COPPER MOUNTAIN
MINING CORPORATION

# 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 SEPTEMBER 30, 2014

November 12, 2014

**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 consolidated financial statements for the period ended September 30, 2014. 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, 2013. 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. Capital and operating cost estimates are based on extensive research by the Company, recent estimates of construction and mining costs and other factors that are set out herein and in the Updated Feasibility Study. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. 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

| (CDN$ except for cash cost results) | Three months ended September 30, 2014 $ | 2013 $ | Nine months ended September 30, 2014 $ | 2013 $ |
|---|---|---|---|---|
| Revenues | 82,546,359 | 67,615,718 | 211,762,279 | 168,408,043 |
| Gross profit | 18,826,834 | 16,369,921 | 30,315,546 | 22,799,370 |
| Operating income | 16,715,400 | 15,094,744 | 22,513,131 | 18,779,078 |
| Adjusted earnings[1] | 18,178,961 | 447,137 | 23,109,580 | 9,819,332 |
| Net (loss) income | (3,973,968) | 15,086,632 | (6,285,908) | 731,073 |
| Earnings (loss) attributable to shareholders of the Company | (2,820,267) | 11,228,008 | (5,516,252) | (441,356) |
| (Loss) earnings per share[2] | (0.02) | 0.11 | (0.05) | 0.00 |
| Adjusted earnings per share[3] | 0.15 | 0.00 | 0.20 | 0.10 |
| EBITDA[4] | 12,253,673 | 29,450,061 | 32,335,360 | 33,906,978 |
| Cash flows from operating activities | 17,792,717 | 15,450,111 | 29,787,238 | 19,016,963 |
| Cash flows from operating activities per common share[3] | 0.15 | 0.16 | 0.25 | 0.19 |
| | | | | |
| Cash and cash equivalents | | | 17,831,158 | 17,111,172 |
| Working capital | | | 20,802,619 | 12,770,023 |
| Equity | | | 295,884,130 | 264,430,692 |
| Site cash costs per pound of copper produced (net of precious metal credits) (US$) | 1.19 | 1.68 | 1.48 | 1.71 |
| Total cash costs per pound of copper sold (net of precious metal credits) (US$) | 1.73 | 2.22 | 2.00 | 2.24 |

### Second Quarter Results & Highlights (100%)

- Revenues for the quarter were $82.5 million, net of pricing adjustments, an increase of 51% over the third quarter of 2013.
- Cash flows from operating activities was $17.8 million for the 2014 third quarter.
- Sales of concentrate for the period contained 25.3 million pounds of copper, 7,800 ounces of gold, and 133,800 ounces of silver.
- Total production for the 2014 third quarter at Copper Mountain mine was 21.7 million pounds of Copper, 6,100 ounces of gold, and 124,100 ounces of silver. This represents a 22% increase in copper production over the third quarter of 2013.
- Realized prices on metal sales for the 2014 third quarter was $3.17 per pound of copper, $1,283 per ounce of gold and $19.73 per ounce of silver.
- Site cash costs for the quarter was US$1.19 per pound of copper produced net of precious metal credits.
- Total cash costs for the quarter was US$1.73 per pound of copper sold net of precious metal credits and after all off-site charges.

[1] Adjusted earnings (loss) is a non-GAAP financial measure which removes unrealized gains/ losses on interest rate swaps, pricing adjustments on concentrate metal sales and foreign currency gains/ losses.
[2] Calculated based on weighted average number of shares outstanding under the basic method based on earnings attributable to shareholders.
[3] Calculated by dividing the total adjusted earnings by the weighted average number of shares outstanding under the basic method.
[4] Refer to the Non-GAAP Performance measures section of this MD&A.

## Overview

Copper Mountain Mining Corporation 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% of the Copper Mountain mine through a subsidiary.

The Company is a mid-tier copper-gold producing company that is fully focused on optimizing the Copper Mountain mine. 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 to proceed.

The Feasibility Study development plan was based on combining the three existing 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 17 year 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.

Mechanical completion of the concentrator and associated facilities was achieved by the end of May 2011, and testing of the equipment was finished by the end of June 2011. Production of copper concentrate commenced during the third quarter of 2011.

A new $40 million secondary crushing facility was installed on budget and reached mechanical completion on schedule in August 2014.

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

## 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. The development was based on the 2008 Feasibility Study and consisted of the construction of a 35,000 TPD concentrator. Based on Feasibility Study reserves, the mine has a life of 17 years from commencement of operations in 2011. 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 pits. This development sequence is designed to maximize the discounted cash flow which is reflected in the planned pit phases. In order to maximize the head grade being delivered to the concentrator in the initial years the Company is processing ore greater than 0.20 % Cu, while ore that is less than 0.20 % 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, six 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 following table sets out the major operating parameters for the mine for the three and nine months ended September 30, 2014.

| Mine Production Information<br>Copper Mountain Mine (100% Basis) | Three months ended September 30, 2014 | 2013 | Nine months ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| **Mine:** | | | | |
| Total tonnes mined (000's[5]) | 15,282 | 13,334 | 44,940 | 42,657 |
| Ore tonnes mined (000's) | 4,514 | 3,951 | 13,232 | 12,694 |
| Waste tonnes (000's) | 10,769 | 9,383 | 31,708 | 29,693 |
| Stripping ratio | 2.39 | 2.37 | 2.40 | 2.36 |
| **Mill:** | | | | |
| Tonnes milled (000's) | 2,817 | 2,680 | 8,223 | 7,385 |
| Feed Grade (Cu%) | 0.42 | 0.34 | 0.40 | 0.34 |
| Recovery (%) | 82.91 | 87.15 | 83.45 | 85.70 |
| Operating time (%) | 90.48 | 89.48 | 90.42 | 87.42 |
| Tonnes milled (TPD[6]) | 30,691 | 29,130 | 30,241 | 27,051 |
| **Production:** | | | | |
| Copper production (000's lbs) | 21,700 | 17,700 | 60,600 | 47,600 |
| Gold production (oz) | 6,100 | 6,400 | 16,600 | 17,400 |
| Silver production (oz) | 124,100 | 79,300 | 342,600 | 214,500 |
| Site cash costs per pound of copper produced (net of precious metal credits) (US$) | $1.19 | $1.68 | $1.48 | $1.71 |
| Total cash costs per pound of copper sold (net of precious metal credits) (US$) | $1.73 | $2.22 | $2.00 | $2.24 |

Copper production for the third quarter of 2014 totaled 21.7 million pounds of copper, a 22% increase as compared to the third quarter of 2013, setting a new quarterly production record for the mine. The concentrate also included 6,100 ounces of gold and 124,100 ounces of silver. During the quarter the mill processed a total of 2.8 million tonnes of ore at an average grade of 0.42% copper. Early in the quarter, the SAG mill throughput continued to be assisted with the temporary portable crushing units that were put in place last year. This continued until the end of the first week of August when the newly built $40 million secondary crusher was commissioned. The secondary crusher operated at about 70% capacity during the months of August and September as the Company continued to fine tune the secondary crusher's operation. Copper production was in line with guidance and the mill averaged 90% availability during the quarter.

Mining activities continued on the stage two pushback on the east side of Pit 3 and the start of the push back on the west side of Pit#3, while mining activities in the Pit 2 area continued to be focused on the southwest end of the Pit. During the quarter a total of 15.3 million tonnes of material was mined, including 4.5 million tonnes of ore and 10.8 million tonnes of waste. The projected life of mine strip ratio is 2 to 1, but higher in the early years. The mine moved an average of approximately 178,000 tonnes of material per day, including ore reclaimed from stockpiles, during the quarter. The new dispatch system is working well and preliminary numbers are indicating that the gains from the system are equivalent to an additional haul truck or around 2.01 million tonnes annually. The mining fleet continues to have excellent mechanical availability.

[5] Excludes ore re-handle from stockpile
[6] Tonnes per day

During the quarter, the Company completed a total of five shipments of concentrate containing approximately 25.3 million pounds of copper, 7,800 ounces of gold, and 133,800 ounces of silver. These shipments generated $82.5 million in revenue net of pricing adjustments, as compared to 16.6 million pounds of copper, 6,300 ounces of gold, and 77,100 ounces of silver which generated $67.7 million in revenue net of pricing adjustments during the same period last year. As a result of increased copper, gold and silver sales, revenues for copper, gold, and silver were up by $33.1 million or 51% as compared to the same period last year.

During the quarter the Company discovered that the port mistakenly loaded a portion of the Company's concentrate onto the contracted ship of another company. The port is conducting an investigation into the mistakenly loaded concentrate that has an estimated value of US$3.7 million. The Company believes it will recover 100 percent of the value of the concentrate and has recorded the concentrate as sold in the quarter. Subsequent, to the end of the quarter the Company received US$2.1 million as partial payment for the mistakenly loaded concentrate from the party that received the mistakenly loaded concentrate and has made an insurance claim for the balance of the value.

**Exploration – Mine Site**

The Company is reviewing plans for a 2015 exploration program that will see additional drilling on the property to assist with further optimization of the property and the long term production plans.

## Results of Operations

| (CDN$) | Three months ended September 30, 2014 $ | 2013 $ | Nine months ended September 30, 2014 $ | 2013 $ |
|---|---|---|---|---|
| **Revenues** | 82,546,359 | 67,615,718 | 211,762,279 | 168,408,043 |
| **Cost of sales**[7] | (63,719,525) | (51,245,797) | (181,446,733) | (145,608,673) |
| **Gross profit** | **18,826,834** | **16,369,921** | **30,315,546** | **22,799,370** |
| | | | | |
| **Other income and expenses** | | | | |
| General and administration | (1,672,495) | (1,249,714) | (4,586,806) | (3,978,854) |
| Share based compensation | (438,939) | (25,463) | (3,215,609) | (41,438) |
| **Operating income** | **16,715,400** | **15,094,744** | **22,513,131** | **18,779,078** |
| | | | | |
| Pricing adjustments on concentrate and metal sales | 7,055,406 | (8,282,970) | 11,138,725 | 1,217,147 |
| Finance income | 33,921 | 30,649 | 190,908 | 216,073 |
| Finance expense | (1,942,041) | (2,080,671) | (6,613,033) | (6,383,667) |
| Income tax expense | (446,352) | (817,615) | (836,408) | (1,235,040) |
| Deferred income tax recovery | (3,237,373) | (3,497,000) | (3,283,743) | (2,774,259) |
| **Adjusted earnings**[8] | **18,178,961** | **447,137** | **23,109,580** | **9,819,332** |
| | | | | |
| Pricing adjustments on concentrate and metal sales | (7,055,406) | 8,282,970 | (11,138,725) | (1,217,147) |
| Unrealized gain (loss) on interest rate swap | 219,522 | (279,510) | (2,285,418) | 2,274,698 |
| Unrealized (loss) gain on foreign exchange | (15,317,045) | 6,636,035 | (15,971,345) | (10,145,810) |
| **Net (loss) income and comprehensive (loss) income for the period** | **(3,973,968)** | **15,086,632** | **(6,285,908)** | **731,073** |
| | | | | |
| **Net (loss) income and comprehensive (loss) income attributable to:** | | | | |
| Shareholders of the company | (2,820,267) | 11,228,008 | (5,516,252) | (441,356) |
| Non-controlling interest | (1,153,701) | 3,858,624 | (769,656) | 1,172,429 |
| | **(3,973,968)** | **15,086,632** | **(6,285,908)** | **731,073** |
| | | | | |
| **(Loss) earnings per share** | **(0.02)** | **0.11** | **(0.05)** | **0.00** |
| **Adjusted earnings per share** | **0.15** | **0.00** | **0.20** | **0.10** |

[7] 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 and concentrate treatment costs.

[8] Adjusted earnings (loss) is a non-GAAP financial measure which excludes unrealized gains/losses on derivative instruments, changes in fair value of financial instruments, foreign currency gains/losses, pricing adjustments related to metal sales and non-recurring transactions.

***For the Three Months Ended September 30, 2014***

The Copper Mountain mine produced 39,700 DMT of copper concentrate containing approximately 21.7 million pounds of copper during the three months ended September 30, 2014 compared to 17.7 million pounds of copper for the same period in 2013. The mine shipped a total 45,800 DMT of copper concentrate containing approximately 25.3 million pounds of copper, 7,800 ounces of gold, and 133,800 ounces of silver during the three months ended September 30, 2014; compared to a total of 16.6 million pounds of copper, 6,300 ounces of gold and 77,100 ounces of silver during the three months ended September 30, 2013. Site cash costs were US$1.19 per pound of copper produced, net of precious metal credits, and total cash costs were US$1.73 per pound sold, net of precious metal credits, for the three months ended September 30, 2014; compared to site cash costs of US$1.68 per pound of copper produced and total cash costs of US$2.22 per pound of copper sold, net of precious metal credits for the three months ended September 30, 2013.

During the period the Company recognized revenues of $82.5 million, which included $7.1 million of negative pricing adjustments and $7.5 million of treatment charges based on an average provisional copper price of approximately US$3.17 per pound; compared to revenues of $67.6 million net of $8.3 million positive pricing adjustment and an average copper price of US$3.22 per pound for the period ended September 30, 2013. This increase in revenue is the result of increased sales volumes as compared to the same period last year. Mining operations for the three month period ended September 30, 2014 resulted in a gross profit of $18.8 million as compared to a gross profit of $16.4 million for the period ended September 30, 2013. The Company reported a net loss attributable to the shareholders of the Company of $2.8 million or $0.02 per share for the three months ended September 30, 2014, compared to net income of $11.2 million or $0.11 per share for the three months ended September 30, 2013. The loss for the quarter is directly attributable to a non-cash unrealized foreign exchange loss of $15.3 million primarily attributable to the Company’s project debt that is denominated in U.S. dollars and negative metal pricing adjustments of $7.1 million on metal sales. This compares to an unrealized foreign exchange gain of $6.6 million for the three month period ended September 30, 2013 attributable to the Company’s project debt which is denominated in U.S. dollars and positive metal pricing adjustments on metal sales of $8.3 million.

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, transportation and treatment costs. The cost of sales for the three month period ended September 30, 2014, was $63.7 million compared to $51.2 million for the three month period ended September 30, 2013. The increase in costs during the quarter are a result of increased sales volumes of copper concentrate sold compared to the three months ended September 30, 2013.

General and administration expenses for the three months ended September 30, 2014, were $1.7 million compared to $1.2 million for the three months ended September 30, 2013. Non-cash share based compensation reflected an expense of $0.4 million for the three months ended September 30, 2014, compared to an expense of $0.02 million for the three month period ended September 30, 2013. The increase in non-cash share based compensation is a result of the vesting of stock options in the period and an increase in the deferred share unit expense as a result of the increase in the Company’s stock price.

Other items recorded include finance income of $0.04 million, finance expense of $1.9 million and a current and deferred income and resource tax expense of $3.7 million for the three months ended September 30, 2014, compared to finance income of $0.03 million, finance expense of $2.1 million, and resource tax expense of $0.8 million for the three months ended September 30, 2013. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees.

***For the Nine Months Ended September 30, 2014***

The Copper Mountain mine produced 110,360 DMT of copper concentrate containing approximately 60.6 million pounds of copper during the nine months ended September 30, 2014 compared to 47.6 million pounds in the prior year. The mine shipped and sold a total 114,400 DMT of copper concentrate containing approximately of 63.1 million pounds of copper, 20,600 ounces of gold, and 327,400 ounces of silver during the nine months ended September 30, 2014 compared to 46.3 million pounds of copper, 17,600 ounces of gold and 212,600 ounces of silver during the nine months ended September 30, 2013. Site cash costs were US$1.48 per pound of copper produced and total cash costs were US$2.00 per pound sold for the nine months ended September 30, 2014 compared to site cash costs of $1.71 per pound of copper produced and total cash costs of $2.24 per pound sold for the nine months ended September 30, 2013.

During the period the Company recognized revenues of $211.8 million, net of pricing adjustments and based on an average provisional copper price of US$3.15 per pound compared to revenues of $168.4 million and a provisional copper price of US$3.31 per pound for the nine months ended September 30, 2013. Gross profit for the nine month period ended September 30, 2014 was $30.3 million as compared to $22.8 million for the period ended September 30, 2013. The increase in gross profit was primarily a function of increased sales volume compared to the prior year period. The Company reported a loss attributable to the shareholders of the Company of $5.5 million or $0.05 per share for the nine months ended September 30, 2014, compared to a net loss of $0.4 million or $0.00 per share for the nine months ended September 30, 2013. The income for the nine months period ended September 30, 2014, recorded an unrealized foreign exchange loss of $16.0 million which was primarily related to the Company’s project debt that is denominated in U.S. dollars. This compares to an unrealized foreign exchange loss of $10.1 million which was primarily related to the Company’s project debt that is denominated in U.S. dollars for the nine month period ended September 30, 2013.

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, transportation and treatment costs. The cost of sales for the nine month period ended September 30, 2014, was $181.4 million compared to $145.6 million for the nine month period ended September 30, 2013.

General and administration expenses for the nine months ended September 30, 2014, were $4.6 million compared to $3.9 million for the nine months ended September 30, 2013. Non-cash share based compensation reflected an expense of $3.2 million for the nine months ended September 30, 2014, compared to an expense $0.04 million for the nine month period ended September 30, 2013. The increase in non-cash share based compensation is a result of the issue of stock options in the period and an increase in the deferred share unit expense as a result of the increase in the Company’s stock price.

Other items recorded under other income and expenses include finance income of $0.2 million, finance expense of $6.6 million and current and deferred tax expense of $4.1 million. Finance expense primarily consists of interest on loans and the amortization of 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.

| Quarter | Revenue[7] $ | Net Income (Loss) $ | Profit (Loss) Attributable to Shareholders $ | Cash flow from operations $ | Income (Loss) per Share Basic $ | Income (Loss) per Share Diluted $ |
|---|---|---|---|---|---|---|
| September 30, 2014 | 82,546,359 | (290,243) | (2,820,267) | 17,792,717 | (0.02) | (0.02) |
| June 30, 2014 | 68,033,648 | 13,307,852 | 9,458,355 | (449,683) | 0.08 | 0.08 |
| March 31, 2014 | 61,182,272 | (15,619,792) | (12,154,340) | 12,444,204 | (0.10) | (0.10) |
| December 31, 2013 | 64,714,231 | (4,145,430) | (2,803,695) | 12,834,364 | (0.03) | (0.03) |
| September 30, 2013 | 67,615,718 | 15,086,632 | 11,228,008 | 15,450,111 | 0.11 | 0.11 |
| June 30, 2013 | 45,698,504 | (12,083,649) | (14,766,979) | 9,918,345 | (0.15) | (0.15) |
| March 31, 2013 | 55,093,821 | (2,271,910) | (2,274,775) | (4,737,604) | (0.02) | (0.02) |
| December 31, 2012 (restated) | 50,086,260 | 2,138,226 | 2,020,058 | 44,540,666 | 0.02 | 0.02 |

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

## Liquidity

As at September 30, 2014, the Company had cash on hand of $17.8 million and working capital of $28.8 million compared with cash on hand of $42.3 million and working capital of $20.8 million at December 31, 2013. The decrease in cash is a result of the Company investing and constructing the secondary crusher at the mine which has resulted in increased cash outflows and a buildup of accounts payable. The crusher is complete and production is increasing, along with decreased scheduled debt principal payments over the next two years. The Company expects to be in a strong cash position going forward as noted with the increase in cash balances from $20.2 million at June 30, 2014 to $32 million shortly after the end of Sept 30th as there was a quarter end shipment at Sept 30th valued at $15.9 million for which the provisional payment of $14.3 million was received shortly after the quarter ended.

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 September 30, 2014 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.

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

As at September 30, 2014, the Company had the following consolidated contractual obligations:

| | Payment Due By Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligation (CDN$)** | **Total** | **Less than 1 Year** | **1 – 3 Years** | **4 – 5 Years** | **After 5 Years** |
| Long term debt | 318,884,363 | 6,094,350 | 78,684,650 | 88,628,700 | 145,475,382 |
| Lease obligations | 20,554,763 | 8,427,214 | 12,127,549 | - | - |
| Decommissioning & restoration provision | 7,908,456 | - | - | - | - |
| Accounts payable | 15,789,609 | 15,789,609 | - | - | - |

Cash to meet the Company's future cash commitments will come from existing cash on hand, plus cash flow from operations.

Other than disclosed above the Company had no material commitments for capital expenditures as of September 30, 2014.

## Capital Resources

As at September 30, 2014, the Company had $17.8 million in cash and cash equivalents on hand.

## 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 period ended September 30, 2014 the Company sold copper concentrates to MMC with revenues totalling $207,653,125 (2013 – $168,408,043) including pricing adjustments.

- During the period ended September 30, 2014 the Company accrued interest on the subordinated loan with MMC totalling $349,440 (2013 - $231,680) and accrued a loan guarantee fee to MMC of $255,163 (2013 – $NIL).

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** |
| Salaries and short-term employee benefits | 285,375 | 332,865 | 1,024,727 | 4,311,810 |
| Share-based payments | 396,539 | 11,468 | 1,573,127 | (200,244) |
| | **681,914** | **344,333** | **2,597,854** | **4,111,566** |

## 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, 2013. The preparation of consolidated financial statements in accordance with International Financial Reporting Standard "IFRS" 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,
- 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 September 30, 2014. 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

*IFRIC 21 – Levies*

IFRIC 21 provides guidance on the accounting for a liability to pay a levy, if that liability is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Levies are imposed by governments in accordance with legislation and do not include income taxes or fines or other penalties imposed for breaches of legislation. The interpretation was issued to address diversity in practice when the liability to pay a levy is recognized.

The adoption of IFRIC 21 did not have an effect on the financial results or disclosures.

## Financial Instruments and Other Instruments

Please refer to note 3(d) of the audited financial statements for the period ended December 31, 2013.

## 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 September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Cost of Sales** | **63,719,525** | **51,245,797** | **181,446,733** | **145,608,673** |
| Add: Treatment & refining charges | 7,525,219 | 4,717,669 | 18,670,884 | 12,877,642 |
| Less: non-cash items: | | | | |
| Depreciation | (10,635,796) | (7,998,792) | (28,078,992) | (22,999,012) |
| **Cash costs of sales** | **60,608,948** | **47,964,674** | **171,038,625** | **135,487,303** |
| Average foreign exchange rate (CDN$ to US$) | 0.9184 | 0.9631 | 0.9139 | 0.9771 |
| **Cash costs of sales (US$)** | **55,663,258** | **46,194,777** | **157,226,100** | **132,384,644** |
| Less: Precious metal credits (US$): | (11,841,792) | (9,386,729) | (31,053,937) | (28,742,432) |
| **Net cash costs of sales (US$)** | **43,821,465** | **36,808,048** | **126,172,163** | **103,642,212** |
| **Total pounds of contained copper sold** | **25,300,000** | **16,630,000** | **63,100,000** | **46,349,000** |
| Total ounces of gold sold | 7,800 | 6,300 | 20,600 | 17,600 |
| Total ounces of silver sold | 133,800 | 77,100 | 327,400 | 212,600 |
| **Cash Cost per pound of copper sold net of precious metal credits (US$)** | **$1.73** | **$2.22** | **$2.00** | **$2.24** |

| Site Cash Cost Per Pound of Copper Produced | Three months ended September 30, 2014 | 2013 | Nine months ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| **Cash Cost of Sales** | 60,608,948 | 47,964,674 | 172,038,625 | 135,487,303 |
| Net change in concentrate inventory | (6,652,634) | 1,735,853 | (4,858,938) | 1,819,594 |
| | **53,956,314** | **49,700,527** | **167,179,687** | **137,306,897** |
| Less: Off-site related costs | | | | |
| Treatment & refining charges | (7,525,219) | (4,717,669) | (18,670,884) | (12,877,642) |
| Transportation costs | (3,917,415) | (3,185,736) | (12,145,721) | (8,668,968) |
| Trucking charges | (1,606,303) | (1,169,061) | (4,476,048) | (3,171,024) |
| **Total Site Cash Costs of Production** | **40,907,378** | **40,628,061** | **131,887,034** | **112,589,263** |
| Average foreign exchange rate (CDN$ to US$) | 0.9184 | 0.9631 | 0.9139 | 0.9771 |
| **Total Site Cash Costs of Production (US$)** | **37,569,336** | **39,128,885** | **120,531,560** | **110,010,969** |
| Less precious metal credits (US$) | (11,841,792) | (9,386,729) | (31,053,937) | (28,742,432) |
| | **25,727,543** | **29,742,156** | **89,477,623** | **81,268,537** |
| **Total pounds of copper produced** | **21,682,000** | **17,679,000** | **60,647,000** | **47,617,000** |
| Total ounces of gold produced | 6,100 | 6,400 | 16,600 | 17,300 |
| Total ounces of silver produced | 124,100 | 79,300 | 342,600 | 214,500 |
| **Site cash costs per pound net precious metal credits (US$)** | **$1.19** | **$1.68** | **$1.48** | **$1.71** |

## Cash Margin

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

| | Three months ended September 30, 2014 | 2013 | Nine months ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| Average realized copper price for the period (US$ per pound) | $3.17 | $3.22 | $3.15 | $3.31 |
| **Less:** | | | | |
| Total cash cost of sales net of precious metal credits(US$ per pound sold) | $1.73 | $2.22 | $2.00 | $2.24 |
| **Cash margin (US$ per pound)** | **$1.44** | **$1.00** | **$1.15** | **$1.07** |

**Adjusted Earnings (Loss)**

Adjusted earnings (loss) 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 future operating performance of the Company. The Company believes EBITDA and adjusted EBITDA are 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 September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Net (loss) income | (3,973,968) | 15,086,632 | (6,285,908) | 731,073 |
| Add (Deduct): | | | | |
| Finance income | (33,921) | (30,649) | (190,908) | (216,073) |
| Finance expense | 1,942,041 | 2,080,671 | 6,613,033 | 6,383,667 |
| Depreciation | 10,635,796 | 7,998,792 | 28,078,992 | 22,999,012 |
| Current resource tax expense | 446,352 | 817,615 | 836,408 | 1,235,040 |
| Deferred income tax expense | 3,237,373 | 3,497,000 | 3,283,743 | 2,774,259 |
| **EBITDA** | **12,253,673** | **29,450,061** | **32,335,360** | **33,906,978** |
| Add (Deduct): | | | | |
| Pricing adjustments on concentrate and metal sales | 7,055,406 | (8,282,970) | 11,138,725 | 1,217,147 |
| Unrealized (gain) loss on interest rate swaps | (219,522) | 279,510 | 2,285,418 | (2,274,698) |
| Unrealized foreign exchange loss (gain) | 15,317,045 | (6,636,035) | 15,971,345 | 10,145,810 |
| **Adjusted EBITDA** | **34,406,602** | **14,810,566** | **61,730,848** | **42,995,237** |

## 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](http://www.sedar.com).

The following details the share capital structure as at November 6, 2014 the date of this MD&A:

| | Expiry Date | Exercise Price | Number | Number |
|---|---|---|---|---|
| Common shares | - | - | - | 118,795,427 |
| Share purchase options | Jan. 14 to Aug. 12 , 2015 | 2.26 to 2.55 | 1,520,000 | |
| | Feb. 10 to Dec 12, 2016 | 4.59 to 7.12 | 555,000 | |
| | April 5, 2017 | 4.52 | 850,000 | |
| | February 20, 2019 | 1.92 | 3,300,000 | |
| | May 29, 2019 | 2.35 | 200,000 | |
| | | | **6,425,000** | |
| **Fully diluted shares outstanding** | | | | **125,220,427** |

## 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 September 30, 2013 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

The Company's management, at the direction of our chief executive officer and chief financial officer, have evaluated the effectiveness of the design and operation of the internal controls over financial reporting and disclosure controls and procedures as of the end of the period covered by this report, and have concluded that they were effective at a reasonable assurance level.

## 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 Nine Months Ended September 30, 2014**
(Unaudited)

# Copper Mountain Mining Corporation

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

| | September 30, 2014 $ | December 31, 2013 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 17,831,158 | 42,281,137 |
| Accounts receivable and prepaid expenses (note 4) | 32,629,325 | 17,953,700 |
| Inventory (note 5) | 29,388,793 | 26,789,416 |
| | 79,849,276 | 87,024,253 |
| **Reclamation bonds** (note 9a) | 8,221,500 | 8,216,500 |
| **Deferred tax asset** | 2,770,137 | 1,933,729 |
| **Property, plant and equipment** (note 6) | 568,404,659 | 531,890,214 |
| **Low grade stockpile** (note 5) | 44,690,799 | 34,016,705 |
| | **703,936,371** | **663,081,401** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 7) | 42,602,044 | 27,281,406 |
| Current portion of long-term debt (note 8) | 15,617,614 | 16,464,598 |
| Current tax liability | 826,999 | 628,653 |
| | 59,046,657 | 44,374,657 |
| **Decommissioning and restoration provision** (note 9b) | 7,908,456 | 6,245,963 |
| **Interest rate swap liability** (note 8) | 6,801,004 | 6,364,019 |
| **Long-term debt** (note 8) | 323,821,512 | 311,241,671 |
| **Deferred tax liability** | 10,474,612 | 6,354,461 |
| | 408,052,241 | 374,580,771 |
| **Equity** | | |
| **Attributable to shareholders of the Company:** | | |
| **Share capital** (note 10) | 188,298,205 | 186,291,105 |
| **Contributed surplus** | 11,325,260 | 9,662,977 |
| **Retained earnings** | 9,775,777 | 15,292,029 |
| | 209,399,242 | 211,246,111 |
| **Non-controlling interest** | 86,484,888 | 77,254,519 |
| **Total equity** | 295,884,130 | 288,500,630 |
| | **703,936,371** | **663,081,401** |

Approved on behalf of the Board of Directors

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

# Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Income and Comprehensive Income
For the Three and Nine Months Ended September 30,
Canadian dollars
(Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** |
| **Revenue** (note 12) | 82,546,359 | 67,615,718 | 211,762,279 | 168,408,043 |
| **Cost of sales** (note 13) | (63,719,525) | (51,245,797) | (181,446,733) | (145,608,673) |
| **Gross profit** | 18,826,834 | 16,369,921 | 30,315,546 | 22,799,370 |
| **Other income and expenses** | | | | |
| General and administration (note 13) | (1,672,495) | (1,249,714) | (4,586,806) | (3,978,854) |
| Share based compensation (note 11) | (438,939) | (25,463) | (3,215,609) | (41,438) |
| **Operating income** | 16,715,400 | 15,094,744 | 22,513,131 | 18,779,078 |
| Finance income | 33,921 | 30,649 | 190,908 | 216,073 |
| Finance expense (note 14) | (1,942,041) | (2,080,671) | (6,613,033) | (6,383,667) |
| Unrealized gain (loss) on interest rate swap | 219,522 | (279,510) | (2,285,418) | 2,274,698 |
| Foreign exchange (loss) gain | (15,317,045) | 6,636,035 | (15,971,345) | (10,145,810) |
| **Income (loss) before tax** | **(290,243)** | **19,401,247** | **(2,165,757)** | **4,740,372** |
| Current resource tax expense | (446,352) | (817,615) | (836,408) | (1,235,040) |
| Deferred income and resource tax | (3,237,373) | (3,497,000) | (3,283,743) | (2,774,259) |
| **Net income (loss) and comprehensive income (loss)** | **(3,973,968)** | **15,086,632** | **(6,285,908)** | **731,073** |
| **Net income (loss) and comprehensive income (loss) attributable to:** | | | | |
| Shareholders of the Company | (2,820,267) | 11,228,008 | (5,516,252) | (441,356) |
| Non-controlling interest | (1,153,701) | 3,858,624 | (769,656) | 1,172,429 |
| | **(3,973,968)** | **15,086,632** | **(6,285,908)** | **731,073** |
| **Earnings (loss) per share:** | | | | |
| Basic | (0.02) | 0.11 | (0.05) | 0.00 |
| Diluted | (0.02) | 0.11 | (0.05) | 0.00 |
| **Weighted average shares outstanding, basic** | 118,795,427 | 98,618,383 | 117,727,096 | 98,618,383 |
| **Shares outstanding at end of the period** | 118,795,427 | 98,619,427 | 118,795,427 | 98,619,427 |

# Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Cash Flows
For the Three and Nine Months Ended September 30,
Canadian dollars
(Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| **Cash flows from operating activities** | | | | |
| Net (loss) income for the year | (3,973,968) | 15,086,632 | (6,285,908) | 731,073 |
| Adjustments for: | | | | |
| Depreciation | 10,635,796 | 7,998,792 | 28,078,992 | 22,999,012 |
| Unrealized foreign exchange loss (gain) | 13,900,741 | (5,039,189) | 14,826,725 | 11,788,537 |
| Unrealized (gain) loss on interest rate swap | (219,522) | 279,510 | 2,285,418 | (2,274,698) |
| Deferred income and resource tax expense | 3,237,373 | 3,497,000 | 3,283,743 | 2,774,259 |
| Finance expense | 1,942,041 | 2,080,671 | 6,613,033 | 6,383,667 |
| Share based compensation | 438,939 | 25,463 | 3,215,609 | 41,438 |
| | 25,961,400 | 23,928,879 | 52,017,612 | 42,443,288 |
| Net changes in working capital items (note 16) | (8,168,683) | (8,478,768) | (22,230,374) | (23,426,325) |
| **Net cash from operating activities** | 17,792,717 | 15,450,111 | 29,787,238 | 19,016,963 |
| **Cash flows from investing activities** | | | | |
| Reclamation bonding | (5,000) | 600,000 | (5,000) | (16,000) |
| Restricted cash | - | - | - | 5,824,694 |
| Deferred stripping activities | (6,368,573) | (3,517,431) | (12,944,635) | (9,060,181) |
| Development of property, plant and equipment | (9,527,469) | (2,285,669) | (33,218,057) | (10,139,762) |
| **Net cash used in investing activities** | (15,901,042) | (5,203,100) | (46,167,692) | (13,391,249) |
| **Cash flows from financing activities** | | | | |
| Issue of common shares | - | - | 1,485,600 | 115,350 |
| Share issue costs | - | - | (82,644) | - |
| Funding from non-controlling interest | 619,367 | 6,286,084 | 11,268,108 | 6,286,084 |
| Loan principal | (1,736,000) | (1,654,400) | (8,773,936) | (8,416,388) |
| Interest paid | (1,162,012) | (3,408,971) | (6,227,810) | (6,321,656) |
| Finance lease payments | (1,783,712) | (1,545,525) | (5,282,700) | (4,889,921) |
| **Net cash from (used in) financing activities** | (4,062,357) | (322,812) | (7,613,382) | (13,226,531) |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | (212,140) | 203,817 | (456,143) | 411,199 |
| **Decrease in cash** | (2,382,822) | 10,128,016 | (24,449,979) | (7,189,618) |
| **Cash and cash equivalents - Beginning of period** | 20,213,980 | 6,983,156 | 42,281,137 | 24,300,790 |
| **Cash and cash equivalents - End of period** | 17,831,158 | 17,111,172 | 17,831,158 | 17,111,172 |

**Supplementary cash flow disclosures (note 16)**

# Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Changes in Equity
Canadian dollars
(Unaudited)

**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, 2013 | 98,570,927 | 157,942,209 | 9,469,280 | 18,025,756 | 185,437,245 | 71,619,257 | 257,056,502 |
| Options exercised | 48,500 | 115,350 | - | - | 115,350 | - | 115,350 |
| Fair value of options exercised | - | 52,992 | (52,992) | - | - | - | - |
| Share based compensation | - | - | 241,683 | - | 241,683 | - | 241,683 |
| Contributions made by Non-controlling interest | - | - | - | - | - | 6,286,084 | 6,286,084 |
| Loss for the year | - | - | - | (441,356) | (441,356) | 1,172,429 | 731,073 |
| **Balance September 30, 2013** | **98,619,427** | **158,110,551** | **9,657,971** | **17,584,400** | **185,352,922** | **79,077,770** | **264,430,692** |
| Shares issued for cash | 17,700,000 | 30,090,000 | - | - | 30,090,000 | - | 30,090,000 |
| Share issue costs | - | (1,909,446) | - | - | (1,909,446) | - | (1,909,446) |
| Share based compensation | - | - | 5,006 | - | 5,006 | - | 5,006 |
| Contributions made by Non-controlling interest | - | - | - | - | - | 29,808 | 29,808 |
| Loss for the year | - | - | - | (2,292,371) | (2,292,371) | (1,853,059) | (4,145,430) |
| **Balance December 31, 2013** | **116,319,427** | **186,291,105** | **9,662,977** | **15,292,029** | **211,246,111** | **77,254,519** | **288,500,630** |
| Share issue costs | - | (82,644) | - | - | (82,644) | - | (82,644) |
| Options exercised | 2,476,000 | 2,089,744 | (604,144) | - | 1,485,600 | - | 1,485,600 |
| Share based compensation | - | - | 2,266,427 | - | 2,266,427 | - | 2,266,427 |
| Contributions made by Non-controlling interest | - | - | - | - | - | 10,000,025 | 10,000,025 |
| Loss for the year | - | - | - | (5,516,252) | (5,516,252) | (769,656) | (6,285,908) |
| **Balance September 30, 2014** | **118,795,427** | **188,298,205** | **11,325,260** | **9,775,777** | **209,399,242** | **86,484,888** | **295,884,130** |

## 1 General Information

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.

## 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, except as described in Note 3, 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 financial statements were approved for issue on November 12, 2014 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.

c. Use of judgement

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year.

## 3 Adoption of New and Amended IFRS Pronouncements

The accounting policy adopted in preparation of these condensed consolidated financial statements has been prepared on the basis of all IFRS and amendments effective at June 30, 2014.

The standard IFRIC 21, *Levies* was adopted on January 1, 2014 with retrospective application. The adoption of this standard did not affect the Company's financial results.

## 4 Accounts receivable and prepaid expenses

| | September 30, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Amounts due from concentrate sales | 33,182,285 | 10,616,515 |
| Pricing adjustments | (4,277,491) | 1,764,819 |
| Other receivables | 2,651,074 | 3,816,752 |
| Prepaid expenses | 1,073,457 | 1,755,614 |
| | **32,629,325** | **17,953,700** |

## 5 Inventory

| | September 30, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Supplies | 16,122,236 | 13,392,100 |
| Ore stockpile | 10,582,972 | 4,426,292 |
| Crushed ore stockpile | 478,203 | 882,704 |
| Copper Concentrate | 2,205,382 | 8,088,320 |
| | **29,388,793** | **26,789,416** |
| | | |
| Low grade stockpile[1] | **44,690,799** | **34,016,705** |

Inventory expensed during the nine months ended September 30, 2014 totaled $169,301,012 (2013 – $113,940,693).

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

## 6 Property, plant and equipment

| Cost | Plant and equipment $ | Exploration and evaluation asset $ | Mineral properties and mine development costs $ | Total $ |
|---|---|---|---|---|
| As at January 1, 2013 | 457,001,977 | 5,875,525 | 124,126,597 | 587,004,099 |
| Additions | 7,119,349 | 215,727 | 18,747,052 | 26,082,128 |
| Restoration provision | - | - | (849,051) | (849,051) |
| As at December 31, 2013 | 464,121,326 | 6,091,252 | 142,024,598 | 612,237,176 |
| Additions | 51,370,353 | 436,768 | 15,252,972 | 67,060,094 |
| Restoration provision | - | - | 1,579,497 | 1,579,497 |
| **As at September 30, 2014** | **515,491,679** | **6,528,020** | **158,857,067** | **680,876,766** |

| Accumulated depreciation | Plant and equipment | Exploration and evaluation asset $ | Mineral properties and mine development costs $ | Total $ |
|---|---|---|---|---|
| As at January 1, 2013 | (38,368,910) | - | (7,027,335) | (45,396,245) |
| Depreciation charge | (25,331,949) | - | (9,618,768) | (34,950,717) |
| As at December 31, 2013 | **(63,700,859)** | **-** | **(16,646,103)** | **(80,346,962)** |
| Depreciation charge | (22,825,763) | - | (9,299,382) | (32,125,145) |
| **As at September 30, 2014** | **(86,526,622)** | **-** | **(25,945,485)** | **(112,472,107)** |
| | | | | |
| **Net book value** | | | | |
| As at December 31, 2013 | 400,420,467 | 6,091,252 | 125,378,495 | 531,890,214 |
| **As at September 30, 2014** | **428,965,057** | **6,528,020** | **132,911,582** | **568,404,659** |

## 7 Accounts payable and accrued liabilities

| | September 30, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Trade accounts payable | 15,789,609 | 10,604,349 |
| Accrued liabilities | 20,092,645 | 13,524,069 |
| Amount due to related party (note 15) | 4,874,160 | 2,779,963 |
| Current portion of interest rate swap liability (note 8(b)) | 800,119 | 276,696 |
| Deferred Share Units liability | 1,045,511 | 96,329 |
| | **42,602,044** | **27,281,406** |

## 8 Long-term debt

| | September 30, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Subordinated loan (a) | 11,125,651 | 10,697,846 |
| Senior credit facility (b) | 142,113,085 | 139,719,103 |
| Term loan (c) | 165,645,627 | 160,292,181 |
| Total long term debt | 318,884,363 | 310,709,130 |
| Leases (d) | 20,554,763 | 16,997,139 |
| | 339,439,126 | 327,706,269 |
| Less: current portion | (15,617,614) | (16,464,598) |
| | **323,821,512** | **311,241,671** |

a) Subordinated loan

In April 2010, the Company entered into a loan agreement with a subsidiary of MMC for $9,600,000. 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.

The outstanding amount of $11,125,651 is net of issue and transaction costs of $545,389 which are amortized over the life of the loan.

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$162,000,000 and this was fully drawn during the 2011 year. 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 the cash flows relating to the project. As at June 30, 2014 cumulative principle payments made totalled US$30,780,000.

Under the terms of the SCF, the Company is required from time-to-time to maintain certain debt service reserve balances which will fluctuate each year. As at September 30, 2014 the Company held a balance of $NIL (2013 – $NIL) classified as restricted cash.

As at September 30, 2014 the SCF has a principal amount outstanding of $146,966,400 (US$131,220,000). The outstanding amount of $142,113,085 is net of issue costs of $4,853,315 which are amortized over the life of the loan.

The SCF is collateralized by all the assets of the Copper Mountain mine and is insured by Nippon Export and Investment Insurance. In addition, the Company and MMC have guaranteed the SCF until project completion is achieved.

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

| **Annual repayments from September 30,** | **US$** |
|---|---|
| 2014 | 1,620,000 |
| 2015 | 1,620,000 |
| 2016 | 16,200,000 |
| 2017 – 2023 | 111,780,000 |
| | **131,220,000** |

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 has swapped a LIBOR variable rate interest payment stream for a 3.565% fixed rate interest payment stream on US$91,854,000 of the principal. The interest rate swaps mature on December 15, 2020.

As at September 30, 2014 the swap had an unrealized fair value loss of $7,601,122 (2013 - $8,248,183). The current portion of $800,118 is included in accounts payable and accrued liabilities.

The Company is subject to certain debt covenants on the SCF. As at September 30, 2014 the Company is in compliance with all covenants.

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 is US$160,000,000. The Term Loan carries a variable interest rate of LIBOR plus 0.551% and matures on February 15, 2022. As at September 30, 2014 the Term Loan has a principal amount outstanding of $170,240,000 (US$153,600,000). The outstanding amount of $165,645,627 is net of issue costs of $4,594,373 which are amortized over the life of the loan. 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 and commenced February 2013, with the majority of the loan falling due in the last six instalments. As at September 30, 2014 the cumulative principal payments totalled US $6,400,000.

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

| **Annual repayments from September 30,** | **US$** |
|---|---|
| 2014 | 4,800,000 |
| 2015 | 8,000,000 |
| 2016 | 14,400,000 |
| 2017 - 2022 | 124,800,000 |
| | **152,000,000** |

The Company is subject to certain debt covenants. As at September 30, 2014 the Company is in compliance with all covenants.

d) Leases

| **Gross finance lease liability and minimum lease payments** | **September 30, 2014 $** | **December 31, 2013 $** |
|---|---|---|
| Within one year | 9,617,910 | 7,750,485 |
| Between two and four years | 12,591,561 | 10,451,564 |
| | 22,209,471 | 18,202,049 |
| Future interest | (1,654,708) | (1,204,910) |
| Present value of finance lease liability | **20,554,763** | **16,997,139** |

The present value of the finance lease liability is repayable as follows:

| **Finance lease liability and minimum lease payments, net of interest** | **September 30, 2014 $** | **December 31, 2013 $** |
|---|---|---|
| Within one year | 8,427,214 | 7,030,509 |
| Between two and four years | 12,127,549 | 9,966,630 |
| Total over one year | **20,554,763** | **16,997,139** |

## 9 Decommissioning and restoration provision

a. Reclamation bonds

The Company has on deposit $8,221,500 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:

| | **September 30, 2014 $** | **December 31, 2013 $** |
|---|---|---|
| Opening balance | 6,245,963 | 6,997,883 |
| Changes in estimated costs and timing | 1,579,497 | (849,051) |
| Unwinding of discount on restoration provision | 82,996 | 97,131 |
| End of period | **7,908,456** | **6,245,963** |

The Company used an inflation rate of 2.10% (2013 – 1.10%) and a discount rate of 2.67% (2013 – 2.84%) in calculating the estimated obligation. The liability for retirement and remediation on an undiscounted basis is $8,575,650. The expected timing of payment of the cash flows commences in 2028.

## 10 Share capital

Authorized - Unlimited number of common shares without par value.

## 11 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 September 30, 2014 the Company had 6,425,000 options granted and outstanding.

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

| **Options** | **Options outstanding** | **Weighted average exercised price $** |
|---|---|---|
| Outstanding, December 31, 2012 | 5,674,500 | 2.32 |
| Exercised | (48,500) | 2.38 |
| Expired | (25,000) | 2.26 |
| Outstanding, December 31, 2013 | 5,601,000 | 2.32 |
| Granted | 3,500,000 | 1.94 |
| Exercised | (2,476,000) | 0.60 |
| Expired | (50,000) | 0.60 |
| Forfeited | (150,000) | 2.35 |
| Outstanding, September 30, 2014 | **6,425,000** | **2.79** |

As at September 30, 2014 the following options were outstanding:

| Date of stock option grant | Number of options | Exercise price $ | Weighted average exercise price $ | Expiry date |
|---|---|---|---|---|
| Jan. 14 to Aug. 12 , 2010 | 1,520,000 | 2.26 to 2.55 | 2.40 | Jan. 14 to Aug. 12 , 2015 |
| Feb. 10 to Dec 12, 2011 | 555,000 | 4.59 to 7.12 | 6.52 | Feb. 10 to Dec 12, 2016 |
| April 5, 2012 | 850,000 | 4.52 | 4.52 | April 5, 2017 |
| Feb. 20, 2014 | 3,300,000 | 1.92 | 1.92 | Feb. 20, 2019 |
| May 29, 2014 | 200,000 | 2.35 | 2.35 | May 29, 2019 |
| | **6,425,000** | | **2.79** | |

As at September 30, 2014 the following options were both outstanding and exercisable:

| Date of stock option grant | Number of options | Exercise price $ | Weighted average exercise price $ | Expiry date |
|---|---|---|---|---|
| Jan. 14 to Aug. 12 , 2010 | 1,520,000 | 2.26 to 2.55 | 2.40 | Jan. 14 to Aug. 12 , 2015 |
| Feb. 10 to Dec 12, 2011 | 555,000 | 4.59 to 7.12 | 6.52 | Feb. 10 to Dec 12, 2016 |
| April 5, 2012 | 850,000 | 4.52 | 4.52 | April 5, 2017 |
| Feb. 20, 2014 | 825,000 | 1.92 | 1.92 | Feb. 20, 2019 |
| May 29, 2014 | 50,000 | 2.35 | 2.35 | May 29, 2019 |
| | **3,800,000** | | **3.37** | |

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and consultants. During the nine month period ended September 30, 2014, the Company recorded a share-based compensation expense of $2,264,091 (2013 - $241,683) related to stock options.

During the nine month period ended September 30, 2014, the total fair value of stock options granted was $4,409,932 (2013 – Nil) and had a weighted average grant-date fair value of $1.26 (2013 – Nil) per option. The fair values of the stock options granted were estimated on the grant date using the Black-Scholes option pricing model. Volatility was determined using a historical daily volatility over the expected life of the options.

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

| | September 30, 2014 |
|---|---|
| Risk free interest rate | 1.57% |
| Expected dividend yield | Nil |
| Expected share price volatility | 60.99% |
| Expected forfeiture rate | 3.26% |
| Expected life | 4.90 years |

b. Deferred Share Unit Plans

*Deferred Share Unit Plan for Non-Employee Directors ("DSU-D")*

The Company established a deferred share unit plan that allows directors to receive director fees in the form of deferred share units. Directors can elect to receive common shares or cash upon exercise of the DSU-D. Certain DSU-Ds may only be exercised when the holder ceases to be a director. Vesting terms of the DSU-Ds are established by the directors at the time the DSU-Ds are granted.

*Deferred Share Unit Program for Employees and Directors ("DSU-E")*

The Company established a deferred share unit program that allows executive officers, directors and consultants to receive incentive compensation in the form of deferred share units. The participant can elect to receive common shares upon exercise of the DSU-E by paying the exercise price or they can elect to receive cash equal to the difference between the exercise price and the market price of the Company's common shares at the time of exercise of the DSU-E. Vesting terms of the DSU-Es are established by the directors at the time the DSU-Es are granted.

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, 2012 | 57,339 | - | 329,646 | 3.70 |
| Granted | - | - | 950,000 | 1.88 |
| Outstanding, January 1, 2014 | 57,339 | - | 1,279,646 | 2.65 |
| Granted | - | - | 3,150,000 | 1.92 |
| Outstanding, September 30, 2014 | **57,339** | - | **4,429,646** | **2.13** |

As at September 30, 2014 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-E – April 13, 2013 | 950,000 | 1.88 | 1.88 | April 13, 2018 |
| DSU-E – February 20, 2014 | 3,150,000 | 1.92 | 1.92 | February 20, 2019 |
| | **4,486,985** | | **2.02** | |

As at September 30, 2014 the following deferred share units were both outstanding and exercisable:

| 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-E – April 13, 2013 | 950,000 | 1.88 | 1.88 | April 13, 2018 |
| DSU-E – February 20, 2014 | 787,500 | 1.92 | 1.92 | February 20, 2019 |
| | **2,124,485** | | **2.13** | |

The liability for deferred share units issued and outstanding is as follows:

| Liability | DSU-D $ | DSU-E $ |
|---|---|---|
| December 31, 2013 | **96,330** | - |
| DSU based compensation expense | 44,152 | 958,875 |
| September 30, 2014 | **140,482** | **958,875** |

During the nine month period ended September 30, 2014, the Company recorded share-based compensation expense of $949,182 (2013 – recovery $227,688) related to deferred share units.

During the period ended September 30, 2014 the total fair value of deferred share units granted was $6,048,000 (2013 - $1,786,000) and had a weighted average grant-date fair value of $1.92 (2013 - $1.88) per unit.

## 12 Revenue

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| Copper concentrate | 84,159,244 | 54,324,724 | 207,532,852 | 152,985,184 |
| Gold metal sales | 10,364,669 | 8,178,773 | 27,611,297 | 24,725,948 |
| Silver metal sales | 2,603,071 | 1,546,920 | 6,427,739 | 4,791,700 |
| Treatment and refining charges | (7,525,219) | (4,717,669) | (18,670,884) | (12,877,642) |
| Pricing adjustments on unsettled concentrate and metal sales | (7,160,780) | 11,191,935 | (4,277,491) | 3,170,300 |
| Concentrate and metal sales settled in the period | 105,374 | (2,908,965) | (6,861,234) | (4,387,447) |
| | **82,546,359** | **67,615,718** | **211,762,279** | **168,408,043** |

## 13 Expenses by nature

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| **Cost of sales** | | | | |
| Direct mining and milling costs | 37,301,103 | 30,042,889 | 107,843,121 | 81,959,405 |
| Employee compensation and benefits | 11,865,211 | 10,018,380 | 33,378,899 | 31,981,288 |
| Depreciation | 10,635,796 | 7,998,792 | 28,078,992 | 22,999,012 |
| Transportation costs | 3,917,415 | 3,185,736 | 12,145,721 | 8,668,968 |
| | **63,719,525** | **51,245,797** | **181,446,733** | **145,608,673** |
| **General and administration** | | | | |
| Corporate employee compensation and benefits | 735,218 | 561,025 | 1,971,566 | 1,957,408 |
| Corporate administrative and office expenses | 937,277 | 688,689 | 2,615,240 | 2,021,446 |
| | 1,672,495 | 1,249,714 | 4,586,806 | 3,978,854 |
| | **65,392,020** | **52,495,511** | **186,033,539** | **149,587,527** |

## 14 Finance expense

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Interest on loans | 1,571,042 | 1,774,966 | 5,264,270 | 5,693,412 |
| Amortization of financing fees | 294,506 | 279,360 | 881,990 | 617,233 |
| Loan guarantee fee | 56,759 | - | 383,776 | - |
| Unwinding of discount on restoration provision | 19,734 | 26,345 | 82,997 | 73,022 |
| | **1,942,041** | **2,080,671** | **6,613,033** | **6,383,667** |

## 15 Related party transactions

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

a. During the nine month period ended September 30, 2014 the Company sold copper concentrates to MMC with revenues totalling $207,653,125 (2013 – $100,792,325) including pricing adjustments.

b. During the nine month period ended September 30, 2014 the Company accrued interest on the subordinated loan with MMC totalling $349,440 (2013 - $231,680).

c. Compensation of key management:

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Salaries and short-term employee benefits | 285,375 | 332,865 | 1,024,727 | 4,311,810 |
| Share based compensation | 396,539 | 11,468 | 1,573,127 | (200,244) |
| | **681,914** | **344,333** | **2,597,854** | **4,111,566** |

## 16 Supplementary cash flow disclosures

a. As at September 30, 2014, cash and cash equivalents consists of guaranteed investment certificates of $12,675,380 (2013 – $2,500,000) and $5,155,776 in cash (2013 - $4,483,156) held in bank accounts.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Change in accounts receivable and prepaid expenses | (7,443,768) | (4,108,923) | (11,699,053) | (1,766,783) |
| Change in inventory | 2,640,735 | (4,715,468) | (11,535,656) | (18,724,247) |
| Change in tax liability | 438,290 | 817,374 | 198,346 | 1,104,092 |
| Change in accounts payable and accrued liabilities | (3,803,940) | (471,750) | 805,989 | (4,039,386) |
| | **(8,168,683)** | **(8,478,768)** | **(22,230,374)** | **(23,426,325)** |

## 17 Financial instruments

The following table shows the carrying values of assets and liabilities by category at September 30, 2013 and December 31, 2013.

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Financial assets** | | |
| *Loans and receivables* | | |
| Cash and cash equivalents | 17,831,158 | 42,281,137 |
| Reclamation bonds | 8,221,500 | 8,216,500 |
| Amounts due from concentrate sales (note 4) | 33,182,285 | 10,616,515 |

| | | |
|---|---|---|
| *Fair value through profit and loss* | | |
| Pricing adjustments (notes 4) | (4,277,491) | 1,764,819 |
| **Financial liabilities** | | |
| *Amortized cost* | | |
| Accounts payable (note 7) | 15,789,609 | 10,604,349 |
| Long-term debt (note 8) | 323,821,512 | 311,241,671 |
| *Fair value through profit and loss* | | |
| Interest rate swap liability (note 8b) | 7,601,122 | 6,640,715 |

**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 June 30, 2014:

| | **Level 1** $ | **Level 2** $ | **Level 3** $ | **Total fair value** $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Pricing adjustments (note 4 ) | - | (4,277,491) | - | (4,277,491) |
| **Financial liabilities** | | | | |
| Interest rate swap liability (note 8b) | - | 7,601,122 | - | 7,601,122 |

**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.