893,642</b>     | <b>\$ (16,470,443)</b> | <b>\$ 64,423,199</b>     |

During the year ended October 31, 2013, the Company entered into an agreement with Teck Resources Limited ('Teck') to jointly develop the Schaft Creek project in northwestern British Columbia. The agreement replaces and supersedes the 2002 option and joint venture agreement between Teck and Copper Fox in connection with Schaft Creek and gives Teck a 75% interest and Copper Fox a 25% interest in the Schaft Creek project with Teck as the operator.

In addition to Copper Fox's interest in the Schaft Creek Joint Venture, Copper Fox holds, through Desert Fox Copper Inc. ('Desert Fox') and its wholly-owned subsidiaries, mineral tenures located in Pinal County, Arizona (the 'Sombrero Butte Copper Project') and in Gila County, Arizona (the 'Van Dyke Copper Project').

For the three months ended January 31, 2014 the Company has capitalized \$25,176 (2013 - \$122,025) of management and technical services provided by its officers and directors (see note 9).

At January 31, 2014, the Company has recorded \$4,427,812 (January 31, 2013 – \$4,277,185) for Mineral Exploration Tax Credit claims which have been recorded as a reduction of exploration and evaluation expenditures. This credit is paid in cash and is recorded as a current receivable on the Company's statement of financial position.

## 6. Investment

Copper Fox holds 29,342 shares of Liard Copper Mines Ltd. ("Liard"), a private company incorporated in British Columbia. Liard holds a 30% net proceeds interest royalty in the Schaft Creek project. The shares held by Copper Fox are in addition to the shares held by the joint venture and represent approximately 1.55% of the issued and outstanding shares of Liard.

## 7. Decommissioning liabilities

The Company's decommissioning liabilities relate to 25% of reclamation and closures costs of the Schaft Creek Property. The total decommissioning liability is based on the Company's estimated costs to reclaim and abandon the property and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated 25% of the net present value of the decommissioning liabilities to be \$162,555 at January 31, 2014 (October 31, 2013 - \$167,176 based on an undiscounted and inflated future liability of \$197,434 (October 31, 2013 - \$199,122). These payments are expected to be made in the next 7.75 years.

The Company's estimated risk free rate of 2.54% (October 31, 2013 – 2.21%) and an inflation rate of 1.20% (October 31, 2013 – 1.27%) were used to calculate the present value of the decommissioning liabilities.

|                           |            |
|---------------------------|------------|
| Balance, October 31, 2012 | \$ 696,165 |
| JV Adjustment             | (493,538)  |
| Revisions                 | (46,411)   |
| Accretion                 | 10,959     |
| Balance, October 31, 2013 | 167,175    |
| Revisions                 | (5,652)    |
| Accretion                 | 1,032      |
| Balance, October 31, 2013 | \$ 162,555 |

## 8. Share capital

### (a) Authorized

Authorized share capital consists of an unlimited number of common shares and an unlimited number of first and second preferred shares, of which none have been issued. Issued and outstanding shares are as follows:

|  |             |               |
|--|-------------|---------------|
| Balance, October 31, 2012                            | 397,647,992 | \$ 79,484,847 |
| Non Flow through shares issued                       | 5,122,934   | 4,153,000     |
| Return of capital to shareholders                    |             | (11,130,351)  |
| Value ascribed to warrants issued                    |             | (575,303)     |
| Options exercised                                    | 1,969,118   | 811,250       |
| Transfer from contributed surplus on option exercise |             | 516,212       |
| Balance, October 31, 2013 & January 31, 2014         | 404,740,044 | \$ 73,259,655 |

### (b) Warrants

| Share Purchase Warrants   | Number      | Amount       |
|---------------------------|-------------|--------------|
| Balance, October 31, 2012 | 14,952,602  | \$ 4,771,977 |
| Issued                    | 5,122,934   | 575,303      |
| Expired                   | (9,673,913) | (2,923,070)  |
| Balance, October 31, 2013 | 10,401,623  | 2,424,210    |
| Expired                   | (7,043,395) | (2,227,587)  |
| Balance, January 31, 2014 | 3,358,228   | \$ 196,623   |

As of January 31, 2014, the Company has warrants outstanding entitling the holders to acquire common shares as follows:

| Exercise Price | Expiry Date | Fair Value | Number of Warrants | Fair Value Amount |
|----------------|-------------|------------|--------------------|-------------------|
| 1.00           | 8-Apr-14    | 0.21       | 3,358,228          | \$ 196,623        |
|                |             |            | 3,358,228          | \$ 196,623        |

### (c) Stock option plan

The number of shares reserved for issuance under the Company's stock option plan is limited to 10% of the number of shares which are issued and outstanding on the date of a particular grant of options. Under the plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the period of time during which the options may vest and become exercisable as well as the option exercise price which shall not be less than the closing price of the Company's share on the Toronto Stock Exchange immediately preceding the date of grant. The Compensation Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

A summary of changes in the Company's outstanding stock options is presented below:

|                           |             |
|---------------------------|-------------|
| Balance, October 31, 2012 | 10,785,000  |
| Issued                    | 635,000     |
| Exercised                 | (1,969,118) |
| Expired                   | (1,040,882) |
| Balance, October 31, 2013 | 8,410,000   |
| Expired                   | (2,585,000) |
| Balance, January 31, 2014 | 5,825,000   |

Options outstanding are as follows:

| Exercise Price | Issue Date | Expiry Date | Balance Outstanding | Balance Vested |
|----------------|------------|-------------|---------------------|----------------|
| \$0.10         | Jul-09     | Jul-14      | 1,000,000           | 1,000,000      |
| \$0.15         | Oct-09     | Sep-14      | 3,150,000           | 3,150,000      |
| \$1.69         | Mar-11     | Mar-16      | 1,075,000           | 1,075,000      |
| \$1.04         | May-12     | Apr-17      | 600,000             | 600,000        |
|                |            |             | 5,825,000           | 5,825,000      |

## 9. Weighted average number of shares

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 three months ended January 31, 2014 was 404,740,044 (2013 – 388,148,045) 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.

## 10. Related party transactions

During the three months ended January 31, 2014 directors and officers of the Company incurred \$66,000 (2013 - \$282,717) for management and technical services on behalf of the Company. At January 31, 2014 Nil (2013 – \$29,025) is included in accounts payable. Share based compensation issued to related parties during the three months ended January 31, 2014 was Nil options for a total fair market value of Nil (2013 – 365,000 options, \$67,303).

## 11. Commitments

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

|        |                            |
|--------|----------------------------|
| Period | Feb 1, 2014 - Jun 30, 2014 |
| Amount | \$ 49,913                  |

The Company is required to pay US \$520,000 under an acquisition agreement. The first payment of US \$130,000 is due on October 15, 2014 and on each October 15 thereafter with the final payment being in 2017.

In the Schaft Creek joint arrangement, the Company is responsible for 25% of pre-production costs beyond \$60 million and 25% of capital costs following a production decision. Copper Fox's pro rata share of any pre-production costs in excess of \$60 million will be funded by Teck and the direct cash payments payable to Copper Fox will be reduced by an equivalent amount, and Teck will fund any additional costs incurred prior to a production decision, if required, by way of loan to Copper Fox to the extent of its pro rata share, without dilution to Copper Fox's 25% joint venture interest.