

Condensed Interim Consolidated Financial Statements of



**COPPER FOX METALS INC.**

For the six months ended April 30, 2013 and April 30, 2012

**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 condensed interim consolidated 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.

Condensed Interim Consolidated of Financial Position  
As at April 30, 2013 and October 31, 2012

	30-Apr-13	31-Oct-12
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 540,895	\$ 1,457,148
Trade and other receivables	4,458,038	4,489,291
Prepaid expenses and deposits	2,034,165	1,754,508
<b>Total current assets</b>	<b>7,033,098</b>	<b>7,700,947</b>
Non-current assets		
Investment	759,305	759,305
Exploration & evaluation assets (note 5)	85,236,559	80,893,642
Property and equipment (note 4)	839,754	914,026
<b>Total non-current assets</b>	<b>86,835,618</b>	<b>82,566,973</b>
<b>Total assets</b>	<b>\$ 93,868,716</b>	<b>\$ 90,267,920</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade and other payables	\$ 998,625	\$ 561,689
Shareholder loan	2,030,000	2,000,000
<b>Total current liabilities</b>	<b>3,028,625</b>	<b>2,561,689</b>
Non-current liabilities		
Decommissioning liabilities (note 6)	691,643	696,165
Deferred tax liabilities	8,506,133	8,506,133
<b>Total non-current liabilities</b>	<b>9,197,776</b>	<b>9,202,298</b>
Shareholders' equity		
Share capital (note 7)	82,752,183	79,484,847
Share purchase warrants (note 7)	5,871,288	4,771,977
Contributed surplus	11,464,639	11,469,644
Deficit	(18,445,795)	(17,222,535)
<b>Total shareholders' equity</b>	<b>81,642,315</b>	<b>78,503,933</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 93,868,716</b>	<b>\$ 90,267,920</b>
Subsequent event (note 10)		
Commitment (note 11)		

See accompanying notes to consolidated interim financial statements.

## COPPER FOX METALS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss  
Three and six months ended April 30, 2013 and April 30, 2012

	Three Months Ended		Six Months Ended	
	April 30, 2013	April 30, 2012	April 30, 2013	April 30, 2012
Expenses:				
Administration	\$ 370,879	\$ 326,014	\$ 692,994	\$ 642,543
Depreciation, amortization and accretion	35,938	35,387	71,805	78,273
Professional fees	254,252	147,908	414,817	337,762
Share based compensation	36,595	4,983	43,642	9,967
Net loss and comprehensive loss	\$ 697,664	\$ 514,292	\$ 1,223,258	\$ 1,068,545
Loss per share - basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of shares (note 8)	399,606,816	387,243,477	398,378,464	382,679,100

See accompanying notes to consolidated interim financial statements.

# COPPER FOX METALS INC.

Condensed Interim Consolidated Statements of Changes in Equity  
Six months ended April 30, 2013 and April 30, 2012

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholder Equity
Balance as at October 31, 2012	\$ 79,484,847	\$ 4,771,977	\$ 11,469,644	\$ (17,222,537)	\$ 78,503,931
Non flow through private placement (Note 7)	4,153,000				4,153,000
Warrants issued	(1,099,311)	1,099,311			-
Common shares issued in connection with warrants exercised					-
Common shares issued in connection with options exercised	213,647		(48,647)		165,000
Share based compensation			43,642		43,642
Net loss for the period				(1,223,258)	(1,223,258)
Balance as at April 30, 2013	\$ 82,752,183	\$ 5,871,288	\$ 11,464,639	\$ (18,445,795)	\$ 81,642,315

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholder Equity
Balance as at October 31, 2011	\$ 65,046,827	\$ 1,019,607	\$ 9,912,109	\$ (14,013,339)	\$ 61,965,204
Non flow through private placement	7,600,000				7,600,000
Warrants issued	(2,433,523)	2,433,523			-
Common shares issued in connection with warrants exercised	155,138	(60,013)			95,125
Common shares issued in connection with options exercised	449,859		(201,857)		248,002
Share based compensation			9,966		9,966
Net loss for the period				(1,068,545)	(1,068,545)
Balance as at April 30, 2012	\$ 70,818,301	\$ 3,393,117	\$ 9,720,218	\$ (15,081,884)	\$ 68,849,752

See accompanying notes to consolidated interim financial statements.

## COPPER FOX METALS INC.

Condensed Interim Consolidated Statements of Cash Flow  
Six months ended April 30, 2013 and April 30, 2012

	Six Months Ended	
	April 30, 2013	April 30, 2012
Cash provided by (used in):		
Operations:		
Net loss for the period	\$ (1,223,258)	\$ (1,068,545)
Depreciation, amortization and accretion	71,805	78,274
Share based compensation	43,642	9,967
Change in non-cash working capital		
Prepaid expenses	(279,657)	(50,958)
Other receivables	134,551	623,334
Other payables	144,654	(9,530)
Net cash used in operating activities	(1,108,263)	(417,458)
Financing:		
Shareholder loan	30,000	-
Proceeds from issue of shares and warrants	4,318,000	6,543,127
Net cash from financing activities	4,348,000	6,543,127
Investing:		
Mineral property expenditures	(4,342,917)	(5,062,568)
Mineral property acquisitions	-	(32,000)
Acquisition of property and equipment	(2,057)	(12,232)
Change in non-cash working capital		
Mineral property receivables	(103,298)	
Mineral property payables	292,282	(1,950,093)
Net cash used in investing activities	(4,155,990)	(7,056,893)
Increase in cash and cash equivalents during period	(916,253)	(931,224)
Cash and cash equivalents, beginning of period	1,457,148	1,271,025
Cash and cash equivalents, end of period	\$ 540,895	\$ 339,801

See accompanying notes to consolidated interim financial statements.

## **COPPER FOX METALS INC.**

### **Notes to the Condensed Interim Consolidated Financial Statements Three and six months ended April 30, 2013 and 2012**

#### **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. 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.

The Company's registered office is at Suite 650 – 340 12 Avenue SW, Calgary, AB. The consolidated interim financial statements as at and for the three and six months ended April 30, 2013 comprise the accounts of the Company and its wholly owned subsidiaries.

#### *Future operations*

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 April 30, 2013, the Company had working capital of \$4,004,473 and a deficit of \$18,445,795 and had incurred a net loss of \$697,664 and \$1,223,258 for the three and six months ended April 30, 2013. During the six months ended April 30, 2013 the Company received \$4,318,000 in proceeds on private placements and the exercise of options.

#### **2. Basis of Presentation**

These consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These consolidated interim financial statements have been prepared on the basis of accounting policies, methods of computation and significant judgements made by management consistent with those applied in and should be read in conjunction with the Company's October 31, 2012 consolidated financial statements.

These consolidated interim financial statements were approved for issue by the Board of Directors ("BoD") on June 18, 2013.

### 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.

In December 2011, the IASB amended IFRS 9, Financial Instruments, which is effective for periods beginning on or after January 1, 2015. In May 2012, the IASB amended IAS 1, Presentation of Financial Statements, which is effective for annual periods beginning on or after January 1, 2013.

These new and revised accounting standards have not yet been adopted by Copper Fox, and the Company has not yet completed the process of assessing the impact they will have on its financial statements, or whether to early adopt any of the new requirements.

### 4. Property and equipment

	Rate	Cost	Accumulated Amortization	Net Book Value April 30, 2013	Net Book Value October 31, 2012
Computer equipment	30%	\$ 70,655	\$ 49,549	\$ 21,106	\$ 22,531
Furniture & equipment	20%	46,887	32,282	14,605	16,228
Buildings	10%	549,000	259,980	289,020	304,232
Heavy equipment	30%	661,231	555,372	105,859	124,540
Asset retirement obligation		598,145	188,981	409,164	446,495
		\$ 1,925,918	\$ 1,086,164	\$ 839,754	\$ 914,026



## 5. Exploration and evaluation assets

	Balance October 31, 2012	Additions	Balance April 30, 2013
Arizona properties			
Acquisition of property rights	\$ 977,808	\$ 2,076,860	\$ 3,054,668
Technical analysis	22,808	42,966	65,774
Licenses and permits	30,119	-	30,119
	1,030,735	2,119,826	3,150,561
ES, GS and South Zone			
Acquisition of property rights	3,035,788	12,000	3,047,788
Technical analysis	171,213	15,285	186,498
	3,207,001	27,285	3,234,286
SC Zone			
Acquisition of property rights	100	-	100
Technical analysis	80,774,250	2,303,104	83,077,354
Licenses and permits	106,623	-	106,623
	80,880,973	2,303,104	83,184,077
BC mineral exploration tax credit	(4,225,067)	(107,298)	(4,332,365)
Total mineral properties	\$ 80,893,642	\$ 4,342,917	\$ 85,236,559

	Balance October 31, 2011	Additions	Balance October 31, 2012
Arizona properties			
Acquisition of property rights	\$ -	\$ 977,808	\$ 977,808
Technical analysis	-	22,808	22,808
Licenses and permits	-	30,119	30,119
	-	1,030,735	1,030,735
ES, GS and South Zone			
Acquisition of property rights	2,943,788	92,000	3,035,788
Technical analysis	116,133	55,080	171,213
	3,059,921	147,080	3,207,001
SC Zone			
Acquisition of property rights	100	-	100
Technical analysis	68,017,792	12,756,458	80,774,250
Licenses and permits	106,623	-	106,623
	68,124,515	12,756,458	80,880,973
BC mineral exploration tax credit	-	(4,225,067)	(4,225,067)
Total mineral properties	\$ 71,184,436	\$ 9,709,206	\$ 80,893,642

Copper Fox holds title and a 100% working interest in the Schaft Creek project. Included in this total are the "Schedule A" mineral tenures originally conveyed to Copper Fox pursuant to the option agreement dated January 1, 2002 between Teck Resources Limited ("Teck") and Copper Fox (the "Teck Option Agreement"). The "Schedule A" mineral tenures are subject to a 3.5% Net Profits Interest held by Royal Gold, Inc., a 30% carried Net Proceeds Interest held by Liard Copper Mines Limited ("Liard") and, together with the additional mineral tenures obtained by Copper Fox within the "Area of Interest" provided for in the Teck Option Agreement, an earn back option held by Teck. On completion of the Feasibility Study, Copper Fox will earn Teck's 78% interest in Liard. Teck's earn back option to acquire either, 20%, 40% or 75%, of Copper Fox's interest in the Schaft Creek property is triggered upon delivery of a positive feasibility study to Teck. Should Teck elect to exercise its option for 75%, Teck is required to fund subsequent property expenditures up to a total of 400% of those incurred by Copper Fox (\$86.9 million to April 30, 2013) and arrange for project financing, including the Copper Fox portion.

The remainder of Copper Fox's registered interests in mineral tenures in British Columbia have been acquired by Copper Fox through mineral tenure acquisitions and mineral tenure purchase agreements subsequent to Copper Fox entering into the Teck Option Agreement. Certain portions of these registered mineral tenures are subject to inclusion within the Schaft Creek project pursuant to the terms of the "Area of Interest" provisions of the Teck Option Agreement.

For the three and six months ended April 30, 2013 the Company has capitalized \$160,073 (2012 - \$138,238) and \$319,790 (2012 - \$261,420) of management and technical services provided by its officers and directors (see note 9).

At April 30, 2013, the Company has recorded \$4,332,365 (April 30, 2012 - Nil) 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. Decommissioning liabilities**

The Company's decommissioning liabilities relate to 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 the net present value of the decommissioning liabilities to be \$691,643 at April 30, 2013 (October 31, 2012 - \$696,165) based on an undiscounted and inflated future liability of \$803,550 (October 31, 2012 - \$815,970). These payments are expected to be made in the next 8.5 years.

The Company's estimated risk free rate of 1.78% (October 31, 2012 - 1.78%) and an inflation rate of 1.30% (October 31, 2012 - 1.40%) were used to calculate the present value of the decommissioning liabilities.

Balance, October 31, 2011	\$	700,544
Revisions		(18,008)
Accretion		13,629
Balance, October 31, 2012	\$	696,165
Revisions		(10,707)
Accretion		6,185
Balance, April 30, 2013	\$	691,643

## 7. 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:

Common Shares	Number	Amount
Balance, October 31, 2011	380,570,830	65,046,827
Non Flow through shares issued	16,225,329	18,605,000
Value ascribed to warrants issued		(4,771,977)
Options exercised	725,000	248,003
Transfer from contributed surplus on option exercise		201,857
Warrants exercised	126,833	95,124
Transfer from contributed surplus on warrant exercise		60,013
Balance, October 31, 2012	397,647,992	\$ 79,484,847
Non Flow through shares issued	5,122,934	4,153,000
Value ascribed to warrants issued		(1,099,311)
Options exercised	194,118	165,000
Transfer from contributed surplus on option exercise		48,647
Balance, April 30, 2013	402,965,044	\$ 82,752,183

During the six months ended April 30, 2013, the Company issued the following:

- (a) 1,764,706 units at a purchase price of \$0.85 per unit, for aggregate net proceeds of \$1,500,000. 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 at an exercise price of \$1.00 prior to January 22, 2014. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.
- (b) 3,358,228 units at a purchase price of \$0.79 per unit, for aggregate net proceeds of \$2,653,000. 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 at an exercise price of \$1.00 prior to April 8, 2014. This transaction was completed largely with an insider of the Company and no finder's fees or commissions were paid.

(b) Warrants

Share Purchase Warrants	Number	Amount
Balance, October 31, 2011	3,460,167	\$ 1,019,607
Issued	14,952,602	4,771,977
Exercised	(126,833)	(60,013)
Expired	(3,333,334)	(959,594)
Balance, October 31, 2012	14,952,602	4,771,977
Issued	5,122,934	1,099,311
Balance, April 30, 2013	20,075,536	\$ 5,871,288

As of April 30, 2013, 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	Exercise Amount
1.35	13-Dec-13	0.31	3,278,689	1,002,988	4,426,230
1.25	30-Jan-14	0.42	2,000,000	845,919	2,500,000
1.25	20-Jul-13	0.34	4,000,000	1,364,199	5,000,000
1.25	10-Sep-13	0.32	3,500,000	1,113,251	4,375,000
1.25	24-Oct-13	0.20	2,173,913	445,620	2,717,391
1.00	22-Jan-14	0.21	1,764,706	378,680	1,764,706
1.00	8-Apr-14	0.21	3,358,228	720,631	3,358,228
			20,075,536	\$ 5,871,288	\$ 24,141,555

The fair value of the warrants issued during the six months ending April 30, 2013 and 2012 were determined using the Black-Scholes valuation model using the following assumptions:

	30-Apr-13	30-Apr-12
Dividend yield	0.00%	0.00%
Expected volatility	61% to 63%	91% to 98%
Risk-free interest rate	1.01% to 1.13%	.95% to 1.01%
Expected life	1 year	1 year

(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, 2011	10,560,000
Issued	950,000
Exercised	(725,000)
Balance, October 31, 2012	10,785,000
Issued	635,000
Exercised	(194,118)
Expired	(640,882)
Balance, April 30, 2013	10,585,000

Options outstanding are as follows:

Exercise Price	Issue Date	Expiry Date	Balance Outstanding	Balance Vested
\$0.78	Feb-07	Jan-14	600,000	600,000
\$0.78	Sep-07	Jan-14	400,000	400,000
\$0.45	Jun-08	Jun-13	1,675,000	1,675,000
\$0.10	Jul-09	Jul-14	1,000,000	1,000,000
\$0.15	Oct-09	Sep-14	3,150,000	3,150,000
\$0.15	Nov-09	Sep-14	500,000	500,000
\$1.69	Mar-11	Mar-16	1,675,000	1,675,000
\$1.04	May-12	Apr-17	950,000	950,000
\$0.94	Jan-13	Jan-14	635,000	207,498
			10,585,000	10,157,498

During the three months ended January 31, 2013 the Company approved an incentive stock option grant to officers and directors of the Company for the purchase of a total of 635,000 shares of Copper Fox at an exercise price of \$0.94 per share (2012 – Nil). Of these, 585,000 vest in three equal installments on April 23, 2013, July 23, 2013 and October 23, 2013 and the remaining 50,000 vest quarterly over a one year period. All issued options expire on January 22, 2014. During the six months ended April 30, 2013 share based compensation expense of \$43,642 (2012 – \$9,967) was recorded. 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 has been determined using the Black-Scholes valuation model using the following assumptions:

	2013
Dividend yield	0.00%
Expected volatility	64%
Risk-free interest rate	1.13%
Expected life	1 Year
Fair value	\$0.18

## 8. 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 and six months ended April 30, 2013 were 399,606,816 (2012 - 387,243,477) and 398,378,464 (2012 - 382,679,100) 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 three and six months ended April 30, 2013 directors and officers of the Company incurred \$205,073 (2012 - \$192,238) and \$517,790 (2012 - \$369,420) for management and technical services on behalf of the Company. At April 30, 2013 \$44,460 (2012 - \$33,745) is included in accounts payable. Share based compensation issued to related parties during the six months ended April 30, 2013 was 365,000 options for a total fair market value of \$67,303 (2012 - Nil). These options are recorded on a graded vesting basis with \$25,588 vesting in the six months ended April 30, 2013.

## 10. Subsequent events

Subsequent to April 30, 2013 the Company acquired 2 mineral tenures totaling 729.55 hectares which are contiguous to the Company's Schaft Creek project. Consideration paid by Copper Fox was \$5,000 cash and a 2% net smelter return (NSR) royalty on the mineral claims subject to a "Partial NSR Buyout Option". The Partial NSR Buyout Option allows Copper Fox at any time to repurchase half of the NSR for a cash payment of \$1.0 million such that the NSR is reduced from 2% to 1%.

## 11. Commitments

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

Period	May 1, 2013 - Oct 31, 2013	Nov 1, 2013 - Jun 30, 2014
Amount	\$ 42,372	\$ 18,406

The Company is required to pay US \$650,000 under an acquisition agreement which is due on January 9, 2014.

The Company is committed to pay \$750,000 in 2013, \$1,000,000 in 2014 and \$750,000 in 2015 in connection with an agreement on the Schaft Creek property.

The Company is committed to pay a minimum of \$1,050,000 relating to the Facilities Study Agreement.