



*Management's Discussion and Analysis of Financial Condition and Results of Operations*

*Quarterly Highlights*

**For the Three and Nine Months Ended July 31, 2021**

As of September 23, 2021

## **COPPER FOX METALS INC.**

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### **1. OVERVIEW AND INTRODUCTORY COMMENT**

Copper Fox Metals Inc. (the “**Company**” or “**Copper Fox**”) is a Canadian based resource company with a Tier 1 listing on the TSX Venture Exchange (“**TSX:V**”) under the trading symbol CUU and effective September 7, 2021, the Company’s shares trade on the OTCQX® Best Market under the symbol “CPFXF”. The Company is focused on the exploration and development of copper projects in North America.

Copper Fox has a pipeline of high-quality operated and non-operated porphyry copper and in-situ copper recovery (“**ISCR**”) projects in both the exploration and advanced stages in North America. This pipeline provides the Company with the ability to increase value not only through exploration but also through more advanced stage development studies. Copper Fox’s primary assets are its 25% interest in the Schaft Creek Joint Venture (“**SCJV**”) with Teck Resources Limited (“**Teck**”) on the Schaft Creek copper-gold-molybdenum-silver project located in northwestern British Columbia and its 100% owned Van Dyke copper project located in Miami, Arizona. It also holds mineral tenures located in Pinal and Gila Counties in Arizona and in northwestern British Columbia.

This management’s discussion and analysis (“**MD&A**”) should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements and the related notes for the three and nine months ended July 31, 2021 and the Company’s audited consolidated financial statements for the year ended October 31, 2020 and the related notes thereto.

Technical and corporate information contained in this MD&A has previously been disseminated by way of news releases and are 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).

All amounts expressed are in Canadian dollars unless otherwise stated. The MD&A is current as of September 23, 2021 and was reviewed, approved, and authorized for issue by the Company’s Board of Directors on the aforementioned date.

#### **Qualified Person**

Mr. Elmer B. Stewart, MSc. P. Geol., President and CEO of the Company, is the qualified person as defined under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) who has reviewed and approved all technical and scientific disclosure contained in this MD&A regarding the Company’s mineral properties. Mr. Stewart is not independent of the Company.

### **2. MAJOR QUARTERLY OPERATING MILESTONES**

#### **Schaft Creek Joint Venture (“SCJV”)**

On November 24, 2020, Copper Fox engaged Tetra Tech Canada Inc. (“**Tetra Tech**”) to prepare a preliminary economic assessment (“**PEA**”) for the Schaft Creek project to provide an update on technical and economic changes to the Schaft Creek project based on a 133,000 tonne per day (“**tpd**”) mining and milling throughput case. The Schaft Creek Project is a joint venture between Teck (75% and Operator) and Copper Fox (25%). The SCJV was formed in July 2013.

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On February 4, 2021, Copper Fox announced that a Mineral Resource Estimate to support the Schaft Creek PEA is underway and that the PEA contemplates a 133,000 tpd mine/processing facility based on the work completed by the SCJV.

On March 3, 2021, Copper Fox announced the SCJV 2021 program and budget for the Schaft Creek project. The \$3.4 million 2021 Program is designed to review construction timeline and offsite infrastructure costs; metallurgical testwork to confirm throughput assumptions, ensure a 'fit for purpose' process design flowsheet, confirm opportunities to decrease the life of mine strip ratio, and update regulatory requirements in accordance with the updated project configuration and associated permitting timeline.

On March 22, 2021, Copper Fox announced the results of the Mineral Resource Estimate for the Schaft Creek project.

On May 11, 2021, Copper Fox announced that it filed on SEDAR the updated Mineral Resource Estimate that forms the basis of the Schaft Creek PEA. The technical report recommends a program consisting of 7,300 metres of drilling within the core of the known resource area to collect geotechnical data, provide samples for metallurgical test work, increase the confidence of the mineral resource categories and investigate potential extension to the mineralization. The cost of the recommended program is estimated to be \$4.96 million.

On May 13, 2021, the Company provided an update on the progress of the PEA for the Schaft Creek project. Highlights of the work completed to date include:

- Improved mine design and plan that significantly reduces the life-of-mine ("**LOM**") strip ratio;
- A more compact and capital efficient project configuration;
- The Mineral Resource base supports a 20-year plus mine life and provides options to extend mine life and/or increase throughput;
- Tailings management facility designed to accommodate potential future mine life extension/expansion;
- Lower LOM operating cost per tonne milled compared with the 2013 feasibility study;
- Preparation of pre-tax cash flow model nearing completion.

On September 15, 2021, the Company provided an update on the 2021 Schaft Creek drilling program scheduled to commence before the end of September, utilizing two drilling rigs. The program contemplates completing up to a 3,500-metre drill program and associated metallurgical and geotechnical testwork to provide information to confirm select value opportunities.

On September 20, 2021, the Company provided the results of the PEA for the Schaft Creek project. Highlights of the PEA are expressed on a 100% basis and in US\$ unless otherwise stated and include:

- Pre-tax net present value ("**NPV**") at 8 per cent (%) of \$1.4-billion and internal rate of return ("**IRR**") of 15.2%;
- After-tax NPV<sub>8</sub> of \$842.1-million and IRR of 12.9%;
- Average annual EBITDA (earnings before interest, taxes, depreciation and amortization) of \$695.4-million based on first five years (years two to six) at full production, and \$10.8-billion LOM

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- Average annual free cash flow (FCF) before recovery of capital costs of \$633.4-million based on first five years (years two to six) at full production and \$9.96-billion LOM;
- Net smelter return (NSR) of \$20.63 per tonne;
- 21 LOM producing approximately 5.0 billion pounds (lb) or 2.3 million tonnes (t) copper, 3.7 million ounces (oz) gold, 226.0 million lb molybdenum and 16.4 million oz silver in concentrate;
- 133,000-tonne-per-day (tpd) LOM nominal milling rate at 92-per-cent capacity processing 1.03 billion tonnes of mill feed LOM, representing approximately 60 per cent of identified mineral resources;
- Estimated initial capital costs of \$2,653-million, not including sustaining capital costs of \$848.7-million, which is inclusive of \$154.0-million closure costs. Operating costs are estimated to be \$8.66/t processed;
- C1 cost (net of byproduct credits); for first five years (years two to six) at full production of \$0.46 per pound of payable copper and \$1.00 per pound payable copper LOM;
- All-in sustaining costs for first five years (years two to six) at full production of \$0.72 per pound payable copper and \$1.18 per pound payable copper LOM.

### **Van Dyke Project**

On November 3, 2020, Copper Fox reported that the metallurgical and process portions, copper production schedules, annual production of 85Mlbs/year, a sweep efficiency of 89% and metallurgical recovery at 90%, have been established for the Van Dyke Preliminary Economic Assessment (“**PEA**”).

On January 12, 2021, Copper Fox announced results from an independent PEA for its Van Dyke ISCR project. The PEA was prepared under the direction of Moose Mountain Technical Service (“**MMTS**”) with an effective date of December 30, 2020.

On March 1, 2021, Copper Fox, announced that it filed on SEDAR a technical report titled “NI 43-101 Preliminary Economic Assessment Technical Report for the Van Dyke Copper Project” dated February 26, 2021, prepared by MMTS and Ausenco. The PEA recommended a US\$15.5 million budget for diamond drilling, permitting and completion of an ISCR pilot test program designed to further investigate overall metal recoveries, connectivity between wells, refine well field design, and determine the extent of rock stimulation required.

On August 17, 2021, following the recommendations of the 2020 preliminary economic assessment (PEA), the Company retained Montgomery & Associates, a water resource consulting firm headquartered in Tucson, Arizona USA, to complete a data gap analysis of the Van Dyke project in relation to current EPA (Environmental Protection Agency) and ADEQ (Arizona Department of Environmental Quality) requirements to obtain a Class III well permit for the project.

On September 15, 2021, the Company provided an update on the progress by Montgomery & Associates is advancing the data gap analysis and conceptual Hydrogeological Model for the Van Dyke project. The conceptual Hydrogeological Model forms the basis of preliminary discussions with the Environmental Protection Agency (“EPA”) and Arizona Department of Environmental Quality (“ADEQ”); the lead agencies overseeing the permitting process.

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### **Sombrero Butte Project**

On December 10, 2020, the Company announced that its preparation of the 2021 Geological Field Operations Plan ("GFOP") for the Sombrero Butte project is under way and includes drill testing of one of the two porphyry copper targets identified within the project. Both targets are highly prospective; however, the target selected for drill testing has a larger chargeability signature and is interpreted to be closer to surface.

### **Mineral Mountain Project**

On April 5, 2021, the Company announced that it planned to complete a deep penetrating induced polarization (chargeability/resistivity) survey on its Mineral Mountain copper project located approximately 15 miles east of Florence, Arizona.

On July 6, 2021, the Company announced the results from the IP survey. The survey results provided the certainty required for the Company to plan a diamond drill program to test several high-potential copper-molybdenum exploration targets.

### **Eaglehead Property**

On April 19, 2021, the Company completed the purchase agreement with District Copper Corp. ("**District Copper**"), where District Copper agreed to sell to Northern Fox, a wholly owned subsidiary of Copper Fox, all of its right, title and interest in and to, 6 contiguous mineral claims covering approximately 15,956 hectares of lands located in the Liard Mining Division of northwestern British Columbia, historically referred to by District Copper as the Eaglehead Property.

The aggregate consideration to be paid by Northern Fox for the Eaglehead Property is \$1,412,000, of which \$200,000 has been paid to District Copper and \$212,000 to the BC Ministry of Mines for the reclamation bond for the property. The remaining \$1 million will be paid to District Copper in three annual instalments of \$340,000, \$330,000 and \$330,000, respectively, on each anniversary of the April 19, 2021 closing. District Copper retains a 0.5% net smelter return royalty on any future production.

On June 10, 2021, the Company provided an update on the geological modelling, compilation and interpretation for the Eaglehead property. The Company indicated that the 2021 program would explore the Eaglehead intrusive in the area underlying the coincident copper-molybdenum in soil geochemical anomaly and copper mineralization. Testing of the updated geological model combined with the other studies completed to date would be beneficial should the Company decide to complete a mineral resource estimate.

On July 14, 2021, the Company announced the commencement of the 2021 program consisting of an 18-kilometre induced polarization (IP) survey, and mapping, sampling and prospecting.

On September 15, 2021, the Company announced that the deep penetrating chargeability/resistivity survey is underway and that re-logging of historical drill cores and in some instance, re-sampling of previously unsampled intervals of porphyry style copper-molybdenite mineralization hosted in altered granodioritic has been completed.

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### **Officer update**

Mark T. Brown, B.Comm, CPA, CA, was appointed as Chief Financial Officer of the Company effective April 23, 2021, and Braden Jensen stepped down to pursue other opportunities on that date.

### **Corporate update**

The Company's common shares qualified to trade on the OTCQX Best Market, effective September 7, 2021. The Company was upgraded from the Pink market and continues to trade under the symbol "CPFXF". The Company also retained the services of Stonegate Capital Partners Inc. to provide investor relations services for a period of six months.

On September 16, 2021, Copper Fox held their AGM and at that time let their 2009 Omnibus Share Compensation Plan lapse. The Company no longer has a stock option plan.

## **3. INTERIM PERIOD FINANCIAL CONDITION**

### **Capital Resources**

During the nine months ended July 31, 2021, 33,175,667 warrants were exercised for proceeds of \$5,193,404.

As an exploration company, Copper Fox has no regular cash in-flow from operations, and the extent of its operations is principally a function of the availability of capital resources. To date, the primary source of funding has been equity financing.

Copper Fox has no long-term debt or long-term liabilities, other than its decommissioning provision of \$179,299, its deferred tax liability of \$967,258, its lease liability of \$120,005 and its Sombrero Butte option payment of \$49,915 (US \$40,000).

The Company manages its working capital through conscientious controlling of spending on its properties and operations. Due to the on-going planned advancement of project milestones for the Eaglehead, Van Dyke, Sombrero Butte and Mineral Mountain projects over the near term, Copper Fox intends to continue to incur expenditures without revenues and accumulate operating losses. As a result, the Company needs to obtain adequate financing to fund future exploration and development, including the potential construction of a mine, in order to reach profitable levels of operation. It is not possible to predict whether future financing efforts will be successful or whether financing on favourable terms will be available.

Major expenditures are required to establish mineral reserves and to construct mining and processing facilities. The recoverability of valuations assigned to exploration and development mineral properties are dependent upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete such exploration and development as well as the future profitable production or proceeds from potential dispositions.

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Many factors influence the Company's ability to raise funds, and there is no assurance that the Company will be successful in obtaining adequate financing at favourable terms for these or other endeavours, including general working capital purposes.

#### **Liquidity**

As at July 31, 2021, Copper Fox had working capital of \$3,653,584 (October 31, 2020 – \$422,113). As at July 31, 2021, the Company's cash position was \$3,781,225 (October 31, 2020 - \$491,933). The working capital increased during the nine months ended July 31, 2021 compared to the year ended October 31, 2020 due to the warrants exercised during the period of \$5,193,404; while being offset by \$691,115 spent in operating activities, \$1,156,194 used in the mineral property expenditures (including the \$200,000 acquisition costs and \$212,000 reclamation bond for the Eaglehead Property) and \$22,259 in lease payments.

#### **Operations**

For the three months ended July 31, 2021 compared with the three months ended July 31, 2020:

For the three months ended July 31, 2021, the Company recorded a net loss of \$205,040 or \$0.00 per share compared to a net loss of \$248,589 or \$0.00 per share in the comparable prior period. The Company's quarterly administration expenses decreased in Q3 2021 compared to Q3 2020 due to the combination of increases in insurance premiums and US listing fees offset by the decrease in rent and professional fees in this comparable period.. The Company also recorded its share of income of an associate in Q3 2021 compared to recording its share of loss of an associate in Q3 2020.

For the nine months ended July 31, 2021 compared with the nine months ended July 31, 2020:

For the nine months ended July 31, 2021, the Company recorded a net loss of \$747,620 or \$0.00 per share compared to a net loss of \$845,158 or \$0.00 per share in the comparable prior period. The Company's administration expenses decreased during the current nine months ended July 31, 2021 compared to same period in fiscal 2020 due to the combination of increases in insurance premiums and US listing fees offset by the decrease in rent, tradeshows and professional fees in this comparable period. The Company also recorded its share of income of an associate in the nine months in 2021 compared to recording its share of loss of an associate in the same period in 2020.

## **4. COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES**

### Sombrero Butte

The Company is committed to pay the final yearly option payments totalling \$49,915 (US \$40,000) under the Sombrero Butte acquisition agreement to earn 100% interest in two patented and seventeen unpatented mining claims, with final payment due on October 15, 2021.

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### Schaft Creek Joint Venture

Teck holds a 75% interest, and the Company holds a 25% interest in the SCJV, and Teck is the operator of the SCJV. Management of the SCJV is made up of two representatives from each of Teck and the Company with voting proportional to their equity interests.

Under the SCJV agreement, Teck is required to make three cash milestone payments to the Company: (i) \$20 million upon entering into the agreement (received), (ii) \$20 million upon a Production Decision approving mine construction, and (iii) \$20 million upon completion of construction of mine facilities.

The SCJV agreement provides that Teck and the Company are each responsible for their pro-rata share of project costs in accordance with their interests, except that Teck is solely responsible for the first \$60 million in pre-production costs. If pre-production costs exceed \$60 million, the Company's pro rata share of such costs will be set off against the two remaining cash milestone payments (totaling \$40 million) payable by Teck to the Company. If pre-production costs exhaust the two cash milestone payments, Teck will further assist the Company by providing loans, as necessary, without dilution to the Company's 25% joint venture interest.

Once a production decision has been made, Teck will make an irrevocable offer to the Company:

- (i) to use all reasonable commercial efforts to arrange project equity and debt financing for at least 60% of project capital costs or such portion as Teck determines is commercially available on reasonable terms at the relevant time, and
- (ii) to fund by way of loans to the Company, the Company's pro rata share of project capital costs not covered by project debt financing at the Prime Rate plus 2%, if requested by the Company, without dilution to the Company's 25% joint venture interest.

The Company must notify Teck within 60 days after Teck's offer as to whether it accepts Teck's offer or whether it will arrange for its own financing.

### Office Lease

The Company has an office lease expiring on October 31, 2024 with a renewal clause until October 31, 2029. The Company records a lease liability of \$29,678 within the next twelve months and \$120,005 thereafter.

## **5. SIGNIFICANT RELATED PARTY TRANSACTIONS**

During the quarter, there was no significant transaction between related parties other than the normal course of business.

## **6. RISKS FACTORS**

In our MD&A filed on SEDAR January 29, 2021 in connection with our annual financial statements (the "Annual MD&A"), we have set out our discussion of the risk factors which we believe are the most significant risks faced by Copper Fox. An adverse development in any one risk factor or any combination



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of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

## 7. DISCLOSURE OF OUTSTANDING SHARE CAPITAL DATA

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of first and second preferred shares, without par value, of which no preferred shares have been issued.

	Issued and Outstanding	
	July 31, 2021	September 23, 2021
Common shares outstanding	524,185,496	524,185,496
Warrants	25,116,667	25,116,667
<b>Fully diluted common shares outstanding</b>	<b>549,302,163</b>	<b>549,302,163</b>

### Cautionary Statements

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.