

Gold Newsletter

Vol. XXXIII

March 2006

COPPER FOX METALS

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In today's hot metals markets, investors need to look closely at juniors controlling "sleeping giant" projects. These projects are typically well known within the industry (often they've been around for decades) but, due to marginal metal grades or any of a host of other reasons, one company after another has taken a pass on them.

One situation that fits the bill perfectly is Copper Fox Metals, a company with a sleeping giant that stands a better-than-average chance of awakening. The project in question is Schaft Creek, a massive, polymetallic resource in northwestern British Columbia. Discovered back in 1957, it has received intensive exploration work in the intervening decades, including mapping, geophysics and 63,000 meters of diamond drilling.

Current owner/optioner Teck Cominco has held an interest in Schaft Creek since 1978. In addition to contributing much of the exploration work, the major has funded an engineering study and several rounds of data reviews on the project, but it has never been able to make the numbers tumble right.

As a result, Schaft Creek lay fallow for almost a decade until January 2002, when Copper Fox,

in a previous life as a numbered Alberta company, optioned it from Teck. The terms of the deal allow CUU to earn up to a 93.8% stake in the 7,000-hectare project by hitting exploration expenditure targets of C\$5 million by year-end 2006 and C\$15 million by year-end 2011.

That stake includes the 30% carried interest that Liard Copper Mines (78% owned by Teck) holds in Schaft. It also presumes the major will not exercise any of its back-in-right options, which allow it to claw back up to 70% in any mining operation developed on site.

Over the past year, Copper Fox has been raising the capital and doing the work required to hit its expenditure targets. That work included a recently completed 15-hole drilling program to verify a project-wide resource estimate that independent consultant AMCL pegged at 670 million indicated tonnes of 0.52% copper equivalent material and 274 million tonnes of 0.51% copper equivalent.

Over the next couple of months, the company will use the data from this program to issue an updated (and upgraded) estimate on Schaft Creek. In addition, it will conduct metallurgical tests on the drill core.

The preliminary estimate that will result from these efforts will be critical to green-lighting the prefeasibility study that CUU plans to compile during the

remainder of 2006. And while a "thumbs-down" decision on that study is conceivable, past economic projections, using extremely conservative metals prices, suggest it isn't likely.

Even applying a 12% discount rate, and plugging in US\$1.00 copper, US\$375 gold and US\$5.50 silver (not to mention moly and rhenium credits), a past model gives Schaft Creek a positive NPV of C\$59 million — not earth-shattering, but not bad either, considering that right now copper's above US\$2.00, gold's well over US\$500 and silver's convincingly broken through US\$9.00.

And chew on this: The "just-for-grins" NPV using a 0% discount rate...and assuming that today's high metals prices become long-run averages...comes to almost C\$3 billion!

That's not to say that Schaft Creek will end up with an actual project value anywhere close to that pie-in-the-sky estimate. It almost assuredly won't. But its actual value clearly lies somewhere within this admittedly wide range, and the more optimistic you are about a bull market for the metals, the more enthusiastic you should be about this project's potential to leverage your optimism.

Moreover, thanks to the interest in the region that NovaGold's massive Galore Creek project has

(Continued...)

attracted to this corner of British Columbia, Schaft has an enviable area play story to support its development potential.

The company has begun to trade up, as investors begin to give its story a closer look. Still, the fully-diluted market cap remains just shy of C\$13 million, which means that even if its upcoming string of press releases moves the market only marginally towards the high-end of Schaft's valuation range...well, you get the picture.

Given its sensitivity to metals prices, the risk involved here is substantial, but so is the potential payout. If you have a taste for this type of speculation, now is the time to jump on board.

Copper Fox Metals Inc.

Recent Share Price:C\$0.44

Shares Outstanding: .28.9 million

Market Cap:C\$12.7 million

Shares Outstanding

Fully Diluted:37.0 million

Market Cap

Fully Diluted:C\$16.3 million

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