

COPPER FOX METALS INC

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2009

February 23, 2010

Management's Discussion and Analysis
Year ended October 31, 2009

Introduction

This management's discussion and analysis ("MD&A") should be read in conjunction with Copper Fox Metals Inc's (the "Company" or "Copper Fox") audited annual financial statements for the year ended October 31, 2009 and related notes thereto. This information is posted on Sedar at www.sedar.com and on our Company website at www.copperfoxmetals.com. The reader should be aware that historical results are not necessarily indicative of future performance. The effective date of this MD&A is February 23, 2010. All amounts are in Canadian dollars unless otherwise stated.

Description of Business

Copper Fox is a Canadian-based resource company listed on the TSX-Venture Exchange (CUU). Copper Fox's activities are focused exclusively on Schaft Creek, one of the largest undeveloped copper, gold, molybdenum and silver deposits in Canada.

Copper Fox holds a 100% interest in the Schaft Creek project subject to 30% net proceeds interest held by Liard Copper Mines Limited, a Company 78% owned by Teck Resources Limited ("Teck"), the "indirect interest". Copper Fox will earn Teck's indirect interest, which is equivalent to 23.4% of the project, upon completion of a feasibility study. Under the option agreement Teck has an earn back option.

Schaft Creek is located within a contiguous land package that comprises 20,932 hectares originally conveyed by Teck and 3,947 hectares acquired directly by Copper Fox for a total of 24,972 hectares (or 61,706 acres) situated in northwest British Columbia, Canada.

On September 15, 2008, Copper Fox released the results of a preliminary feasibility study ("PFS") on the Schaft Creek deposit which contemplated processing 100,000 tonne of ore per day from an open pit mine. The PFS estimated the minable reserves at Schaft Creek to be 821 million tonnes grading 0.301% copper, 0.212g/t gold, 0.020% molybdenum, 1.76g/t silver at a Copper Equivalent cut-off of 0.20% and that this deposit could produce 4.8 billion pounds of copper, 255.1 million pounds of molybdenum, 4.5 million ounces of gold and 32.5 million ounces of silver over a 23 year mine life. This deposit has the potential to provide a long term secure supply of copper-gold-molybdenum-silver.

Highlights

On January 21, 2010 the Company announced that it has awarded the contract to complete a feasibility study on the Schaft Creek copper-gold-molybdenum-silver deposit to Wardrop, a Tetra Tech Company ("Wardrop"). It is expected that the feasibility study will be completed in the fourth quarter 2010.

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In conjunction with completion of the feasibility study, the Company is preparing the documentation necessary to file its environmental permit application for the development of the Schaft Creek project.

During the last quarter, the Company focused on completing all outstanding geotechnical studies compiled during the 2008 field season. In addition sampling and collection of data for the ongoing environmental studies of the area around the Schaft Creek continued. The completion of the geotechnical studies and ongoing environmental sampling and data collection has allowed the Company to commence preparation of a feasibility study on the Schaft Creek deposit.

One significant highlight of the 2008 field work, the results of which were received in late 2009 was the identification of two large Induced Polarization/Resistivity ("IP Anomalies") anomalies on the Schaft Creek project located in northwest British Columbia, Canada. The Induced Polarization/Resistivity Survey was completed over a 6.2 square kilometre (sq km) area located between the Schaft Creek copper-molybdenum-gold-silver deposit and Mess Creek a distance of 2,800 meters (m). Induced Polarization/Resistivity ("IP") surveys are commonly used in the mineral industry to explore for copper porphyry style of mineralization similar to that at Schaft Creek. The IP survey outlined seven new large chargeability and resistivity anomalies.

The IP Survey was completed over that area where the processing plant and other infrastructure were to be situated according to the pre-feasibility study on the Schaft Creek deposit. The IP Survey was completed to ensure that this area did not contain additional zones of copper-molybdenum-gold mineralization.

North Area:

This area contains two large partially defined irregular shaped zones of high chargeability. Anomaly #1 is located approximately 600 m east of the Schaft Creek copper-molybdenum-gold-silver deposit (see Figure-1) and is open to the northwest. Anomaly #2 occurs approximately 200 m east of anomaly #1 and is also open to the northwest. The IP anomalies in this area are characterized by a shallow (close to surface) high chargeability signature with associated higher resistivity values extending at depth.

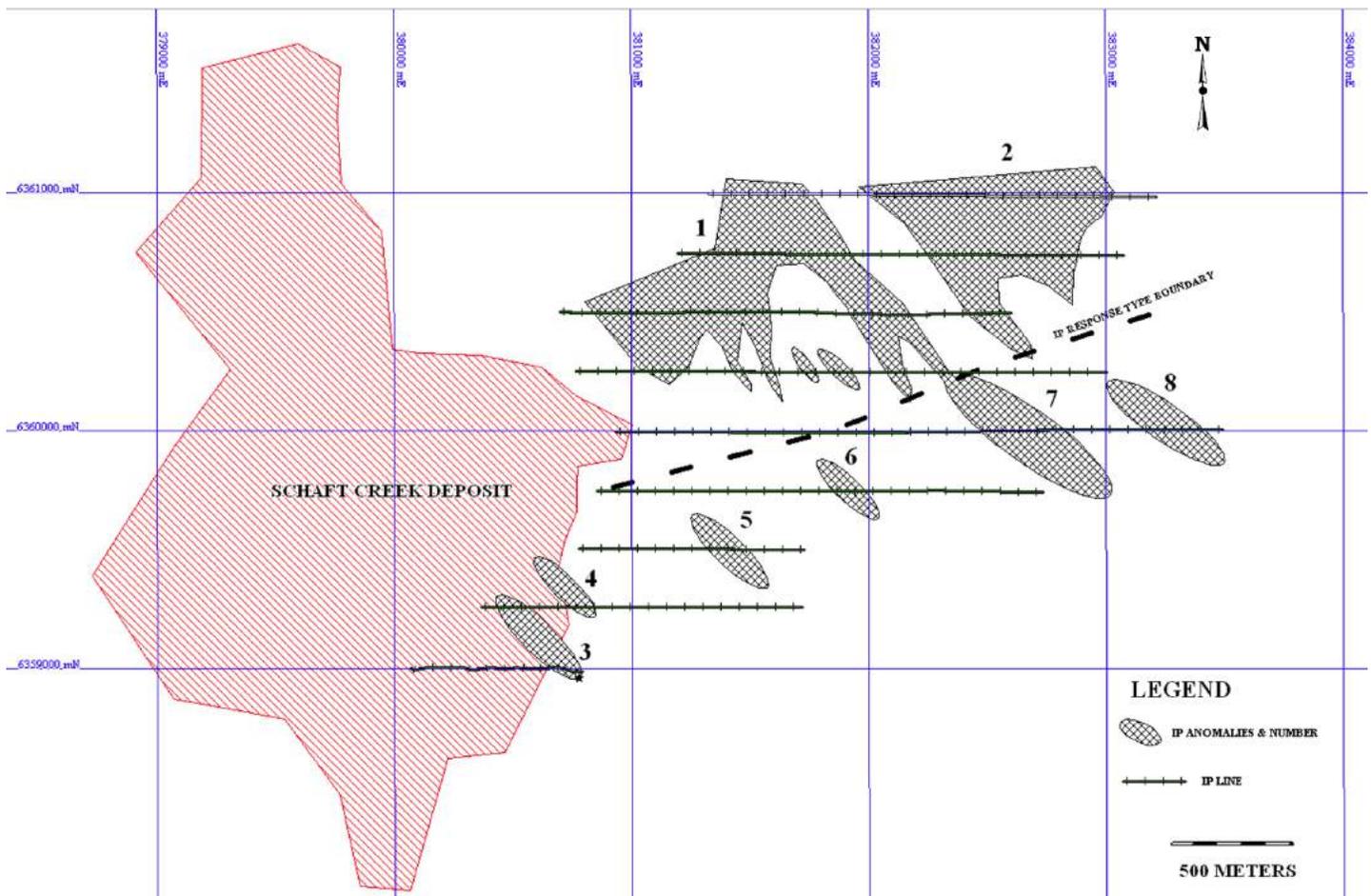
South Area:

The anomalies (anomaly numbers 3 to 8) in this zone are of smaller size, amplitude and are better defined. Anomaly #7 is interpreted to be an extension of anomaly #1. At depth, the anomaly is approximately 600 m wide and is characterized by a moderate chargeability which correlates with a zone of high resistivity bounded by areas of lower resistivity. Anomaly #8 is located at the east end of the profile that contains anomaly #7 and is characterized by a strong chargeability anomaly with a moderate to strong resistivity signature.

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Anomalies #3 and 4 are characterized by a west dipping, wide zone (450 m) of high chargeability at depth which is cross cut by a strong east dipping high resistivity signature which may be due to either a zone of silicification or a silicified fault.

Figure 1 – Map view of IP anomalies



Operating and Financing Activities

After completing the financial restructuring of the Company, management focused its attention on the feasibility study of the Schaft Creek deposit. This work included updating of the various geotechnical and engineering studies and continuation of the environmental and socio-economic studies related to development of the Schaft Creek deposit. The efforts of the Company during the last quarter of 2009 resulted in awarding a contract to complete the feasibility study on the Schaft Creek deposit to Wardrop.

An integral part of a feasibility study is the preparation of an updated geological model for the Schaft Creek deposit. Cambria Geosciences Limited has commenced compilation of all geological and analytical information collected during 2007 and 2008 and is incorporating this into an updated geological model. The geological model prepared by Cambria Geosciences Limited will be used by AMEC Americas Limited to complete an updated mineral resource estimate for the Schaft Creek deposit. The mineral resource estimate used in the pre-feasibility study had an effective date of June 27, 2007 and included all diamond drilling results to December 31, 2006. The updated mineral resource estimate will have an effective date of December 2008. The updated mineral resource estimate along with current metallurgical test work results will be used to prepare an updated mineral reserve estimate.

Road access and terrain hazards related to the proposed access route have been assessed. The proposed access route minimizes environmental impact and was selected in consultation with the various groups of the Tahltan Nation.

During the year, sampling and data collection for the ongoing environmental and socio-economic studies continued. Environmental and socio-economic studies at the Schaft Creek deposit commenced in August 2006 and reports summarizing these studies for the period 2006 to 2009 are expected to be completed in early 2010. The completion of these reports allows the Company to file the environmental assessment application. On receipt of the approval of the environmental assessment certificate, construction permits for the development of the Schaft Creek deposit can be obtained.

During the year, the Company completed two financings. These financings raised a total of \$7,700,000 (net of selling costs of \$299,000) and resulted in the issuance of 129,855,074 common shares and 118,260,871 common share purchase warrants. The warrants issued with these financings expire between June 1 and October 22, 2010 and have exercise prices of \$0.075 and \$0.115 per share. The proceeds of the financings were used to address the capital need of the Company and to provide working capital for its 2009 operational plans.

As a result of the financings the Company settled outstanding accounts with its creditors and discharged encumbrances registered against its Schaft Creek property.

The Company is now focusing all of its attention on the completion of the feasibility study demonstrating the economic viability of the Schaft Creek project.

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2009 Overview

Revenues:

The Company has no income producing assets and has not reported any revenue from operations for any of the quarters in the years ended October 31, 2009 or October 31, 2008. The Company is considered to be in the exploration and development stage.

Expenses:

During the year ended October 31, 2009 Copper Fox incurred expenses of \$33,143,516 compared to \$3,011,696 for the year ended October 31, 2008. The increase in expenses for the period relates to:

Administration	\$	(573,757)
Amortization and accretion		(40,922)
Exchange (Gain)/Loss		41,371
Mineral property write down		31,000,000
Professional Fees		242,132
Processing fees		6,016
Rent		(2,654)
Stock Based Compensation		(582,064)
Travel		(74,516)
Interest Income		116,214
	\$	30,131,820

The increase in expenditures is primarily related to the write down of the mineral properties. This write down does not affect the cash flow of the Company's operations. The balance of expenditures decreased by \$2,143,516 mainly due to the reduction of the stock based compensation and administration costs. In addition, the Company realized a recovery of future income taxes of \$4,618,912 during the year as a result of the write down.

Loss:

Copper Fox reported a net loss and comprehensive loss for the year ended October 31, 2009 of \$28,524,604 (2008 - \$736,714).

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Loss per Share:

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 year ended October 31, 2009 was 147,118,469 (2008 – 97,435,315) 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.

The loss per share for the year ended October 31, 2009 was (\$0.19) compared to a loss per share of (\$0.01) for the year ended October 31, 2008.

Cash Flow and Loss:

Copper Fox reported a loss for the year ended October 31, 2009 of \$28,524,604 compared to a loss of \$736,714 for the year ended October 31, 2008. Included in the year end loss is \$31,000,000 for the mineral property write down, \$340,688 of stock based compensation charges and future income tax recoveries of \$4,618,912 which do not affect the cash flow of the Company. Cash flow from operations for the year were (\$947,355) compared to (\$2,183,280) for the year ended October 31, 2008.

Total Assets:

Total assets of the Company at October 31, 2009 were \$13,555,763 (October 31, 2008 - \$41,649,332).

Selected Financial Information

	Net Gain/(loss)	Net (loss)/income per share - basic and diluted
<u>2009</u>		
Fourth Quarter	\$ 1,533,575	\$ 0.01
Third Quarter	\$ (491,057)	\$ -
Second Quarter	\$ (431,763)	\$ -
First Quarter	\$ (29,135,359)	\$ (0.28)
<u>2008</u>		
Fourth Quarter	\$ 1,890,230	\$ 0.02
Third Quarter	\$ (1,307,512)	\$ (0.01)
Second Quarter	\$ (720,878)	\$ (0.01)
First Quarter	\$ (598,554)	\$ (0.01)

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Liquidity and Capital Resources:

During the fourth quarter the Company's working capital improved by \$647,022 to \$2,544,341. This was as a result of the Company completing a \$1.9 million (net of \$21,296 in selling costs) financing in October. This money is being used to continue with the feasibility study and for general corporate purposes. The Company has sufficient funds available to meet its current obligations.

The cash requirements in the next year will be significant as the Company plans to complete a feasibility study. At the end of this fiscal year the Company has spent approximately \$40 million toward this study. The Company will require additional capital to complete this study and to provide for the administration of its Calgary and Vancouver offices. The Company believes that it will raise this capital through the public markets and through the continued exercise of its outstanding options and share purchase warrants.

Off Balance Sheet Arrangements:

The Company has no off balance sheet arrangements other than commitments for office rental space that is disclosed in the audited financial statements for the year ended October 31, 2009.

Related Party Transactions:

During the year ended October 31, 2009 directors and officers of the Company incurred \$634,571 (2008 - \$620,482) for management and technical services on behalf of the Company. In addition, \$148,216 of legal fees were paid during the year ended October 31, 2009 (2008 – Nil) of which one of the Company's Directors is a partner. At October 31, 2009 \$139,138 (2008 – \$38,312) is included in accounts payable and \$68,688 (2008 – Nil) is included in accounts payable for legal fees. These transactions were recorded at the exchange amount agreed to by the related parties.

Mineral Property:

At October 31, 2009, Copper Fox has made gross expenditures of approximately \$40,000,000 and has a reported balance of \$9,855,549, a decrease of \$29,116,410 from October 31, 2008. The details of these expenditures are as follows:

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	Expenditures November 1, 2008 to October 31, 2009	Expenditures November 1, 2007 to October 31, 2008	Expenditures November 1, 2006 to October 31, 2007
Drilling Program/camp activities	\$ 173,034	\$ 8,661,113	\$ 8,664,016
Environmental Program	424,208	2,670,108	1,680,899
Pre-feasibility/feasibility Study	844,558	2,843,863	430,163
Social License	52,594	235,616	145,116
Geology, Engineering, Metallurgy	221,835	1,277,769	1,961,741
Testing, Assaying, Mapping, Etc.	36,071	371,362	315,030
Miscellaneous	37,332	247,269	616,291
Mineral property write down	(31,000,000)	-	-
Tax benefit - Capital Compensation/ARO	93,958	260,160	271,724
	\$ (29,116,410)	\$ 16,567,260	\$ 14,084,980

During the first quarter the Company wrote down the carrying value of its mineral property by \$31,000,000 based on the implied fair value of the proposed transaction with Lions Gate Metals Inc. This proposed transaction was terminated in April 2009. The Company believes the current economic value of this property is substantially higher than its current carrying amount. During the remainder of the Company's fiscal year ended October 31, 2009 and up to the date of this MD&A, February 23, 2010, there has been a marked improvement in the overall economic environment and capital markets as well as a strengthening of commodity prices such as gold and copper. The market capitalization of the Company on February 23, 2010 was approximately \$41.1 million.

On September 15, 2008 Copper Fox Metals announced the results of their preliminary feasibility study on the Schaft Creek Copper-Gold-Molybdenum-Silver Deposit. Some of the selected information from this study projects:

- A Mineable Reserve mill feed of 812.2 million tonnes of 0.301% Cu, 0.212g/t Au, 0.020% Mo and 1.76g/t Ag;
- A Measured and Indicated resource of 1.393 billion tonnes with 0.25% Cu, 0.18g/t Au, 0.019% Mo, 1.55g/t Ag;
- 18.6% before tax internal rate of return;
- \$11.734 billion Pre-Tax Cash Flow after capital recovery of \$3,893,406 (undiscounted);
- \$2.764 billion NPV before taxes, discounted at 8%;

The official news release and the full preliminary feasibility report can be seen at www.copperfoxmetals.com.

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Subsequent Event

The Company now holds a 100% interest in the Schaft Creek project subject to a 30% net proceeds interest royalty held by Liard Copper Mines Limited, a company 70% owned by Teck, the "indirect interest". Formal transfer of this interest took place in February 2010.

Share Capital

The Company has 256,973,639 shares, 105,321,914 warrants and 12,485,000 options outstanding as of the effective date of this MD&A of February 23, 2010.

Basis of Presentation

The accompanying financial statements of Copper Fox have been prepared by management in accordance with Canadian generally accepted accounting principles.

Critical Accounting Policies

A summary of significant accounting policies is presented in note 4 of the financial statements.

Changes in Accounting Policies and Recent Pronouncements

Financial Instruments – Disclosure:

In May 2009, the Canadian Institute of Chartered Accountants amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The Company has adopted these amendments in the year ended October 31, 2009 financial statements.

Mining Exploration Costs:

On March 27, 2009, the AcSB issued EIC-174 "Mining Exploration Costs". In this EIC the Committee provided additional guidance for an enterprise that has initially capitalized exploration costs and has such costs for recoverability whenever

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events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has adopted EIC-174 in the year ended October 31, 2009 financial statements.

Future Accounting Pronouncements - International Financial Reporting Standards:

In February, 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be required for publicly accountable enterprises' interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Copper Fox will be required to begin reporting under IFRS for its fiscal year beginning November 1, 2011. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

Business Combinations:

In January 2009, the CICA issued Section 1582 "Business Combinations". This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after November 1, 2011 for the Company. Early adoption is permitted. This section replaces Section 1581 "Business Combinations" and harmonizes the Canadian standards with IFRS.

Forward-looking Statements

This MD&A includes "forward-looking information" within the meaning of the Canadian securities laws. Statements, other than statements of historical fact, may constitute forward-looking information and include, without limitation: anticipated timing and content of upcoming work programs, geological interpretations, receipt of property titles, and potential mineral recovery processes; anticipated dates for receipt of permits, approvals and other milestones; anticipated results of drilling programs, feasibility studies and other analyses; anticipated availability and terms of future financing; future production, operating and capital costs; and operating or financial performance.

Information concerning mineral reserve and resource estimates also may be deemed to be forward-looking information in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. For any forward looking information given, management has assumed that the assay results it has received are reliable, and has applied geological interpretation methodologies which are consistent with industry standards.

Forward-looking information involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. Important factors that could cause actual results to differ materially from management's expectations include: fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating

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costs, recovery rates, production estimates and estimated economic return; the need for co-operation of government agencies in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals; and other risks and uncertainties disclosed in the company's other filings with Canadian securities regulatory authorities at www.sedar.com.

The forward-looking information in this MD&A is based on management's current expectations and Copper Fox assumes no obligations to update such information to reflect later events or developments, except as required by law. Additional information, about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.