



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

*Quarterly Highlights*

**For the Three Months Ended January 31, 2023**

As of March 22, 2023

## **COPPER FOX METALS INC.**

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

Copper Fox is a Canadian based resource company with a Tier 1 listing on the TSX Venture Exchange (“**TSX: V**”) under the trading symbol “CUU” and on the OTCQX® Best Market (“**OTCQX**”) under the symbol “CPFXF”. The Company is focused on the exploration and development of copper projects in North America. The Company maintains its head office at Suite 650, 340 – 12<sup>th</sup> Avenue SW, Calgary, Alberta, Canada.

Copper Fox recognizes environmental, social and governance (“ESG”) best practices as key components to responsible mineral exploration and development. The Company’s exploration programs are conducted to meet or exceed environmental regulations, while respecting the communities and environments in which we operate. Copper Fox strives to earn its social license with local and Indigenous communities by meeting with stakeholders, regulators, and other concerned parties before, and during, exploration work to understand traditional and cultural issues important to these communities. Copper Fox’s approach is based on transparency, open communication, inclusivity, and respect, to better enable social and economic benefit for communities as well as value for investors.

Copper Fox has a pipeline of high-quality operated and non-operated exploration and advanced staged porphyry and in-situ copper recovery (“**ISCR**”) projects in proven mining districts in North America providing the Company with the ability to increase value through exploration and advanced stage development studies. Copper Fox’s primary assets are its 100% owned Van Dyke copper project located in Miami, Arizona and the 25% interest in the Schaft Creek Joint Venture (“**SCJV**”) with Teck Resources Limited (“**Teck**”) on the Schaft Creek copper-gold-molybdenum-silver project located in northwestern British Columbia.

Copper Fox’s wholly owned subsidiaries Desert Fox Copper Inc. (“**Desert Fox**”) and Northern Fox Copper Inc. (“**Northern Fox**”) were established to manage all future exploration and development activities, including equity interest acquired in other mineral projects within North America. Desert Fox holds the US assets of the Company and Northern Fox holds the Eaglehead project, located in northwestern British Columbia, and the investment in District Copper Corp. Desert Fox’s wholly owned subsidiaries Desert Fox Minerals Co, Desert Fox Van Dyke Co, and Desert Fox Sombrero Butte Co, hold mineral tenures located in Pinal and Gila Counties, which are all located in the Laramide age porphyry copper belt in Arizona.

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 and the related notes for the three months ended January 31, 2023, and the Company’s audited consolidated financial statements for the year ended October 31, 2022, and the related notes thereto.

Technical and corporate information contained in this MD&A has previously been disseminated by way of news releases and are filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.copperfoxmetals.com](http://www.copperfoxmetals.com).

All amounts expressed are in Canadian dollars unless otherwise stated. The MD&A is current as of March 22, 2023, and was reviewed, approved, and authorized for issue by the Company’s Board of Directors on the aforementioned date.

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### **Qualified Person**

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

## **2. QUARTERLY OPERATING MILESTONES**

### **Schaft Creek Joint Venture ("SCJV")**

On January 18, 2023, the Company provided the analytical results for six (6) of the eleven (11) drill holes completed as part of the 2022 metallurgical drill program at the Schaft Creek project. The program expanded the coverage across the Schaft Creek deposit with a focus on the early part of the mine life, to better inform metal recoveries and comminution characteristics. A wide range of metal concentrations including several intervals of at surface high-grade mineralization intersected in the six drill holes.

### **Van Dyke Project**

On November 10, 2022, the Company provided an update as well as detailing plans for its Van Dyke project. In late October 2022, meetings with local communities and First Nations within a 40-mile radius of the Van Dyke project were completed. Upgrading of existing access to the wells selected for rehabilitation and the Van Dyke mine shaft commenced in early December 2022. Upon completing the access upgrades, a downhole video survey of the selected wells and the shaft was planned to determine if they were in a condition to allow re-entry and further testing. Successful completion of the downhole video survey would be followed by well development and testing/water sampling activities. These surveys were expected to take up to 3-4 months to complete subject to availability of certain service providers. Inspection and refurbishment of three vibrating-wire piezometers ('VWP') installed in drill holes completed in 2014 were also planned.

### **Eaglehead Property**

On November 29, 2022, the Company provided an update on the Eaglehead project including receiving the Mines Act permit to conduct activities set out in the Notice of Work files with the BC Ministry of Mines on February 1, 2022. The permit expires on March 31, 2024. Drilling activities pursuant to the conditions of the permit can only be conducted within the period of July 16 to November 15, 2023.

### **Corporate Update**

On November 3, 2022, the Company announced that it retained Creative Capital Corp. to provide the company investor relations services for an initial period of 12 months to increase general market awareness of Copper Fox.

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#### **Subsequent to the Quarter-end**

On February 21, 2023, the Company provided final analytical results for the 2022 metallurgical drill program at the Schaft Creek project. The 2022 metallurgical drill program completed 4,688 metres with the objective of collecting samples to complement historical metallurgical test work. The drill program expanded the metallurgical sampling coverage across the Schaft Creek project, with a focus on the early part of the mine life, to better inform metal recoveries and comminution characteristics. Eleven drill holes were completed across the project's mineralized zones: Liard (six holes), Paramount (three holes) and West Breccia (two holes). Highlights and additional details regarding the analytical results received are summarized below.

- The analytical results from the last five drill holes intersected copper-gold-molybdenum-silver mineralization across a range of grades, representative of the project life of mine for metallurgical test work.
- DDH SCK-22-456 in the Liard zone intersected 144.7 m grading 0.442 per cent copper (Cu), 0.552 gram per tonne (g/t) gold (Au), 0.032 per cent molybdenum (Mo) and 3.46 g/t silver (Ag) (CuEq (copper equivalent) 0.778 per cent) starting at 112.3 m downhole. This interval includes 70.3 m of 0.67 per cent copper, 0.859 g/t gold, 0.043 per cent molybdenum and 5.41 g/t silver (CuEq 1.18 per cent) starting at 116.7 m.
- DDH SCK-22-457 in the Paramount zone intersected 270 m grading 0.371 per cent copper, 0.09 g/t gold, 0.054 per cent molybdenum and 1.6 g/t silver (CuEq 0.52 per cent) starting at 377 m downhole. This interval includes 45.63 m of 0.442 per cent copper, 0.095 g/t gold, 0.088 per cent molybdenum and 1.63 g/t silver (CuEq 0.656 per cent) starting at 377 m, and 90 m of 0.447 per cent copper, 0.106 g/t gold, 0.058 per cent molybdenum and 1.82 g/t silver (CuEq 0.612 per cent) starting at 536 m.

On March 2, 2023, the Company announced the 2023 Schaft Creek program.

- Advancing the project with focus on key areas including Safety, Geoscience and Engineering, Environmental, Communities, and Permitting.
- Planned expenditures in 2023 are \$17.2 million.
- Proposed 9,000 metre drill program focused on geotechnical data collection.
- External review of currently envisaged construction timeline and offsite infrastructure costs to reduce initial development costs and payback period, to improve the overall investment case.
- Collection of geotechnical data in key areas identified during a gap analysis, including the proposed pit highwall, which aim to improve the pit design and life of mine strip ratio to reduce operating costs and associated greenhouse gas emissions.
- The implementation of a 2-year, monthly sampling, and environmental baseline field campaign, and further work on the site's original Archaeology Impact Assessment and cultural heritage in collaboration with the Tahltan Nation.

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### **3. PROPERTY SUMMARY**

#### **Industry Overview**

The anticipated increase in demand for copper amid an expected world-wide economic recovery has not materialized as forecasted. Recent financial issues in the United States and European banking systems are giving rise to a cautionary environment as fears of additional failures in the financial system are anticipated.

In addition to a predicted modest 150,000t surplus in copper inventory in 2023; a possible slowdown in China's economy, current US monetary policy, and a forecasted recession in Europe are expected to be the key factors controlling copper prices throughout the balance of 2023.

The volatility during the first quarter of 2023 is an extension of the uncertainty experienced in the copper space throughout the last half of 2022. Spot copper prices remain in the US\$3.90 - 4.00/lb range. Despite the forecast for a modest surplus in copper, it is expected that copper prices should remain high enough to incentivize new project development and construction. Despite the uncertainty in the financial industry, several expected near-term catalysts that could impact copper prices are a weaker US dollar, an improved economic climate in China and continued supply disruption due to geopolitical instability and social issues in Central and South America.

Over the longer term, provided that global policies continue to focus on green initiatives, a low carbon economy, sustainable energy generation, transmission, and consumption, the demand for copper, a major component in these initiatives, is expected to increase significantly. The growth in copper supply to meet expected future demand forecasts is not without challenges; as declining head grades, water issues, and a low inventory of large, advanced stage copper projects in the exploration and development pipeline continue to be substantive operational issues in the copper industry.

#### **Corporate Overview**

During the first quarter of 2023, the Company continued its "stage gate" approach to advance its 100% owned projects. At Van Dyke, this approach focusses on more specific investigations to gain technical certainty on various project parameters. The progress on investigating the possibility of rehabilitating selected historical drill holes to establish hydrogeological monitoring sites has been slower than planned primarily due to access to service providers for collection and interpretation of results. As Copper Fox advances the Van Dyke project towards completion of a Preliminary Feasibility Study, our objective is to investigate and evaluate potential technical issues that could have a significant impact on the future project performance prior to commencing a capital-intensive drill program. At Eaglehead, Mineral Mountain and Sombrero Butte, the stage gate approach utilizes all available data to implement the next stage of exploration to advance the projects to the drill testing stage. Copper Fox plans to work toward a decision point on completion of an Updated Resource Estimate at Eaglehead and establish work programs to advance the Mineral Mountain and Sombrero Butte projects in Arizona.

At Schaft Creek, the Schaft Creek Joint Venture; (Teck Resources Limited [Operator] 75%, Copper Fox 25%), has approved a budget of \$17.2 million, this will be fully funded by Teck. The 2023 work program contemplates 9,000 m of geotechnical and metallurgical/resource drilling, metallurgical test work to

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better inform future metal production on a range of metal grades reflective of the geometallurgical domains within the deposit, expand environmental data collection from quarterly to monthly, investigate the pre-production timeline for the project, extensive interaction with the Tahltan Nation on culture, historical and social matters and expansion of the camp facilities for future work programs. While the "at surface" or "near surface" higher-grade zones of mineralization intersected within the Liard zone in 2022 are encouraging, it is too early to fully understand the overall implication of these mineralized intersections on the overall copper-gold grades within the first five-year pit suggested by the 2021 Mineral Resource Estimate.

## **4. INTERIM PERIOD FINANCIAL CONDITION**

### **Capital Resources**

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

Copper Fox has no long-term debt or long-term liabilities, other than its decommissioning provision of \$421,000, the long-term promissory note for the Eaglehead acquisition of \$326,132, its deferred tax liability of \$653,258 and its office lease liability of \$124,708.

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

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

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

### **Liquidity and Working Capital**

As at January 31, 2023, Copper Fox had working capital of \$ 1,282,580 (October 31, 2022 – working capital deficiency of \$177,540). As at January 31, 2023, the Company's cash position was \$1,558,659 (October 31, 2022 - \$132,192). The working capital increased during the three months ended January 31, 2023, compared to the year ended October 31, 2022, due to a total of \$1,892,650 from the exercise of warrants (of which \$142,650 worth of warrants have shares being issued as of January 31, 2023 with

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the remaining amount to be issued with shares). This increase in cash was offset by \$304,638 spent in operating activities, \$134,583 used in the mineral property expenditures, \$16,858 in property and equipment additions and \$8,094 in office lease payments.

#### **Operations**

For the three months ended January 31, 2023, the Company recorded a net loss of \$279,590 or \$0.00 per share compared to a net loss of \$248,719 or \$0.00 per share in the comparable prior year.

The Company's quarterly administration and professional fees varied slightly in Q1 2023 compared to Q1 2022 as the Company's activity levels remained similar.

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

### **Schaft Creek Joint Venture**

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

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

The SCJV agreement provides that Teck and the Company are each responsible for their pro-rata share of project costs in accordance with their interests, except that Teck is solely responsible for the first \$60 million in pre-production costs. If pre-production costs exceed \$60 million, (\$29 million spent to date) the Company's pro rata share of such costs will be set off against the two remaining cash milestone payments (totaling \$40 million) payable by Teck to the Company. If pre-production costs exhaust the two cash milestone payments, Teck will further assist the Company by providing loans, as necessary, without dilution to the Company's 25% joint venture interest.

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

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

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

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### Office Lease

The Company has an office lease expiring on October 31, 2024, with a renewal clause until October 31, 2029.

## 6. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

## 7. RISKS FACTORS

In our MD&A filed on SEDAR February 15, 2023, in connection with our annual financial statements (the "Annual MD&A"), we have set out our discussion of the risk factors which we believe are the most significant risks faced by Copper Fox. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

## 8. DISCLOSURE OF OUTSTANDING SHARE CAPITAL DATA

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

	Issued and Outstanding	
	January 31, 2023	March 22, 2023
Common shares outstanding	526,130,496	548,297,163
Warrants	23,171,667	1,005,000
<b>Fully diluted common shares outstanding</b>	<b>549,302,163</b>	<b>549,302,163</b>

Subsequent to January 31, 2023, 22,166,667 warrants were exercised for gross proceeds of \$1,995,000, which were received as of January 31, 2023 and recorded as shares to be issued.



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**Cautionary Statements**

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