

# **Copper Reef Mining Corporation**

## **FINANCIAL STATEMENTS**

**3 AND 9 MONTHS ENDED AUGUST 31, 2018 AND 2017**

**(Expressed in Canadian Dollars)**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed, interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited, condensed interim financial statements of Copper Reef Mining Corp. for the three and six-months ended August 31, 2018 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors. The accompanying unaudited, condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**Copper Reef Mining Corporation**  
**Statements of Financial Position**  
(Expressed in Canadian Dollars)

	Notes	August 31 2018	November 30 2017
<b>Assets</b>			
<b>Current assets</b>			
Cash		88,280	118,832
Marketable securities	4	192,500	155,100
Amounts receivable	5	5,300	5,082
Total current assets		286,080	279,014
<b>Non-current assets</b>			
Exploration and evaluation assets	6	9,045,408	8,916,122
<b>Total Assets</b>		<b>9,331,488</b>	<b>9,195,136</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	343,489	287,665
<b>Non-current liabilities</b>			
Deferred income taxes		1,012,000	1,012,000
<b>Total Liabilities</b>		<b>1,355,489</b>	<b>1,299,665</b>
<b>Shareholders' equity</b>			
Share capital	8(a)(b)	13,835,115	13,685,115
Stock option reserve	8(c)	275,000	261,000
Warrant reserve	8(d)	173,400	230,900
Deficit		(6,307,516)	(6,281,544)
<b>Total Shareholders' Equity</b>		<b>7,975,999</b>	<b>7,895,471</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>9,331,488</b>	<b>9,195,136</b>

Going Concern (Note 1)

Commitments and contingencies (Note 8)

Approved on behalf of the Board of Directors

*"Stephen L. Masson"*

*"Robert Granger"*

Chief Executive Officer & Director

Director

*The accompanying notes are an integral part of these financial statements*

**Copper Reef Mining Corporation**  
**Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

	Notes	3-Months Ended		9-Months Ended	
		August 31		August 31	
		2018	2017	2018	2017
Expenses					
Amortization		–	109	–	326
General and administrative		<b>29,980</b>	63,398	<b>146,419</b>	181,181
Investor relations		<b>380</b>	480	<b>3,984</b>	2,920
Share based compensation		–	261,000	<b>14,000</b>	261,000
Generative Exploration		<b>19,231</b>	20,395	<b>54,070</b>	53,463
Property, written off		–	–	–	80,000
Total expenses		<b>49,591</b>	345,382	<b>218,473</b>	578,890
Other Income/(loss)					
Option payments		–	–	–	78,000
Unrealized/ realized gain (loss) on marketable securities	4	<b>(36,700)</b>	71,400	<b>37,400</b>	(33,300)
Total other income (loss)		<b>(36,700)</b>	71,400	<b>37,400</b>	44,700
(Loss) before income taxes		<b>(86,291)</b>	(273,982)	<b>(181,073)</b>	(534,190)
Net and comprehensive (loss) for the period		<b>(86,291)</b>	(273,982)	<b>(181,073)</b>	(534,190)
(Loss) per share, basic and diluted		<b>(0.001)</b>	(0.002)	<b>(0.001)</b>	(0.004)
Weighted average shares outstanding, basic and diluted		<b>150,211,300</b>	141,881,300	<b>148,600,527</b>	134,362,687

*The accompanying notes are an integral part of these financial statements*

**Copper Reef Mining Corporation**  
**Statements of Changes in Equity**  
(Expressed in Canadian Dollars)

Three and six months ended August 31, 2018 and 2017

	Number of Shares #	Amount \$	Stock Option Reserve \$	Warrant Reserve \$	Deficit \$	Total Shareholder 's Equity \$
<b>Balance as at November 30, 2016</b>	127,531,300	13,481,215	–	129,700	(5,839,537)	7,771,378
Units issued for cash, private placement	14,350,000	425,000	–	–	–	425,000
Value of warrants issued	–	(190,700)	–	190,700	–	–
Broker warrants issued	–	–	(3,900)	–	3,900	–
Cash Commissions on issue of shares	–	–	(22,400)	–	–	–
Fair value of expired warrants	–	–	–	–	(68,000)	68,000
Prior period adjustment to warrant issue costs	–	(76,926)	–	–	76,926	–
Fair value of expired warrants	–	–	–	261,000	–	–
Net & comprehensive loss for the 9months ended August 31, 2017	–	–	–	–	–	(534,191)
<b>Balances as at August 31, 2017</b>	<b>141,881,300</b>	<b>13,612,289</b>	<b>261,000</b>	<b>256,300</b>	<b>(6,228,802)</b>	<b>7,900,787</b>
options issued	–	–	261,000	–	–	261,000
Prior period adjustment to warrant issue costs	–	76,926	–	–	(76,926)	–
Value of warrants expired	–	–	–	(48,600)	48,600	–
Net & comprehensive loss for the 3months ended Nov. 30, 2016	–	–	–	–	(279,298)	(279,298)
<b>Balance as at November 30, 2017</b>	<b>141,881,300</b>	<b>13,685,115</b>	<b>261,000</b>	<b>230,900</b>	<b>(6,281,543)</b>	<b>7,895,472</b>
Units issued for cash, private placement	8,330,000	257,000	–	–	–	257,000
Value of warrants issued	–	(55,800)	–	55,800	–	–
Broker warrants issued	–	(1,500)	–	1,500	–	–
Flow through share premium	–	(40,300)	–	–	40,300	–
options issued	–	–	14,000	–	–	14,000
Cash Commissions on issue of shares	–	(9,400)	–	–	–	(9,400)
Warrants expired	–	–	–	(114,800)	114,800	–
Net & comprehensive loss for the 9-months ended August 31, 2018	–	–	–	–	(181,073)	(181,073)
<b>Balance August 31, 2018</b>	<b>150,211,300</b>	<b>13,835,115</b>	<b>275,000</b>	<b>173,400</b>	<b>(6,307,516)</b>	<b>7,975,999</b>

The accompanying notes are an integral part of these financial statements

**Copper Reef Mining Corporation**  
**Notes to Financial Statements**  
**(Expressed in Canadian Dollars)**

Three and six months ended August 31, 2018 and 2017

	N o t e s	3-Months Ended August 31		9-Months Ended August 31	
		2018	2017	2018	2017
		\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Items not affecting cash:					
Net Loss for the year		(86,291)	(273,982)	(181,073)	(534,191)
Unrealized/ realized (gain) loss on marketable securities		36,700	(27,900)	(37,400)	33,300
Share based compensation		–	261,000	14,000	261,000
Write down of properties		–	–	–	80,000
Amortization		–	109	–	326
(Increase)/decrease in amounts receivable	3	6,183	(23,033)	(219)	22,317
Increase/(decrease) in accounts payable and accrued liabilities, (1)		11,016	2,402	23,243	(35,767)
<b>Cash (used in) operating activities</b>		<b>(32,392)</b>	(61,405)	<b>(181,449)</b>	(173,017)
<b>Cash Flows from Financing Activities</b>					
Proceeds from share and warrant issuance		–	–	257,000	425,000
Loan from shareholder	–	–	–	–	25,000
Share issue costs – cash		–	–	(9,400)	(22,400)
<b>Cash provided from financing activities</b>		<b>–</b>	–	<b>247,600</b>	427,600
<b>Cash Flows from Investing Activities</b>					
Exploration, evaluation and expenditures, MEAP rebates received	7	(8,677)	(17,651)	(103,382)	235,889
	7	–	–	6,678	–
<b>Cash provided (used in) from investing activities</b>		<b>(8,677)</b>	(17,651)	<b>(96,704)</b>	-235,889
Change in cash		(41,071)	(79,057)	(30,553)	18,694
Cash, beginning of period		129,349	209,765	118,832	112,014
Cash, end of period		88,280	130,708	88,280	130,708
<b>Supplemental Information</b>					
Change in accrued exploration expenditures		(15,534)	(8,916)	(66,386)	66,035

## **1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

Copper Reef Mining Corporation (the "Company" or "Copper Reef") 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 registered and head office of the Company is located at 6 Mitchell Road, Flin Flon, Manitoba R8A 1N1.

The shares of the Company are listed on the Canadian Securities Exchange under the symbol "CZC". The Company is engaged in the identification, acquisition and exploration of mineral properties in Canada, with present activities concentrated in the provinces of Manitoba and Saskatchewan.

The financial statements of Copper Reef for 9-months ended August 31, 2018, were reviewed by the Audit Committee and approved and authorized by the Board of Directors on October 1<sup>st</sup>, 2018.

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 exploration and evaluation assets 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.

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, other land claims and non-compliance with regulatory, social and environmental requirements. These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These adjustments could be material.

As at August 31, 2018, the Company had not advanced any of its properties to commercial production and is not able to finance day to day activities through operations. During the 9-months ended August 31, 2018 the Company incurred a net loss of \$181,073 (2017 – \$261,000) and had an accumulated deficit of \$6,307,516 as at August 31, 2018 (2017 - \$6,228,802). These conditions indicate the existence of material uncertainties which cast significant doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and through the raising of equity, if available.

On April 6, 2018, the Company completed a private placement that raised \$247,600 net of finder's fees.

## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

### **STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended November 30, 2017.



### **3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after December 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.
- IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

**Copper Reef Mining Corporation**  
**Notes to Financial Statements**  
**(Expressed in Canadian Dollars)**

Three and six months ended August 31, 2018 and 2017

**4. MARKETABLE SECURITIES**

As at May 31, 2018 the Company held shares in the following public companies.

Jaxon Minerals Inc.	JAX
Rockcliff Copper Corporation	RCU
Callinex Mines Inc.	CNX

Activity in marketable securities is summarized as follows:

Securities issuer	August 31, 2018					November 30, 2017		
	Number of shares November 30, 2017	Acquired/ (Sold) during period	Number of shares February 28, 2018	Value \$	Unrealized (loss) \$	Number of shares held	Value \$	Unrealized (loss) \$
JAX	20,000	–	20,000	2,500	(2,600)	20,000	5,100	3,900
RCU	1,600,000	–	1,600,000	176,000	56,000	200,000	120,000	(70,000)
CNX	100,000	–	100,000	14,000	(16,000)	30,000	30,000	2,000
Total	–	–	–	192,500	37,400	–	155,100	(64,100)

**5. AMOUNTS RECEIVABLE**

The Company's amounts receivable are broken down as follows:

	August 31 2018	November 30, 2017
		\$
Goods and services tax receivable	5,300	5,082
Total	5,300	5,082

**6. EVALUATION AND EXPLORATION ASSETS**

The following is a continuity schedule of the capitalized expenditures allocated to individual major properties and summarized for minor properties:

	<i>Total</i>	<i>Non Capitalised Expenditures</i>	<i>Total Capitalised Expenditures</i>	<i>Gold Rock Group</i>	<i>Alberts Lake Group</i>	<i>Mink Narrows</i>	<i>Smelter</i>	<i>Hanson</i>	<i>Others</i>
<b>Balance, November 30, 2016</b>			<b>8,857,834</b>	<b>1,570,579</b>	<b>654,446</b>	<b>2,451,771</b>	<b>1,604,775</b>	<b>1,679,733</b>	<b>896,530</b>
Claim acquisition & holding	9,742	4,015	5,727	468	1,991	–	–	–	3,268
Assay	5,018	457	4,561	4,561	–	–	–	–	–
Geological	1,624	–	1,624	1,624	–	–	–	–	–
Field labour costs	80,769	20,644	60,125	54,875	5,250	–	–	–	–
Other fields costs	27,532	7,953	19,579	19,425	154	–	–	–	–
Drilling	78,232	–	78,232	78,232	–	–	–	–	–
Total YTD expenditures, Aug 31, 2017	202,917	33,068	169,848	159,185	7,395	–	–	–	3,268
Write downs of properties			(80,000)	–	–	–	–	–	(80,000)
<b>Balance, Aug 31, 2017</b>			<b>8,947,682</b>	<b>1,729,765</b>	<b>661,841</b>	<b>2,451,771</b>	<b>1,604,775</b>	<b>1,679,733</b>	<b>819,798</b>
Claim acquisition & holding	2,692	2,339	353	545	–	–	–	–	-192
Assay	4,272	2,539	1,733	1,733	–	–	–	–	–
Geological	1,276	–	1,276	1,276	–	–	–	–	–
Field labour costs	57,492	21,630	35,862	25,937	9,925	–	–	–	–
Other fields costs	14,147	7,267	6,880	2,854	4,026	–	–	–	–
Totals to November 30, 2017	79,879	33,775	8,993,788	1,762,111	675,792	2,451,771	1,604,775	1,679,734	819,606
MEAP Rebates			(77,666)	(77,666)	–	–	–	–	–
<b>Balance November 30, 2017</b>			<b>8,916,122</b>	<b>1,684,445</b>	<b>675,792</b>	<b>2,451,771</b>	<b>1,604,775</b>	<b>1,679,734</b>	<b>819,606</b>
Claim acquisition & holding	4,289	3,314	975	468	–	–	130	182	195
Assay	4,488	295	4,194	–	–	4,194	–	–	–
Geological	23,813	0	23,813	8,573	–	15,240	–	–	–
Field labour costs	128,008	35,495	92,512	15,625	187	76,138	563	–	–
Other fields costs	25,328	10,858	14,470	140	192	13,671	466	–	–
Totals to Aug 31, 2018.	185,926	49,962	135,964	24,806	379	109,243	1,159	182	195
MEAP Rebates			(6,678)	(6,678)	–	–	–	–	–
<b>Balance August 31, 2018</b>			<b>9,045,408</b>	<b>1,702,573</b>	<b>676,171</b>	<b>2,561,014</b>	<b>1,605,934</b>	<b>1,679,916</b>	<b>819,801</b>

## **6. EVALUATION AND EXPLORATION ASSETS (CONT'D)**

### **PROPERTIES INCLUDED IN THE PRECEDING TABLE**

#### **Gold Rock Group, Manitoba**

The Gold Rock Group includes the Gold Rock, North Star and Star mineral properties, the North Star mining lease and the Gold Rock mining lease. The North Star mineral property and mining lease are subject to 2% Net Smelter Returns royalty (NSR).

The Gold Rock Mining Lease is 100% owned by the Company, subject to a 2% NSR. In addition, the NSR holder retains a 25% Net Profits Interest (NPI) in the first 25 feet below surface of vein material as currently documented.

Also included in the Gold Rock Group is the Murr claim, also owned 100% by the Company, subject to a 1% NSR.

#### **Alberts Lake Group, Manitoba**

The Alberts Lake Group includes the Alberts Lake, Lew, Amulet, Mike, Mur and Hanna mineral properties. With the exception of the Mike 1 (15% NPI) and Mur 6 (2% NSR), all claims are 100% owned by the Company.

#### **Otter/Twin Lakes Group, Manitoba**

The Company holds a 100% interest in the Otter Group claims, comprised of the Otter Lake and Twin Lakes mineral claims. The vendor retained a 1% NSR on the Otter Lake claims. The Twin Lakes property is owned 100% by the Company.

#### **Pikoo, Saskatchewan**

On January 23, 2014, the Company acquired a 100% interest in two claims located in Saskatchewan from CanAlaska Uranium Ltd. subject to a 2% Net Smelter Returns royalty. All terms and conditions of the purchase have been fulfilled.

The Agreement is subject to a 2.5% Net Smelter Returns Royalty ("NSR") to CanAlaska Uranium Ltd.

### **OTHER CLAIMS**

#### **Mink Narrows Group, Manitoba**

The Mink Narrows Group includes the Mink Narrows, Mystic and Payuk mineral properties. The claims are 100% owned by the Company.

#### **Smelter Property, Manitoba**

The Smelter Property is comprised of three contiguous claims, which are 100% owned by the Company.

#### **Hanson Lake, Saskatchewan**

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

## Copper Reef Mining Corporation

### Notes to Financial Statements

(Expressed in Canadian Dollars)

Three and nine months ended August 31, 2018 and 2017

## 6. EVALUATION AND EXPLORATION ASSETS (CONT'D)

### Kiss/Kississing

The Kississing/Kiss Group includes the Kississing and Kiss mineral properties. The claims are 100% owned by the Company.

### Lucille

The Lucille Lake property includes three, unpatented mineral claims all of which are owned 100% by the Company, with no underlying agreements or royalties.

### Fort LaCorme

During the year ended November 30, 2017, the Company abandoned the Ft. LaCorme property for a non-cash loss of \$80,000, which consisted solely of the value of the shares issued to the vendor of the property.

### Burn, Manitoba

The Burn property is 100% owned by the Company.

### Optioned Property – East Big Island

On March 21, 2017, the Company entered into an option agreement ("Agreement") with Callinex Mines Inc. ("Callinex") whereby Callinex has the option to acquire a 100% interest subject to a 1% Net Smelter Returns royalty ("NSR") in favour of the Company's East Big Island property.

On April 18, 2018 the Company received a formal cancellation of the Option.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are broken down as follows:

	August 31, 2018	November 30, 2017
	\$	\$
Trade payables and accrued liabilities	137,930	128,827
Due to related parties (Note 9)	205,559	158,828
<b>Total</b>	<b>343,489</b>	<b>287,665</b>

## **8. SHARE CAPITAL**

### **a) AUTHORIZED SHARE CAPITAL**

Unlimited number of common shares without par value

### **b) ISSUED SHARE CAPITAL**

As at August 31, 2018, the Company had 150,211,300 issued and fully paid common shares (May 31, 2017 – 141,881,300).

- i) During the year ended November 30, 2017, the Company completed the following financings:

On April 5 and May 26, 2017 the Company closed private placements which raised an aggregate \$425,000 from the issuance of 11,700,000 units at \$0.025 and 2,650,000 flow through units at \$0.05. Each unit was comprised of 1 common share and one warrant exercisable at \$0.05 for a period of 2 years. Each flow through unit was comprised of one common share and one warrant exercisable at \$0.05 for a period of 1 year. Directors and officers subscribed for 450,000 flow through units for gross proceeds of \$22,500. A value of \$190,700 was ascribed to the warrants in these private placements.

Cash finder's fees totalling \$22,400 were paid from proceeds of the financing. 712,000 broker warrants with an exercise price of \$0.05 for a period of 2 years were also issued and valued at \$8,000. (Previously stated as \$3,900)

- ii) On April 6, 2018, the Company announced that it has closed the first tranche of \$257,000 of a non-brokered private placement previously announced on January 18, 2018 of a financing of up to a Maximum Offering Amount of \$650,000.

This first tranche is comprised of 1,950,000 Flow Through Units at a price of \$0.05 per Flow-Through Unit representing proceeds of \$97,500 and 6,380,000 Class "A" Units at a price of \$0.025 per Unit, representing proceeds of \$159,500 for an aggregate total raised of \$257,000. The Company has issued 8,330,000 shares with a hold period to August 5, 2018.

The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals. All securities to be issued under the Offering will be subject to a four-month statutory hold period in Canada.

The Class A Units consist of, and separate immediately into, one common share of the Issuer (a "Common Share") and one (1) Share Purchase Warrant, each entitling the holder to purchase one Common Share at a purchase price of \$0.05 cents per Warrant for a period of twelve (12) months following the date of issuance. The Flow-Through Units shall consist of, and separate immediately upon closing into, one Common Share, to be issued as a "flow-through share" (the "Flow-Through Shares") within the meaning of the *Income Tax Act* (Canada), and one Warrant. Each Warrant attached to the Flow-Through Units shall entitle the holder to purchase one Common Share for a purchase price of \$0.05 per Common Share for a period of twenty four (24) months following the date of issuance.

**Copper Reef Mining Corporation****Notes to Financial Statements****(Expressed in Canadian Dollars)****Three and nine months ended August 31, 2018 and 2017****8 SHARE CAPITAL – ISSUED SHARE CAPITAL (CONT'D)**

A finder's fee consisting of a cash payment of \$9,400 and the issuance of 240,000 finder's warrants, was paid, to an arm's length group for securing proceeds total proceeds of \$117,500 through subscriptions for 1,200,000 Flow Through Units and 2,300,000 Class A Units. Each of the finder's warrants entitles the holder to purchase one Common Share at an exercise price of \$0.05 for twenty-four (24) months following the date of issuance of the Class A Units pursuant to this tranche of the private placement.

Directors and officers subscribed to 800,000 non-flow through units and 500,000 flow through units

**c) 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.

On August 2, 2017, the Company granted 13,050,000 incentive stock options to officers, directors, employees and consultants of the Company. The Options expire August 1, 2022 and are exercisable at \$0.05 per share.

Company officers and directors received 9,500,000 of these options.

The following table summarizes the Company's stock option transactions for the 9-months ended August 31, 2018 and the year ended November 30, 2017:

<b>Grant Date</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price \$</b>	<b>Remaining Contractual Life</b>	<b>Estimated Grant Date Fair Value \$</b>
<b>Balance, November 30, 2016</b>	–			–
Issued August 2, 2017	13,050,000	0.05		261,000
<b>Balance November 30, 2017</b>	<b>13,050,000</b>	<b>0.05</b>	<b>4.2</b>	<b>261,000</b>
Issued January 17, 2018	1,000,000	0.05	4.5	14,000
<b>Balance August 31, 2018</b>	<b>14,050,000</b>	<b>0.05</b>	<b>4.2</b>	<b>275,000</b>

The grant date fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0%
Expected volatility	155.84%
Risk free interest rate	1.7%
Life	5 years

**Copper Reef Mining Corporation****Notes to Financial Statements****(Expressed in Canadian Dollars)****Three and nine months ended August 31, 2018 and 2017****8 SHARE CAPITAL – ISSUED SHARE CAPITAL (CONT'D)****d) WARRANTS**

Outstanding warrants as at August 31, 2018 were:

<b>Date of Issue</b>	<b>Total Issued</b>	<b>Price</b>	<b>Expiry date</b>	<b>FV</b>	<b>Years to expiry</b>
Issued April 5, 2017 - B Warrants	400,000	0.05	4-Apr-19	4,100	0.6
Issued April 5, 2017 - Flow through	900,000	0.05	4-Apr-19	20,700	0.6
Issued May 19, 2017 - B Warrants	312,000	0.05	18-May-19	3,900	0.7
Issued May 19, 2017 - Flow through	1,750,000	0.05	18-May-19	43,700	0.7
Issued May 19, 2017 – Mpm-Floe-Yjpihj	3,500,000	0.05	18-May-19	43,700	0.7
Issued April 6, 2018 - B Warrants	240,000	0.05	5-Apr-20	1,500	1.6
Issued April 6, 2018 Flow through	1,950,000	0.05	5-Apr-20	40,300	1.6
Issued April 6, 2018 Non-Flow-Through	6,380,000	0.05	5-Apr-20	15,500	1.6
<b>Balance as at August 31, 2018</b>	<b>15,432,000</b>			<b>173,400</b>	<b>1.2</b>

The table overleaf summarizes a continuity of outstanding warrants:



**Copper Reef Mining Corporation**

**Notes to Financial Statements**

(Expressed in Canadian Dollars)

Three and nine months ended August 31, 2018 and 2017

**8 SHARE CAPITAL – ISSUED SHARE CAPITAL – WARRANTS (CONT'D)**

	Issued	Expiry Date	Exercise Price \$'s	Estimated Grant Date Fair Value \$
<b>Balance Nov. 30, 2016</b>	<b>13,210,000</b>			<b>129,700</b>
Expired March 9, 2017	(4,560,000)	–	–	(27,700)
Expired May 11, 2017	(3,560,000)	–	–	(21,200)
Issued April 5, 2017 flow through	900,000	04-Apr-19	0.05	20,700
Issued April 5, 2017	8,200,000	04-Apr-18	0.05	82,600
Issued April 5, 2017 broker warrants	400,000	04-Apr-19	0.05	4,100
Issued May 26, 2017	1,750,000	25-May-19	0.05	43,700
Issued May 26, 2017	3,500,000	26-May-19	0.05	43,700
Issued May 27, 2017 broker warrants	312,000	26-May-19	0.05	3,900
Expired August 17, 2017	(2,400,000)	–	–	(19,100)
Expired Sept. 24, 2017	(1,180,000)	–	–	(29,500)
<b>Balance November 30, 2017</b>	<b>16,572,000</b>		<b>0.05</b>	<b>230,900</b>
Expired March 9, 2018	(860,000)			(19,600)
Expired April 4, 2018	(8,200,000)			(82,600)
Expired May 11, 2017	(250,000)			(2,800)
Issued April 6, 2018	1,950,000	05-Apr-19	0.05	40,300
Issued April 6, 2018	6,380,000	05-Apr-20	0.05	15,500
Issued April 6, 2018	240,000	05-Apr-20	0.05	1,500
Expired August 24, 2018	(400,000)		0.05	(9,800)
<b>Balance August 31, 2018</b>	<b>15,432,000</b>			<b>173,400</b>

As at August 31, 2018 the weighted average grant date fair value of the all outstanding warrants was \$0.012 (2017 - \$0.008) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Expected dividend yield	0%	0%
Expected volatility	197%	255%
	0.6%	0.56%
Life (years)	2.0	2

## 9. RELATED PARTY TRANSACTIONS AND BALANCES

### a) RELATED PARTY BALANCES

Related party	Purpose	August 31, 2018		November 30, 2017	
		Amounts charged year-to-date	Amounts payable/accrued at period-end	Amount Charged during the year	Amounts payable/accrued at year end
		\$	\$	\$	\$
Corporation controlled by an officer	Filing fees	5,525	16,114	12,618	13,519
Accounting firm of which an officer of the Company is a partner	Professional fees	–	10,100	9,653	18,650
Corporation controlled by a director and significant shareholder	Management fees, Director	37,908	71,110	75,731	75,722
	Exploration	172,748	80,700	169,301	32,583
	Office, rent and general expenses	67,974	27,535	98,077	23,354
<b>Totals</b>		<b>284,155</b>	<b>205,559</b>	<b>365,379</b>	<b>158,828</b>

During the year ended November 30, 2017, the Company recorded director's fees of \$nil (2016 - \$nil).

The accounts payable and accrued liabilities to related parties are unsecured and non-interest bearing with no fixed terms of repayment (Note 8).

### b) KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other members of management were as follows:

	August 31,	
	2018	2017
	\$	\$
Short term employee benefits	37,908	20,014
Stock Based Compensation	14,000	–
<b>Totals</b>	<b>51,908</b>	<b>20,014</b>

## **9 RELATED PARTY BALANCES (CONT'D)**

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

### **c) SHARE SUBSCRIPTIONS**

See Note 8(b and c) for descriptions of related party share subscriptions.

## **10. COMMITMENTS AND CONTINGENCIES**

### **a) CONSULTING AGREEMENT**

#### **Consulting Agreement**

The Company entered into an exploration management services agreement dated December 31, 2010 with M'Ore Exploration Services Ltd. ("M'Ore") and the President and significant shareholder of M'Ore, who is an officer, director and shareholder of the Company. 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 term of the agreement is for a period of two years ended December 31, 2012 and can be renewed thereafter at the end of every 12 months. This agreement was extended to December 31, 2018.

This could result in management fees and salaries incurred by M'Ore being capped at \$200,000 per annum. Additional charges to the Company in prior years consisted of a lease with M'Ore whereby the Company would pay \$30,000, plus operating expenses, per annum for rental of office and storage space. The lease also specifies rates to be charged for the use of various items of equipment if and when utilized by the Company.

### **b) CONTINGENCIES**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **c) FLOW-THROUGH EXPENDITURES**

During the year ended November 30, 2017, the Company renounced Canadian exploration expenditures in the aggregate amount of \$132,500 (2016 – \$75,500) related to proceeds from the issuance of flow-through shares pursuant to the financings described in Note 9(b) and has incurred these qualifying Canadian exploration expenditures as at November 30, 2017. 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 expenditures.

## **11. SEGMENTED INFORMATION**

All of the Company's assets, liabilities and operations are domiciled in Canada.

## **12. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital as well as cash. There were no changes to the Company policy for capital management during the years ended November 30, 2017 and 2016. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and marketable securities. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements. The Company's investment policy is to invest its excess cash in highly liquid investments that are readily convertible into cash with maturities of three months or less from the original date of acquisition or when it is needed, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that its current capital resources will be sufficient to fund its present operational commitments and working capital needs for the coming twelve months. However, additional funding will be required to meet any new operational commitments if further drilling programs are to be carried out.

## **13. FINANCIAL INSTRUMENTS**

### **a) FAIR VALUE**

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

	<b>Loans, receivables and other liabilities</b>	<b>Assets at fair value through profit &amp; loss</b>	<b>Total</b>
<b>As at August 31, 2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	88,280	–	88,280
Marketable securities	–	192,500	192,500
Amounts receivable	5,300	–	5,300
Accounts payable and accrued liabilities	343,489	–	343,489
<b>As at August 31 2017</b>			
Cash	130,709	–	130,709
Marketable securities	–	95,900	95,900
Amounts receivable	5,204	90,000	95,204
Accounts payable and accrued liabilities	269,836	–	269,836

### 13. FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

As at November 30, 2017 and 2016, the financial instruments recorded at fair value on the statement of financial position are marketable securities which are measured using Level 1 of the fair value hierarchy and marketable securities receivable which are Level 2.

#### b) FINANCIAL RISK MANAGEMENT

##### Credit Risk

The Company is exposed to credit risk with respect to its cash and amounts receivable. Cash has been placed on deposit with major Canadian financial institutions.

Amounts receivable consist of GST.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash, by purchasing term deposits held at a major Canadian financial institution. Concentration of credit risk exists with respect to the Company's cash as the majority of the amounts are held at a single Canadian financial institution.

The credit risk associated with cash is minimized by ensuring the majority of these financial assets are held with major Canadian financial institutions with strong investment-grade ratings by a primary rating agency.

##### Liquidity 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 for the upcoming year ended November 30, 2018 will be through equity financings.

The Company maintained cash at August 31, 2018 in the amount of **\$88,280** (2017 – \$130,709), in order to meet short-term business requirements. At August 31, 2018, the Company had accounts payable and accrued liabilities of **\$343,489** (2017 - \$269,836). All accounts payable and accrued liabilities are current.

### 13. FINANCIAL INSTRUMENTS (CONT'D)

#### **Market Risk**

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price risk.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company also holds a portion of cash in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of November 30, 2017.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash. A 1% change in interest rates on cash outstanding at November 30, 2017 would not have a significant impact on the Company's net loss for the year ended November 30, 2017.

#### **Currency risk**

The Company is not exposed to any material currency risk.

#### **Other price risk**

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, financial market risk, or currency risk. The Company is not exposed to significant other price risk.

#### **Marketable securities**

Risk to the Company from its marketable securities is derived from two factors:

- The ability of the issuer to sustain itself financially; and
- The ability to monetize the securities of the issuer.

The Company's marketable securities are detailed in Note 4.

A 10% change in the quoted market value at August 31, 2018 would have resulted in a \$19,250 change to the Company's net loss for the period then ended (2017 - \$8,100).

### 13. FINANCIAL INSTRUMENTS (CONT'D)

#### Commodity risk

The Company is exposed to price risk with respect to commodity prices, specifically precious and non-precious metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decision by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in investment patterns and monetary systems and political developments. As the Company does not have production assets, management believes this risk is minimal.