1.0 Executive Summary

1.1 Overview of the Study

Copper Fox Metals Inc. (Copper Fox) commissioned a Preliminary Economic Assessment (PEA) for its Schaft Creek project in 2006 in an effort to assist the management team make decisions regarding the potential development of the project. Site and investigative work continue with the intention to follow up on this report and produce a prefeasibility study (2Q2008) and a feasibility study (4Q2008). The scoping study benefits from two years of site work by numerous companies and consultants and was prepared to define the overall scope of the Schaft Creek project, perform preliminary mine planning, report on metallurgical testwork and process design, estimate capital and operating costs and determine the economics to develop the project as an open pit mine and mill facility.

This report is a preliminary economic assessment (PEA), by which meaning the report is a preliminary assessment study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a prefeasibility study.

By the CIM Definition Standards on Mineral Resources and Mineral Reserves, a mineral reserve has to be supported by at least a prefeasibility study demonstrating economic viability of the project. It is recognized that the term “ore” cannot be used unless it is associated with a mineral reserve, however, the word “ore” is used throughout this document to refer only to mineralized material within the resource and mill feed that would be delivered to and processed in the proposed concentrator.

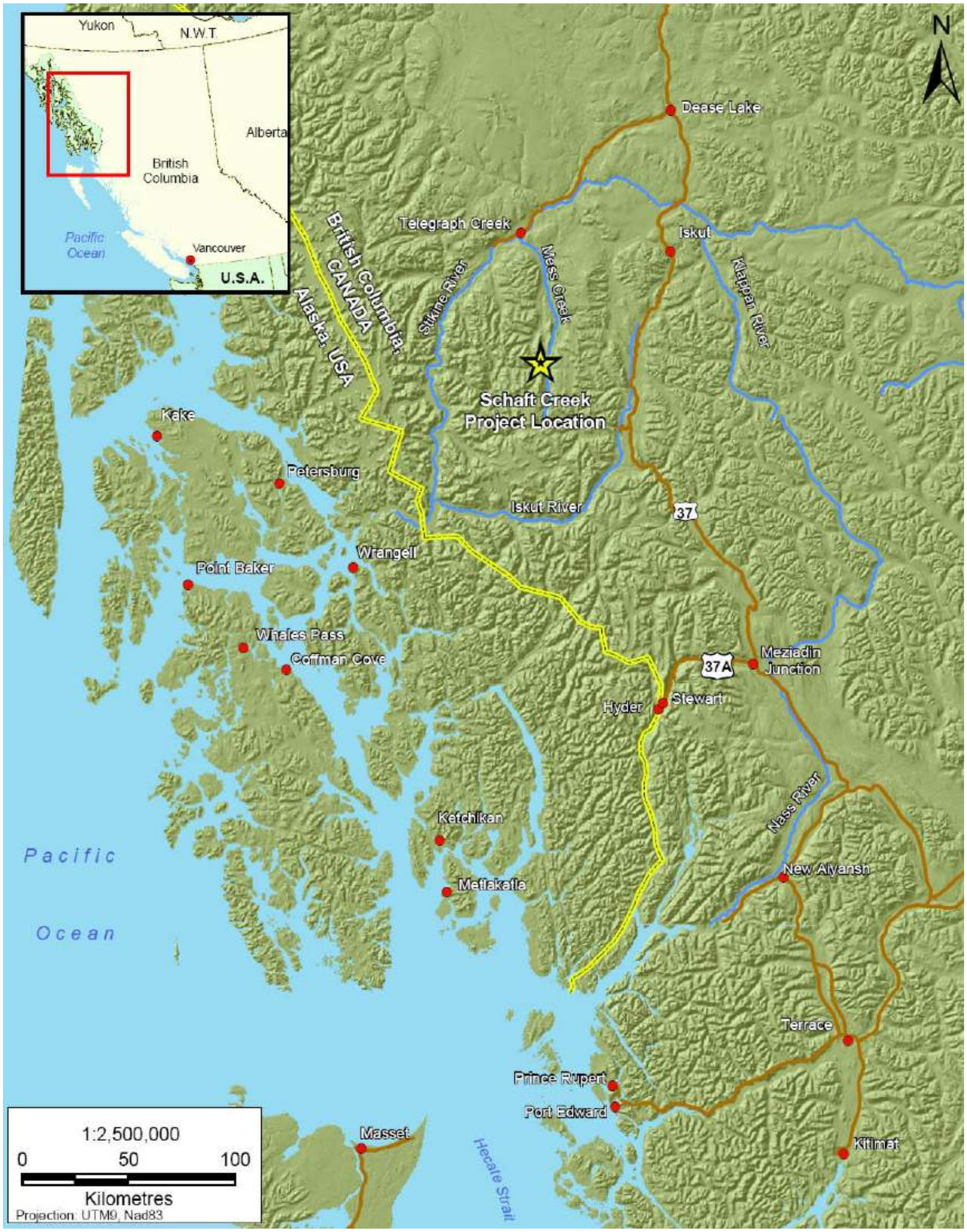
1.2 Schaft Creek Property Location, Description and History

1.2.1 Property Location

The Schaft Creek property is comprised of an area totaling approximately 20,932 ha within the Cassiar Iskut-Stikine Land and Resource Management Plan (LRMP) area, located in northwestern British Columbia. The property is positioned within the upper source regions of Schaft Creek, which drains northerly into Mess Creek and onwards into the Stikine River. Located within the Boundary Range of the Coast Mountains, the elevation of the valley at the Schaft Creek campsite is 866 m with nearby mountains exceeding 2,400 m.

The Schaft Creek property is approximately 60 km south of the village of Telegraph Creek, 45 km due west of Highway 37, and approximately 375 kilometres northwest of the town of Smithers.

Smithers is the closest supply center with the capacity to service the project during construction and operation. The property also falls within the traditional territory of the Tahltan Nation. Three predominantly Tahltan communities are within 125 km of the property; Telegraph Creek, Dease Lake and Iskut. All three of these communities will provide labour during construction and operation of the mine and are accessible via Highway 37.


Yukon
N.W.T.
Alberta
British Columbia
Pacific Ocean
Vancouver
U.S.A.
N
Dease Lake
Telegraph Creek
Iskut
Mess Creek
Stikine River
Klappan River
British Columbia, CANADA
Alaska, USA
Schaft Creek Project Location
Kake
Petersburg
Iskut River
37
Wrangell
Point Baker
Whales Pass
Coffman Cove
37A
Meziadin Junction
Hyder
Stewart
Nass River
Ketchikan
Metlakatla
New Aiyansh
Pacific
Ocean
Terrace
Prince Rupert
Port Edward
Kitimat
Masset
Hecate Strait
1:2,500,000
0
50
100
Kilometres
Projection: UTM9, Nad83

1.2.2 Property Description

The Schaft Creek property is a remote 'greenfield' site with no developed roads leading into it and is best accessed by helicopter from Bob Quinn, a small outpost located 80 km southeast of the property on Highway 37. The Burrage airstrip, situated 37 km east of Schaft Creek on Highway 37, also provides a means of access by helicopter and fixed wing. Alternatively, fixed wing aircraft can be chartered from Smithers, B.C. and flown directly to the Schaft Creek camp, utilizing an existing gravel airstrip at the site.

Drill roads have been established within the immediate project area and total approximately ten km of gravel and mud trails. Original construction of the camp facilities at Schaft Creek commenced circa 1965 and in 1967. During the interval from 1968 to 1981, when Hecla Mines and subsequently Teck Corporation aggressively explored the property, most of the site infrastructure was established. Copper Fox re-built the camp to include, a fuel storage depot, two bunk houses accommodating 32-personnel, a new kitchen and dining facility with a 42-person capacity, a new shower and laundry facility attached to the lavatory building, mechanic's shop, generator shack, core shack, log assay shack, recreation hall, sleep cabins, office and first-aid buildings, and a small, pre-fabricated cedar log cabin. The 750 m long airstrip system includes two aforementioned gravel strip runways, one oriented in a general north-south direction was established immediately west of the camp, adjacent to the eastern bank of Schaft Creek, while the second is oriented in a northeast-southwest direction.

Since the Schaft Creek site is located in an alpine environment, the climate is characterized by mild summers and cold winters. The mean monthly temperatures typically remain above freezing from April to October and drop below freezing from November through March. Annual precipitation averages between 700 to 1100 mm. Approximately 60% of the precipitation occurs as snow, which can reach a depth greater than 2 m and persist into June.

1.2.3 History

The history of the Schaft Creek property is summarized below:

- 1957, discoveries nearby spurred exploration northward into the Schaft Creek-Mess Creek areas, leading to the discovery of mineralization at Schaft Creek.
- Area staked in 1957 for the BIK Syndicate; subsequently completed 3,000 ft (914.4 m) of hand trenching.
- 1956, mapping, IP survey and 3-holes were drilled by Silver Standard Mines Ltd., totaling 2, 063 ft (629 m).
- 1966, Liard Copper Mines Ltd. was formed to consolidate area land holdings.
- 1966, Asarco options the property; a 4,000 ft (1,219.2 m) airstrip was constructed, a camp was built and 24 holes were drilled, totaling 11,000 ft (3,352.8 m).
- 1967, in mid-spring of the year, a D6 Cat walked from Telegraph Creek. A second 4,000 ft (1,219.2 m) airstrip was built and construction of the camp

continued. Asarco initially drills 2 holes and continues to complete 22 additional holes for a program total of 24 holes, amounting to 11,000 ft (3,352.8 m). Paramount Mining drills 1 hole.

- 1968, Asarco drops option and Hecla Mining acquires the property. The airstrip was extended to 5,280 ft (1,609.3 m).
- 1968, Hecla drills 9 holes, totaling 13,095 ft (3,991.4 m) 3 of the holes were drilled in the Paramount Zone.
- 1969, Hecla drills 9 holes, totaling 15,501 ft (4,724.7 m).
- 1970, Hecla drills 26 holes, totaling 32,575 ft (9,928.9 m). 5 of the holes were drilled in the Paramount Zone.
- 1971, Hecla drills 25 holes, totaling 22,053 ft (6,721.8 m). 3 of the holes were drilled in the Paramount Zone.
- Total Hecla footage; 83,224 ft (25,366.7 m) of which 8,610 (2,624.3) m were drilled on the Paramount Property and 74,614 were drilled on the Schaft Creek Property.
- 1972-1977, Hecla drilled 35 holes, totaling 38,386 ft (11,700.1 m).
- 1977, 104 holes drilled on the properties held by Hecla, totaling 113,000 ft (34,442.4 m). A reserve of 505 Mt with 0.38% Cu and 0.039% MoS_2 delineated.
- Between 1978 and 1979, Hecla Mining forfeits option and Teck Corp. acquires the property.
- 1980, Teck Corp. drilled 47,615 ft (14,513.1 m) in 45 holes, between mid-May to mid-November. The drill sites were prepared with a D6 Caterpillar bulldozer. Assaying of core on 10 ft (3.05 m) sample intervals, by Afton Mines Ltd. in Kamloops.
- 1981, between June and September, Teck Corp. drilled 33,315 ft (10,154.4 m) in 73 holes, and 3,503 ft (1,067.7 m) of condemnation drilling for a tailings pond and mill sites.
- Resource expanded to a global estimate of 1 Gt with 0.30% Cu and 0.034% MoS_2.
- Total property drilling is 197,500 ft (60,198 m), in 230 holes.
- 2002, Mr. G. Salazar acquired the right to secure a significant ownership of the property.
- 2005, Mr. G. Salazar incorporated the Schaft Creek property into the holdings of Copper Fox Metals Inc. Copper Fox Metals Inc. then proceeded to obtain the necessary funding to undertake the 2005 program.

1.3 Geology and Resources

1.3.1 Regional Geology

The Schaft Creek copper porphyry (Cu±Mo, Au, Ag) deposit is one of a number of porphyry deposits of similar age and affinity distributed throughout the Intermontane belt of the Canadian Cordillera. The Schaft Creek deposit is located in the Stikina Terrain, which is the westernmost and most aerially extensive terrain of the three known to host significant porphyry copper mineralization within the Intermontane belt. A large number of porphyry copper deposits occur in this terrain, particularly in the north-central portion. Besides the

Schaft Creek deposit, other significant deposits within the Stikina Terrain include the Red-Chris, Galore Creek, Kerr, Kemess, and Huckleberry deposits.

1.3.2 Property Geology

The Schaft Creek deposit is situated in the valley of Schaft Creek along the western slope of Mount LaCasse. The deposit is bounded to the west by the Hickman batholith and to the east by volcanic rocks of the Mess Lake facies. The valley floor exposes the Stuhini group volcanics and conforms to the contact zone of these volcanics with the east margin of the Hickman batholith. Topography within the valley floor is very subdued and largely covered by glacio-fluvial gravels. Bedrock exposures are very scarce in the lower elevations of the valley floor.

The deposit is hosted by north striking, steep, easterly dipping volcanic rocks comprised of a package of: andesitic pyroclastics ranging from tuff to breccia tuff; and aphanitic to augite-feldspar-phyric andesite. The deposit is elongated in a general north-south direction.

Narrow, discontinuous feldspar porphyry and quartz feldspar porphyry dikes, related to the Hickman batholith, intrude the volcanic package. The batholith is considered to be the source of the magmatic-hydrothermal fluids, which ultimately formed the mineralized breccias, veins and stockworks of the deposit.

Three geologically distinct spatially separate zones, representing distinct porphyry environments constitute the Schaft Creek deposit. The largest of these zones is the Liard/Main zone, which is characterized by syn-intrusive poly-phase quartz-carbonate veins and stockworks, and mineralized with variable amounts of chalcopyrite, bornite and molybdenite and late fracture molybdenite.

The second largest zone is the Paramount zone, which is characterized by; primary sulphide mineralization associated with an intrusive breccia phase, containing chalcopyrite, bornite and molybdenite; quartz-carbonate stockworks; and late fracture molybdenite mineralization.

The smallest of the zones is the West Breccia zone. It is characterized by quartz tourmaline veining, pyrite and a hydrothermal breccia.

1.3.3 Resources

The Schaft Creek deposit is a large, multi-phase, complex, porphyry copper-molybdenum-gold-silver system consisting of three distinct, semi-continuous, and structurally modified zones genetically related to the Hickman batholith. The individual zones represent differing levels within the porphyry and correspond with increasing depth in the following order; the West Breccia zone occupies the high level, the Liard/Main zone occupies the medium level and the Paramount zone the deepest level. All of the zones have been structurally controlled, with the earliest mineralizing event strongly influenced by syn-intrusive fracturing and faulting; while, post formational faulting associated with accretionary tectonics modified the deposit considerably.

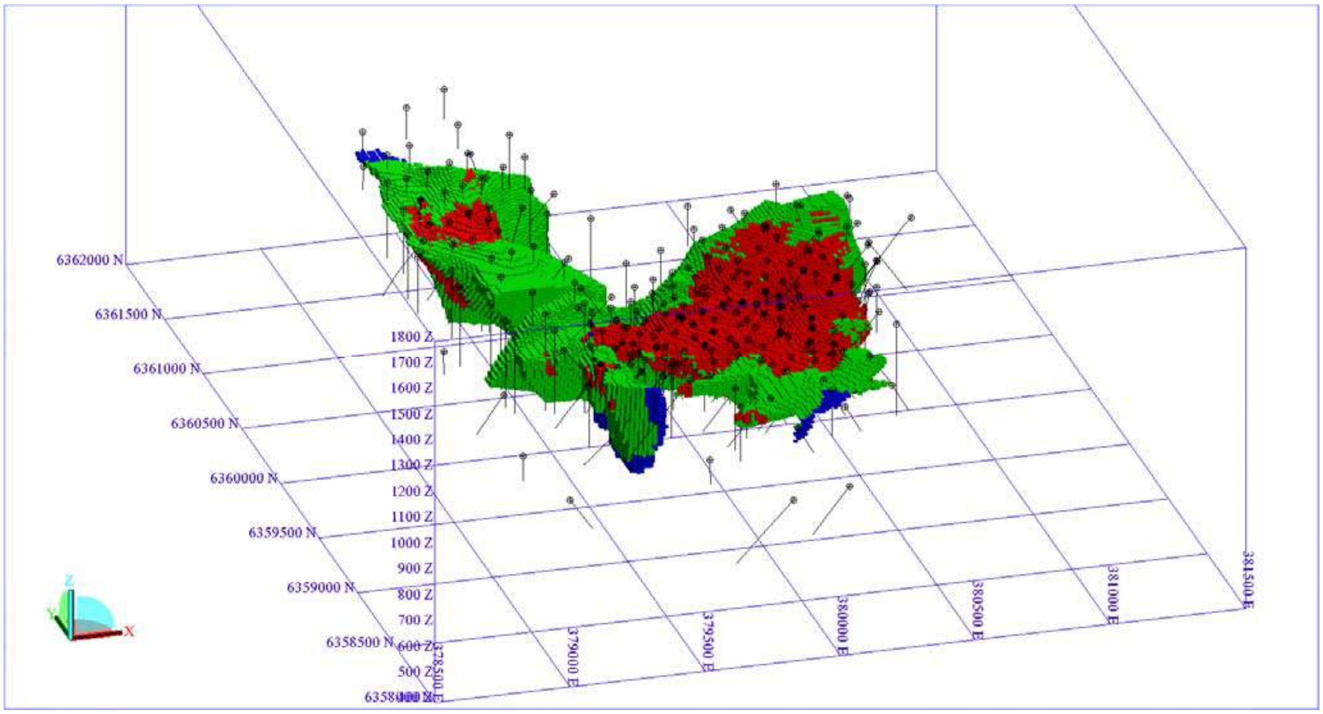


Table 1.1 Schaft Creek Mineral Resource Estimate Summary ≥0.20 % Copper Equivalent Cut-Off						
	Tonnes	**Cu (%)**	**Mo (%)**	**Au (g/t)**	**Ag (g/t)**	**CuEq Grade (%)**
Measured Mineral Resources **(Red)**	463,526,579	0.30	0.019	0.23	1.55	0.46
Indicated Mineral Resources **(Green)**	929,755,592	0.23	0.019	0.15	1.56	0.36
Measured + Indicated Mineral Resources	1,393,282,171	0.25	0.019	0.18	1.55	0.39
Inferred Mineral Resources **(Blue)**	186,838,848	0.14	0.018	0.09	1.61	0.25

The deposition of sulphides at Schaft Creek is the result of a complex polyphase series of mineralizing events. Macroscopic determinations on the Copper Fox drill core define the deposit's sulphide mineral composition as: chalcopyrite (50%), pyrite (22.8%), bornite (14.2%) and molybdenite (13%). Chalcopyrite and bornite, the most essential copper ore minerals, occur in stockworks, as disseminations, and in breccias. Less commonly, chalcopyrite is observed as very thin (10-100 micron) partial coatings on ubiquitous, dm spaced fractures and joints. Molybdenite is also a critical sulphide component of the ore. It occurs as disseminated blebs and stringers in stockworks and veins and is quite common in the breccia zones. Quite often it forms thin coatings on slickensides and fractures.

Hydrothermal breccia matrix is the infilling of inter-clast space for hydrothermally deposited chlorite, carbonate, quartz, tourmaline and sulphides. This style of mineralization is an important but volumetrically smaller ore type in the West Breccia and Paramount zones. Chalcopyrite, bornite, minor molybdenite and trace pyrite are the dominant sulphides and are generally coarse-grained, ranging from 1 to 10 mm.

Two of these zones are dominated by breccia facies, namely the West Breccia zone and the Paramount zone; the third, the Main zone, is characterized by stockworks and structurally controlled vein system. Veining and stockworks at Schaft Creek cover an area 1,400 m long by 300 m wide and form a complex system. Various terminologies are used to refer to and describe veining. Information on veining is derived from all three zones, the Main, West Breccia, and Paramount.

1.4 Metallurgy

1.4.1 Historical Test Programs

The Schaft Creek resource has been given considerable study starting from the early studies by Hecla Mining Company (Hecla) in 1970 and 1971. The following Table 1.2 summarizes the historical test work:

Table 1.2
Historical Test Work Summary

Test Type	Laboratory	Mining Company
Preliminary Flotation Tests	Lakefield Research	Hecla Mining Company - 1970-71
Preliminary Flotation Tests	Lakefield Research	Tech Mining Group - 1981-82
Sample Validation	Process Research Assoc.	Copper Fox Metals, Inc. - 2004
Laboratory Flotation Test	Process Research Assoc.	Copper Fox Metals, Inc. - 2005
Laboratory Flotation Tests	Process Research Assoc.	Copper Fox Metals, Inc. - 2006
Laboratory Flotation Tests	Process Research Assoc.	Copper Fox Metals, Inc. - 2007

1.4.2 Review of the 2006 Drill Core Tests at PRA

1. PRA started testing the 2006 core samples in February 2007. Of a total of 50,000 kg of drill core, approximately 725 kg were used by PRA for the laboratory program and 6,000 kg for pilot plant testing. Vandan Suhbatar and Raymond Hyyppa visited the Schaft Creek property from October 13 through October 16, 2006 to review the property and drill core and to select the samples of PQ drill core from the 2006

drilling season for additional testing. Each of three resource areas - Liard (LZ), West Breccia (WBZ) and Paramount (PZ) were drilled during the 2006 season and representative samples identified and collected (384 kg of Liard, 169 kg of Paramount and 172 kg of West Breccia) for the PRA laboratory test program.

2. Drill location maps, including holes drilled by Tech and Hecla were provided and the anticipated pit limits for each area were outlined. Material was selected from areas within the anticipated pit limits. The drill logs and 3 metre interval assay data were evaluated to determine the drill intervals that would provide an average copper assay of 0.35 to 0.40 % copper from each resource area. Interval assays were not available for all of the selected holes. Approximately 90 kg of samples from each of three zones were sent to Hazen Research for comminution testing. The comminution samples were selected from the same holes as used for the samples sent to PRA. Also, 2,000 kg of each zone (6,000 kg total) were crushed to minus 10 mesh in preparation for pilot plant testing.
3. PRA prepared a composite for each of the three resource areas and a fourth composite (Master) - was prepared with equal portions of the three zones. Since test results indicated the optimum primary grind to be P_{80} = 100 microns, this was the size selected for all Rougher and Scavenger Flotation locked cycle tests. (Figure 16.13). Rougher and Scavenger concentrates were reground to P_{80} = 20 to 25 microns. A grind size versus time calibration was made for lab rod mill for each individual composite. The results of the four locked cycle tests (Table 16.7) indicate a need to regrind the feed to the cleaner circuit to 15 microns in order to achieve both high concentrate grades and recoveries. Higher concentrate grades were achieved for the 2005 drill core tests using a P_{80} of 15 to 20 microns. Comparisons of locked cycle test data for the 2005 (Table 16.5) and 2006 drill (Table 16.7) core, shows that flotation feed ground to a P_{80} = 100 microns results in higher metal recoveries and a regrind of Rougher and Scavenger Flotation Concentrate to P_{80} = 15 microns results in higher metal grades.
4. The locked cycle test data for 2005 (average of MLS, WLZ and NLZ samples) and the 2006 drill core for the Liard Zone also indicate that for similar head grades (0.38 % $Cu_{2005\text{-}LiardZone}$ and 0.33% Cu_{2006}), the finer primary grind of P_{80} = 109 microns results in higher 3rd Cleaner copper recovery by 6.7% (84.10 % Cu_{2006} vs. 77.40 % Cu_{2005}). It is believed that the finer regrind size used for the 2005 samples ($P80_{2006}$ = 20 microns vs. $P80_{2005}$ = 16 microns) was due to their difference in head grade as these samples appear to be very sensitive to grind size. Reagent selection can play a major part in influencing concentrate grade. It is possible that the lower 3rd Cleaner Concentrate grade for the 2006 core samples can be increased with a different reagent selection and dosage. Finally, the 2005 core samples may have a larger proportion of secondary copper minerals that would facilitate higher copper concentrate grades.
5. Information received to date indicates that the life of mine resource would comprise approximately 60% Liard Zone, 25% Paramount Zone and 15% West Breccia Zone materials. Using this assumption with a primary grind size of 80%, passing 100 microns and a regrind size of 80% passing 15 to 20 microns, the following average metal grades and assays can be expected in a Bulk Copper/Molybdenum/Gold/Silver Concentrate.

	Concentrate Recovery	Bulk Concentrate Grade	Copper Concentrate Grade	Moly Concentrate Grade
Copper	90.0%	26.03%	26.5%	0.42%
Molybdenum	72.0%	1.20%	0.27%	54.0%
Gold	82.0%	24.0 g/t	18.4 g/t	-
Silver	72.0%	114 3 g/t	113.2 g/t	-

These values were used for the METSIM mass balance. The molybdenum balance was prepared assuming that 90% of the molybdenum contained in the Bulk Copper/Molybdenum/Gold/Silver Concentrate would report to the Molybdenum Concentrate at a grade of 54% Mo. These assumptions are currently being tested at G & T laboratory.

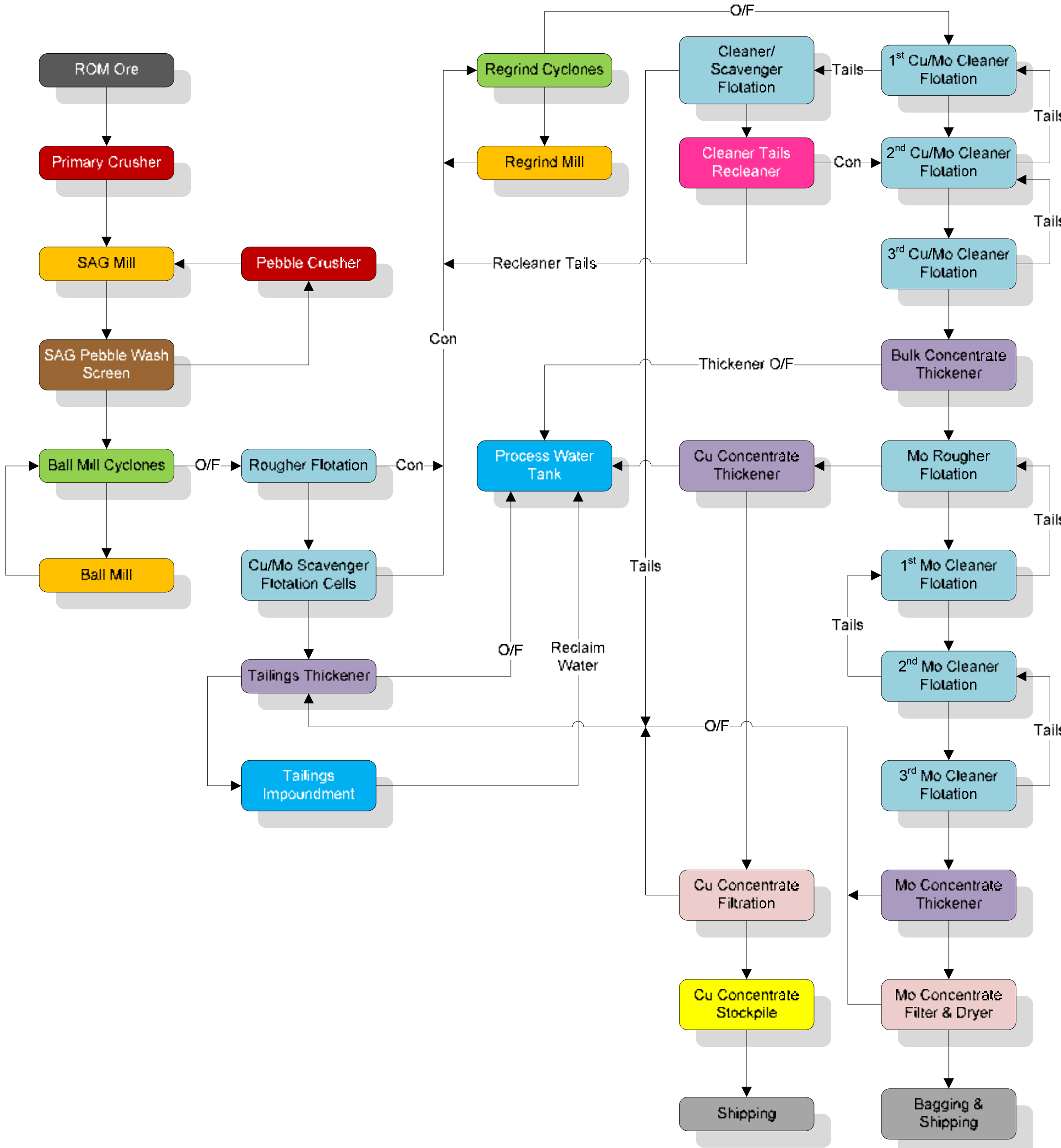
1.5 Process

The Schaft Creek concentrator will have an annual throughput of 23,400,000 tonnes. Copper Fox will construct the concentrator on site which will include a typical comminution (SABC) circuit followed by a flotation circuit and a copper circuit with thickener, filtration and concentrate loadout and shipping. The mill includes a dedicated molybdenum circuit with thickener, filtration circuit, drying and bagging. Tailings thickeners, tailings facility and water reclaim are part of the tailings facilities. This circuit will have a design capacity of 70,652 tonnes per day and a nominal capacity of 65,000 tonnes per day.

It should be noted here that the 65,000 tpd milling rate translates into a 31 year mine life. While a 31 year mine life is not typical in the industry at this time, the 65,000 tpd milling rate was selected based soley on power supply limitations to the area. It is recommended that Copper Fox push the milling rate to 100,000 tpd to bring the mine life to a ‘reasonable’ period and as such are in discussions with BC Hydro about the NW Transmission Extension project that would bring a new 287 kV line to Bob Quinn. This would provide the necessary power supply for the increased milling rate.

1.5.1 Block Process Flow Diagram

A simplified block process flow diagram and the basic design criteria are presented on the following pases. Complete Process Flow Diagrams were developed for the project as well as mechanical and electrical equipment lists, load analysis and single line diagrams.


ROM Ore
Primary Crusher
SAG Mill
Pebble Crusher
SAG Pebble Wash Screen
Ball Mill Cyclones
O/F
Rougher Flotation
Con
Ball Mill
Cu/Mo Scavenger Flotation Cells
Tailings Thickener
Tailings Impoundment
Regrind Cyclones
Regrind Mill
Recleaner Tails
Con
Process Water Tank
O/F
Reclaim Water
Cleaner/ Scavenger Flotation
Tails
1st Cu/Mo Cleaner Flotation
Cleaner Tails Recleaner
Con
2nd Cu/Mo Cleaner Flotation
Tails
3rd Cu/Mo Cleaner Flotation
Tails
Thickener O/F
Bulk Concentrate Thickener
Cu Concentrate Thickener
Mo Rougher Flotation
Tails
1st Mo Cleaner Flotation
Tails
2nd Mo Cleaner Flotation
Tails
3rd Mo Cleaner Flotation
O/F
Cu Concentrate Filtration
Mo Concentrate Thickener
Cu Concentrate Stockpile
Mo Concentrate Filter & Dryer
Shipping
Bagging & Shipping

1.5.2 Basic Design Criteria

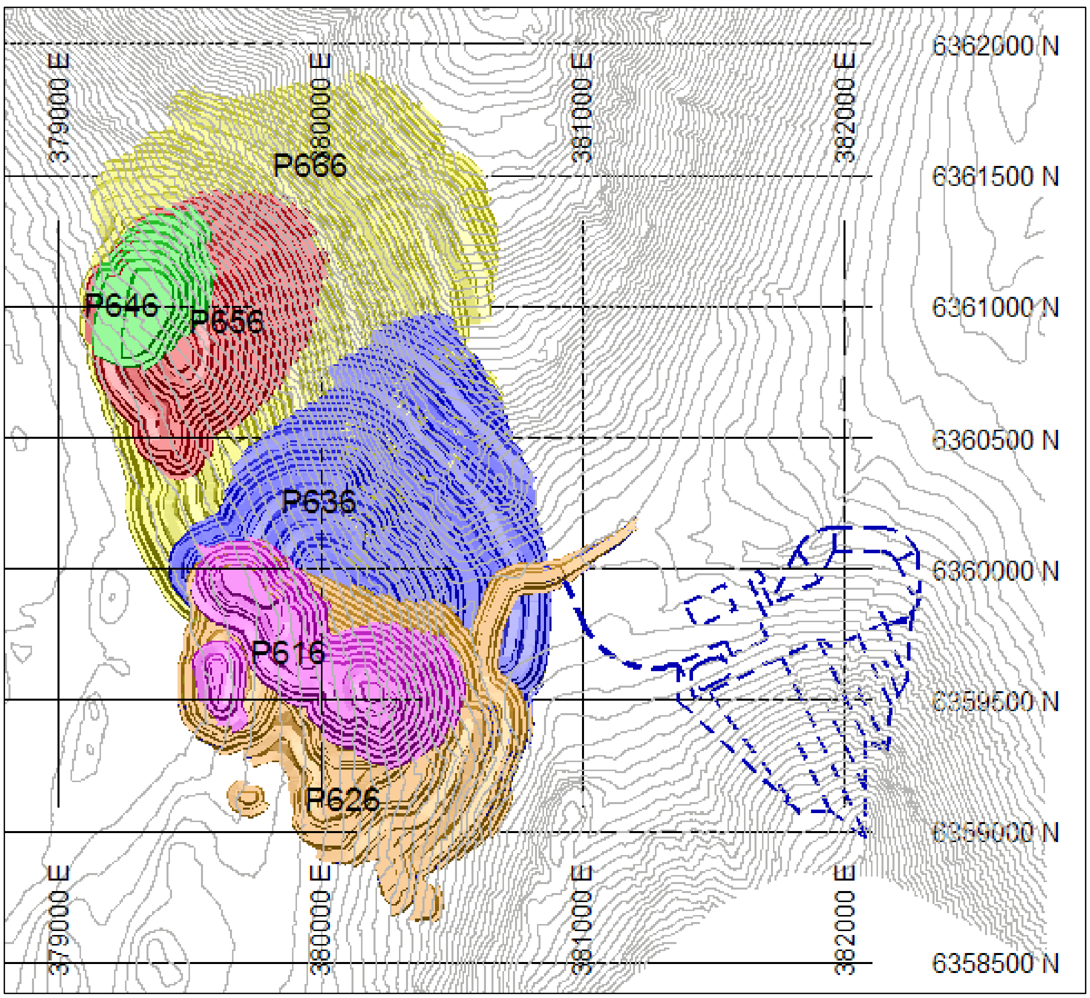
Table 1.3
Schaft Creek Basic Design Criteria

	Units	Balance	Design	Source
General Site Information				
Location				
Latitude - Approximate	angular		N57° 32' 18"	
Longitude - Approximate	angular		W131° 01' 09"	
Elevation				
Air Strip	masl		1,040	SE
Plant	masl		1,230	SE
Pit Bottom	masl		600	MMTS
Ambient Air Temperature				
Average Monthly Minimum	°C		-30	
Average Monthly Maximum	°C		28	
Average Annual Precipitation	mm/y		640	
General Project Information				
Reported Resource	tonnes (t)		1,393,282,000	AGL
Cutoff Grade Used	CuEq (%)		0.20	AGL
Estimated Mineable Resources				
Starter Pit (5 Year)	tonnes (t)		117,050,000	MMTS
Life of Mine (includes subgrade to waste)	tonnes (t)		719,091,000	MMTS
Operating Schedule				
Hours per Day	h	24	24	MMTS
Days per Year	d	360	360	MMTS
Hours per Year	h	8,640	8,640	MMTS
Plant Capacity (at 92% availability)	dmtpd	65,000	70,652	MMTS
Plant Capacity (at 92% availability)	dmtph	2,944	2,944	
Annual Ore Processed per Year	t	23,400,000	23,400,000	MMTS
Mineable Resource to Mill	t	713,387,500	713,387,500	MMTS
Estimated Project Life @ 65,000 tpd	y	30.5	30.5	MMTS
Life of Mine Plant Head Grade Estimates				
Estimated Copper Grade	%		0.303	MMTS
Estimated Molybdenum Grade	%		0.020	MMTS
Estimated Gold Grade	g/t		0.217	MMTS
Estimated Silver Grade	g/t		1.761	MMTS
Plant Design (First 5 Years) Head Grade Est				
Estimated Copper Grade	%		0.350	MMTS
Estimated Molybdenum Grade	%		0.018	MMTS

Table 1.3 Schaft Creek Basic Design Criteria				
Estimated Gold Grade	g/t		0.268	MMTS
Estimated Silver Grade	g/t		1.869	MMTS
Design ROM Ore Dry Solids Sp Gr	g/cc		2.69	CFMI
Design ROM Ore Moisture (for material handling)	%		3	CFMI
First Five-year Average Copper Conc Production				
Copper Recovery to Copper Concentrate	%		90.3	PRA
Copper Grade in Copper Concentrate	%		26.5	PRA
Moly Recovery to Copper Concentrate	%		18.2	PRA
Moly Grade in Copper Concentrate	% Mo		0.27	PRA
Gold Recovery to Copper Concentrate	%		82.0	PRA
Gold Grade in Copper Concentrate	g/t		18.40	PRA
Silver Recovery to Copper Concentrate	%		72.13	PRA
Silver Grade in Copper Concentrate	g/t		113.10	PRA
Copper Concentrate Production	dmtph		35.1	HE
Copper Concentrate Production	dmtpy		278,987	HE
First Five-year Average Moly Conc Production				
Moly Recovery to Moly Concentrate	%		72.0	PRA
Moly Grade in Moly Concentrate	% Mo		54.0	PRA
Copper Recovery to Moly Concentrate	%		0.028	PRA
Copper Grade in Moly Concentrate	%		0.42	PRA
Rhenium Grade in Moly Concentrate	ppm		530	PRA
Moly Concentrate Production	dmtph		0.70	HE
Moly Concentrate Production	dmtpy		5,596	HE

1.6 Mine Plan

The Schaft Creek deposits are to be mined with large truck/shovel operations, and an ore mining rate of 65,000 tpd feeding a conventional copper concentrator. The mining is described as typical hard rock bulk mining method. Large equipment will be used and high mining rates are planned to ensure the lowest possible unit costs for mine operations. Selective mining methods will not be used. The waste and ore will require blasting and typical grade control methods using blasthole sampling and possibly blasthole Kriging will be used to determine cut-off grades and digging control limits for the mining shovels. Blast heave, the lack of loading selectivity, haul back in the trucks, and stockpile reclaim will create some ore loss (mining recovery) and dilution as the material moves from In-Situ modeled resource to ROM mill feed. Since the ROM mill feed determines the production schedule and revenue stream for the project, proper evaluation of the mining loss and dilution is required. The definition of the mining parametres used in the reserves calculations are also a NI 43-101 reporting requirement.



The 3D Block Model (3DBM) for Schaft Creek, updated for this study, is based on separate Lithological / Geostatistical domains, There are two ore zones per block with two Copper (Cu), Gold (Au), Silver (Ag), and Molybdenum (Mo) grade values for each block. As such the grade values in each block are not 'whole block diluted'.

With the planned bulk mining method, a means of determining the mining loss and dilution applicable to the Schaft Creek Resource model is needed that will reflect the ROM production from the mining operations. Mineralized zones in the 3DBM are made up of relatively large contiguous blocks of 'ore' above the cutoff grade. There are areas however where isolated blocks of ore are surrounded by waste and also isolated blocks of waste that are surrounded by ore. Higher cutoff grades will result in fewer contiguous blocks and more isolated blocks. Conversely lower cutoff grades will merge more of the indicated isolated blocks into close-by contiguous blocks.

Mining operations will use blasthole samples on 6 to 8 metre spacing to determine the cutoff boundaries for shovel dig limits. "Included" ore and waste blocks on the small blasthole sampling grid will be too small to separate from the shovel face especially after being displaced by blasting. This inclusion of isolated blasthole blocks is handled as the larger blocks in the 3D block model are averaged in to larger 3DBM.

The 3DBM uses 25m x 25m x 15m blocks for this stage of long range planning. Each block represents 25,031 tonnes which is 4 to 5 hours of digging for the shovels, and the plant feed will be approximately 2.4 blocks per day. With blocks of this magnitude, it can be assumed that isolated blocks from the larger 3DBM will be selectively mined and will not be lost or included in the ore. However bulk mining will cause dilution to the blocks, either ore into waste or waste into ore by neighboring blocks, where contact is made between ore grade material and waste.

Other mining losses are also noted in mining operations mainly due to misdirected loads, haul back in frozen truck boxes, and stockpile cleanup. These types of losses are small but need to be accounted for.

The mining resources will be calculated from the Resource model, within an economic pit limit using the applicable mining recovery and dilution parametres. The mining recovery and dilution parametres, in effect, convert the in place "pit delineated resource" to ROM resource tonnes. As stated above it is the ROM tonnes that are required for the production schedule which in turn is used to develop the project cashflows; therefore, the tonnes used in calculating the economic pit limit needs to be based on the ROM. The resources in the model are quantified as ore or waste based on a NSR cutoff.

Mining recovery and dilution parametres are required to account for the following:

- Dilution of waste into ore where blasting "throws" waste into ore at ore/waste boundaries.
- Loss of ore into waste where blasting "throws" ore into waste diluting the mix below cut off grade.
- General mining losses due to haul back from frozen or sticky material in truck boxes, misdirected loads, and repeated handling such as stock pile reclaim.

For this Preliminary Economic Assessment (PEA) an allowance has been made for a mining dilution of 5% applied at the contact between ore and waste dilution and a 10% mining loss.

Since the dilution material on the contact edge of the blocks described above is mineralized, it will have some grade value. The dilution grades are estimated by determining the grades of the envelope of waste in contact with ore blocks inside the pit delineated area. This is estimated by statistical analysis of grades in blocks below the design basis cutoff of $4.25/t. The dilution grade was estimated at 3.49 $/t NSR, 0.060 % Cu, 0.080 g/t Au, 2.150 g/t Ag and 0.004 % Mo representing the average grade of material below the incremental cut-off grade. The results determined the pit delineated resources for the project, as shown below.

Table 1.4
Summarized MII Pit Delineated Resource for Schaft Creek

PHASE	RUN OF	WASTE	ROM	DILUTED GRADES				
	MINE	TOTAL	S/R	NSR	Cu	Au	Ag	Mo
	(mT)	(mT)	(t/t)	$/t	%	g/t	g/t	%
P616	68.8	40.1	0.6	16.6	0.377	0.299	2.03	0.017
P626i	105.2	122.3	1.2	14.4	0.340	0.213	1.61	0.017
P636i	252.0	330.3	1.3	12.6	0.272	0.220	1.54	0.017
P646	15.7	17.1	1.1	15.6	0.314	0.279	2.44	0.023
P656i	82.8	111.5	1.3	14.0	0.298	0.196	1.98	0.024
P666i	194.6	571.1	2.9	13.9	0.302	0.191	1.93	0.024
Total	719.1	1,192.4	1.7	13.8	0.304	0.217	1.77	0.020

A figure depicting the ultimate pit:

1.7 Operating Costs

The operating cost estimate for the Schaft Creek Project Preliminary Economic Assessment has been developed to support a greenfield base case plant capable of processing a 65,000 MTPD copper (gold, silver and molybdenum) porphyry deposit located in the Liard Mining Division of northwestern British Columbia at the conceptual level of analysis. The operating costs have been estimated in Q2/Q3, 2007 Canadian dollars and do not include allowances for escalation. Where source information was provided in other currencies, these amounts have been converted at rates of 1 US$ = 1 $CD.

Unit rates for power costs are based on current knowledge of rates in the area, some earlier meetings with BC Hydro in British Columbia and recent estimates from other developing operations in the area. A rate of $0.050/kWh is used. Power costs are based on the unit rates for power and the electrical load analysis developed for the project.

A summary of the operating costs (based on 23,400,000 ore tonnes per year) are shown in the table below.

Table 1.5
Summary of Operating Cost – Life of Mine Average

Description	Annual Cost	Cost/Tonne Ore	Cost/Tonne Mined
Mining	$92,151,433	$3.94	$1.47
Processing	$91,484,032	$3.91	
General & Admin	$17,008,500	$0.73	
Subtotals	**$200,643,964**	**$8.58**	
Conc Handling & Transport	$62,596,253	$2.68	
Totals	**$263,240,217**	**$11.25**	

Other qualifications, assumptions, and exclusions that are relevant to the operating cost estimate are addressed in Section 23.9 of this report.

1.8 Capital Costs

The capital cost estimate for the Schaft Creek Project Preliminary Economic Assessment has been developed to support the evaluation and assessment of the engineering, procurement and construction of a greenfield base case plant capable of processing a 65,000 MTPD copper (gold, silver and molybdenum) porphyry deposit located in the Liard Mining Division of northwestern British Columbia at the conceptual level of analysis. The capital costs have been estimated in Q2/Q3, 2007 Canadian dollars and do not include allowances for escalation. Where source information was provided in other currencies, these amounts have been converted at rates of 1 US$ = 1 $CD.

While the estimate is not sufficient for final decision making, it will help to further evaluate the Project's viability with respect to capital cost by establishing parametres from which further financial analysis and future funding may be based. The capital cost estimate can be found in Table 1.6 below.

The requirement for this capital cost estimate is intended to have an accuracy of ± 35 percent. In light of recent industry activities, Copper Fox Metals has elected to add a project reserve provision of $300 million to the estimate. Working capital, sustaining capital and reclamation & closure are shown at the end of the table but are not included in the total.

Table 1.6
Breakdown of Capital Cost

	Total ($Ms)
Mine Area Facilities	31.2
Ore Storage & Handling and Crushing	53.5
Grinding and Concentrating	256.9
Tailings	45.6
Concentrate Filtration & Loadout	6.9
Buildings and Ancillary Facilities	26.9
Site Development	29.5
Direct Cost	***450.5***
Frieght	19.0
Contractor Construction	32.3
Construction Camp	30.1
EPCM Services	37.8
Testing, QA/QC, Vendors, Commissioning	9.5
Contracted Cost	***128.8***
Mining & Ancilliary Equipment	184.6
Mine Development	44.5
Spares, Rolling Stock, Initial Fills	16.9
Admin, Shop, Warehouse, Medical, Security, Safety, Camp, Communications	6.2
Transmission Line	38.5
Site Access Road	43.4
Helicopter Support Services	30.0
Owner Indirects	20.7
Owner's Cost	***385.3***
Subtotal	***964.7***
Contingency	163.7
Project Reserve Provision	300.0
Total	**1,428.4**
Working Capital (not included in total)	49.8
Sustaining Capital (not included in total)	200.6
Reclamation & Closure (not included in total)	87.0

Other qualifications, assumptions, and exclusions that are relevant to the capital cost estimate are addressed in Section 23.10 of this report.

1.9 Project Economics

A financial model was created utilizing the mine production schedule, the associated metal grades based on the geological resource estimate, metal recoveries from the Phase I test metallurgical program, capital and operating costs as set out herein. Key model assumptions and inputs can be found in Table 23.45. Modeling was then done utilizing four different metal pricing strategies as described below:

- Base Case – Conservative metal pricing;
- Case 2 – Trailng three year average metal pricing;
- Case 3 – 2 year staggered pricing strategy using 5 year forecast and base case metal pricing;
- Case 4 – 7 year staggered pricing strategy using 5 year forecast, declining price trend and base case metal pricing.

Results of this modeling exercise are shown below in Table 1.7 with the corresponding metal prices.

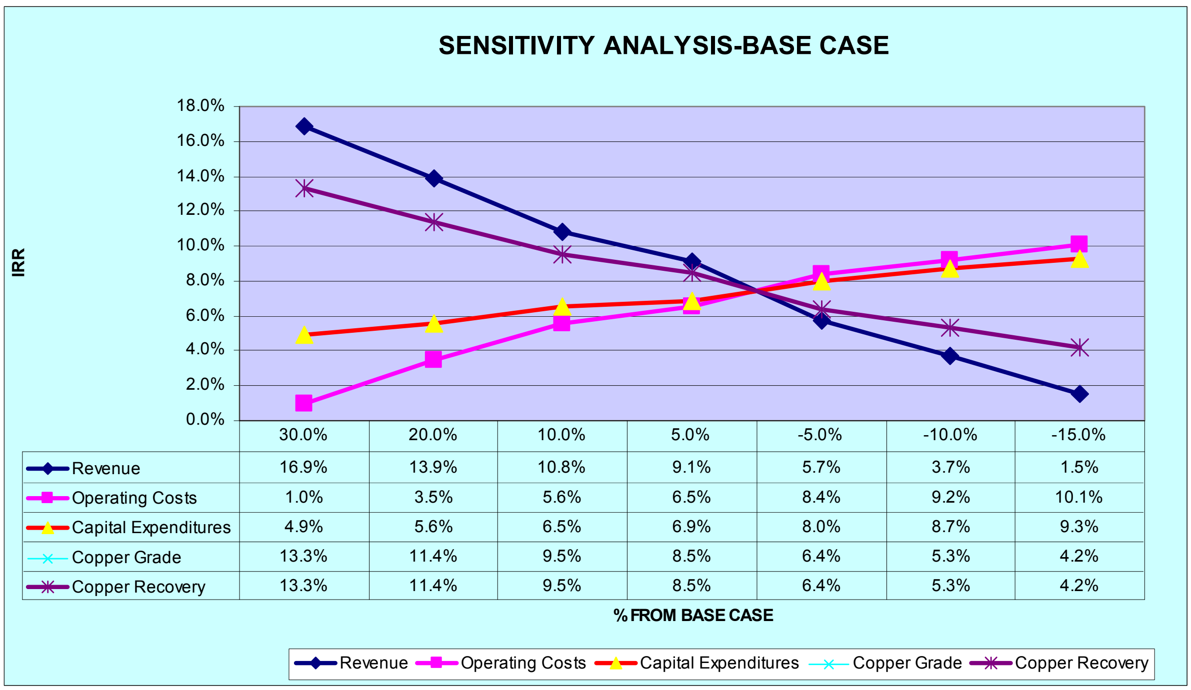
Table 1.7
Summary of Before Tax Economic Modeling Results

	IRR	NPV @ 5% ($million)	Project Profit ($million)
Base Case	**7.5%**	**$380**	**$2,047**
Cu ($/lb) = 1.50			
Mo ($/lb) = 10.00			
Au ($/oz) = 550			
Ag ($/oz) = 10.00			
Case 2 (Trailing 3 Year Average)	**32.7%**	**$5,347**	**$12,357**
Cu ($/lb) = 2.66			
Mo ($/lb) = 27.00			
Au ($/oz) = 564			
Ag ($/oz) = 10.40			
Case 3 (2 Year Staggered Pricing)	**13.9%**	**$976**	**$2,720**
Cu ($/lb) = 2.76 Yrs1&2, 1.50 Yrs 3-31			
Mo ($/lb) = 22.38 Yrs 1&2, 10.00 Yrs 3-31			
Au ($/oz) = 700 Yrs1&2, 550 Yrs 3-31			
Ag ($/oz) = 12.00 Yrs1&2, 10.00 Yrs 3-31			
Case 4 (7 Year Staggered Pricing)	**22.2%**	**$1,618**	**$3,550**
Cu ($/lb) = 2.76 Yrs1-2, 2.55 Yr3, 2.13 Yr4, 2.13 Yr5, 1.92 Yr6, 1.71 Yr7, 1.50 Yrs 8-31			
Mo ($/lb) = 22.38 Yrs 1-2, 20.32 Yr3, 18.25 Yr4, 16.19 Yr5, 14.13 Yr6, 12.06 Yr7,10.00 Yrs 8-31			
Au ($/oz) = 700 Yrs1&2, 675 Yr3, 650 Yr4, 625 Yr5, 600 Yr6, 575 r7, 550 Yrs 8-31			
Ag ($/oz) = 12.00 Yrs1&2, , 11.67 Yr3, 11.33 Yr4, 11.00 Yr5, 10.67 Yr6, 10.33 Yr7, 10.00 Yrs 8-31			

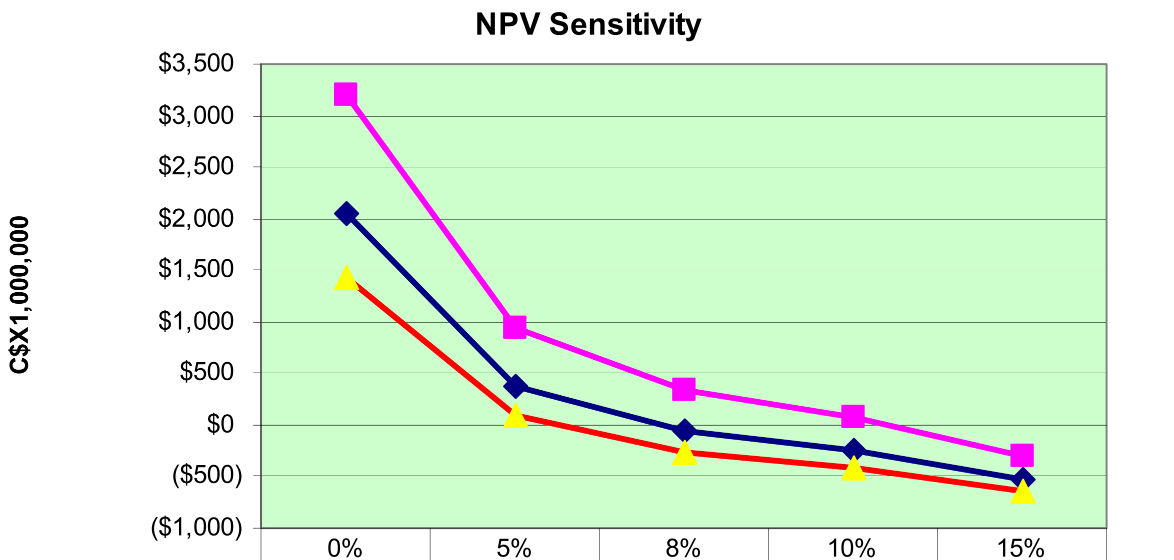
At this early stage of project development, financial results reported herein are prior to both taxation and any underlying agreements (as reported in Section 4.3 of this report). The nature and timing of expenditures as well as the corporate structure of Copper Fox Metals will have a direct bearing on the cash taxes that will be incurred on the project.

1.9.1 Base Case Project Sensitivity Analysis

Sensitivity calculations were performed on the project cash flow by applying factors ranging from -15% to +30% against initial capital, annual operating costs, annual net revenue, copper grade and copper recovery. The effects on IRR and NPV are shown graphically in the following figures. The project is moderately sensitive to changes in capital and operating costs and highly sensitive to changes in revenue (metal pricing) and metal recovery.



	30.0%	20.0%	10.0%	5.0%	-5.0%	-10.0%	-15.0%
Revenue	16.9%	13.9%	10.8%	9.1%	5.7%	3.7%	1.5%
Operating Costs	1.0%	3.5%	5.6%	6.5%	8.4%	9.2%	10.1%
Capital Expenditures	4.9%	5.6%	6.5%	6.9%	8.0%	8.7%	9.3%
Copper Grade	13.3%	11.4%	9.5%	8.5%	6.4%	5.3%	4.2%
Copper Recovery	13.3%	11.4%	9.5%	8.5%	6.4%	5.3%	4.2%



	0%	5%	8%	10%	15%
Base Case	$2,047	$380	($63)	($253)	($531)
Revenue +10%	$3,193	$940	$338	$78	($308)
Op Cost +10%	$1,434	$84	($273)	($425)	($646)

More detailed information that are relevant to the project economics are addressed in Section 23.11 of this report.

1.10 Conclusions and Recommendations

It is recommended by the authors of this report that Copper Fox Metals advance their Schaft Creek project to the prefeasibility stage. There are numerous opportunities to improve the project economics through optimizations of the mine plan, processing flowsheet, method of tailings disposal, plant throughput rate, power supply, concentrate handling and treatment, operating costs, capital costs and metal pricing strategies.

Copper Fox Metals has budgeted C$16 million for the advancement of this project. This includes monies for resource development, exploration, geotechnical, metallurgical testwork, access road, product marketing, etc.

Key Results

Key results of this Preliminary Economic Assessment include:

- Measured & Indicated mineral resource: 1,393.3 million tonnes at a ≥0.20% copper cut-off grade;
- Inferred mineral resource: 186.8 million tonnes at a ≥0.25% copper cut-off grade;
- Measure, indicated and inferred pit delineated resource of 719.1 million tonnes
- LOM waste material of1,192.4 tonnes;
- LOM head grades: Cu = 0.304%, Mo = 0.020%, Au = 0.217 g/t, Ag = 1.761 g/t;

- 31 year mine life at a milling rate of 65,000 tonnes per day;
- Life of mine stripping ratio of 1.7:1;
- Preproduction capital cost of C$1,428.4 million;
- Total LOM capital cost of C$1,765.7 million;
- Operating cost of C$8.58 per tonne milled over the life of the project – includes mining, milling and G&A;
- Concentrate handling and treatment costs of C$2.68 per tonne milled over the life of the project;
- Metal recoveries: Cu = 90%, Mo = 72%, Au = 82%, Ag = 72%;
- Copper concentrate grades: Cu = 26.5%, Au = 18.4 g/t, Ag = 113.2 g/t, Mo = 0.27%;
- Moly concentrate grades: Mo = 54%, Cu = 0.42%;
- LOM copper production of 1,861.8 million tonnes;
- LOM moly production of 231.5 million pounds;
- LOM gold production of 3.9 million ounces;
- LOM silver production of 27.8 million ounces;
- Base case metal pricing: Cu = $1.50/lb, Mo = $10.00/lb, Au = $550/oz, Ag = $10.00/oz;
- Trailing three year average metal pricing: Cu = $2.66/lb, Mo = $27.00/lb, Au = $569/oz, Ag = $10.50/oz;
- Five year forecast metal pricing: Cu = $2.76/lb, Mo = $22.38/lb, Au = $700/oz, Ag = $12.00/oz;
- Base case pre-tax IRR of 7.5% with a 12 year payback;
- Base case pre-tax NPV of C$380 million at a 5% discount rate;
- Mine site production costs of C$0.57 per pound copper - net moly, gold, and silver credits;
- Trailing three year average (Case 2) pre-tax IRR of 32.7% with a 3 year payback;
- Trailing three year average (Case 2) pre-tax NPV of C$5,347 million at a 5% discount rate.

Risks

It is expected that there will be a relatively low degree of political, legal, or regulatory risk associated with the project. A project of this nature is also sensitive to several project risk factors that would be expected to potentially impact any major project of a similar size:

- Adverse weather conditions;
- Force majeure events;
- Late deliveries;
- Availability of equipment;
- Availability of materials;
- Availability of construction labour;
- Poor performance of contractors;
- Disputes with local residents;
- Disputes with NGO's;
- Escalation of costs;
- Foreign currency exchange rate fluctuations.

Copper Fox Metals has taken the proactive approach and elected to account for these risks with a Project Reserve Provision of C$300 million in the cost estimate and economic analysis for the project.

Other qualifications, assumptions, and exclusions that are relevant to the conclusions and recommendations are addressed in Sections 19 and 20 of this report.