

# COPPER FOX METALS INC.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2014

September 23, 2014



Management's Discussion and Analysis  
Three and Nine Months Ended July 31, 2014

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**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') unaudited interim condensed consolidated financial statements for the nine months ended July 31, 2014 and related notes thereto and the audited annual consolidated financial statements for the year ended October 31, 2013 and related notes thereto and management discussion and analysis thereon.

All of the Company's material subsidiaries are wholly owned except for Carmax Mining Corp. ("Carmax") (TSXV: CVM), of which the Company owns 42.09% of the outstanding common shares. The consolidated financial statements include 100% of the assets and liabilities related to Carmax and include a non-controlling interest representing 57.91% of Carmax's assets and liabilities not owned by the Company. Accounting policies are applied consistently throughout all consolidated entities.

Technical and corporate information contained in this MD&A has previously been disseminated by way of news release and is 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). The reader should be aware that historical results are not necessarily indicative of future performance (readers should refer to 'Forward Looking Statements' on page 10).

The effective date of this MD&A is September 23, 2014. All amounts are in Canadian dollars unless otherwise stated.

**Description of Business**

Copper Fox is a Canadian based resource company with a Tier 1 listing on the TSX-Venture Exchange (TSX-V: CUU). The Company is focused on the exploration and development of copper projects in North America. Copper Fox's corporate office is located in Calgary, Alberta. Copper Fox's wholly owned subsidiaries are Desert Fox Copper Inc. ('Desert Fox') and Northern Fox Mineral Inc. ('Northern Fox'). Desert Fox holds all the assets of Copper Fox located in the United States and Northern Fox holds the investment in Carmax Mining Corp ('Carmax'). Desert Fox has established an office in Miami, Arizona to support the current work being completed on the Van Dyke copper deposit. Copper Fox's primary assets are its 25% interest in the Schaft Creek Joint Venture with Teck Resources Limited ('Teck') on the Schaft Creek copper-gold-molybdenum-silver project located in northwestern British Columbia and the Van Dyke oxide copper deposit located in Miami, Arizona.

Copper Fox is a 25% partner in the Schaft Creek Joint Venture with Teck. Teck is the operator of the Schaft Creek Joint Venture which holds two main assets; i) the Schaft Creek copper/gold/molybdenum/silver project located in northwestern British Columbia and a 78% equity interest in Liard Copper Mines Limited. Liard Copper Mines Limited holds a 30% Net Proceeds Interest in the Schaft Creek project. On January 23, 2013, a National Instrument 43-101 Technical Report was prepared by Tetra Tech under the direction of Copper Fox comprising a feasibility study of a 130,000 tonne per day-open pit mine with a Proven and Probable Reserve of 940.8 million tonnes grading 0.27% copper, 0.19 g/t gold, 0.018% molybdenum and 1.72 g/t silver; (recoverable CuEq 0.40) over a 21 year mine life with contained metal of 5,611.7 million pounds of copper, 5.8 million ounces of gold, 363.5 million pounds of molybdenum and 51.7 million ounces of silver.

The Schaft Creek deposit hosts a Measured and Indicated Resource of 1,228.6 tonnes grading 0.26% copper, 0.017%

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molybdenum, 0.19 g/t gold and 1.69 g/t silver and a 597.2 million tonne Inferred Resource grading 0.22% copper, 0.016% molybdenum, 0.17 g/t gold and 1.65 g/t silver. The above stated Proven and Probable Reserves for the Schaft Creek project are included within the stated Measured, Indicated and Inferred Resources for this project.

For corporate and tax planning purposes, the Company established Desert Fox and Northern Fox to manage all future exploration/development activities as well as any equity or working interest acquired in other copper projects in North America. Desert Fox and its wholly-owned subsidiaries, hold mineral tenures located in Pinal County, Arizona (the 'Sombrero Butte Copper Project') and in Gila County, Arizona (the 'Van Dyke Copper Project'), both located in the Arizona porphyry copper belt. To date the Company has not earned any revenues from these activities and is considered to be in the exploration and development stage.

In 2014, Northern Fox acquired a 42.09% equity ownership of Carmax, a public company incorporated under the Canada Business Corporations Act. Carmax owns a 100% of the Eaglehead Project copper-molybdenum-gold project located in northwestern British Columbia. The Eaglehead project is an advanced exploration project with a current inferred resource of 103 million tonnes grading 0.29% copper, 0.01% molybdenum and 0.08 g/t gold containing 662 million pounds of copper, 22 million pounds of molybdenum and 265,000 ounces of gold. The 2014 exploration program for this project consists of geophysical surveys and diamond drilling.

The Company currently operates through Desert Fox and is using its cash to advance the Arizona copper assets with the majority of its current activities focussed on the Van Dyke oxide copper deposit. Desert Fox's objective is to complete the test works required to prepare a Preliminary Economic Assessment ('PEA') technical report to estimate a preliminary valuation for the Van Dyke project.

### **Highlights for the Nine Months Ended July 31, 2014**

#### **Schaft Creek Project**

The Schaft Creek Joint Venture approved a 2014 program consisting of a comprehensive series of studies to review all aspects (including metallurgical, pit slope design, geological modelling and environmental) of the Schaft Creek project. The 2014 field mapping and core re-logging program, to collect additional structural information for pit slope design purposes and to update the geological model for the Schaft Creek deposit, was completed by the end of August. The incorporation of this information into the Schaft Creek data base is in progress. This information is required in order to complete the optimization studies on the Schaft Creek deposit. Environmental monitoring studies also continued through 2014. The 2014 Schaft Creek program is estimated to cost approximately \$2.5 million.

#### **Van Dyke Copper Project**

##### *Introduction:*

The Van Dyke oxide copper deposit is located in the Globe-Miami Mining District in Arizona which also hosts the Pinto Valley, Carlota, Miami-East and Miami-Inspiration (all currently in operation) and the mined out Copper Cities and Old Dominion copper deposits. The Van Dyke oxide copper deposit is located adjacent to the Miami-East and Miami-Inspiration mining operations and hosts a historical estimate quoted as 119.2 million tons that averaged 0.52% copper using a 0.20% copper cutoff (estimated to contain 1.2 billion pounds of total copper - see news release dated April 12,

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2013).

The objective of the 2014 program for the Van Dyke oxide copper deposit is to complete a Preliminary Economic Assessment ('PEA'). The required verification drilling program has been completed and metallurgical test work, environmental baseline and surface water hydrology studies, fluid mechanics, geochemical characterization of the lithologies surrounding the deposit and scoping level engineering studies are required to complete the PEA.

During the quarter, the six hole (3,211.7m) verification diamond drilling program on the Van Dyke oxide copper deposit was completed. Subsequent to the end of the quarter, the analytical results for the six holes were received and the weighted average grade of the mineralized intervals (using a 0.05% copper cut-off) for total copper and soluble copper content are listed below. The cut-off grade used to estimate the weighted average grades of the mineralized intervals is in line with the cut-off grade used on other advanced similar oxide copper deposits in Arizona.

DDH ID	Zone	Azimuth	Dip	From (m)	To (m)	Interval (m)	Total Copper (%)	Total Soluble Copper (%)
VD14-01	Oxide	0	90	246.9	368.4	121.5	0.36	0.27
VD14-02	Oxide	0 Including	90	375.2 375.2	591.6 399.6	216.4 24.4	0.44 1.39	0.39 1.28
VD14-03	Oxide	0 Including	90	301.1 384.7	434.6 400.4	133.5 15.7	0.62 1.34	0.48 1.14
VD14-04	Oxide	0	90	452.4	596.6	144.2	0.38	0.33
VD14-05	Oxide	0	90	401.4	450.6	49.2	0.56	0.52
VD14-06	Oxide	0 Including	90	249.1 268.0	383.8 277.4	134.7 9.4	0.33 2.09	0.24 1.94

*Note: The core intervals listed in the above tables do not represent true widths.*

The total soluble copper is that portion of the total copper content that can be dissolved in weak acid solution.

*Preliminary Economic Assessment:*

During the quarter, Moose Mountain Technical Services, Knight Piesold Ltd., Greenwood Environmental Inc., SGS Metcon/KD Engineering and Southwest Exploration Services, LLC (downhole geophysical surveys) completed the compilation of the data collected during the drilling program on the Van Dyke oxide copper deposit.

**Carmax Mining Corp:**

On May 29, 2014 the Company closed a Subscription Agreement with Carmax whereby Northern Fox acquired via a non-brokered private placement, for 20,000,000 units of Carmax for an aggregate subscription price of \$1,000,000. The Units were subscribed for a price of \$0.05 per Unit and consist of one previously unissued common share of Carmax and one common share purchase warrant ('Warrant'). Northern Fox holds approximately 42.09% of the outstanding shares of Carmax. Each Warrant is exercisable until May 29, 2016 and entitles Northern Fox, on exercise, to purchase one additional common share of Carmax at a price of \$0.075 per share (see News Release dated May 29, 2014).

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During the quarter, Carmax completed both ground and airborne geophysical surveys and commenced a diamond drilling program. Results of the ground geophysical survey has been successful and outlined the following:

- The Quantec Titan 24 survey outlined two large chargeability anomalies over a 5,600m long horizontal distance,
- The first signature ranges from 500m to 1,000m wide, is open at depth below the -550m level, occurs over a horizontal distance of 4,500m and covers four of the six zones of mineralization identified to date. This chargeability signature is open to the northwest towards the West zone,
- The copper mineralization reported in the historical (where sampled) and current drill holes in the Pass, Camp, Bornite and East zones of mineralization (horizontal distance of 3,000m) shows a good correlation to the chargeability signature, and
- The second signature occurs over a horizontal distance of 1,100m is approximately 1,000m wide and is open at depth below the -550m level. This chargeability signature has not been drill tested and is open to the southeast towards the Far East zone.

During the quarter, Northern Fox exercised its top up rights pursuant to the Subscription Agreement and subscribed for an additional 3,386,078 Units at a price of \$0.07. Each Unit consists of one common share and one common share purchase warrant. The share purchase warrant allows the holder to purchase an additional common share in the equity of Carmax at a price of \$0.09 for a period of two years from the date of the closing the top up subscription. This transaction closed subsequent to the quarter.

The recent Quantec Titan-24 survey results combined with the historical and current drilling results suggest continuity of the copper-molybdenum-gold mineralization between the mineralized zones outlined to date on the property suggesting a single porphyry system. The objective of the 2014 diamond drilling program is to test the continuity of the mineralization between the know zones of mineralization.

#### **Sombrero Butte Project**

During the quarter, no work was completed on this project. This project has a common boundary with Red Hawk Resources that holds the Copper Creek copper deposit located approximately 3 kilometres from the Sombrero Butte project. Subsequent to the end of the quarter, Red Hawk Resources announced a binding letter agreement with Anglo American with respect to a joint venture on its Copper Creek project whereby Anglo American would spend US \$44 million over a five year period to earn a 60% interest and have the right to earn an additional 20% interest in the Copper Creek project by spending an additional US \$20 million on or before the seventh anniversary date of the effective date of the joint venture.

While this proposed arrangement has no direct effect on Copper Fox it does have an indirect effect in that it demonstrates that copper mining companies considers this area to have potential to host commercial copper deposits.

Elmer B. Stewart, MSc. P. Geol., President of Copper Fox, the Company's nominated Qualified Person pursuant to National Instrument 43-101, Standards for Disclosure for Mineral Projects, has reviewed the technical information disclosed in the preceding paragraphs.

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**Period Overview**

**Revenues**

The Company has no income producing assets and has not reported revenue from operations for either of the periods ended July 31, 2014 and July 31, 2013. The Company is considered to be in the exploration and development stage.

**Expenses**

During the three and nine months ended July 31, 2014 Copper Fox incurred expenses of \$951,334 (2013 - \$770,317) and \$2,029,867 (2013 - \$1,993,575) A comparison of the expenses incurred by Copper Fox for the periods ended July 31, 2014 and July 31, 2013 is set out below:

	Three Months Ended		Nine Months Ended	
	July 31, 2014	July 31, 2013	July 31, 2014	July 31, 2013
Expenses:				
Administration	\$ 436,505	\$ 379,924	\$ 1,112,249	\$ 1,072,919
Depreciation, amortization and accretion	16,517	39,693	31,531	111,498
Professional fees	293,900	314,820	701,514	729,636
Share based compensation	239,900	35,880	239,900	79,522
Interest income	(34,719)	-	(55,327)	-
Net loss	951,334	770,317	2,029,867	1,993,575

The increase in expenses for the three and nine months ended July 31, 2014 compared to the three and nine months ended July 31, 2013, is mainly due to an increase in share based compensation related to the Carmax acquisition and a decrease in amortization expense associated with the cash payment from Teck, both of which are non-cash items.

**Loss/Income**

Copper Fox had a net (income)/loss and comprehensive (income)/loss for the three months and nine months ended July 31, 2014 of \$1,004,128 (2013 - (\$3,117,445)) and \$1,950,008 (2013 - (\$1,894,187)).

**Loss/Income per Share**

Loss/income per share is computed by dividing net loss/income (not including any non-controlling interest) for the period by the weighted average number of shares outstanding. In computing loss/income per share the weighted average number of shares outstanding during the three and nine months ended July 31, 2014 is 404,963,880 (2013 - 399,718,652). Stock options and warrants granted by the Company have not been included in the computation of loss per share as they are anti-dilutive.

The loss per share for the three and nine months ended July 31, 2014 was (\$0.00) (2013 - (\$0.01)) and (\$0.00) (2013 - (\$0.00)).



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**Total Assets**

Total assets of the Company at July 31, 2014 are \$79,900,964 (October 31, 2013 - \$78,937,779).

**Selected Unaudited Quarterly Financial Information**

	Net Income/(Loss)	Net income/(loss) per share - basic and diluted
<u>2014</u>		
Third Quarter	\$ (1,004,184)	\$ 0.00
Second Quarter	\$ (768,651)	\$ 0.00
First Quarter	\$ (182,095)	\$ 0.00
<u>2013</u>		
Fourth Quarter	\$ (636,715)	\$ 0.00
Third Quarter	\$ 3,117,445	\$ 0.01
Second Quarter	\$ (697,664)	\$ 0.00
First Quarter	\$ (525,595)	\$ 0.00
<u>2012</u>		
Fourth Quarter	\$ (812,324)	\$ 0.00

The increase in net loss for the third quarter of 2014 is mainly due to share based compensation related to the Carmax acquisition. The increase in loss for the second quarter of 2014 is due to an unrealized loss on foreign exchange. The decrease in loss for the first quarter of 2014 and for the fourth quarter of 2013 is mainly due to an unrealized gain on foreign exchange. Income in the third quarter of 2013 is primarily due to a future income tax adjustment of \$3,887,762. The increase in loss for the second quarter of 2013 is primarily due to legal fees relating to the Arizona acquisition. The increase in loss in the fourth quarter of 2012 is due to share based compensation expense which does not affect the cash flow of the Company.

**Liquidity and Capital Resources**

At July 31, 2014, the Company had working capital of \$7,443,990 and a deficit of \$17,689,100 and had a comprehensive loss of \$1,950,008 for the nine months ended July 31, 2014.

**Off Balance Sheet Arrangements**

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

Period	2014	2015	2016	2017	2018	2019
Amount	\$ 27,212	\$ 108,847	\$ 108,847	\$ 110,196	\$ 114,243	\$ 85,682

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The Company is required to pay US \$520,000 under an acquisition agreement for the Sombrero Butte project. 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 venture arrangement, the Company is responsible for 25% of pre-production costs beyond \$60 million. Copper Fox's pro rata share of any pre-production costs in excess of \$60 million will be funded by Teck and the remaining direct cash payments payable to Copper Fox will be reduced by an equivalent amount. If preproduction costs exceed \$220 million 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. Pursuant to the joint venture agreement, Teck is also required to fund Copper Fox's share of initial capital costs. All loans provided by Teck to Copper Fox bear an interest rate of prime plus 2%.

**Related Party Transactions**

During the three and nine months ended July 31, 2014 directors and officers of the Company incurred nil (2013 - \$221,353) and \$69,750 (2013 - \$776,463) for management and technical services on behalf of the Company. At July 31, 2014 nil (2013 - \$32,588) is included in accounts payable.

**Mineral Property**

All operations and expenditures on the Schaft Creek project in British Columbia are now allocated to the Schaft Creek Joint Venture of which Teck Resource Limited is the operator.

A comparison and detail of expenditures related to the Arizona properties for 2014 and 2013 is as follows:

	Expenditures November 1, 2013 to July 31, 2014	Expenditures November 1, 2012 to October 31, 2013
Acquisition costs	\$ 22,444	\$ 2,325,548
Permitting	30,064	57,775
Technical analysis	3,430,796	526,567
Foreign currency translation	481,061	-
	\$ 3,964,365	\$ 2,909,890

The increase in expenditures is due to the completion of the acquisitions and the drilling program on the Van Dyke project.

**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;



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- 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.

### Share Capital

The Company is authorized to issue an unlimited number of common shares of which 406,640,044 were outstanding at July 31, 2014. The following table shows the detailed number of shares, options and warrants outstanding as of July 31, 2014 and changes (if any) that have occurred up to the date of this MD&A.

	As of 31-Jul-14	Change in 2014	Issued in 2014	As of 23-Sep-14
Common shares issued and outstanding	406,640,044	-		406,640,044
Common shares issuable upon exercise of stock options	3,925,000	-	-	3,925,000
Common shares issuable upon exercise of warrants	3,358,228	-	-	3,358,228
Common shares fully diluted	413,923,272	-	-	413,923,272

### Cautionary Note Regarding Forward-Looking Information

This Management's Discussion and Analysis (MD&A) contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes," "may," "plans," "will," "anticipates," "intends," "budgets," "could," "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions. Forward-looking information in this MD&A includes statements about

Desert Fox's future exploration/development activities as well as any equity or working interest acquired in other significant copper projects in North America; the utilization of unallocated cash to advance Arizona copper assets (with the majority of effort on the Van Dyke oxide copper deposit); historical data on the Van Dyke deposit; the efficacy of in-situ leaching method (with respect to the environment, lower capital costs and low operating costs); Desert Fox's objective (including timing) to complete the work required to prepare a Preliminary Economic Assessment technical report on the Van Dyke project to estimate a preliminary valuation; timing of the finalization of the 2014 plans for the Schaft Creek project; the recommendation of a program of optimization studies as well as a field program to update the geological model and better define certain parameters of the Schaft Creek project; the program to verify the historical results from the Van Dyke oxide copper deposit and the completion of a NI 43-101 compliant resource estimation for the Van Dyke copper deposit; collection of hydro geological and geotechnical data required for a Preliminary Economic Assessment on the Van Dyke project; a follow-up 25 hole drilling program for the Van Dyke deposit; timing of the expected drilling program on the Van Dyke project; the upgrade of the Van Dyke historical estimate as a current mineral resource; objective on the Sombrero Butte project to assess its potential to host a large porphyry copper-molybdenum deposit; plans for a deep penetrating geophysical survey (Induced Polarization) to identify chargeability/resistivity anomalies indicative of porphyry copper systems at the Sombrero Butte project; expected capital requirements to continue planned activities; expected capital requirements to continue planned activities; expected sources and the adequacy of required capital resources; geological interpretations and potential mineral recovery processes.

In connection with the forward-looking information contained in this MD&A, Copper Fox has made numerous assumptions, regarding, among other



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things: the geological, metallurgical, engineering, financial and economic advice that Copper Fox has received is reliable, and is based upon practices and methodologies which are consistent with industry standards; and the continued financing of Copper Fox and Desert Fox's operations. While Copper Fox considers these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies. Additionally, there are known and unknown risk factors which could cause Copper Fox's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include: the Schaft Creek Joint Venture may not result in a Production Decision being made, or the construction of a mine; further exploration and development of the Schaft Creek property may not occur as expected; cash payments to Copper Fox may not be paid by Teck in the quantum or timing expected, or at all; financing commitments may not be sufficient to advance the Schaft Creek project as expected, or at all; proven and probable reserves at Schaft Creek may not be in the quantum as currently expected, or result in economic mining thereof; the possibility that future obligations with respect to the Sombrero Butte property may not be met on a timely basis, or at all; planned activities for the Van Dyke and Sombrero Butte properties may not commence as currently planned, or at all; a current (43-101 compliant) resource estimate, and a Preliminary Economic Assessment may never be obtained by the Company for the Van Dyke property; fluctuations in metal prices and currency exchange rates; conditions in the financial markets and overall economy may continue to deteriorate; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of the metallurgical testwork; the uncertainty of the estimates of capital and operating costs, recovery rates, and estimated economic return; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs; and uncertainty of meeting anticipated program milestones.

A more complete discussion of the risks and uncertainties facing Copper Fox is disclosed in Copper Fox's continuous disclosure filings with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com). All forward-looking information herein is qualified in its entirety by this cautionary statement, and Copper Fox disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.