**COPPER REEF MINING CORPORATION**

**Management Discussion and Analysis**

**For the Three Months Ended February 29, 2011**

Date Submitted: May 29, 2012

# Introduction

The following discussion and analysis of the operating results, financial position and future prospects of Copper Reef Mining Corporation ("Copper Reef" or the "Company"), dated May 29, 2012 constitutes management's view of the factors that affected the Company's financial and operating performance for the three months ended February 29, 2012 and subsequent period ended May 29, 2012. This discussion should be read in conjunction with the audited financial statements and related notes of the Company for the year ended November 30, 2011. This MD&A is prepared in conformity with National Instrument 51-102 F1 and has been approved by the Board of Directors.

All financial information is presented in Canadian dollars unless otherwise stated. All references to a year refer to the year ended on November 30 of that year, and all references to a quarter refer to the quarter ended on February 29, 2012 of that year. Additional information related to the Company is available for review on SEDAR at www.sedar.com.

# Forward-Looking Statements

*Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.*

# Structure and Business Description

## Name and Incorporation

The Company was incorporated under the laws of the Province of Manitoba by Letters Patent of Incorporation dated March 27, 1973 as "Copper Reef Mines (1973) Limited", as amended by Articles of Amendment dated January 18, 2005, and Articles of Amendment dated September 8, 2006, changing the corporate name to "Copper Reef Mining Corporation". The head office of the Company is located at their offices at 12 Mitchell Road, Flin Flon, Manitoba R8A 1N1. Other than the joint ventures described in "*Properties*" section of the Initial Public Offering documents filed on Sedar, the Company does not have an interest in any corporations, bodies corporate, limited partnerships, partnerships, joint ventures, associations, trusts or unincorporated organizations.

### The Company

The Company is a Canadian junior mineral exploration company with a specific focus on mineral properties in Northwest Manitoba and Northeast Saskatchewan, Canada. All of the Company's properties are currently at the exploration stage. The Company has no long-term debt and has assembled a portfolio of base metal and precious metal prospects, including strategic locations in the Provinces of Manitoba and Saskatchewan.

As of 2000, the Company held only a few claims near the Copper Reef Deposit. Over a two year period the claims were sorted out with the help of a claim inspector. Many of the original claims were allowed to expire and re-staked. All of these claims were then inspected by the Manitoba claims inspector. Subsequently, in 2004, the Mink Narrows claims were expanded by agreements with Bruce Murray (a Flin Flon prospector), with Richard Masson and with 4058667 Manitoba Ltd. (a company controlled by Steve Masson). This greatly expanded the Mink Narrows Property to cover the 15 kilometre portion of a geological horizon thought to host the Copper Reef Deposit.

On January 17, 2005 the Company entered into the Assignment Agreement with Foran whereby the Company was granted an option to acquire 100% of the Hanson Lake JV Property which option Foran had obtained pursuant to the BHP Billiton Cameco Agreement. A dispute arose between Foran and the Company with respect to the Assignment Agreement which has since been resolved. The terms of the resolution are set out in the Settlement Agreement. Under the terms of the Settlement Agreement, Foran agreed to pay the remaining $2,000,000 owing on the option under the BHP Billiton Cameco Agreement and the Company would hold 25% of the Hanson Lake JV Property and receive a number of Foran's properties located in Manitoba which were, for the most part, acquired previously from Aur Resources by Foran. Also, in accordance with the Settlement Agreement, the Company and Foran entered into the Hanson Lake JV Agreement governing their respective interests with respect to the Hanson Lake JV Property.. In November 2010 Copper Reef sold its remaining 25% interest in the Hanson Lake Joint Venture for $1,000,000 cash, 4 million shares of Foran Mining and received five Manitoba properties including the Smelter Claims. However, Copper Reef retained a $0.75 royalty on every tonne produced from the property including ores from the McIlvenna deposit and any subsequent discovery.

The Company is a junior mining exploration company engaged in the acquisition, exploration and development of mineral concessions in Saskatchewan and Manitoba, Canada

## Results of Operations

Operational results reflect overhead costs incurred for mineral property acquisitions and associated exploration expenses as well as other regulatory expenses incurred by the Company.

General and administrative costs can be expected to fluctuate relationally with acquisitions, exploration and operations.

### Selected Annual Information

**Revenues**

The Company is currently engaged in mineral property acquisition and exploration and does not have revenues from its operations.

**Summary of Quarterly Results**

The table overleaf, sets out selected quarterly information for the preceding eight quarters ended May 31, 2011:

| | Fiscal 2012 | Fiscal 2011 | | | | Fiscal 2010 | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 February 29, 2012 | Q4 November, 30 2011 | Q3 August 31, 2011 | Q2 May 31, 2011 | Q1 February 28, 2011 | Q4 November 30, 2010 | Q3 August 31, 2010 | Q2 May 31, 2010 |
| Net Revenues | 865,000 | 141 | – | – | 1,240,014 | 2,195,578 | – | – |
| Net income (loss) for the period | 713,372 | (508,388) | (1,048,391) | (1,513,118) | 1,105,684 | 1,286,159 | 153,499 | (386,137) |
| Net Income (Loss) per Share, Basic & Diluted | 0.007 | (0.005) | (0.012) | (0.016) | 0.013 | 0.016 | 0.002 | (0.006) |
| Number of shares outstanding | 103,996,758 | 99,454,634 | 97,754,634 | 97,754,634 | 88,203,590 | 79,453,590 | 73,508,590 | 73,363,590 |

*This financial data has been prepared in accordance with International Financial Reporting Standards and all figures are stated in Canadian dollars.

**Exploration Expenditures**

Mineral exploration expenditures for the period are detailed as follows:

| | Mink Narrows | Jewel Box | Gold Rock | Lu-cille | Kiss | Hanson Lake | Smelter | Albert | Kississing | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Acquisition/Holding costs** | **116** | | | **20** | **37** | | | **12** | | **(5,000)** | **(4,815)** |
| **Exploration costs** | | | | | | | | | | | |
| Assays - Lab, shipping | – | – | – | – | – | – | 2,841 | – | – | – | 2,841 |
| Line cutting/chaining | – | – | – | – | – | – | – | 76 | – | – | – |
| M'Ore Employees | – | – | – | – | – | 20,538 | 4,025 | 6,113 | 9,538 | – | 40,213 |
| Field supplies & maint. | – | – | – | – | – | 32 | – | – | 217 | – | 249 |
| Field groceries & meals | – | – | – | – | – | 1,162 | – | – | – | – | 1,162 |
| Fuel | – | – | – | – | – | – | 235 | 697 | 1,243 | – | 2,175 |
| Storage | 1,348 | – | 578 | – | – | – | – | – | – | – | 1,926 |
| Vehicle | – | – | – | – | – | 1,200 | 298 | 4,200 | 5,967 | – | 11,665 |
| Equipment rental | – | – | – | – | – | – | – | – | 1,000 | – | 1,000 |
| Field office | – | (3,920) | – | – | – | – | – | 622 | (11,507) | 22,586 | 8,051 |
| Drilling | – | – | – | – | – | 144 | – | – | 9,204 | – | 9,348 |
| **Mineral Exploration costs** | **1,464** | **(3,920)** | **578** | **20** | **37** | **23,077** | **7,399** | **11,719** | **15,661** | **17,586** | **73,892** |

**Financings**

In December 2011, the Company issued 5,166,666 flow-through units to Manitoba residents at $0.12 per unit for gross proceeds of $620,000. Each of these flow-through units consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.15 per share until December, 2013. The Company is committed to incur prior to December 31, 2012, on a best efforts basis, $620,000 in qualifying Canadian exploration expenditures pursuant to this private placement. An officer of the Company purchased 50,000 units for $6,000.

A family member of another officer of the Company purchased 100,000 units for gross proceeds of $12,000, and a corporation controlled by the same officer purchased 350,000 units for gross proceeds of $42,000 pursuant to this financing.

In December, 2011, 1,750,000 warrants with an exercise price of $0.20 expired.

# PROJECT UPDATE AND FUTURE PLANS

The Company, with a specific focus on mineral properties in Northwest Manitoba and Northeast Saskatchewan, Canada has the second largest land position in the main Flin Flon Camp of Manitoba next to Hudson Bay Minerals.. It also has significant holdings in the Snow Lake- Reed Lake Camp, and in the Sheridon Camp and the Hanson Lake Camp in Saskatchewan. All of the Company's properties are currently at the exploration stage and all are 100% owned with no financial obligations or work commitments to other parties.

## Smelter Claims

In January drilling began on the Company's Smelter claims located a few hundred metres north of Hudbay Mineral's Triple 7 head frame. The Company is targeting a similar reflectivity similar to the Callinan orebodies to the south. The targeted seismic anomaly is co-incident with a gravity anomaly. In January, Hudbay Minerals completed a $1,000,000 private placement two help fund two deep holes on this property.

On November 16, 2011, the Company announced that it had completed drilling drill hole SM-11-3 on its Smelter Property. The drill hole was targeting a deep seismic target just north of the Hudson Bay Smelter and the Callinan and Triple Seven Deposit. The drill hole was drilled through Missi Sediments and the basal conglomerate where it then encountered mafic rocks and feldspar porphyries. Within this mafic section, a 5.1m zone of stringer sulphides was intersected from 2188.5 to 2193.6m at a vertical depth of around 1850m. The sulphide section has been cut and sent for assay. The hole ended in granodiorite at 2582m representing a vertical depth of 2155mHudBay Minerals has carried out down hole pulse electromagnetic surveys down this and other drill holes, within a large surface loop, with the plan to test the extent of the sulphide zone and to possibly vector in to more conductive massive sulphide areas.

Hudson Bay has completed the Down Hole Electromagnetic Survey on the Smelter Claims . They were not able to get past a blockage around the 2000 m level and was unable in this attempt to geophysical access the target area.

## Data Sharing with Hudson Bay

Copper Reef and HudBay Minerals have exchanged data from separate VTEM electromagnetic airborne surveys carried out over properties held separately in the main Flin Flon Camp.

## Gold Rock

No work was carried out on this property in 2011

## Mink Narrows

In the Main Flin Flon Camp on the Mink Narrows Property, Copper Reef has completed the first phase of drilling on and near the Copper Reef Deposit; a Cu and Ag deposit with a historic inferred resources of 503,434 tons of 1.5% Cu and 0.5% Zn. These historical resources do not conform to NI-43-101. No work was carried out on this property in 2011.

## McIllvenna

Copper Reef retains a 75 cents/tonne royality from all ores mined from the former Hanson Lake Property JV in the Hanson Lake Camp where the company held previously a 25% of the McIlvenna Bay deposit which is one of Canada's largest underdeveloped Zinc and Copper resources with: 6,671,000 indicated tonnes at 0.87% Cu, 6.51% Zn, and 26.0 AG(g/t) 6,000,000 inferred tonnes at 0.83% Cu, 5.89% Zn, and 24.8% Ag (g/t) on a 12,950 Ha property. The 25 % interest was sold as noted above but Copper Reef retained the royality.

Foran Mining is currently conducting a infill drill program in the Copper Stringer Zone is order to bring the stringer zone into a NI-43-101 resource category. No further funding of this project is required by Copper Reef.

## Hanson Lake

In 2008, an airborne (VTEM) Electromagnetic survey has been completed over the Company's 100% owned Hanson Lake Property. A number of new targets have been identified. Copper Reef has now completed 24 holes on its Hanson Lake property on three separate horizons. Drilling of the Bertrum Horizon has intersected copper zinc mineralization in every hole. The Company has completed a third round of drilling of this 700 metre long horizon where it has drilled 18 holes to date. Large off hole anomalies were found in the deepest two holes which are associated with strong VMS style alteration of the width and intensity not observed in the drill holes closer to surface. These remain excellent targets.

## Airborne Surveys

In early 2010 Copper Reef flew 3 large airborne electromagnetic surveys (VTEM 35) in the Flin Flon and Snow Lake Mining Camps covering most of its holdings in Manitoba. Copper Reef has received from Hogg and Associates a report which has outlined their interpretations of the anomalies generated from this airborne survey. Copper Reef is now in the process of evaluating individual anomalies which have either been untested or poorly tested. Some ground surveys have been carried out over some of these anomalies with others to follow later as anomalies are evaluated and prioritised.

## Albert's Lake Gold Zone

Copper Reef has completed a drill program on its 100% owned Albert's Lake Property Group in the main Flin Flon Camp. The property contains numerous gold zones the most noteworthy being the Albert's Lake deposit with a non 43-101 resource of roughly 400.000 tonnes of 6.5g/t reported by Granges Inc.. The zone is wide up to 9 m with grades of over 10 g/t. On August 26, 2011, the Company announced results from the first of four holes twinned on the Alberts Lake Gold Zone located in the central Flin Flon Belt of Manitoba. Drill Hole AL-11-61btw drilled with HQ core was drilled to twin previous Drill Hole AL-61which had been drilled with small diameter BQ-sized core. The hole is not an exact twin of the earlier hole as the new twin hole curved slightly and ended up 9.4m further away in the mineralized area from the old hole. Despite this 9.4 m separation, the assay results are quite comparable and show a high degree of consistency with the previous drill results.

The Table below is a comparison of the old drill hole and the new twinned hole drilled from the same location and with the same dip and azimuth.

| AL -61 (old BQ Drill Hole) | | AL-11-61btw (New Twin HQ Hole) |
|---|---|---|
| 32.8 m 1.6 g Gold/t | vs. | 32.5 m 1.5 g Gold/t |
| 1.5 m 9.6 g Gold/t | vs | 1.5 m 9.71g Gold/t |
| Includes 2.85 m 6.82 g (9.4 ft. of 0.2 oz. u/ton) | | |

The new hole however, intersected wider overall gold mineralization within the shear of 51.2 m of 1.02 g/t gold. In this steeply dipping structure, the horizontal width of the new intersection is 42.1m (138 ft.) or a true width of 37.2m (122 ft.) at a depth of 265m (869 ft.). This was the lowest grade drill hole twinned.

The Albert's Lake deposit has been previously tested over a 500-metre strike length and to a depth of 400 metres and remains open in all directions. Values up to 125 grams per tonne were noted in drill core with the best intersection over all, assaying 10.89 g/t Au over nine metres at 225 metres vertical depth. Visible gold was noted in a number of drill sections in association with pyrite and minor chalcopyrite. In the twinning of these holes, Copper Reef is testing whether the gold grade may be under-represented in the drill holes because of the nugget effect of coarse gold and/or the small sample taken from the older BQ-sized core. To accomplish this test, Copper Reef has is using larger HQ-size core and then used a screen metallic assay method to recover all coarse gold from the split core.

All structures in both the Alberts Lake and the Wally Zone remain open along strike and at depth on Copper Reef's 100-per-cent-owned Albert's Lake property, which is comprised of over 88 mining claims totaling 7,500 hectares.

On September 7, 2011, the Company announced results from the second of four holes twinned on the Alberts Lake Gold Zone located in the central Flin Flon Belt of Manitoba. Drill Hole AL-11-57btw drilled with HQ core was drilled to twin previous Drill Hole AL-57 which had been drilled with small diameter BQ-sized core. The assay results are regular assays using a 2 assay ton charge. The table below is a comparison of the old drill hole and the new twinned hole drilled from the same location and with the same dip and azimuth.

| AL -57 (old BQ Drill Hole) | AL-11-57btw (New Twin HQ Hole) at the 200m level |
|---|---|
| 25.8 m 4.5 g Gold/t | 27.9 m 3.2 g Gold/t |
| Including 8.5 m 9.6 g Gold/t | 12.4 m 6.1 g Gold/t |

Higher grade sections returned values in the new hole assaying 10.8 g gold/t over 4.5 m and a separate zone of 13.5 g gold/t over 1.4 m. The overall 27.9 m intersection, reported above, has a true width of approximately 22.0 m (72 feet).

Preliminary assays from Drill Hole AL-11-57btw which twinned the old hole AL-51 drilled in the 80's confirms the high grade nature and wide widths of this earlier intersection .

On October 3, 2011, the Company announced results from the "screen metallic" gold assays as well as silver assays on three of the drill holes into the Alberts Lake Gold Zone located in the central Flin Flon Belt of Manitoba. Screen metallic assays is a way to capture coarse gold in drill core samples by pulverizing the entire sample then screening out all the coarse gold before carrying out regular assays on the fine gold that went through the screen. To some extent, this removes the nugget effect. The screen metallic assays of gold were only slightly higher in some holes indicating coarse gold is present only locally and that most of the gold is of fine grain size. This is positive in the sense that wide variations in grade will be minimal and that generally assay results should reflect closely the true grade of the intersection.

| | Core Length | Regular assay Au | Screen Metallics Au | Assay Silver g/t |
|---|---|---|---|---|
| DDH AL-11-57tw | 27.9 m | 3.19 g/t | 3.46 g/t | 9.1g/t |
| Includes | 4.5 m | 10.76g/t | 12.19g/t | 33.5 g/t |

| | | | | |
|---|---|---|---|---|
| DDH AL-11-61Btw | 51.5 m | 1.02 g/t | 1.02 g/t | 2.4g/t |
| Includes | 2.85 m | 6.82 g/t | 6.87 g/t | 14.0 g/t |
| Includes | 1.5 m | 9.71 g/t | 9.17 g/t | 14.6 g/t |
| DDH AL-11-40tw | 30.9 m | 1.36 g/t | 1.39 g/t | 2.3 g/t |
| Includes | 2.2 m | 5.37 g/t | 5.83 g/t | 10.5 g/t |
| DDH A1-11-72tw | 26.4 m | 1.14 g/t | | |
| Includes | 1.85 m | 4.55 g/t | | |

From these drill holes, results indicate that only minor coarse gold exists locally and that most of the gold is finely disseminated throughout the deposit. An example of coarse gold portion would be a 4.5 m intersection of DDH-AL1157Btw, which when assayed with the screen metallic method, increased from 10.76 g/t to 12.19 g/t. These recent drill holes were twin holes using HQ of smaller BQ sized core of holes drilled during the 1980's. The larger HQ core is approximate 3 times larger by volume of the older BQ core. The size of the core also appears to have had little effect on the grade between the new and smaller older holes again suggesting that the gold is for the most part uniformly finely distributed throughout the Alberts Lake Deposit.

Regular assays are assays using a 2 assay ton charge.

Copper Reef has completed the drill holes. A new drill program of 30 drill holes to expand the deposit is being considered . Management is encouraged by: the grade consistency of this twinned hole; the sheer size of the width of gold zone and high grades that are present at Alberts Lake.

## Kississing Lake Property

The Company has completed a preliminary five drill program on its Kississing Lake Property in the Sheridan base metal camp of Northern Manitoba.The results indicated low grade relatively flat lying mineralization dipping approximately 10 degrees to the north.

Gold mineralization had been traced by prospecting for approximately 2 km and appears to flank an airborne electromagnetic (EM) anomaly of the same length. This 2 km airborne EM anomaly, which has never been tested by drilling, and lies immediately north of the Kississing Lake Gold mineralization. The gold mineralization is hosted by a rusty silicified rock - which is possibly felsic volcanic tuffs or sedimentary rocks. The mineralized strata where exposed appears to be at least 80 m wide where it dips beneath the lake towards a flanking parallel conductor. Values range from 1.13 to 10.39 g/t gold at the main showing where exposure is good. Along a poorly exposed conductive trend 2 km to the east, values up to 0.5 g/t gold have been taken from rusty strata similar to the main showing. Massive sulphides with minor copper mineralization associated with VMS style alteration was observed in old trenches to the north along a separate conductor axis. This separate northern airborne EM conductor was only tested by one drill hole by Selco along its entire extent, which had a strike length of 2.5 km.

## Jewel Box Property

On October 26, 2011, the Company announced initial grab samples from a preliminary prospecting program on the Jewel Box Property located within the Flin Flon Greenstone Belt of Manitoba. Gold assays up to 48.1 g/t gold have been taken from quartz veins and altered wall rock along a 50 m section of a north trending shear structure on the Property. This is the first work Copper Reef has carried out on the property since its acquisition. The gold is very coarse, occurring as wires and plates associated with quartz carbonate veining. The structure although narrow is flanked by larger north and north-west trending structures with associated carbonate, sericite and chlorite-epidote alteration. There is no drilling on these nearby larger structures and in particular the area where these intersections intersect where there is gold in soil anomalies. Work permits last fall were received too late, to permit mapping and prospecting before the snow came. The complete news release is available on www.Sedar.ca, posted on October 26, 2011.

## Liquidity and Capital Resources

As at February 29, 2012, the Company had working capital of $4,353,562 as compared to working capital of $3,156,281 as at November 30, 2011. The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing. There can be no assurance that the Corporation will be able to obtain sufficient capital in the case of operating cash deficits.

### Results of Operations for the Periods ended November 30, 2011

For the three months ended February 29, 2012 bank charges and interest decreased by $58 to $263 from $321 in 2011 due to additional funds in the bank. No directors' compensation or stock based compensation were made during the quarter. Management fees and salaries reduced by $8,688 to $69,694 from $78,382 in 2011 as the company is doing more work internally to reduce external contractor costs. Professional fees increased by $39,025 from $4,715 in 2011 to $43,740 due to legal fees relating to the share offering in December and timing of audit fees for the year. Office and general expenses decreased $7,904 due mainly ongoing improvements in cash controls. Rent and utilities increased by $3,028 due to Costs related to core shack and hydro related to sample preparation and cutting of drill core.. Travel and promotion decreased by $7,365 to $3,517 from $10,822 in 2011 due to lowering the nummerof magazine ads and general fiscal restraint.

### Disclosure of Outstanding Share Data

As at May 29, 2012, the Company had the following common shares, stock options and warrants outstanding:

| | |
|---|---:|
| Common shares | 104,721,300 |
| Stock options (vested and unvested) | 5,095,000 |
| Warrants | 5,920,570 |
| Fully diluted shares outstanding | 115,736,870 |

### Off-Balance Sheet Arrangements

As at May 29, 2012, the Company had no off-balance sheet arrangements.

### Critical Accounting Estimates

Copper Reef does not make any critical accounting estimates other than the carrying value of deferred exploration expenditures, and the valuation of warrants, asset retirement obligations, future tax assets and liabilities, and stock-based compensation.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, deposits and accounts payable and accrued liabilities. The carrying values of cash and cash equivalents, amounts receivable, deposits, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

The Company is exposed to credit risk with respect to its cash and cash equivalents. Cash and cash equivalents have been placed on deposit with a major Canadian, financial institutions. Credit risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing term deposits held at a major Canadian financial institution.

The Company's cash and cash equivalents include term deposits. The Company is not exposed to significant interest rate risk due to the short-term maturity of these monetary assets given fluctuations in market rates do not have a significant impact on estimated fair values at December 31, 2010. Future cash flows from interest on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by investing in highly liquid investments with maturities of three months or less.

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company's expected source of cash flow in the upcoming year will be through equity financings. The Company maintained sufficient cash and cash equivalents at February 28, 2012 in the amount of $4,520,076, in order to meet short-term business requirements. At February 28, 2012, the Company had accounts payable and accrued liabilities of $166,514, which will be repaid within three months.

## RISKS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring and developing gold and base metal properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subjected to variations in commodity prices, market sentiment, exchange rates for currency, inflations and other risks. The Company currently has no source of revenue other than interest income. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

1. **Going Concern**

   The Company's capability to continue as a going concern is dependent upon its ability to obtain additional debt or equity financing to meet its obligations as they come due. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications currently used.

   Copper Reef has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues.

   The Company plans to obtain financing in the future primarily through further equity financing, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

Management has initiated a strict cost control program to effectively control expenditures. As a result of these cost control measures, it is expected that the current cash position will be sufficient to fund the Company's needs for the 2012 fiscal year. Management will review several funding options including equity financing and seeking joint venture partners to further its mineral property interests at the appropriate time. While the Company has been successful in raising funds in the past, there are no assurances that additional funding and/or suitable joint venture agreements will be obtained.

**2. Exploration and Mining Risks**

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company's properties have no known body of commercial ore. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labor are other risks involved in the operation of mines and the conduct of exploration programs. The Company has relied on and may continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold, copper and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The Company has no producing mines at this time. All of the properties in which the Company may earn an interest are at the exploration stage only. Most exploration projects do not result in the discovery of commercially mineable deposits of ore.

**3. Development Risks**

The marketability of any minerals which may be acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection.

**4. Loss of Interest in and Value of Properties**

The Company's ability to maintain its interests in its mineral properties and to fund ongoing exploration costs will be entirely dependent on its ability to raise additional funds by equity financings. If the Company is unable to raise such funds it may suffer dilution or loss of its interest in its mineral properties. The amounts attributed to the Company's interests in mineral properties in its financial statements represent acquisition and exploration costs, and should not be taken to reflect realizable value.

**5. Financing Risks**

The Company has no history of earnings and no source of operating cash flow and, due to the nature of its business, there can be no assurance that the Company will be profitable. The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is through the sale of its equity shares. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its property, there is no assurance that any such funds will be available. If available, future equity financings may result in substantial dilution to purchasers under the Offering. At present it is impossible to determine what amounts of additional funds, if any, may be required.

**6. Metal Prices**

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of minerals produced by the Company. Factors beyond the control of the Company may affect the marketability of any substances discovered. Mineral prices, in particular gold prices, have fluctuated widely in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company. These other factors include government regulations relating to price, royalties, allowable production and importing and exporting of minerals.

**7. Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

**8. Environmental and Other Regulatory Requirements**

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit the mining properties is subject to various reporting requirements and to obtaining certain government approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without inordinate delay or at all.

**9. No Assurance of Titles, Boundaries or Surface Rights**

The Company has investigated rights of ownership of all of the mineral properties in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties may be subject to prior claims or agreement transfers, and rights of ownership may be affected by undetected defects. While to the best of the Company's knowledge, title to all properties in which it has the right to acquire an interest is in good standing, this should not be construed as a guarantee of title. Other parties may dispute title to the mining properties in which the Company has the right to acquire an interest. The properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects or the statutes referred to above.

**10. Permits and Licenses**

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

**11. Inability to Meet Cost Contribution Requirements**

The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may as a result, be subject to loss of its rights to acquire interests in the properties subject to such agreements.

**12. Reliance on Key Personnel**

The nature of the business of the Company, the ability of the Company to continue its exploration and development activities and to thereby develop a competitive edge in the marketplace depends, in a large part, on the ability of the Company to attract and maintain qualified key management personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract and retain such personnel. The development of the Company now and in the future, will depend on the efforts of key management figures, the loss of whom could have a material adverse effect on the Company. The Company does not currently maintain key-man life insurance on any of the key management employees.

Additional disclosure concerning Copper Reef's resource property costs is provided in the Company's annual consolidated financial statements and in Note 4 of the unaudited interim consolidated financial statements for the

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

### *CONFLICTS OF INTEREST*

Copper Reef's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which Copper Reef may participate, the directors and officers of Copper Reef may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, Copper Reef will follow the provisions of the *Business Corporations Act (BC)* ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of Copper Reef's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of Copper Reef are required to act honestly, in good faith, and in the best interest of Copper Reef.

### *Conversion to International Financial Reporting Standards*

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian Generally Accepted Accounting Principles for publicly accountable enterprises for financial periods beginning on or after January 1, 2011. These condensed consolidated interim financial statements (unaudited) for the three months ended March 31, 2011 have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS as issued by IASB and IFRIC.

These are the Company's first IFRS unaudited consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with CAGAAP.

***Transition to International Financial Reporting Standards***

As stated in Note 2 of the condensed consolidated interim financial statements (unaudited), these are the Company's first interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied as follows:

In preparing the condensed, interim financial statements (unaudited) for the three months ended February 29, 2012;

- the comparative information for the three months ended February 28, 2011;
- the statement of financial position as at November 30, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date (December 1, 2010).

In preparing the opening IFRS statement of financial position, comparative information for the three months ended February 29, 2012and the financial statements for the year ended November 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with CAGAAP. Further details of the adjustments to the condensed interim statements of financial position and comprehensive loss, including various reconciliations, are disclosed in note 17 to the condensed consolidated interim financial statements (unaudited) for the three months ended February 29, 2012.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements for the transition from CAGAAP to IFRS, the Company has elected to apply the following exemptions:

***IFRS 2 – Share-based payment transactions***

IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

IFRS 2, similar to CAGAAP, requires the Company to measure share-based payments related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under CAGAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under CAGAAP, forfeitures of awards are recognized as they occur.

***IAS 16 – Property, plant and equipment***

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, same as under CAGAAP.

***Reclassification within Equity Section***

IFRS requires an entity to present reconciliation between the carrying amount at the beginning and end of the period for each component of equity, separately disclosing each change. The Company examined its "contributed surplus" account and concluded that as at the Transition Date, $220,600 relates to "Stock Options reserve" and $535,227 related to the grant date fair value of the expired warrants and options which were allocated to "Equity". As a result, the Company believes that a reclassification would be necessary in the equity section between "Contributed surplus" and the "Stock Options reserve" and "Warrants reserve" accounts.

***Cumulative Translation differences***

Evaluation and exploration assets include acquired mineral rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral rights is capitalized. The amounts shown for evaluation and exploration assets represent costs of acquisition, other than transaction costs, incurred to date (excluding transaction costs), less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of evaluation and exploration assets is the cost of the estimated decommissioning liability. The Company has classified evaluation and exploration assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves.

Ownership in evaluation and exploration assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its evaluation and exploration assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of evaluation and exploration assets carrying values.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

***Future Accounting Pronouncements***

Certain new accounting standards and interpretations have been published that are not mandatory for the February 29, 2012 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 9 Financial Instruments
- IFRS 7 (Amendment) Financial Instruments: Disclosure

- IAS 12 (Amendment) Income Taxes
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 (Amendment) Separate Financial Statements
- IAS 28 (Amendment) Investments in Associates and Joint Ventures

The Board of Directors of Copper Reef has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

**Forward Looking Statements**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors