COPPER MOUNTAIN
MINING CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended

March 31, 2017

(Unaudited)

Suite 1700 – 700 Pender Street

Vancouver, British Columbia V6C 1G8

Ph# 604-682-2992 Fax# 604-682-2993

FORM 51-102F1
COPPER MOUNTAIN MINING CORPORATION
(The "Company")

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") OF FINANCIAL CONDITION & THE RESULTS OF OPERATIONS FOR THE PERIOD ENDED MARCH 31, 2017

April 24, 2017

Introduction

Management's discussion and analysis ("MD&A") focuses on significant factors that affected Copper Mountain Mining Corporation's performance and factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the unaudited condensed consolidated financial statements for the period ended March 31, 2017. The Company reports its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Company's significant accounting policies are set out in Note 3 of audited consolidated financial statements for the year ended December 31, 2016. The Company's financial statements and the MD&A are presented in Canadian dollars and are intended to provide a reasonable basis for the investor to evaluate the Company's development and financial situation.

Forward-Looking Statements

The MD&A contains certain statements that may be deemed "forward-looking statements." All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities, and events or developments that the Company expects to occur, are forward-looking statements. Estimates regarding the anticipated timing, amount and cost of mining at the Copper Mountain mine are based on assumptions underlying mineral reserve and mineral resource estimates and the probability of realizing such estimates are set out in the Updated Feasibility Study on the Copper Mountain Mine. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. Capital and operating costs are based on an annual budget that uses currently available information that may or may not change during the year. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "targets" and similar expressions, or that events or conditions "will", "would", "may" , "could", or "should" occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, but are not limited to: general business, economic, competitive, political and social uncertainties; the limited operating history of the Company; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of the Canadian dollar relative to the United States dollar; changes in project parameters as plans continue to be refined; failure of equipment or process to operate as anticipated; changes in labor costs and other costs and availability of equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses, detrimental events that interfere with transportation of concentrate or the smelters ability to accept concentrate, including declaration of Force Majeure events, insurrection or war; delays in obtaining governmental approvals or revocation of governmental approvals; title risks and Aboriginal land claims; delays or unavailability in financing or in the completion of development or construction activities; failure to comply with restrictions and covenants in senior loan agreements, actual results of current exploration activities; volatility in Company's publicly traded securities; and the factors discussed in the section entitled "Risk Factors" in the Company's annual information form and in the Company's continuous disclosure filings available under its profile on SEDAR at www.sedar.com. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources. This discussion uses the terms "measured resources" and "indicated resources". The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves."**

Highlights

(In thousands of CDN$, other than per share and per pound amounts)	Three months ended March 31, 2017 $	2016 $
Revenues	74,096	58,726
Cash flow from operations before working capital changes	20,843	15,161
Gross profit	11,211	1,564
Operating income (loss)	7,971	(450)
Net income	7,492	19,098
Net income per share	$0.04	$0.11
EBITDA	22,819	34,002
Adjusted EBITDA[1]	16,030	7,194
Cash and cash equivalents	30,126	1,761
Accounts receivable	26,044	16,865
Working capital (incl. $30,745 due to related party (2016 - $13,724))	(7,165)	(13,946)
Equity	203,460	195,348
Total pounds of copper sold (000's lbs)	19,000	18,100
Total ounces of gold sold (oz)	6,000	6,900
Total ounces of silver sold (oz)	64,000	61,200
Site cash costs per pound of copper produced (net of precious metal credits) (US$)	1.36	1.16
Total cash costs per pound of copper sold (net of precious metal credits) (US$)	1.86	1.61
Average realized copper price (US$)	2.65	2.10

First Quarter Results & Highlights (100%)

- Copper, gold and silver production for the first quarter of 2017 at Copper Mountain Mine was 21.2 million pounds of copper equivalent which includes 18.1 million pounds of copper, 5,900 ounces of gold and 64,300 ounces of silver.
- Revenue for the period was $74.1 million, from the sale of 19.0 million pounds of copper, 6,000 ounces of gold, and 64,000 ounces of silver, net of pricing adjustments.
- Gross profit for the quarter was $11.2 million.
- EBITDA was $22.8 million for the quarter, compared to $34.0 million in the same quarter for 2016.
- Site cash costs for the 2017 first quarter were US$1.36 per pound of copper produced net of precious metal credits.
- Total cash costs for the period were US$1.86 per pound of copper sold net of precious metal credits and after all off-site charges.
- Realized prices on metal sales were US$2.65 per pound of copper, US$1,217 per ounce of gold and US$17.30 per ounce of silver.

[1] Earnings before interest, taxes, depreciation and amortization. Refer to the Non-GAAP Performance measures section of this MD&A.

Overview

Copper Mountain Mining Corporation is a mid-tier copper-gold producing company that was incorporated under the provisions of the British Columbia *Company Act* on April 20, 2006. The Company owns 75% of the Copper Mountain mine through a subsidiary and Mitsubishi Materials Corporation ("MMC") owns the remaining 25%.

Following the successful exploration programs of 2007 and 2008 the Company completed an updated Feasibility Study and committed to the development of the new mine. On April 1, 2010 the BC Government issued the approval that allowed for construction of the $438 million development. Mechanical completion of the concentrator and associated facilities was achieved on budget and on schedule at the end of May 2011. Commissioning was finished by the end of June 2011. Production of copper concentrate commenced during the third quarter of 2011.

The development plan was based on mining over time the three existing open pits into one larger super pit and constructing a new 35,000 tonnes per day (tpd) concentrator designed to produce approximately 100 million pounds of copper per year in a copper concentrate with gold and silver credits. Over the initial mine life the mine is planned to produce 1.48 billion pounds of copper, 4,490,400 ounces of silver and 452,000 ounces of gold.

In 2013 management confirmed that the ore was harder than anticipated in the mill design and a secondary crusher was necessary. Construction of the $40 million permanent secondary crushing facility was initiated at the end of 2013 and completed in mid-2014. Since early 2015 the mill has been operating at rates in excess of the 35,000 tpd design capacity. Management continues to focus on maximizing production while minimizing costs.

The Company trades on the Toronto Stock Exchange under the trading symbol "CMMC".

Copper Mountain Mine

The Copper Mountain mine is situated 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. Based on current reserves, the mine has a life of 16 years from January 1, 2015. The property consists of 135 Crown granted mineral claims, 156 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702.1 hectares or 67 square kilometers.

The mine is a conventional open pit, truck and shovel operation. Mining is divided into multiple development phases with sequential pushbacks in each of the three main pits. This development sequence is designed to maximize the discounted cash flow based on the ore value which is reflected in the planned pit phases. In order to maximize the profit in the initial years the Company is processing ore greater than 0.21% Cu, while ore that is less than 0.21% Cu but greater than 0.1% Cu is being mined and stockpiled (low grade stockpile) for processing in later years.

The Company's mining equipment fleet consists of two Komatsu PC 8000 hydraulic shovels, a Hitachi EX 5500 hydraulic shovel, fifteen Komatsu 240 ton capacity haul trucks, seven Euclid 260 ton haul trucks, a Komatsu WA 1200 loader, four Komatsu D375 dozers, and three Caterpillar 16G graders plus other support equipment typical of an operation of this size.

The mill is comprised of one SAG mill, two ball mills, a rougher floatation circuit, regrind mill, a cleaner floatation circuit, a concentrate thickener, and a pressure filter that produces copper concentrate at about 25% copper and 9% moisture. Copper concentrate from the mine is trucked to the port of Vancouver where it is placed in a 20,000 tonne capacity storage shed for loading onto ocean going vessels for transportation to Japan.

Mining activities were mainly focused in the Pit #2 and the Saddle areas for the first quarter of 2017. During the quarter a total of 18.0 million tonnes of material was mined, including 5.7 million tonnes of ore and 12.3 million tonnes of waste for a strip ratio of 2.16:1. High equipment mechanical availability was maintained during the quarter which helped contribute to the above average mining rates of 199,600 tonnes per day moved, well above our 2017 mining guidance rate of 180,000 tonnes per day moved.

During the quarter the mill processed a total of 3.4 million tonnes of ore grading 0.31% copper to produce 18.1 million pounds of copper, 5,900 ounces of gold, and 64,300 ounces of silver. Mill head grade was slightly above guidance for the quarter, while copper recoveries were slightly below plan at 79% for the quarter as a result of processing some fine-grained ore in the saddle area. This is a small area of the pit that has now been mined and recoveries have returned back in line with the plan. Mill operating time during the quarter averaged 92% and the mill achieved an average throughput rate of 37,350 tpd during the quarter.

During the quarter, the Company completed a total of four shipments of copper concentrate containing approximately 19.0 million pounds of copper, 6,000 ounces of gold, and 64,000 ounces of silver which generated $74.1 million in revenue net of treatment and refining charges and pricing adjustments.

The Company currently has 447 operating employees engaged at the mine site.

The following table sets out the major operating parameters for the mine for the three months ended March 31, 2017:

Mine Production Information	**Three months ended March 31,**	
Copper Mountain Mine (100% Basis)	**2017**	**2016**
Mine:		
Total tonnes mined (000’s[2])	17,962	17,465
Ore tonnes mined (000’s)	5,698	5,696
Waste tonnes (000’s)	12,264	11,769
Stripping ratio	2.16	2.07
Mill:		
Tonnes milled (000’s)	3,361	3,372
Feed Grade (Cu%)	0.31	0.31
Recovery (%)	78.9	81.8
Operating time (%)	91.8	91.1
Tonnes milled (TPD[3])	37,350	37,100
Production:		
Copper production (000’s lbs)	18,100	19,000
Gold production (oz)	5,900	7,600
Silver production (oz)	64,300	64,700

Exploration – Mine Site

During the quarter exploration work consisted of continuous near mine compilation work as well as developing localized exploration drill programs to optimize long term mine planning.

[2] Excludes ore re-handle from stockpile
[3] Tonnes per day

Exploration

The exploration team continues to investigate and evaluate early and advanced-exploration properties as well as development projects, which are predominately located within the America's.

Results of Operations

(In thousands of CDN$, other than per share amounts)	Three months ended March 31, 2017 $	2016 $
Revenues	74,096	58,726
Cost of sales[4]	(62,885)	(57,162)
Gross profit	**11,211**	**1,564**
Other income and expenses		
General and administration	(2,682)	(1,780)
Exploration and evaluation	(35)	-
Share based compensation	(523)	(234)
Operating income (loss)	**7,971**	**(450)**
Pricing adjustments on concentrate and metal sales	(3,976)	(4,226)
Finance income	145	97
Finance expense	(3,437)	(3,131)
Current resource tax expense	(375)	(170)
Adjusted earnings[5]	**328**	**(7,880)**
Pricing adjustments on concentrate and metal sales	3,976	4,226
Unrealized loss on interest rate swap	(358)	(2,566)
Unrealized gain on foreign exchange	3,171	25,148
Net income and comprehensive income for the period	**7,117**	**18,928**
Net income and comprehensive income attributable to:		
Shareholders of the company	4,723	13,617
Non-controlling interest	2,394	5,311
	7,117	**18,928**
Earnings per share	**0.04**	**0.11**
Adjusted earnings (loss) per share	**0.00**	**(0.07)**

[4] Cost of sales consists of direct mining and milling costs (which include mine site employee compensation and benefits, mine site general and administrative costs, non-capitalized stripping costs, maintenance and repair costs, operating supplies and external services), depreciation and offsite transportation costs.
[5] Adjusted earnings (loss) is a non-GAAP financial measure which excludes unrealized gains/losses on derivative instruments, changes in fair value of financial instruments, unrealized foreign currency gains/losses, and pricing adjustments related to metal sales and non-recurring transactions.

For the Three Months Ended March 31, 2017

The Copper Mountain mine produced 18.1 million pounds of copper during the three months ended March 31, 2017 compared to 19.0 million pounds of copper in the first quarter of the prior year. The mine shipped and sold a total of 19.0 million pounds of copper, 6,000 ounces of gold, and 64,000 ounces of silver during the three months ended March 31, 2017; compared to a total of 18.1 million pounds of copper, 6,900 ounces of gold and 61,200 ounces of silver during the three months ended March 31, 2016. Site cash costs were US$1.36 per pound of copper produced and total cash costs were US$1.86 per pound sold, net of precious metal credits for the three months ended March 31, 2017; compared to site cash costs of US$1.16 per pound of copper produced and total cash costs of US$1.61 per pound of copper sold, net of precious metal credits for the three months ended March 31, 2016. The increase in site costs for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016 are the result of a 4% increase in power rates, an increase in the price of fuel, an increased use of more expensive wet hole explosives due to wet drill hole conditions in the area of the pit mined during the quarter, and the timing of mine and mill maintenance projects.

During the period the Company recognized revenues of $74.1 million, net of pricing adjustments and treatment charges based on an average realized copper price of US$2.65 per pound; compared to revenues of $58.7 million net of pricing adjustments and an average copper price of US$2.10 per pound for the period ended March 31, 2016. The increase in revenues is due to the increase in the sales price of copper and pounds of copper sold over the past quarter along with more pounds of copper and ounces of silver being sold as compared to the same period in 2016. During the quarter the Company sold 19.0 million pounds of copper and 64,000 ounces of silver as compared to 18.1 million pounds of copper and 61,200 ounces of silver for the quarter ended March 31, 2016. Mining operations for the three month period ended March 31, 2017 resulted in a gross profit of $11.2 million as compared to a gross profit of $1.6 million for the period ended March 31, 2016. The increase in gross profit is attributed to the increase in the price of copper as compared to the same quarter of the previous year. The Company reported net earnings attributable to the shareholders of the Company of $4.7 million or $0.04 per share for the three months ended March 31, 2017, compared to net earnings of $13.6 million or $0.11 per share for the three months ended March 31, 2016. The decrease in net income for the current quarter compared to the same quarter in 2016 is largely attributable to the non-cash unrealized foreign exchange gain of $25.1 million related to the Company’s debt and interest rate swap that are denominated in U.S. dollars for the three months ended March 31, 2016 as compared to a non-cash unrealized foreign exchange gain of $3.1 million in 2017.

Cost of sales represent direct mining and milling costs (which include operating, non-capitalized waste stripping costs, maintenance and repair costs, mine site general and administrative costs, operating supplies and external services), employee compensation and benefits, depreciation and transportation costs. The cost of sales for the three month period ended March 31, 2017, was $62.9 million as compared to $57.2 million for the three month period ended March 31, 2016. The increase in cost of sales during the quarter is a result of increased production costs and an increased allocation to cost of sales from increased copper sales during the quarter.

General and administration expenses for the three months ended March 31, 2017, were $2.7 million compared to $1.8 million for the three months ended March 31, 2016. Non-cash share based compensation reflected an expense of $0.5 million for the three months ended March 31, 2017, compared to an expense of $0.2 million for the three month period ended March 31, 2016.

Other items recorded include finance income of $0.1 million, finance expense of $3.4 million and a current resource tax expense of $0.4 million for the three months ended March 31, 2017, compared to finance income of $0.1 million, finance expense of $3.1 million and a current resource tax expense of $0.2 million for the three months ended March 31, 2016. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees.

Summary of Quarterly Results

The following table contains selected quarterly financial information derived from the Company's financial statements and should be read in conjunction with the consolidated quarterly financial statements reported under IFRS applicable to interim financial reporting.

Quarter	Revenue[6] $	Net Income (Loss) $	Profit (Loss) Attributable to Shareholders $	Cash flow from operations $	Income (Loss) per Share Basic $	Income (Loss) per Share Diluted $
March 31, 2017	74,096	7,117	4,723	2,850	0.04	0.04
December 31, 2016	84,523	2,881	2,098	22,518	0.01	0.01
September 30, 2016	72,195	(7,937)	(6,098)	15,862	(0.05)	(0.05)
June 30, 2016	62,552	(2,275)	(1,894)	13,720	(0.02)	(0.02)
March 31, 2016	58,726	18,928	13,617	(5,163)	0.11	0.11
December 31, 2015	50,018	(45,818)	(35,066)	3,450	(0.29)	(0.29)
September 30, 2015	63,702	(28,121)	(21,059)	4,774	(0.18)	(0.18)
June 30, 2015	56,810	1,749	1,642	14,984	0.01	0.01

Cash flow from operations and Net Income (Loss) and Profit (Loss) attributable to the shareholders varies from period to period as a result of operational performance discussed in the overview section above, non-cash items such as; changes in foreign exchange rates, share based compensation charges, commodity pricing changes and valuation of the interest rate swap related to a portion of the Company's long-term debt denominated in U.S. dollars.

[6] Net of treatment and refining charges and price adjustments

Management of the Company believe that as a result of the Company having U.S. denominated debt, selling Copper, Gold and Silver in U.S. dollars and reporting the financial statements in Canadian dollars, the unrealized foreign exchange loss or gain each quarter can have a significant impact on the results of the Company if the reader is just looking at net income only. As a result, management believe that readers of the financial statements should look to adjusted EBITDA, Adjusted Earnings and Adjusted Earnings per share as an alternative way to evaluate the Company's performance during the period. The following table contains selected quarterly non-GAAP financial information derived from the Company's financial statements and should be read in conjunction with the consolidated quarterly financial statements reported under IFRS, applicable to interim financial reporting.

Quarter	**Revenue** **$**	**Adjusted EBITDA** **$**	**Cash Flow from Operations before working capital changes** **$**	**Adjusted Earnings** **$**	**Adjusted Earnings (Loss) per Share Basic** **$**
March 31, 2017	74,096	16,030	20,843	4,304	0.00
December 31, 2016	84,523	26,317	22,518	8,775	0.07
September 30, 2016	72,195	16,611	17,622	(1,332)	(0.01)
June 30, 2016	62,552	10,043	14,335	(5,313)	(0.04)
March 31, 2016	58,726	7,194	15,161	(7,880)	(0.07)
December 31, 2015	50,018	10,720	3,450	1,535	0.01
September 30, 2015	63,702	14,684	13,930	2,035	0.02
June 30, 2015	56,810	15,426	6,901	3,477	0.03

Liquidity and

As at March 31, 2017, the Company had negative working capital of $7.2 million compared with negative working capital of $0.1 million at December 31, 2016. Included in negative working capital is $30.2 million due to MMC which is not expected to be repaid in the next twelve months. The Company has no future material commitments for capital expenditures as of March 31, 2017.

The recent strength in US denominated commodity prices have had a positive impact on the Company's operating results, increasing operating income and cash generated from operating activities from an operating loss of $0.5 million and negative cash flows from operations of $5.2 million for the three months ended March 31, 2016 to operating income of $8.0 million and cash flows from operations of $2.9 million for the three months ended March 31, 2017. In the next twelve months the Company has contractual obligations which are due in US dollars including senior credit facility and term loan payments of approximately US$33.7 million, which the Company expects to be able to fund through cash on hand and cash flows from operations. A payment of US$4.8 million was made in February 2017 by MMC to Similco Finance on the Company's behalf. The current commodity price and exchange rate environment can be volatile and accordingly will have an impact on the Company's cash flows.

Despite the higher copper price being realized in early 2017, the Company continues to review its near term operating plans and continues to take steps to reduce costs and maximize cash flow from operations, while still maintaining copper output levels. The Company has benefited from a five year power rate deferral program implemented by the Government of British Columbia; however, with the recent increase in copper prices, the Company no longer qualifies for the full 75% deferral. The program started in March of 2016 and the Company has deferred $11.1 million in electricity charges as of March 31, 2017. This deferral carries an interest rate of prime plus 5%. The Company has started to repay this amount to BC Hydro and future payments will be dependent on future copper prices and US/CAD exchange rates. In addition, the Company changed fuel suppliers at the beginning of 2016 which contributed to savings at the mine and will carry on into the future. The Company remains vigilant for other opportunities to reduce costs and improve net cash generation.

Management has received an extension of the required funding of the debt service and capex reserve accounts relating to the Company's Senior Credit Facility by providing corporate guarantees. The extension expires June 30, 2017 and although such extensions have been obtained in the past, there are no guarantees they will continue to be obtained in the future.

The Company holds its excess cash in interest bearing accounts or in cashable Guaranteed Investment Certificates at major Canadian or United States banks.

As at March 31, 2017 the Company had a total of $8.2 million on deposit with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain Mine. The Company receives interest from these funds on deposit.

As at March 31, 2017, the Company had the following consolidated contractual obligations:

	Contractual Obligation (thousands of CDN$)				
Annual repayments due from March 31,	Long term debt (USD$)	Long term debt	Lease obligations	Decommissioning & restoration provision	Accounts payable
2017	32,802	43,623	6,871	**-**	31,263
2018	32,802	43,623	3,203	**-**	**-**
2019	42,766	56,875	**2,424**	**-**	**-**
2020	40,336	53,643	**-**	**-**	**-**
2021	52,081	69,263	**-**	**-**	**-**
2022 and later	56,940	75,724	**-**	6,474	**-**
Total	**257,727**	**342,751**	**12,498**	**6,474**	**31,263**

Cash to meet the Company's future cash commitments will come from existing cash on hand and from cash flow from operations. The Company manages liquidity by continuously monitoring and forecasting cash flows.

The Company had no material commitments for capital expenditures as of March 31, 2017.

Capital Resources

As at March 31, 2017, the Company had $30.1 million in cash and cash equivalents on hand and $23.2 million in concentrate sales receivables. Cash on hand at any particular point in time is variable depending on timing of shipments and timing of finalization of past shipments.

Off-Balance Sheet Arrangements

None

Transactions with Related Parties

All transactions with related parties have occurred in the normal course of the Company's operations and have been measured at their fair value as determined by management.

- During the three months ended March 31, 2017 the Company sold copper concentrates to MMC with revenues totalling $74,096 (2016 – $58,726) including pricing adjustments.

- During the three months ended March 31, 2017 the Company accrued interest on the subordinated loan with MMC totalling $115 (2016 – $115).

- As at March 31, 2017 the Company has accrued to MMC a guarantee fee related to the Term Loan of $96 (2016 – $95). The Company has also received funding advances from MMC totalling $26,916 (2016 – $10,871). These advances bear interest at rates of 2.88% to 4.80% with total interest accrued during the three months ended March 31, 2017 of $173 (2016 – $69).

- A company controlled by a director of the Company agreed to purchase 642 acres of land adjoining the mine site for future expansion opportunities. Under the terms of the put/call agreement the Company has the irrevocable right to call the land from the company controlled by the director at any time for the same price as the company controlled by the director paid for the land. Similarly, the company controlled by the director has the irrevocable right to put the land to the Company at any time after January 16, 2016. The purchase price of the land is $1,530 plus interest and out of pocket expenses.

- Key management includes the Company's directors and officers. Compensation awarded to key management during the period is in the table below:

	Three months ended March 31, 2017 $	2016 $
Salaries and short-term employee benefits	1,337	830
Share-based payments	437	230
	1,774	**1,060**

Proposed Transactions

None

Critical Accounting Estimates

The Company's significant accounting policies are presented in note 3 of the audited consolidated financial statements for the period ended December 31, 2016. The preparation of consolidated financial statements in accordance with International Financial Reporting Standard requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. These estimates include:

- mineral resources and reserves,
- net realizable value of inventory,
- current and deferred income and resource taxes,
- the assumptions used in determining the decommissioning and restoration provision,

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

Change in Accounting Policies, Including Initial Adoption

No changes to accounting policies have been made for the period ended March 31, 2017. The same accounting policies and methods of application have been applied as the Company's most recent annual audited consolidated financial statements.

New Accounting Standards Adopted

None

Financial Instruments and Other Instruments

Please refer to note 3(d) of the audited financial statements for the year ended December 31, 2016.

Non-GAAP Performance Measures

This document includes certain non-GAAP performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-GAAP measures to the most directly comparable IFRS measure.

Cash costs per pound

Cash costs of sales include all costs absorbed into concentrate inventory, as well as precious metal credits, treatment & refining costs and transportation costs, less non-cash items such as depreciation. Total cash cost per pound sold is calculated by dividing the aggregate of the applicable costs by copper pounds sold. Site cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges such as trucking charges capitalized to concentrate inventory. Site cash costs per pound produced are calculated by dividing the aggregate of the applicable costs by copper pounds produced. These measures are calculated on a consistent basis for the periods presented.

Total Cash Cost of Sales Per Pound of Copper Sold	**Three months ended March 31, 2017**	**2016**
Cost of Sales	**62,885**	**57,162**
Add: Treatment & refining charges	6,132	6,500
Less: non-cash items:		
Depreciation	(12,035)	(11,870)
Cash costs of sales	**56,982**	**51,792**
Average foreign exchange rate (CDN$ to US$)	0.7554	0.7287
Cash costs of sales (US$)	**43,044**	**37,738**
Less: Precious metal credits (US$):	(7,780)	(8,650)
Net cash costs of sales (US$)	**35,264**	**29,088**
Total pounds of copper sold (000's lbs)	**19,000**	**18,100**
Total ounces of gold sold (oz)	6,000	6,900
Total ounces of silver sold (oz)	64,000	61,200
Total cash cost per pound of copper sold net of precious metal credits (US$)	**$1.86**	**$1.61**

Site Cash Cost Per Pound of Copper Produced	Three months ended March 31, 2017	2016
Cash Cost of Sales	56,982	51,792
Net change in concentrate inventory	(2,376)	1,511
	54,606	**53,303**
Less: Off-site related costs		
Treatment & refining charges	(6,132)	(6,500)
Transportation costs	(4,189)	(3,273)
Trucking charges	(1,345)	(1,395)
Total Site Cash Costs of Production	**42,940**	**42,135**
Average foreign exchange rate (CDN$ to US$)	0.7554	0.7287
Total Site Cash Costs of Production (US$)	**32,437**	**30,702**
Less precious metal credits (US$)	(7,780)	(8,650)
	24,657	**22,052**
Total pounds of copper produced (000's lbs)	**18,100**	**19,000**
Total ounces of gold produced (oz)	5,900	7,100
Total ounces of silver produced (oz)	64,300	64,700
Site cash costs per pound net precious metal credits (US$)	**$1.36**	**$1.16**

Cash Margin

Cash margin represents the average realized copper price per pound sold less total cash cost per pound sold.

	Three months ended March 31, 2017	2016
Average realized copper price for the period (US$ per pound)	$2.65	$2.10
Less:		
Total cash cost of sales net of precious metal credits (US$ per pound sold)	$1.86	$1.61
Cash margin (US$ per pound)	**$0.79**	**$0.49**

Adjusted Earnings

Adjusted earnings removes the effects of the following transactions from operating income as reported under IFRS:

- Unrealized gains/losses on derivative instruments;
- Changes in fair value of financial instruments;
- Foreign currency translation gains/losses and
- Non-recurring transactions

Management believes that these transactions do not reflect the underlying operational performance of the Company's mining operations and are also not indicative of future operating results.

EBITDA and Adjusted EBITDA

EBITDA represents earnings before interest, income taxes and depreciation. Adjusted EBITDA includes further adjustments for non-recurring items and items not indicative to the operating performance of the Company. The Company believes adjusted EBITDA is a more appropriate supplemental measure of debt service capacity and performance of its operations.

Adjusted EBITDA is calculated by removing the following income statement items:

- Unrealized loss/gain on interest rate swaps;
- Foreign exchange loss/gain;
- Pricing adjustments on concentrate and metal sales

EBITDA and Adjusted EBITDA		**Three months ended March 31,**
	2017	**2016**
Net income	7,117	18,928
Add (Deduct):		
Finance income	(145)	(97)
Finance expense	3,437	3,131
Depreciation	12,035	11,870
Current resource tax expense	375	170
EBITDA	**22,819**	**34,002**
Add (Deduct):		
Pricing adjustments on concentrate and metal sales	(3,976)	(4,226)
Unrealized loss on interest rate swaps	358	2,566
Unrealized foreign exchange loss	(3,171)	(25,148)
Adjusted EBITDA	**16,030**	**7,194**

Other MD&A Requirements

(a) Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

The following details the share capital structure as at April 24, 2017 the date of this MD&A.

	Expiry Date	**Exercise Price**	**Number**	**Number**
Common shares				133,086,693
Share purchase options	Feb. 20, 2019	$1.92	3,200,000	
	Feb. 1, 2020	$1.23	100,000	
	Sep. 18, 2020	$0.59	567,500	
	Jan. 26, 2021	$0.39	2,111,734	
	June 30, 2021	$0.50	75,000	
	Jan. 13, 2022	$1.18	1,750,000	
			7,804,234	
Fully diluted shares outstanding				**140,890,927**

Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. Our internal control system over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Our internal control system over disclosure controls and procedures is designed to provide reasonable assurance that material information relating to the Company is made known to management and disclosed to others and information required to be disclosed by the Company in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial reporting and disclosure. Other than changes related to our conversion to IFRS, there have been no changes in our internal control over financial reporting and disclosure controls and procedures during the period ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

Risks and Uncertainties

The Company’s success depends on a number of factors, most of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price fluctuations, foreign currency fluctuations, and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company’s business, including, among other things, environmental issues, land claims, permitting and taxation costs all of which could adversely affect the ability of the Company to develop the Copper Mountain mine. These risks and uncertainties are managed by experienced managers, advisors and consultants, by maintaining adequate liquidity, and by cost control initiatives.

Copper Mountain Mining Corporation

Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2017
(Unaudited)

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Financial Position
(Unaudited in thousands of Canadian dollars)

	March 31, 2017 $	December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	30,127	31,409
Accounts receivable and prepaid expenses (note 3)	26,044	26,048
Inventory (note 4)	52,355	48,465
	108,526	105,922
Reclamation bonds (note 9a)	8,227	8,232
Property, plant and equipment (note 5)	451,053	463,080
Low grade stockpile (note 4)	76,702	70,556
	644,508	**647,790**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	32,832	36,488
Amounts payable to related parties	30,745	22,653
Current portion of long-term debt (note 8)	51,740	46,415
Current tax liability	371	1,157
	115,688	106,713
Electricity deferral (note 7)	11,058	15,385
Decommissioning and restoration provision (note 9b)	6,474	6,312
Interest rate swap liability (note 8)	4,317	4,088
Long-term debt (note 8)	303,508	319,759
	441,045	452,257
Equity		
Attributable to shareholders of the Company:		
Share capital	194,588	194,208
Contributed surplus	15,206	14,773
Retained earnings	(68,933)	(73,656)
	140,861	135,325
Non-controlling interest	62,602	60,208
Total equity	203,463	195,533
	644,508	**647,790**

Approved on behalf of the Board of Directors

(signed) Jim O'Rourke Director (signed) Bruce Aunger Director

The accompanying notes are an integral part of these consolidated financial statements.

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Income and Comprehensive Income
For the Three Months Ended March 31,
(Unaudited in thousands of Canadian dollars, except for number of and earnings per share)

	2017 $	2016 $
Revenue (note 11)	74,096	58,726
Cost of sales (note 12)	(62,885)	(57,162)
Gross profit	11,211	1,564
Other income and expenses		
General and administration (note 12)	(2,682)	(1,780)
Exploration and evaluation	(35)	-
Share based compensation (note 10)	(523)	(234)
Operating income (loss)	7,971	(450)
Finance income	145	97
Finance expense (note 13)	(3,437)	(3,131)
Unrealized loss on interest rate swap	(358)	(2,566)
Foreign exchange gain	3,171	25,148
Income before tax	7,492	19,098
Current resource tax expense	(375)	(170)
Net income and comprehensive income	7,117	18,928
Net income and comprehensive income attributable to:		
Shareholders of the Company	4,723	13,617
Non-controlling interest	2,394	5,311
	7,117	18,928
Income per share:		
Basic	$0.04	$0.11
Diluted	$0.04	$0.11
Weighted average shares outstanding basic	132,817,233	118,795,427
Shares outstanding at end of the period	133,086,693	118,795,427

The accompanying notes are an integral part of these consolidated financial statements.

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Cash Flows
For the Three Months Ended March 31,
(Unaudited in thousands of Canadian dollars)

	2017 $	2016 $
Cash flows from operating activities		
Net income for the period	7,117	**18,928**
Adjustments for:		
Gain on disposal of fixed assets	(21)	-
Depreciation	12,035	**11,870**
Low grade stockpile net realizable value adjustment (note 4)	-	**1,957**
Unrealized foreign exchange gain	(2,590)	**(23,525)**
Unrealized loss on interest rate swap	358	**2,566**
Finance expense	3,437	**3,131**
Share based compensation	507	**234**
	20,843	**15,161**
Net changes in non-cash working capital items (note 15)	(17,993)	**(20,324)**
Net cash provided by (used in) operating activities	2,850	**(5,163)**
Cash flows from investing activities		
Deferred stripping activities	(1,485)	**(591)**
Development of property, plant and equipment	(637)	**(1,919)**
Refund of exploration bond	5	-
Proceeds on disposal of fixed assets	52	-
Net cash used in investing activities	(2,065)	**(2,510)**
Cash flows from financing activities		
Common shares issued on exercise of options	30	-
Common shares issued on exercise of warrants	274	-
Advances from non-controlling interest	8,044	**5,195**
Loan principal paid	(6,384)	**(4,156)**
Interest paid	(2,227)	**(1,631)**
Finance lease payments	(1,609)	**(1,928)**
Net cash used in financing activities	(1,872)	**(2,520)**
Effect of foreign exchange rate changes on cash and cash equivalents	(195)	**(236)**
Decrease in cash and cash equivalents	(1,283)	**(10,429)**
Cash and cash equivalents - Beginning of period	31,409	**12,190**
Cash and cash equivalents - End of period	**30,126**	**1,761**

Supplementary cash flow disclosures (note 15)

The accompanying notes are an integral part of these consolidated financial statements.

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited in thousands of Canadian dollars, except for number of shares)

Attributable to equity owners of the company

	Number of Share	Amount $	Contributed surplus $	Retained earnings (deficit) $	Total $	Non-controlling interest $	Total equity $
Balance January 1, 2016	118,795,427	188,306	12,929	(81,379)	119,856	56,565	176,421
Share based compensation	-	-	230	-	230	-	230
Amounts payable to Non-controlling interest	-	-	-	-	-	(231)	(231)
Income for the period	-	-	-	13,617	13,617	5,311	18,928
Balance March 31, 2016	**118,795,427**	**188,306**	**13,159**	**(67,762)**	**133,703**	**61,645**	**195,348**
Shares issued for cash	13,855,500	6,549	1,124	-	7,673	-	7,673
Share issue costs	-	(647)	-	-	(647)	-	(647)
Share based compensation	-	-	490	-	490	-	490
Loss for the year	-	-	-	(5,894)	(5,894)	(1,437)	(7,331)
Balance December 31, 2016	**132,650,927**	**194,208**	**14,773**	**(73,656)**	**135,325**	**60,208**	**195,533**
Shares issued on exercise of options	70,776	30	-	-	30	-	30
Shares issued on exercise of warrants	365,000	274	-	-	274	-	274
Fair value of options exercised	-	16	(16)	-	-	-	-
Fair value of warrants exercised	-	60	(60)	-	-	-	-
Share based compensation	-	-	509	-	509	-	509
Income for the period	-	-	-	4,723	4,723	2,394	7,117
Balance March 31, 2017	**133,086,693**	**194,588**	**15,206**	**(68,933)**	**140,861**	**62,602**	**203,463**

Authorized share capital - Unlimited number of common shares without par value.

The accompanying notes are an integral part of these consolidated financial statements.

1 General Information and liquidity

Copper Mountain Mining Corporation ("the Company") was incorporated under the provisions of the British Columbia Business Corporations Act on April 20, 2006 and is a Canadian development and operating mining company. The Company maintains its head office at Suite 1700 – 700 West Pender Street, Vancouver, British Columbia. The Company through a subsidiary owns 75% of the Copper Mountain mine while Mitsubishi Materials Corporation ("MMC") owns the other 25% interest in the Copper Mountain mine.

As at March 31, 2017, the Company had negative working capital of $7.2 million compared to negative working capital of $0.08 million at December 31, 2016. Included in the negative working capital is $30.2 million due to MMC (Note 14 (c)) and this amount is not expected to be repaid within the next twelve months. The Company has no future material commitments for capital expenditures as of March 31, 2017.

The recent strength in US denominated commodity prices have had a positive impact on the Company's operating results, increasing operating income and cash generated from operating activities from operating income of $8.0 million and cash flows from operations of $2.8 million for the three months ended March 31, 2017 from operating loss of $0.5 million and negative cash flows from operations of $5.2 million for the three months ended March 31, 2016. In the next twelve months the Company has contractual obligations which are due in US dollars including senior credit facility and term loan payments of approximately US$33.7 million, which the Company expects to be able to fund through cash on hand and cash flows from operations. A payment of US$4.8 million was made in February 2017 by MMC to Similco Finance on the Company's behalf. However, the current commodity price and exchange rate environment can be volatile and accordingly will have an impact on the Company's cash flows.

Despite the higher copper price being realized for the start of 2017, the Company continues to review its near term operating plans and continues to take steps to reduce costs and maximize cash flow from operations, while still maintaining copper output levels. The Company has benefited from a five year power rate deferral program implemented by the Government of British Columbia; however, with the recent increase in copper prices, the Company no longer qualifies for the full 75% deferral. The program started in March of 2016 and the Company deferred $14.2 million in electricity charges as of March 31, 2017. This deferral carries an interest rate of prime plus 5%. The Company has started to repay this amount to BC Hydro. Total payments made to March 31, 2017 were $1.2 million with future payments being dependent on future copper prices and US/CAD exchange rates. The Company remains vigilant for omgoing opportunities to reduce costs and improve net cash generation.

Management has received an extension of the required funding of the debt service and capex reserve accounts relating to the Company's Senior Credit Facility by providing corporate guarantees. The extension expires June 30, 2017 and although such extensions have been obtained in the past there are no guarantees they will continue to be obtained in the future.

2 Basis of presentation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated interim financial statements were approved for issue on April 24, 2017 by the Board of Directors.

b. Foreign currency translation

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss.

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

3 Accounts receivable and prepaid expenses

	March 31, 2017 $	December 31, 2016 $
Amounts due from concentrate sales	18,784	12,155
Pricing adjustments	4,394	10,810
GST and other receivables	1,880	1,843
Prepaid expenses	986	1,240
	26,044	26,048

4 Inventory

	March 31, 2017 $	December 31, 2016 $
Supplies	20,586	18,396
Ore stockpile	27,324	23,431
Crushed ore stockpile	2,106	1,237
Copper Concentrate	2,339	5,401
	52,355	48,465
Low grade stockpile[1]	**76,702**	70,556

Inventory expensed during the three months ended March 31, 2017 totaled $58,696 (2016 – $51,932).

During the quarter ended March 31, 2017, the Company recorded no charge (2016 - $1.96 million) to the low grade stockpile.

[1] Stockpile of inventory that is not expected to be processed until towards the end of the mine life

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

5 Property, plant and equipment

Cost	Plant and equipment $	Exploration and evaluation asset $	Mineral properties and mine development costs $	Total $
As at January 1, 2016	529,672	6,414	158,856	694,942
Additions	2,297	288	2,372	4,957
Disposals	(1,454)	-	-	(1,454)
Restoration provision	-	-	(1,471)	(1,471)
As at December 31, 2016	**530,515**	**6,702**	**159,757**	**696,974**
Additions	81	121	1,613	1,815
Disposals	(39)	-	-	(39)
Restoration provision	-	-	149	149
As at March 31, 2017	**530,557**	**6,823**	**161,519**	**698,899**

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset $	Mineral properties and mine development costs $	Total $
As at January 1, 2016	(129,246)	-	(45,946)	(175,192)
Depreciation charge	(41,188)	-	(17,514)	(58,702)
As at December 31, 2016	**(170,434)**	-	**(63,460)**	**(233,894)**
Depreciation charge	(9,679)	-	(4,273)	(13,952)
As at March 31, 2017	**(180,113)**	-	**(67,733)**	**(247,846)**
Net book value				
As at December 31, 2016	360,081	6,702	96,297	463,080
As at March 31, 2017	**350,444**	**6,823**	**93,786**	**451,053**

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

6 Accounts payable and accrued liabilities

	March 31, 2017 $	December 31, 2016 $
Trade accounts payable	13,749	17,868
Accrued liabilities	17,514	17,141
Current portion of interest rate swap liability (note 8(b))	1,439	1,363
Deferred Share Units liability	132	116
	32,834	36,488

7 Deferral of electricity payments

For the period ended March 31, 2017, the Company has deferred electricity payments totalling $14,182 under BC Hydro's five-year power rate deferral program for BC mines. The program became effective March 1, 2016 and will allow the Copper Mountain mine to defer up to 75% of electricity costs. The deferral amount is based on a formula incorporating the average copper price during the preceding month priced in Canadian dollars. The balance, plus interest at the prime rate plus 5%, will be repayable on a monthly schedule if the average copper price during the preceding month exceeds a threshold amount. Any remaining deferred balance will be repayable at the end of the five year term. Forecasted copper prices incorporated into the formula require $3,124 to be repaid in 2017 with the remaining deferred amount of $11,058 classified as a long-term financial liability. The current amount due is included in accounts payable.

8 Long-term debt

	March 31, 2017 $	December 31, 2016 $
Senior credit facility (b) in US$	116,821	116,694
Term loan (c) in US$	131,470	136,153
Total US$ long term debt in US$	248,291	252,847
Total US$ long term debt in CA$	330,202	339,496
Subordinated loan (a)	12,549	12,408
Leases (d)	12,498	14,270
Total	355,248	366,174
Less: current portion	(51,740)	(46,415)
	303,508	319,759

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

a) Subordinated loan

In April 2010, the Company entered into a loan agreement with a subsidiary of MMC for $9,600. The loan bears interest at a fixed rate of 4.8%. The loan principal and accumulated interest matures on June 30, 2023 and is pre-payable at any time without penalty. The loan and accumulated interest is subordinate to the senior credit facility.

b) Senior credit facility

The Company has a senior credit facility ("the SCF") with a consortium of Japanese banks.

The maximum amount available under the SCF was US$162 million which was fully drawn in 2011. The SCF carries a variable interest rate of LIBOR plus 2% and matures on June 15, 2023. The SCF is repayable in twenty four semi-annual instalments which commenced December 15, 2011, with 40% of the principal balance due in the final two years before maturity. The instalments are payable on a fixed schedule, subject to mandatory prepayment based on cash flows relating to the Copper Mountain Mine. As at March 31, 2017 the Company has repaid a total of US$42 million in principal and US$18 million in interest on the SCF.

Under the terms of the SCF, the Company was required to maintain certain balances up to a total of US $12 million in the debt service reserve account ("DSRA") and the capex reserve account ("CXRA") by June 30, 2012. Since this date, the Company and MMC have jointly guaranteed to June 30, 2017 the amounts owing to the DSRA and the CXRA, as a result no funds were required to be placed on deposit in either of the accounts.

As at March 31, 2017 the SCF has a principal amount outstanding of $159,428 (US$120 million). The outstanding amount of $155,360 is net of issue costs of $4,068.

The SCF is collateralized by all the assets of the Copper Mountain Mine and is insured by Nippon Export and Investment Insurance.

Minimum principal repayments of the amounts outstanding under the SCF are as follows:

Minimum annual payments from March 31	**US$ '000**
2017	14,580
2018	14,580
2019	11,745
2020 – 2023	78,975
	119,880

Under the terms of the SCF, the Company was required to complete an interest rate swap on 70% of the principal amount of the facility. The Company swapped a LIBOR variable rate interest payment stream for a 3.565% fixed rate interest payment stream on US$91 million of the principal. The interest rate swaps mature on December 15, 2020.

As at March 31, 2017 the swap had an unrealized fair value loss of $5,756 (2016 - $5,450). The current portion of $1,439 is included in accounts payable and accrued liabilities.

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

As at March 31, 2017 the Company is in compliance with all covenants which may result in the event of default of the senior credit facility.

c) Term loan

In July 2010, the Company entered into a term loan ("the Term Loan") with the Japan Bank for International Cooperation.

The maximum amount available under the Term Loan was US$160 million which was fully drawn in 2011. The Term Loan carries a variable interest rate of LIBOR plus 0.551% and matures on February 15, 2022. As at March 31, 2017 the Term Loan has a principal amount outstanding of $178,739 (US$134 million). The outstanding amount of $174,842 is net of issue costs of $3,897. The Term Loan is guaranteed by MMC in exchange for a fee of 0.2% per annum.

The Term Loan is unsecured and repayable in increasing instalments every six months commencing February 2013, with the majority of the loan falling due in the last six instalments. As at March 31, 2017 the Company has repaid a total of US$25.7 million in principal and US$9.6 million in interest on the Term Loan.

Principal repayment amounts outstanding under the Term Loan are as follows:

Minimum annual payments from March 31	**US$**
2017	19,200
2018	19,200
2019	32,000
2020 - 2022	64,000
	134,400

The Company is subject to certain debt covenants on the Term Loan. As at March 31, 2017 the Company is in compliance with all covenants.

d) Leases

Gross finance lease liability and minimum lease payments	**March 31, 2017**	**December 31, 2016**
	$	**$**
Within one year	7,323	7,556
Between two and four years	6,088	7,816
	13,411	15,372
Future interest	(913)	(1,102)
Finance lease liability	**12,498**	**14,270**

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

9 Decommissioning and restoration provision

a. Reclamation bonds

The Company has on deposit $8,227 with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain mine site. The Company receives interest on these bonds.

b. Decommissioning and restoration provision

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. Decommissioning liabilities are as follows:

	March 31, 2017 $	**December 31, 2016 $**
Opening balance	6,312	7,787
Changes in estimated costs and timing	149	(1,471)
Unwinding of discount on restoration provision	13	(4)
End of period	**6,474**	6,312

The Company used an inflation rate of 1.70% (2016 – 1.50%) and a discount rate of 2.31% (2016 – 2.31%) in calculating the estimated obligation. The liability for retirement and remediation on an undiscounted basis is $6,954 (2016 - $7,032). The expected timing of payment of the cash flows commences in 2028.

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

10 Share based compensation

a. Stock options

The Company has a stock option plan whereby it can grant up to 13,000,000 stock options exercisable for a period of up to ten years from the grant date. As at March 31, 2017 the Company had 8,604,234 options issued and outstanding.

The continuity of stock options issued and outstanding is as follows:

Options	**Options outstanding**	**Weighted average exercised price $**
Outstanding, December 31, 2015	5,355,000	2.64
Granted	2,355,000	0.39
Exercised	(12,500)	0.59
Expired	(525,000)	6.63
Forfeited	(347,500)	1.62
Outstanding, December 31, 2016	**6,825,000**	1.61
Granted	1,850,000	1.18
Exercised	(70,766)	0.43
March 31, 2017	**8,604,234**	**1.53**

As at March 31, 2017 the following options were outstanding:

Date of stock option grant	**Number of options**	**Exercise price $**	**Weighted average exercise price $**	**Expiry date**
Apr. 5, 2012 *	800,000	4.52	4.52	Apr. 5, 2017
Feb. 20, 2014	3,200,000	1.92	1.92	Feb. 20, 2019
Sep. 18, 2015	567,500	0.59	0.59	Sep. 18, 2020
Jan. 26, 2016	2,111,734	0.39	0.39	Jan. 26, 2021
June 30, 2016	75,000	0.50	0.50	June 30, 2021
Jan. 13, 2017	1,750,000	1.18	1.18	Jan. 13, 2022
Feb. 1, 2017	100,000	1.23	1.23	Feb. 1, 2020
	8,604,234		**1.54**	

** These options expired unexercised subsequent to March 31, 2017.*

As at March 31, 2017, there were 5,327,036 stock options exercisable at a weighted average exercise price of $2.00.

During the three month period ended March 31, 2017, the total fair value of stock options vesting was $523 (2016 - $230) and has a weighted average grant-date fair value of $0.77 per option. The fair values of the stock options granted were estimated using the Black-Scholes option pricing model. Volatility was determined using a historical daily volatility over the expected life of the options.

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

Weighted average assumptions used in calculating the fair value of options granted during the period are as follows:

	March 31, 2017
Risk free interest rate	1.17%
Expected dividend yield	Nil
Expected share price volatility	65.4%
Expected forfeiture rate	0%
Expected life	4.9 years

b. Deferred Share Unit Plans

The continuity of deferred share units issued and outstanding is as follows:

Units	DSU-D	Weighted average exercise price $	DSU-E	Weighted average exercise price $
Outstanding, December 31, 2015	1,807,339	1.85	2,679,646	2.13
Issued	250,000	0.45	-	-
Forfeited	-	-	(125,000)	1.91
Outstanding, December 31, 2016 and March 31, 2017	**2,057,339**	**1.68**	**2,554,646**	**2.14**

As at March 31, 2017 the following deferred share units were outstanding:

Date of DSU grant	Number of Units	Exercise price $	Weighted average exercise price $	Expiry date
DSU-D – September 17, 2010	27,027	-	-	September 17, 2020
DSU-E – September 17, 2010	329,646	3.70	3.70	September 17, 2020
DSU-D – August 12, 2011	9,571	-	-	August 12, 2021
DSU-D – April 5, 2012	20,741	-	-	April 5, 2022
DSU-D – April 13, 2013	500,000	1.88	1.88	April 13, 2018
DSU-E – April 13, 2013	425,000	1.88	1.88	April 13, 2018
DSU-D – February 20, 2014	1,250,000	1.92	1.92	February 20, 2019
DSU-E – February 20, 2014	1,800,000	1.92	1.92	February 20, 2019
DSU-D – September 16, 2016	250,000	0.45	0.45	September 16, 2020
	4,611,985		**1.94**	

As at March 31, 2017 there were 4,361,985 deferred share units exercisable at a weighted average price of $1.98.

As at March 31, 2017 the liability for deferred share units issued and outstanding is $132 (2016 - $116)

During the three months ended March 31, 2017, the Company recorded share-based compensation expense of $16 (2016 – $4) related to deferred share units.

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

11 Revenue

	2017 $	2016 $
Copper in concentrate	68,696	51,860
Gold in concentrate	9,888	12,299
Silver in concentrate	1,644	1,109
Treatment and refining charges	(6,132)	(6,541)
	74,096	**58,726**

For the three months ended March 31, 2017, pricing adjustments on unsettled concentrate and metal sales included in revenues is $4,394 (2016 – 5,066).

12 Expenses by nature

	2017 $	2016 $
Direct mining and milling costs	36,801	30,112
Employee compensation and benefits	9,860	9,950
Depreciation	12,035	11,870
Transportation costs	4,189	3,273
Low grade stockpile net realizable value adjustment	-	1,957
Cost of sales	**62,885**	**57,162**
Corporate employee compensation and benefits	1,519	1,121
Corporate and mine site administrative expenses	1,163	659
General and administration	**2,682**	**1,780**

13 Finance expense

	2017 $	2016 $
Interest on loans	3,075	2,676
Amortization of financing fees	348	356
Loan guarantee fee		96
Unwinding of discount on restoration provision	13	3
	3,437	**3,131**

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

14 Related party transactions

All transactions with related parties have occurred in the normal course of the Company's operations.

a. During the three months ended March 31, 2017 the Company sold copper concentrates to MMC with revenues totalling $74,096 (2016 – $58,726) including pricing adjustments.

b. During the three months ended March 31, 2017 the Company accrued interest on the subordinated loan with MMC totalling $115 (2016 - $115).

c. As at March 31, 2017 the Company accrued to MMC a guarantee fee related to the Term Loan of $96 (2016 - $96). The Company has also received aggregate funding advances from MMC totalling $26,916 (2016 - $10,871). These advances bear interest at rates of 2.88% to 4.80% with total interest during the three months ended March 31, 2017 of $173 (2016 - $69).

d. A company controlled by a director of the Company agreed to purchase 642 acres of land adjoining the mine site for future expansion opportunities. Under the terms of the put/ call agreement the Company has the irrevocable right to call the land from the company controlled by the director at any time for the same price as the company controlled by the director paid for the land. Similarly, the company controlled by the director has the irrevocable right to put the land to the Company at any time after January 16, 2016. The purchase price of the land is $1.53 million plus interest and out of pocket expenses.

e. Compensation of key management:

Key management includes the company's directors and officers. Compensation awarded to key management includes:

	2017	**2016**
	$	**$**
Salaries and short-term employee benefits	1,337	830
Share based compensation	437	230
	1,774	**1,060**

(Unaudited in thousands of Canadian dollars, except where otherwise stated)

15 Supplementary cash flow disclosures

a. As at March 31, 2017, cash and cash equivalents consists of guaranteed investment certificates of $4,058 (2016 – $58) and $34,145 in cash (2016 - $1,704) held in bank accounts.

b. A reconciliation of net changes in working capital items is as follows:

	2017 $	2016 $
Change in accounts receivable and prepaid expenses	292	(5,417)
Change in inventory	(7,762)	(6,218)
Change in mineral tax liability	(787)	170
Change in accounts payable and accrued liabilities	(9,736)	(8,859)
	(17,993)	**(20,324)**

16 Financial instruments

The fair values of financial asset and financial liabilities approximate their carrying amounts in the condensed consolidated interim statement of financial position.

Fair Value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements.
The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at March 31, 2017:

	Level 1 $	Level 2 $	Level 3 $	Total fair value $
Financial assets				
Pricing adjustments (note 3 and 11)	-	4,394	-	4,394
Financial liabilities				
Interest rate swap liability	-	5,756	-	5,756

Financial risks factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and commodity price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks in co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on the company's financial performance.