

COPPER REEF MINING CORPORATION

(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
YEARS ENDED NOVEMBER 30, 2010 AND 2009

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AUDITORS' REPORT

To the Shareholders of Copper Reef Mining Corporation:

We have audited the balance sheets of Copper Reef Mining Corporation (A Development Stage Company) as at November 30, 2010 and 2009 and the statements of operations, comprehensive income (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

**Chartered Accountants
Licensed Public Accountants**

Toronto, Ontario
March 23, 2011

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
AS AT NOVEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,303,617	\$ 878,086
Marketable securities (Note 6)	3,600,000	-
GST receivable	<u>26,065</u>	<u>14,901</u>
	4,929,682	892,987
MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (Note 6)	<u>5,441,890</u>	<u>5,517,757</u>
	<u>\$ 10,371,572</u>	<u>\$ 6,410,744</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	\$ 384,089	\$ 269,244
Due to shareholder (Note 7)	-	50,706
	<u>384,089</u>	<u>319,950</u>
FUTURE INCOME TAXES (Note 9)	<u>928,500</u>	<u>193,600</u>
	<u>1,312,589</u>	<u>513,550</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 8(a))	9,418,632	7,447,651
CONTRIBUTED SURPLUS (Note 8(d))	755,827	295,012
WARRANTS (Note 8(c))	48,686	240,215
DEFICIT	<u>(1,164,162)</u>	<u>(2,085,684)</u>
	<u>9,058,983</u>	<u>5,897,194</u>
	<u>\$ 10,371,572</u>	<u>\$ 6,410,744</u>

Going concern (Note 1)
Commitments and contingencies (Notes 8 and 11)
Subsequent events (Note 12)

APPROVED ON BEHALF OF THE BOARD:

"signed" Dave Kennedy, Director

"signed" Stephen L. Masson, Director

See accompanying notes to the financial statements.

COPPER REEF MINING CORPORATION

(A DEVELOPMENT STAGE COMPANY)

**STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT
YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
OPERATING EXPENSES		
Directors' compensation (Note 10)	\$ 5,000	\$ 21,000
Filing fees (Note 10)	55,262	48,165
Office and general (Note 10)	78,944	44,260
Interest and penalties	14,179	37,420
Professional fees (Note 10)	210,536	76,553
Rent and utilities (Note 10)	26,386	25,842
Travel and promotion	28,300	21,009
Stock-based compensation (Note 8(b))	220,600	-
Management fees and salaries (Note 10)	<u>246,154</u>	<u>274,692</u>
	885,361	548,941
OTHER INCOME		
Interest income	80	1,726
Gain on disposition of mineral properties (Note 6)	1,995,498	-
Unrealized gain on marketable securities (Note 6)	<u>200,000</u>	<u>-</u>
	2,195,578	1,726
INCOME (LOSS) BEFORE INCOME TAXES	1,310,217	(547,215)
FUTURE INCOME TAX EXPENSE (RECOVERY) (Note 9)	<u>388,695</u>	<u>(181,514)</u>
NET INCOME (LOSS) FOR THE YEAR, BEING COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	921,522	(365,701)
DEFICIT, BEGINNING OF YEAR	<u>2,085,684</u>	<u>1,719,983</u>
DEFICIT, END OF YEAR	<u>\$ 1,164,162</u>	<u>\$ 2,085,684</u>
Income (loss) per share – basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Weighted average number of common shares issued and outstanding –		
- basic	<u>67,280,768</u>	<u>37,462,604</u>
- diluted	<u>67,782,262</u>	<u>37,462,604</u>

See accompanying notes to the financial statements.

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 921,522	\$ (365,701)
Gain on disposition of mineral properties	(1,995,498)	-
Unrealized gain on marketable securities	(200,000)	-
Stock-based compensation	220,600	-
Future income tax expense (recovery)	388,695	(181,514)
GST receivable	(11,164)	128,586
Accounts payable and accrued liabilities	<u>16,976</u>	<u>30,794</u>
Cash flows from operating activities	<u>(658,869)</u>	<u>(387,835)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred exploration and other expenditures	(1,952,628)	(543,050)
Proceeds from sale of mineral properties (Note 6)	1,000,000	-
MEAP received (Note 6)	<u>190,014</u>	<u>30,425</u>
Cash flows from investing activities	<u>(762,614)</u>	<u>(512,625)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of securities (Note 8(a))	1,924,000	1,310,400
Issue costs	(26,280)	(11,817)
Repayment of shareholder loan (Note 7)	<u>(50,706)</u>	<u>-</u>
Cash flows from financing activities	<u>1,847,014</u>	<u>1,298,583</u>
INCREASE IN CASH	425,531	398,123
CASH, BEGINNING OF YEAR	<u>878,086</u>	<u>479,963</u>
CASH, END OF YEAR	<u>\$ 1,303,617</u>	<u>\$ 878,086</u>
SUPPLEMENTAL INFORMATION		
Interest paid	-	-
Income taxes paid	-	-
Change in accrued exploration expenditures	116,021	(21,605)
Change in accrued share issue costs	(18,152)	26,279
Shares issued for mineral properties (Note 8(a)(vii))	450,000	-
Shares received for sale of mineral properties (Note 6)	3,400,000	-
Value of property received from Foran (Note 6)	31,091	-

See accompanying notes to financial statements.

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

Copper Reef Mining Corporation (the "Company" or "Copper Reef") is a Canadian company incorporated in Ontario. The Company's principal activities are the acquisition, exploration and development of mineral property interests. The Company is considered to be in the development stage, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants ("CICA") Handbook. To date the Company has not earned any revenues from operations.

The Company has not yet determined whether its mineral properties contain economically recoverable ore reserves. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values of mineral properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

As at November 30, 2010, the Company had cash of \$1,303,617 and working capital of \$4,545,593. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Because of this uncertainty, there is some doubt about the ability of the Company to continue as a going concern. These financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year except where disclosed below. Outlined below are those policies considered particularly significant. All amounts are presented in Canadian dollars.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and the existence and valuation of asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of mineral properties and deferred exploration costs, stock-based compensation, warrants, contingencies and future income taxes. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

INCOME TAXES

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS AND GOVERNMENT ASSISTANCE

Mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit of production method. If a property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to their net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews capitalized costs on its property interests on a periodic basis and recognizes an impairment in value based upon a review of exploration results, whether the Company has significant exploration plans in the immediate future and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks and the Company's ability to attain profitable production. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS AND GOVERNMENT ASSISTANCE (continued)

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts, and then recorded in operations. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Certain exploration projects of the Company related to the exploration and development of mineral properties located in Manitoba qualify for the Manitoba provincial Mineral Exploration Assistance Program (“MEAP”). Recoverable amounts are offset against deferred exploration costs incurred when the Company has complied with the terms and conditions of the program and the recovery is estimable and reasonably assured.

ASSET RETIREMENT OBLIGATIONS

The Company recognizes the fair value of a liability for an asset retirement obligation on a discounted basis in the year in which it is incurred. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Company did not have any asset retirement obligations as at November 30, 2010 and 2009.

FLOW-THROUGH SHARES

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to mineral properties. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

STOCK-BASED COMPENSATION

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of each option is recognized over the vesting period as stock-based compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any amount in contributed surplus will be credited to capital stock. The Company’s stock-based compensation plan is described in Note 8(b).

MARKETABLE SECURITIES

The Company’s marketable securities, classified as held-for-trading financial instruments, consist of common shares which are traded on a recognized securities exchange and are recorded at fair values based on quoted closing prices at the balance sheet date or the closing price on the last day the security traded if there were no trades at the balance sheet date. Changes in fair value are recognized in operations.

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Interest on cash is recorded as income on an accrual basis.

FINANCIAL INSTRUMENTS

Financial assets and liabilities, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in operations for the year. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive loss until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net loss for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income. For the years ended November 30, 2010 and 2009, the Company had no derivatives or embedded derivatives.

INCOME (LOSS) PER SHARE

Basic income (loss) per share is calculated using the weighted average number of shares outstanding. Diluted income (loss) per share is calculated using the treasury stock method. In order to determine diluted income (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. See Notes 8(b) and 8(c) for potentially dilutive securities. The issued and outstanding warrants (2009 – issued and outstanding stock options and warrants) were excluded from the calculation of diluted income per share for the year ended November 30, 2010 as they were considered to be anti-dilutive.

3. CHANGES IN ACCOUNTING POLICIES

(i) INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board ("AcSB") published a strategic plan significantly affecting financial reporting requirements for Canadian companies. The AcSB plan outlines the convergence of Canadian GAAP with IFRS. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. A changeover plan is being established to convert to the new standards within the allotted timeline. While the Company has begun assessing the adoption of IFRS for fiscal 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

**(ii) BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND
NON-CONTROLLING INTERESTS**

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

4. CAPITAL RISK MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, and options. The Company had no bank indebtedness at November 30, 2009 and 2010. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company must rely on capital markets to support continued growth. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended November 30, 2010 and 2009.

COPPER REEF MINING CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

5. FINANCIAL RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash, GST receivable, marketable securities, accounts payable and accrued liabilities and due to shareholder. Unless otherwise noted, management's opinion is that the Company is not exposed to significant risks arising from these financial instruments.

The Company has designated its cash and GST receivable as loans and receivables, which are measured at amortized cost. Marketable securities are classified as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities and due to shareholder are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash, GST receivable, accounts payable and accrued liabilities reflected in the balance sheet approximate fair value because of the limited term of these instruments.

There have been no changes in the risks, objectives, policies and procedures during 2010 and 2009. The Company's activities are exposed to a variety of financial risks, which include:

(a) Market Risk

(i) Commodity Price Risk - The Company is subject to price risk from fluctuations in market prices of commodities as it relates to the possible underlying values of its commodity based mineral properties and deferred exploration costs and the corresponding ability to raise funds for future operations.

(ii) Marketable Securities Price Risk - The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these marketable securities as held-for-trading and as a result, price volatility is reflected in operations.

(iii) Interest Rate Risk - The Company's main interest rate risk arises from short-term deposits. The Company has no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with major banks. The Company periodically monitors the investment it makes and is satisfied with the credit rating of its banks.

(b) Credit Risk - Credit risk arises from non-performance by counterparties of contractual financial obligations and is managed on a group basis. Credit risk arises from cash and deposits with banks. The Company has amounts receivable from the provincial government of Manitoba with respect to the Mineral Exploration Assistance Program and GST receivable due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these financial instruments is minimal. The Company does not have a significant concentration of credit risk with any one group.

(c) Liquidity Risk - As at November 30, 2010, the Company had \$4,929,682 in cash, marketable securities and GST receivable and \$384,089 of accounts payable and accrued liabilities. Management believes that it has sufficient funds to meet its current liabilities as they become due. The Company also closed various private placements subsequent to November 30, 2010 (see Note 12).

COPPER REEF MINING CORPORATION
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures ("Section 3862"), to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy under Section 3862 are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at November 30, 2010:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Marketable securities	3,600,000	-	-	3,600,000

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

(i) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of copper, gold and other minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of copper, gold and other minerals may be produced in the future, a profitable market will exist for them. As of November 30, 2010, the Company is not a producer of copper, gold and other minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(iii) Based on the number of marketable securities held by the Company at November 30, 2010, an increase or decrease in the market price of the securities of \$0.10 would result in a respective increase or decrease in the unrealized gain of approximately \$400,000.

COPPER REEF MINING CORPORATION
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

The Company holds mineral property interests in the provinces of Saskatchewan and Manitoba. Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, expects title to all of its interests to be in good standing. The Company has mining leases requiring expenditures that are due annually. Some of the mineral properties have had cash paid in lieu of exploration expenditures.

Annual Costs by Category

	<u>2010</u>	<u>2009</u>
Acquisition costs	\$ 31,091	\$ -
Deferred exploration costs	<u>1,851,563</u>	<u>521,445</u>
	<u>\$ 1,882,654</u>	<u>\$ 521,445</u>

Balance by Property

	November 30, 2009			November 30, 2010			
	Total Costs to Nov. 30, 2008	Costs incurred during the year	Written of during The year	Total Costs to Nov. 30, 2009	Costs incurred (recovered) During the year	Sold (written off) During the year	Total Costs To Nov. 30, 2010
McIlvenna	1,780,769	-	-	1,780,769	-	(1,780,769)	-
Mink Narrows	2,433,741	16,247	-	2,449,988	14,996	-	2,464,984
Jewel Box	2,574	-	-	2,574	1,274	-	3,848
Gold Rock	507,783	502,660	-	1,010,443	423,652	-	1,434,095
Lucille	56,450	7,482	-	63,932	41,347	-	105,279
Kiss	12,874	9,636	-	22,510	6,424	-	28,934
Hanson Lake	184,183	(15,735)	-	168,448	951,778	(177,752)	942,474
Other	17,938	1,155	-	19,093	443,183	-	462,276
	<u>4,996,312</u>	<u>521,445</u>	<u>-</u>	<u>5,517,757</u>	<u>1,882,654</u>	<u>(1,958,521)</u>	<u>5,441,890</u>

During the year ended November 30, 2010, the Company received MEAP of \$190,014 (2009 - \$36,422).

McIlvenna, Saskatchewan

The McIlvenna Bay Deposit occurs within the Hanson Lake Property and comprises 26 claims. During the year ended November 30, 2010, the Company sold its 25% interest in the McIlvenna Property, its interest in the North Hanson Lake Property, and issued 3,000,000 common shares of the Company to Foran Mining Corporation ("Foran") in exchange for \$1,000,000 in cash, 4,000,000 common shares of Foran valued at \$3,400,000, and five other properties owned by Foran with a value of \$31,091, based on expenditures incurred by Foran on these properties, resulting in a gain on disposition of \$1,995,498. As at November 30, 2010, the fair value of the 4,000,000 Foran common shares was \$3,600,000 resulting in an unrealized gain of \$200,000 for the year ended November 30, 2010. See also Note 11.

Mink Narrows, Manitoba

The Mink Narrows property is comprised of a total of 35 unpatented, contiguous, mining claim units in the aggregate (the "Mink Narrows Property"). The claims are 100% owned by the Company and, except for 6 unit claims which are subject to a 1% Net Smelter Return ("NSR") interest, the claim units are not subjected to any royalties, back-in rights or payments. The Company has no surface rights on the Mink Narrows Property.

COPPER REEF MINING CORPORATION
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2010 AND 2009

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

Gold Rock, Manitoba

Copper Reef holds a 100% interest in the North Star Group Property, which is comprised of a total of 19 mining claim units and 2 mining leases located near Snow Lake, Manitoba. The North Star Mining Lease is subject to a 1% NSR.

Hanson Lake, Saskatchewan

The Hanson Lake Property consists of a single claim located in the Hanson Lake area of Saskatchewan.

Other Properties

The Company holds 100% title to other property interests in Manitoba and Saskatchewan.

7. DUE TO SHAREHOLDER

	<u>2010</u>	<u>2009</u>
Shareholder's advances, unsecured, non-interest bearing, no specified terms of repayment.	<u>\$ -</u>	<u>\$ 50,706</u>

8. CAPITAL STOCK, OPTIONS AND WARRANTS

(a) Authorized

Unlimited number of common shares, with no par value.

Issued	<u>#</u>	<u>\$</u>
Balance, November 30, 2008	4,233,590	6,276,941
Issued for cash (i)	1,900,000	117,000
Value of warrants (i)	-	(9,889)
Issued for cash (ii)	20,820,000	1,193,400
Value of warrants (ii)	-	(101,990)
Share issue costs	-	(38,096)
Tax effect of share issue costs	-	10,285
Balance, November 30, 2009	56,953,590	7,447,651
Issued for cash (iii)	3,220,000	805,000
Issued for cash (iv)	375,000	75,000
Issued for cash (v)	12,960,000	691,000
Issued for cash (vi)	2,945,000	353,000
Issued for mineral properties (vii)	3,000,000	450,000
Share issue costs	-	(8,128)
Tax effect of share issue costs	-	2,195
Tax effect of flow-through renunciation (viii)	-	(348,400)
Value of warrants (vi)	-	(48,686)
Balance, November 30, 2010	<u>79,453,590</u>	<u>9,418,632</u>

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8. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(i) In December 2008, the Company issued 1,100,000 flow-through units ("FT Unit") at \$0.07 per FT Unit for gross proceeds of \$77,000 pursuant to a private placement. Each FT Unit is comprised of one flow-through common share and one common share purchase warrant. Each warrant is exercisable into one additional common share of the Company at \$0.20 per share for a period of 12 months. The Company's directors, officers and a family member of a director subscribed a total of 900,000 FT Units at a price of \$0.07 per FT Unit pursuant to this financing. The grant date fair value of the 1,100,000 warrants issued was \$6,684.

In December 2008, the Company also issued 800,000 non-flow-through units ("NFT Unit") at \$0.05 per NFT Unit for gross proceeds of \$40,000 in a private placement to two directors. Each NFT Unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one additional common share of the Company at \$0.15 per share for a period of 12 months. The grant date fair value of the 800,000 warrants issued was \$3,205.

(ii) During the last quarter of fiscal 2009, the Company issued 7,620,000 FT Units at \$0.07 per FT Unit for gross proceeds of \$533,400 and 13,200,000 NFT Units at \$0.05 per NFT Unit for gross proceeds of \$660,000. The Company's directors and officers and their family members, and corporations with a director in common with the Company subscribed for an aggregate of 2,210,000 FT Units for gross proceeds of \$154,700 and 5,250,000 NFT Units for gross proceeds of \$262,500 pursuant to this financing. The 7,620,000 flow through warrants and 13,200,000 warrants issued had an aggregate grant date fair value of \$101,990.

(iii) In December 2009, the Company issued 2,720,000 flow-through common shares at \$0.25 per share for gross proceeds of \$680,000 and 500,000 non-flow-through common shares at \$0.25 per share for gross proceeds of \$125,000. A director of the Company and a family member of an officer of the Company subscribed a total of 320,000 flow-through common shares for gross proceeds of \$80,000 pursuant to this financing.

(iv) In April 2010, the Company issued 375,000 flow-through common shares for gross proceeds of \$75,000.

(v) In May 2010, the Company issued 2,150,000 flow-through common shares at \$0.07 per share for gross proceeds of \$150,500 and 10,810,000 non-flow-through common shares at \$0.05 per share for gross proceeds of \$540,500. The Company's directors and officers and their family members subscribed for an aggregate of 1,145,000 flow-through shares for gross proceeds of \$80,150 and 400,000 non-flow-through shares for gross proceeds of \$20,000 pursuant to this financing.

(vi) In October 2010, the Company issued 2,925,000 flow-through units at \$0.12 for gross proceeds of \$351,000 and 20,000 non-flow-through units at \$0.010 for gross proceeds of \$2,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 per share for a period of 12 months. A family member of an officer of the Company and two corporations controlled by the same officer purchased 950,000 flow-through units for gross proceeds of \$114,000 pursuant to this financing. The 2,945,000 warrants issued had an aggregate grant date fair value of \$48,686.

(vii) In November 2010, the Company issued 3,000,000 shares to Foran which were valued at \$450,000 based on the market price of the Company's shares on the date of issue. See Note 6.

(viii) In February 2010, the Company renounced \$1,290,400 (2009 - \$Nil) of Canadian exploration expenditures related to proceeds from the issuance of flow-through shares with an effective date of December 31, 2009. Consequently, this increased the future income tax liability by \$348,400 (2009 - \$Nil).

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8. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(b) Incentive Stock Options

Pursuant to the Company's stock option plan (the "Plan"), the Company may grant to its employees, officers, directors and consultants, options to purchase common shares of the Company at a fixed price as determined by the board of directors. The options vest in accordance with the terms of their granting and have a maximum term of five years. The common shares reserved for issuance under the Plan will not exceed, in aggregate, 10% of the Company's common shares issued and outstanding at the time of grant. The following tables summarize the Company's outstanding stock options:

	Number of <u>Options</u>	Weighted Average Exercise <u>Price</u>
Options outstanding at November 30, 2008 and 2009	1,000,000	\$ 0.20
Granted	3,520,000	0.10
Expired	<u>(1,000,000)</u>	<u>0.20</u>
Options outstanding at November 30, 2010	<u>3,520,000</u>	<u>\$ 0.10</u>

The 3,520,000 options granted during the year ended November 30, 2010 had a grant date fair value of \$220,600, estimated using the Black-Scholes valuation model with the following assumptions: risk-free interest rate – 2.52%; expected volatility – 113%; expected dividend yield – 0%; and expected life – 5 years. The options vested immediately and the fair value of the options of \$220,600 was expensed to stock-based compensation and is reflected as contributed surplus. As at November 30, 2010, the following options were outstanding:

<u>Expiry Date</u>	Number of Issued and Exercisable Options	Weighted average remaining contractual life (in years)	Weighted average exercise price
May 25, 2015	3,520,000	4.48	\$ 0.10

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8. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(c) Warrants

The following table summarizes a continuity of the warrants:

	Number of Warrants	Weighted average Exercise price	Grant Date Fair Value
Warrants outstanding at November 30, 2008	4,449,175	\$ 0.30	\$ 391,196
Issued pursuant to private placement (Note 8(a)(i))	1,100,000	0.20	6,684
Issued pursuant to private placement (Note 8(a)(i))	800,000	0.15	3,205
Issued pursuant to private placement (Note 8(a)(ii))	7,620,000	0.20	46,403
Issued pursuant to private placement (Note 8(a)(ii))	13,200,000	0.15	55,587
Expired	(3,273,417)	0.39	(262,860)
Warrants outstanding at November 30, 2009	23,895,758	0.18	\$ 240,215
Issued pursuant to private placement (Note 8(a)(vi))	2,945,000	0.20	48,686
Expired	(23,895,758)	0.18	(240,215)
Warrants outstanding at November 30, 2010	2,945,000	\$ 0.20	\$ 48,686

The weighted average grant date fair value of the warrants issued during the year ended November 30, 2010 of \$0.02 (2009 - \$0.01) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2010</u>	<u>2009</u>
Expected dividend yield	0%	0%
Expected volatility	112%	112%
Risk free interest rate	1.42%	1.11%
Expected life	1.0 year	1.0 year

As at November 30, 2010, the following warrants were outstanding:

Expiry Date	Number of Granted Warrants	Weighted average remaining contractual life (in years)	Weighted average exercise price
October 15, 2011	2,945,000	0.87	\$ 0.20

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8. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(d) Contributed surplus

The following is a continuity of contributed surplus:

Balance, November 30, 2008	\$ 32,152
Expired warrants (Note 8(c))	<u>262,860</u>
Balance, November 30, 2009	\$ 295,012
Expired warrants (Note 8(c))	240,215
Stock-based compensation – consultant (Note 8(b))	42,000
Stock-based compensation – officers and directors (Note 8(b))	<u>178,600</u>
Balance, November 30, 2010	<u>\$ 755,827</u>

9. INCOME TAXES

Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 30% (2009 – 31.5%) are as follows:

	<u>2010</u>	<u>2009</u>
Income (loss) before income taxes	<u>\$ 1,310,217</u>	<u>\$ (547,215)</u>
Expected income tax recovery based at statutory rate	393,065	(172,314)
Adjustments to benefit resulting from:		
Non-taxable portion of unrealized gain	(27,000)	-
Stock-based compensation	66,200	-
Change in expected tax rates	(88,200)	24,600
Other	<u>44,630</u>	<u>(33,800)</u>
Future income tax expense (recovery)	<u>\$ 388,695</u>	<u>\$ (181,514)</u>

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9. INCOME TAXES (CONTINUED)

Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at November 30, 2010 and 2009 approximate the following:

	<u>2010</u>	<u>2009</u>
Future income tax assets (liabilities)		
Non-capital losses	\$ 509,800	\$ 560,600
Resource properties	(1,468,100)	(838,500)
Marketable securities	(27,000)	-
Share issue costs	<u>56,800</u>	<u>84,300</u>
Net future income tax (liability)	<u>\$ (928,500)</u>	<u>\$ (193,600)</u>

The Company has approximately \$1,881,200 of non-capital losses in Canada, which under certain circumstances can be used to reduce the taxable income of future years. These losses expire as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 215,500
2016	723,600
2027	495,200
2028	191,400
2029	254,900
2030	<u>600</u>
	<u>\$ 1,881,200</u>

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10. RELATED PARTY TRANSACTIONS

During the year ended November 30, 2010, the Company paid management fees and related expenses of \$41,500 (2009 - \$79,940) to a corporation controlled by a director of the Company. Included in accounts payable and accrued liabilities is \$Nil (2009 - \$50,000) owing to this corporation.

During the year ended November 30, 2010, the Company paid filing fees of \$30,000 (2009 - \$33,105) to a corporation controlled by an officer of the Company of which \$2,800 was included in accounts payable and accrued liabilities as at November 30, 2010 (2009 - \$Nil). The Company also paid professional fees of \$51,796 (2009 - \$Nil) to an accounting firm of which an officer of the Company is a partner, of which \$34,725 (2009 - \$nil) was included in accounts payable and accrued liabilities as at November 30, 2010. These balances are unsecured and non-interest bearing with no repayment terms.

During the year ended November 30, 2010, the Company was charged \$648,674 (2009 - \$494,198) by M'Ore Exploration Services Ltd. ("M'Ore") for services and expense reimbursements. M'Ore is a corporation controlled by a former director who is also an officer and significant shareholder of the Company. M'Ore is also a shareholder of the Company. Of these charges, \$351,128 (2009 - \$262,361) was capitalized as deferred exploration expenditures, \$178,353 (2009 - \$161,735) was for management fees and salaries, \$26,386 (2009 - \$25,842) was paid for rent and utilities, and the balance of \$94,807 (2009 - \$44,260) was paid for office and general expenses. Included in accounts payable and accrued liabilities as at November 30, 2010 was \$87,178 (2009 - \$50,101) owing to M'Ore. This amount is unsecured and non-interest bearing with no terms of repayment.

During the year ended November 30, 2010, the Company recorded directors' fees of \$5,000 (2009 - \$21,000), of which \$Nil (2009 - \$17,000) was included in accounts payable and accrued liabilities as at November 30, 2010. This amount is unsecured and non-interest bearing with no terms of repayment.

All of these transactions are in the normal course of business and are measured at the exchange amounts established and agreed to by the related parties.

The Company also repaid M'Ore the \$50,706 which was reflected as 'due to shareholder' on the balance sheet at November 30, 2009 (see Note 7).

See also Notes 8 and 12.

COPPER REEF MINING CORPORATION
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YEARS ENDED NOVEMBER 30, 2010 AND 2009

11. COMMITMENTS AND CONTINGENCIES

Consulting Agreement

The Company entered into a consulting services agreement dated December 4, 2008 with M'Ore and the President of M'Ore. Pursuant to the agreement, M'Ore provides consulting and management services to the Company and incurs various administrative expenses, including administrative salaries and office and vehicle rentals on behalf of the Company. The initial term of the agreement is for a period of two years ended December 4, 2010 and can be renewed thereafter at the end of every 12 months. Pursuant to this agreement, administrative costs incurred by M'Ore are approximately \$270,000 per annum; however, during the year ended November 30, 2009, M'Ore reduced these payments to \$217,000 per annum until additional operational funding can be obtained. In the event the agreement is terminated by the Company, the Company is required to pay an amount equal to \$72,000.

Environmental Considerations

The exploration for and development of resource properties involves the extraction, production and transportation of materials, which under certain conditions, can be hazardous or cause environmental pollution. The Company is continually taking action it believes appropriate to satisfy applicable federal, provincial and local environmental regulations and does not currently anticipate that compliance with federal, provincial and local environmental regulations will have a material adverse effect upon capital expenditures, results of operations or the competitive position of the Company in the mineral resource industry. However, due to the significant public and governmental interest in environmental matters related to those activities, the Company cannot predict the effects of possible future legislation, rule changes, or governmental or private claims.

Flow-through Expenditures

Subsequent to November 30, 2010, the Company renounced Canadian exploration expenditures related to proceeds from the issuance of flow-through shares pursuant to the financings described in Notes 8(a)(iv)(v) and (vi), and is committed to incur \$576,500 in qualifying Canadian exploration expenditures prior to December 31, 2011. As at November 30, 2010, approximately \$117,000 of this commitment was unspent. If the Company does not incur the required qualifying expenditures, it will be required to indemnify the holders of the flow-through shares for any tax and other costs payable by them as a result of the Company not making the required resource expenditures. See also Note 12.

Shareholder Dispute

On three separate occasions beginning October 22, 2010, certain shareholders of the Company had indicated their intent to initiate litigation against the Company and its directors in connection with the Foran sale agreement described in Note 6. The Company attempted to settle this dispute with these parties but did not offer concessions in the course of settlement. No settlement agreement was formally executed between these parties and the Company. The likelihood or quantum of damages relating to these claims is not determinable at this time, and no provision has been recorded in these financial statements. Management is of the opinion that this claim is without merit.

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12. SUBSEQUENT EVENTS

In December 2010, the Company issued 750,000 flow-through units at \$0.12 per flow-through unit and 1,000,000 units at \$0.10 per unit for aggregate gross proceeds of \$190,000. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant and each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one additional common share of the Company at \$0.20 per share until December 2, 2011. A director of the Company and two corporations controlled by an officer of the Company subscribed for a total of 550,000 flow-through units for gross proceeds of \$66,000. The Company is committed to incur prior to December 31, 2011, on a best efforts basis, \$90,000 in qualifying Canadian exploration expenditures pursuant to this private placement.

In February 2011, the Company issued 7,000,000 units at \$0.15 per unit for gross proceeds of \$1,050,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.15 per share until August 1, 2011. The Company is committed to incur prior to December 31, 2012, on a best efforts basis, \$1,043,000 in qualifying Canadian exploration expenditures pursuant to this private placement.

In March 2011, the Company issued 1,721,044 units at \$0.18 per unit for gross proceeds of \$309,788. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.33 per share until March 1, 2012. The Company also issued 4,800,000 super flow-through units to Manitoba residents at \$0.25 per unit for gross proceeds of \$1,200,000 and 2,830,000 regular flow-through units at \$0.21 per unit for gross proceeds of \$594,300. Each of these flow-through units consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.33 per share until March 1, 2012. The Company is committed to incur prior to December 31, 2012, on a best efforts basis, \$1,794,300 in qualifying Canadian exploration expenditures pursuant to this private placement. A family member of an officer of the Company purchased 250,000 flow-through units for gross proceeds of \$52,500, and one corporation controlled by the same officer purchased 55,555 units for gross proceeds of \$10,000 pursuant to this financing.

See also Note 11.