

Copper Fox Metals Inc. engages in acquiring interests in mining properties through options, corporate acquisition and exploration. Copper Fox entered into an option to acquire a maximum 93.4% (direct 70% and indirect 23.4%) interest in a copper property located in Northwestern British Columbia, known as Schaft Creek.

Copper Fox Metals Inc.

TSXV: CUU

Price: **\$0.235**

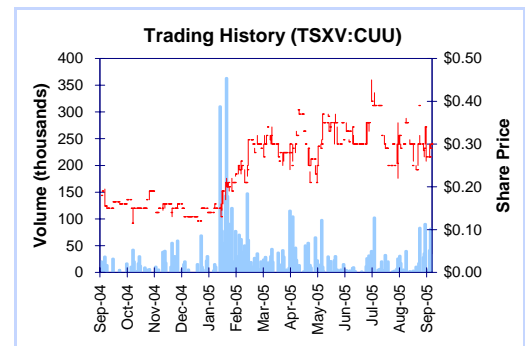
Recommendation: **SPECULATIVE BUY**

12-Month Target: **\$0.70**

Projects

Shaft Creek

The Schaft Creek copper-gold-molybdenum-silver deposit is located in the Liard District of Northwestern British Columbia, Canada. Schaft Creek is located 80 kilometers southwest of Telegraph Creek and approximately 76 kilometers west of the Stewart-Cassiar paved highway (Highway 37). It was discovered in 1957 and investigated by prospecting, geological mapping, geophysical surveys and diamond and percussion drilling over the years. A large volume of technical data, including assays, analyses and preliminary engineering studies, exists and is held by Copper Fox.



Source: Bloomberg

Table 7: Schaft Creek Resources

| Schaft Creek* | Tonnes (millions) | Cu% | Mo% | Au(g/t) | Ag(g/t) | Cu (M lbs) | Mo (M lbs) | Au (M oz) | Ag (M oz) | Cu Equivalent (million lbs) |
|----------------------|-------------------|-------|--------|---------|---------|----------------|--------------|------------|-------------|-----------------------------|
| Measured & Indicated | 310.1 | 0.36% | 0.024% | 0.25 | 1.99 | 2,673.4 | 300.8 | 2.7 | 21.1 | 8,684.0 |
| Inferred | 106.0 | 0.36% | 0.027% | 0.26 | 2.19 | 930.3 | 112.2 | 1.0 | 8.2 | 3,183.1 |
| Total | 416.1 | | | | | 3,603.8 | 413.0 | 3.7 | 29.3 | 11,867.1 |

0.35% equivalent copper cut-off
*based on 93.4% ownership

Source: Company reports, NSI estimates

The Schaft Creek Property is owned by Teck Cominco Limited. CUU holds an option as follows:

- CUU may earn a 70% direct participating interest, Teck Cominco's 'Direct Holding', by incurring \$5,000,000 in expenditures on or before December 31, 2006 and aggregate expenditures of \$15,000,000 on or before December 31, 2011.
- CUU may also earn 23.4% carried interest, Teck Cominco's 'Indirect Holding', through Teck Cominco's 78% shareholding in Liard Copper Mines Ltd. by incurring the above described \$5,000,000 in expenditures and completing and delivering to Teck Cominco a positive bankable feasibility study.
- If CUU delivers a feasibility notice to Teck Cominco prior to completing the \$15,000,000 in expenditures, CUU will be deemed to have exercised the option to both the Indirect and Direct Holdings.

In addition, the option agreement includes a back-in right for Teck Cominco, which it must exercise within up to 120 days of the delivery of a positive feasibility study. If the back-in right is not exercised, CUU may grant Teck Cominco a 1% net smelter royalty or, if CUU assigned the option agreement to a public company whose shares are listed on a recognized stock exchange, shares of that company having a value of \$1,000,000. If Teck Cominco does exercise the back-in right, it may earn a 20% interest by matching prior incurred expenditures, a 40% interest by matching three times prior incurred

A large resource is known

expenditures, or a 75% interest by incurring four times prior expenditures and arranging all production financing. The option agreement includes provisions for joint management and for dilution of interests in proportion to expenditures, including reversion of either party to a defined net profits royalty if that party's interest is diluted below a 20% working interest in the joint venture.

A modest work program should define the scope of this project

Associated Mining Consultants Ltd. ("AMCL") issued a report titled "Valuation Opinion of CUU Alberta Ltd.'s option to Acquire the Teck Cominco Limited Interest in the Schaft Creek Mineral Deposit, British Columbia, Canada" on March 16, 2005. In this report, AMCL state that there are three broadly accepted valuation approaches: (i) income approach, (ii) market approach; and (iii) cost approach. In applying these three approaches and analyzing the apparent value of an option on the neighbouring Red Chris property, AMCL estimated that at least C\$ 2 to 2.5 million would need to be spent on the Schaft Creek project to reach the first major decision point in assessing the Schaft Creek Project's viability. AMCL concluded that in their opinion "the value for the Schaft Creek property as determined from a comparable transaction is somewhere between \$2.5 million – \$3.5 million (lower end of the valuation for Red Chris, a project held by bcMetals Corporation)."

AMCL selected 13 drill core samples within the pit and 20 drill core samples outside the pit for metallurgical testing and recommended a two phase program of additional work be performed at estimated costs of \$527,000 in phase 1 and \$1,330,000 in phase 2. This work program would be aimed at better defining and optimizing mill recoveries of copper, gold, silver and molybdenum prior to collecting a fresh bulk sample.

Management

Elmer B. Stewart, Chairman & Director

President and COO of Alhambra Resources Ltd., a public (TSX Venture) oil and gas and mineral exploration company, since December 2003.

Guillermo Salazar, President, CEO & Director

Self-employed consultant of G. Salazar & Associates Ltd., a private mineral exploration and mine development company, since January, 1980.

Charles F. Agar, CFO & Director

Self-employed consultant since May 1988 to present.

J. Michael Smith, Secretary-Treasurer & Director

Retired since 1999. Area Manager for the Royal Bank from 1991 to 1999. Part-time consultant since 2001.

David E. Mullen, Director

Vice President of Mullen Trucking Inc., a wholly owned subsidiary of Mullen Transportation Inc., which is a public TSE transportation company, of which Mr. Mullen is Senior Vice President and a director since 1986.

Adrian G. Mann, Director

Self-employed owner of Ruthrie Enterprises Ltd., a private mineral exploration and mine development company in Clagary, Alberta since October 1989.

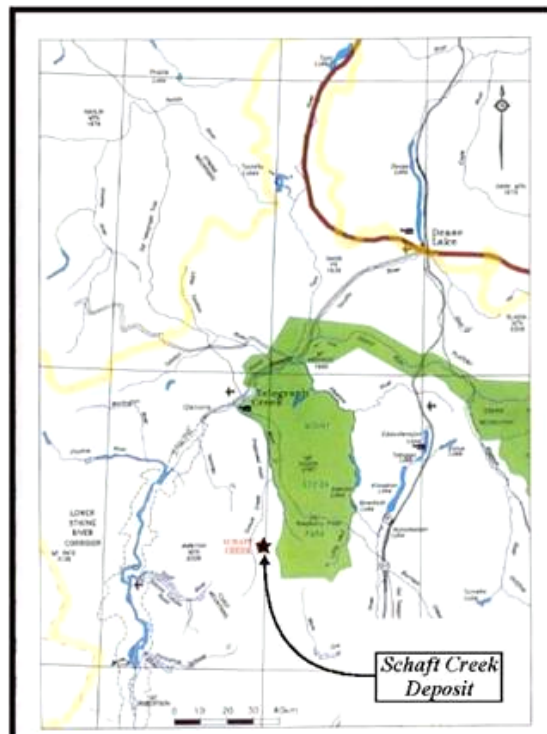
Hector MacKay-Dunn

Partner with Farris, Vaughan, Wills & Murphy

Conclusion

Copper Fox falls into the category of a company with one significant asset. This asset is well known due to work by others in the past. Copper Fox is confirming this work as it intends to upgrade this project to the feasibility study level as soon as possible. The resource is substantial with over 4.6 billion pounds of copper plus additional metals, including molybdenum increasing the copper equivalent to over 12 billion pounds. Copper Fox must complete a substantial work program and feasibility study to earn its full interest. It does not need to spend the full \$15 million but with this ahead of them the stock is currently trading at just US\$0.001/lb on an EV total adjusted resource base, the lowest in our comparables with group average of US\$0.014 EV/lb. The company is funded to complete the first phase of work on this project. We believe that these results, coupled with the data available, will show the quality and size of this asset for this junior development company. We also feel that the market's discount at this time for the stock is excessive and thus see value. We are initiating coverage of Copper Fox Metals as part of our junior copper portfolio as a **SPECULATIVE BUY** and **initial target of \$0.70 per share**.

Figure 12: Location of the Schaft Creek Project



Source: Company reports