



**FIRST QUARTER REPORT**

**Financial Statements and MD&A**

**March 31, 2020**

**Suite 1700 – 700 Pender Street**

**Vancouver, British Columbia V6C 1G8**

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# **Copper Mountain Mining Corporation**

Condensed Consolidated Interim Financial Statements  
**For the Three Months Ended March 31, 2020**  
(Unaudited)

# Copper Mountain Mining Corporation

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

	March 31, 2020 \$	December 31, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	36,223	32,126
Accounts receivable and prepaid expenses (note 4)	5,820	27,947
Inventory (note 5)	33,507	35,299
	75,550	95,372
<b>Reclamation bonds</b> (note 9)	3,740	3,740
<b>Deferred tax assets</b>	33,679	28,088
<b>Property, plant and equipment</b> (note 6)	518,479	501,663
<b>Low grade stockpile</b> (note 5)	65,521	64,978
	<b>696,969</b>	<b>693,841</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	45,195	41,366
Amounts payable to related parties (note 14)	3,939	104,698
Current portion of long-term debt (note 8)	66,526	60,260
Current tax liability	1,053	1,186
	116,713	207,510
<b>Provisions</b> (note 9)	19,500	18,104
<b>Due to related parties</b> (note 14)	135,701	-
<b>Long-term debt</b> (note 8)	190,905	188,123
<b>Deferred tax liability</b>	2,196	2,203
	465,015	415,940
<b>Equity</b>		
<b>Attributable to shareholders of the Company:</b>		
<b>Share capital</b>	266,663	266,663
<b>Contributed surplus</b>	19,240	18,623
<b>Accumulated other comprehensive loss</b>	(7,264)	(4,158)
<b>Accumulated deficit</b>	(102,850)	(70,516)
	175,789	210,612
<b>Non-controlling interest</b>	56,165	67,289
<b>Total equity</b>	231,954	277,901
	<b>696,969</b>	<b>693,841</b>

Approved on behalf of the Board of Directors

(signed) Gil Clausen Director

(signed) Bruce Auger Director

# Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income  
(Loss)

For the Three Months Ended March 31,

(Unaudited in thousands of Canadian dollars, except for number of and earnings per share)

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Revenue</b> (note 11)	49,564	86,870
<b>Cost of sales</b> (note 12)	(64,513)	(63,594)
<b>Gross (loss) profit</b>	(14,949)	23,276
<b>Other income and expenses</b>		
General and administration (note 12)	(2,446)	(2,761)
Share based compensation (note 10)	(628)	(661)
<b>Operating (loss) income</b>	(18,023)	19,854
Finance income	74	103
Finance expense (note 13)	(3,299)	(3,799)
Unrealized (loss) gain on interest rate swap	(942)	(394)
Foreign exchange gain (loss) (note 8)	(26,858)	6,065
<b>(Loss) income before tax</b>	(49,048)	21,829
Current tax expense	(8)	(513)
Deferred income and resource tax recovery (expense)	5,598	(3,490)
<b>Net (loss) income</b>	(43,458)	17,826
<b>Other comprehensive loss</b>		
Foreign currency translation adjustment	(3,106)	(803)
<b>Comprehensive (loss) income</b>	(46,564)	17,023
<b>Net (loss) income attributable to:</b>		
Shareholders of the Company	(32,334)	12,500
Non-controlling interest	(11,124)	5,326
	(43,458)	17,826
<b>(Loss) income per share:</b>		
Basic	\$(0.17)	\$0.07
Diluted	\$(0.17)	\$0.07
<b>Weighted average shares outstanding, basic</b>	191,331,053	188,170,359
<b>Weighted average shares outstanding, diluted</b>	192,277,666	190,445,120
<b>Shares outstanding at end of the period</b>	191,331,053	188,187,159

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

# Copper Mountain Mining Corporation

## Condensed Consolidated Interim Statements of Cash Flows

For the Three Months Ended March 31,

(Unaudited in thousands of Canadian dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Net (loss) income for the period	(43,458)	17,826
Adjustments for:		
Depreciation	6,132	6,339
Unrealized foreign exchange loss (gain)	19,724	(3,682)
Unrealized loss (gain) on interest rate swap	942	394
Deferred income and resource tax (recovery) expense	(5,598)	3,490
Finance expense	3,299	3,799
Share based compensation	628	661
	(18,331)	28,827
Net changes in non-cash working capital items (note 15)	34,671	(5,138)
<b>Net cash provided by operating activities</b>	<b>16,340</b>	<b>23,689</b>
<b>Cash flows from investing activities</b>		
Deferred stripping activities	(7,437)	(13,600)
Development of property, plant and equipment	(6,135)	(2,335)
Refund of exploration bond	-	75
<b>Net cash used in investing activities</b>	<b>(13,572)</b>	<b>(15,860)</b>
<b>Cash flows from financing activities</b>		
Common shares issued on exercise of options	-	7
Contributions from non-controlling interest	24,223	15,035
Payments to non-controlling interest	-	(329)
Loan principal repaid	(22,699)	(12,828)
Interest paid	(1,732)	(2,496)
Finance lease payments	(865)	(563)
<b>Net cash used in financing activities</b>	<b>(1,073)</b>	<b>(1,174)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>2,402</b>	<b>(831)</b>
<b>Increase in cash and cash equivalents</b>	<b>4,097</b>	<b>5,824</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>32,126</b>	<b>46,123</b>
<b>Cash and cash equivalents - End of period</b>	<b>36,223</b>	<b>51,947</b>

### 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 Shares	Amount \$	Contributed surplus \$	Accumulated other comprehensive loss	Deficit \$	Total \$	Non- controlling interest \$	Total equity \$
Balance January 1, 2019	188,170,359	263,822	17,378	(1,655)	(48,030)	231,515	71,741	303,256
Shares issued on exercise of options	16,800	7	-	-	-	7	-	7
Fair value of options exercised	-	3	(3)	-	-	-	-	-
Share based compensation	-	-	666	-	-	666	-	666
Payments to non-controlling interests	-	-	-	-	-	-	(329)	(329)
Income for the period	-	-	-	-	12,500	12,500	5,326	17,826
Foreign currency translation	-	-	-	(803)	-	(803)	-	(803)
<b>Balance March 31, 2019</b>	<b>188,187,159</b>	<b>263,832</b>	<b>18,041</b>	<b>(2,458)</b>	<b>(35,530)</b>	<b>243,885</b>	<b>76,738</b>	<b>320,623</b>
Balance January 1, 2020	191,331,053	266,663	18,623	(4,158)	(70,516)	210,612	67,289	277,901
Share based compensation	-	-	617	-	-	617	-	617
Loss for the period	-	-	-	-	(32,334)	(32,334)	(11,124)	(43,458)
Foreign currency translation	-	-	-	(3,106)	-	(3,106)	-	(3,106)
<b>Balance March 31, 2020</b>	<b>191,331,053</b>	<b>266,663</b>	<b>19,240</b>	<b>(7,264)</b>	<b>(102,850)</b>	<b>175,789</b>	<b>56,165</b>	<b>231,954</b>

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

# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

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## 1 General Information and liquidity risk

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, 2020, the Company had negative working capital of \$41.1 million compared to negative working capital of \$7.4 million (exclusive of \$104.7 million of related party debt due to MMC which was classified as a current liability in 2019) at December 31, 2019.

The Company has budgeted \$6.4 million in sustaining capital expenditures and \$12.7 million in development expenditures at the Copper Mountain Mine for the 2020 year, all of which is expected to be funded from cash on hand and cash flow generated during the year. As at March 31, 2020, the Company has no future material commitments for capital expenditures at the Copper Mountain Mine other than noted above.

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\$41.3 million, which the Company expects to be able to fund through cash on hand, cash flows from operations, or advances from MMC. However, the current commodity price and exchange rate environment can be volatile and accordingly could have an impact on the Company’s cash flows. 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 or increasing copper output levels. The Company remains vigilant for ongoing opportunities to reduce costs and improve net cash generation.

Management is required to exercise judgment in order to ensure that disclosures relating to liquidity and the Company’s ability to continue as a going concern are appropriate. To this end, the Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis. Changes in production levels, copper and gold prices, foreign exchange rates and other factors all impact the Company’s liquidity position.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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### 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, except as explained in Note 3, 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 on April 23, 2020 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.

### 3 Significant Accounting Policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2019.

#### COVID-19 Estimation Uncertainty

In preparing our condensed consolidated interim financial statements, we make judgments in applying our accounting policies. The areas of policy judgement are consistent with those reported in our 2019 annual consolidated financial statements. In addition, we make assumptions about the future in deriving estimates used in preparing our condensed consolidated interim financial statements. As disclosed in our 2019 annual consolidated financial statements, sources of estimation uncertainty include estimates used to determine the recoverable amounts of long-lived assets, recoverable reserves and resources, the provision for income taxes and the related deferred tax assets and liabilities and the valuation of other assets and liabilities including inventory and decommissioning and restoration provisions.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there have been significant stock market declines, significant volatility in commodity and foreign exchange markets and the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities we produce and on global financial markets.

During the quarter ended March 31, 2020, as a result of the lower copper prices, we have taken certain measures to reduce operating expenditures and activity levels at the Copper Mountain mine including the deferral of certain capital expenditures. These measures, combined with commodity market fluctuations



# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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resulting from COVID-19, have impacted our financial results and may continue to have an impact on our results and liquidity for some time.

### 4 Accounts receivable and prepaid expenses

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Amounts due from concentrate sales *	-	16,504
Pricing adjustments *	-	6,221
GST and other receivables	3,477	2,103
Prepaid expenses	2,343	3,119
	<b>5,820</b>	<b>27,947</b>

\* During the quarter ended March 31, 2020, the mark-to-market adjustment to the concentrates sales resulted in a net amount payable. Refer to note 7.

### 5 Inventory

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Supplies	15,667	14,902
Ore stockpile	9,928	10,209
Crushed ore stockpile	2,024	3,137
Copper Concentrate	5,888	7,051
	<b>33,507</b>	<b>35,299</b>
Low grade stockpile <sup>1</sup>	<b>65,521</b>	<b>64,978</b>

Inventory expensed during the three months ended March 31, 2020 totaled \$61,197 (2019 – \$60,102).

During the quarter ended March 31, 2020, the Company recorded a write-down of \$Nil (2019 – \$Nil) to the low grade stockpile. The low grade stockpile is recorded at net realizable value and is calculated from the cash flows associated with the processing of the low grade stockpile were based on a long term copper price of US\$3.08 per lb and a \$US/\$Cdn exchange rate of 1.30, and were discounted using a pre-tax discount rate of 7.0%. Other assumptions included the grade of the stockpiled ore, processing costs and estimated recoveries.

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<sup>1</sup> Stockpile of inventory that is not expected to be processed until towards the end of the mine life

# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

## 6 Property, plant and equipment

Cost	Plant and equipment \$	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2019	553,662	54,963	186,832	795,457
Additions	35,299	4,349	43,942	83,590
Restoration provision	-	-	11,198	11,198
Disposals	(4,594)	-	-	(4,594)
Currency translation adjustment	313	(2,666)	-	(2,353)
<b>As at December 31, 2019</b>	<b>584,680</b>	<b>56,646</b>	<b>241,972</b>	<b>883,298</b>
Additions	13,564	1,246	9,852	24,662
Restoration provision	-	-	1,353	1,353
Currency translation adjustment	(523)	(2,142)	-	(2,665)
<b>As at March 31, 2020</b>	<b>597,721</b>	<b>55,750</b>	<b>253,177</b>	<b>906,648</b>

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2019	(247,786)	-	(99,434)	(347,220)
Disposals	1,827	-	-	1,827
Depreciation charge	(27,200)	-	(9,042)	(36,242)
<b>As at December 31, 2019</b>	<b>(273,159)</b>	<b>-</b>	<b>(108,476)</b>	<b>(381,635)</b>
Depreciation charge	(5,474)	-	(1,060)	(6,534)
<b>As at March 31, 2020</b>	<b>(278,633)</b>	<b>-</b>	<b>(109,536)</b>	<b>(388,169)</b>

### Net book value

As at December 31, 2019	311,521	56,646	133,496	501,663
<b>As at March 31, 2020</b>	<b>319,088</b>	<b>55,750</b>	<b>143,641</b>	<b>518,479</b>

Property, plant and equipment includes right of use assets of \$39,157 with a net book value of \$37,042 at March 31, 2020.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 7 Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
	\$	\$
Trade accounts payable	23,478	24,575
Accrued liabilities	17,242	15,476
Concentrate sales and pricing adjustments	2,655	-
Current portion of interest rate swap liability (note 8(b))	1,765	1,214
Deferred Share Units liability	11	60
Restricted Share Units liability	44	41
	<b>45,195</b>	<b>41,366</b>

### 8 Long-term debt

	March 31, 2020	December 31, 2019
	\$	\$
Senior credit facility (b) in US\$	77,446	77,318
Term loan (c) in US\$	62,476	78,359
Total US\$ long term debt in US\$	139,922	155,677
Total US\$ long term debt in CA\$	198,507	202,193
Subordinated loan (a)	14,252	14,127
Leases (d)	44,672	32,063
Total	257,431	248,383
Less: current portion	(66,526)	(60,260)
	<b>190,905</b>	<b>188,123</b>

#### 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, 2020 the Company has repaid a total of US\$83.0 million in principal and paid US\$31.1 million in interest on the SCF.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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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, 2020 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, 2020 the SCF has a principal amount outstanding of \$112,042 (US\$79.0 million). The outstanding amount of \$109,872 is net of issue costs of \$2,170.

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:

<b>Minimum annual payments from March 31</b>	<b>US\$ '000</b>
2020	9,315
2021	21,060
2022	32,400
2023	16,200
	<b><u>78,975</u></b>

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\$55 million of the principal. The interest rate swaps mature on December 15, 2020.

As at March 31, 2020 the swap had an unrealized fair value of \$1,765 (2019 - \$1,570). This is included in accounts payable and accrued liabilities.

The Company is subject to certain debt covenants on the senior credit facility. As at March 31, 2020 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 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, 2020 the Term Loan has a principal amount outstanding of \$90,797 (US\$64 million). The outstanding amount of \$88,635 is net of issue costs of \$2,162. 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, 2020 the Company has repaid a total of US\$96 million in principal and US\$18.0 million in interest on the Term Loan.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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

<b>Minimum annual payments from March 31</b>	<b>US\$</b>
2020	32,000
2021	32,000
	<b>64,000</b>

The Company is subject to certain debt covenants on the term loan. As at March 31, 2020 the Company is in compliance with all covenants.

d) Leases

<b>Gross finance lease liability and minimum lease payments</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Within one year	9,796	7,589
Between two and four years	42,434	28,984
	52,230	36,573
Future interest	(7,558)	(4,510)
Finance lease liability	<b>44,672</b>	<b>32,063</b>

- e) Foreign exchange gains or losses is primarily related to the Company's project debt which is denominated in US dollars. The variance in foreign exchange for the period is related directly to the non-cash foreign exchange adjustment of the Company's US dollar debt to a US dollar Canadian dollar exchange rate of \$1.42 for Q1 2020 as compared to 1.30 at the end of Q4 2019.

## 9 Provisions

	<b>Decommissioning and restoration provision</b>	<b>Share-based payment obligations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, January 1, 2020	17,708	497	18,205
Share-based payment recovery	-	13	13
Changes in estimate costs and timing	1,343	-	1,343
Unwinding of discount on restoration provision	(6)	-	(6)
Balance, March 31, 2020	<b>19,045</b>	<b>510</b>	<b>19,555</b>
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 7)</i>	-	(55)	(55)
Total provision – Non-current	<b>19,045</b>	<b>455</b>	<b>19,500</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

Balance, January 1, 2019	6,546	421	6,967
Share-based payment expense	-	317	317
Changes in estimate costs and timing	11,198	-	11,198
Unwinding of discount on restoration provision	(36)	-	(36)
Payments during the period	-	(241)	(241)
<b>Balance, December 31, 2019</b>	<b>17,708</b>	<b>497</b>	<b>18,205</b>
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 8)</i>	-	(101)	(101)
<b>Total provision – Non-current</b>	<b>17,708</b>	<b>396</b>	<b>18,104</b>

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. At March 31, 2020 the Company used an inflation rate of 1.80% (2019 – 1.50%) and a discount rate of 1.32% (2019 – 1.90%) in calculating the estimated obligation. The decommissioning obligations will be accreted as a finance expense over the life of the mine. The liability for retirement and remediation on an undiscounted basis is \$17,486 (2019 - \$7,040). The expected timing of payment of the cash flows will occur in various stages to 2040.

The Company has on deposit \$3,516 (2019- \$3,516) with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain mine site. The Company receives interest on these bonds. The Company has also issued a surety bond of \$17,467 (2019 - \$7,040) for total reclamation security of \$20,983.

## 10 Share based compensation

### a. Stock options

The Company has a stock option plan whereby it can grant up to 17.9 million stock options exercisable for a period of up to ten years from the grant date. As at March 31, 2020, the Company had 13,911,579 options outstanding as follows:

	Number of shares	Weighted average exercise price \$
Outstanding, December 31, 2018	11,308,469	1.21
Granted	2,263,185	1.02
Exercised	(166,802)	0.39
Expired	(2,850,000)	1.92
Forfeited	(263,789)	1.18
Outstanding, December 31, 2019	10,291,063	0.98
Granted	3,620,516	0.58
Outstanding, March 31, 2020	<b>13,911,579</b>	<b>0.88</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

<b>Date of stock option grant</b>	<b>Number of options</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
Sep. 18, 2015	520,000	0.59	Sep. 18, 2020
Jan. 26, 2016	1,660,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 13, 2017	1,490,000	1.18	Jan. 13, 2021
Apr. 24, 2017	35,000	0.93	Apr. 24, 2022
February 22, 2018	1,835,000	1.28	Feb. 22, 2023
April 26, 2018	100,000	1.37	Apr. 26, 2023
June 1, 2018	1,000,000	1.07	June 1, 2023
June 7, 2018	100,000	1.26	June 7, 2023
June 20, 2018	100,000	1.26	June 20, 2023
July 5, 2018	80,000	1.16	July 5, 2023
August 13, 2018	750,000	1.14	Aug 13, 2023
November 2, 2018	355,000	1.00	Nov. 2, 2023
March 22, 2019	2,149,396	1.02	Mar. 22, 2024
August 2, 2019	50,000	0.76	August 2, 2024
February 25, 2020	3,620,516	0.58	Feb. 25, 2025
	<b>13,911,579</b>		

As at March 31, 2020 the following options were both outstanding and exercisable:

<b>Date of stock option grant</b>	<b>Number of options</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
Sep. 18, 2015	520,000	0.59	Sep. 18, 2020
Jan. 26, 2016	1,660,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 13, 2017	1,490,000	1.18	Jan. 13, 2021
Apr. 24, 2017	26,250	0.93	Apr. 24, 2022
Feb. 22, 2018	1,376,250	1.28	Feb. 22, 2023
April 26, 2018	50,000	1.37	Apr. 26, 2023
June 1, 2018	333,333	1.07	June 1, 2023
June 7, 2018	50,000	1.26	June 7, 2023
June 20, 2018	50,000	1.26	June 20, 2023
July 5, 2018	26,667	1.16	July 5, 2023
Aug. 13, 2018	350,000	1.14	Aug. 13, 2023
Nov. 2, 2018	118,333	1.00	Nov. 2, 2023
Mar. 22, 2019	1,074,698	1.02	Mar. 22, 2024
Aug. 2, 2019	12,500	0.76	Aug. 2, 2024
Feb. 25, 2020	905,129	0.58	Feb. 25, 2020
	<b>8,109,827</b>		

During the period ended March 31, 2020, the total fair value of stock options vesting was \$560 (2019 - \$1,706) with a weighted average grant-date fair value of \$0.46 (2019 - \$0.52) 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.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

(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:

	<b>March 31, 2019</b>	<b>March 31, 2020</b>
Risk free interest rate	1.48%	1.19%
Expected dividend yield	Nil	Nil
Expected share price volatility	65.3%	63.59
Expected forfeiture rate	3.3%	3.3%
Expected life	5.0 years	5.0 years

### b. Deferred Share Unit and Restricted Share Unit Plans

The Company has other share-based compensation plans in the form of Deferred Share Units (“DSU”), Restricted Share Units (“RSU”) and Performance Share Units (“PSU”). Units granted under these share-based compensation plans are recorded at fair value on the grant date and are adjusted for changes in fair value each reporting period and until settled. The expense, and any changes which arise from fluctuations in the fair value of the grants, is recognized in share-based compensation in the statement of earnings with the corresponding liability recorded on the balance sheet in provisions (Note 9).

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

	<b>DSUs</b>	<b>RSUs</b>	<b>PSUs</b>
Outstanding, January 1, 2019	3,374,166	247,500	-
Granted	282,352	937,021	937,021
Forfeited	(247,683)	-	-
Expired	(2,800,000)	-	-
Settled	(62,819)	(207,500)	-
Outstanding, December 31, 2019	<b>546,016</b>	<b>977,021</b>	937,021
Granted	372,414	1,612,753	1,612,753
Outstanding, March 31, 2020	<b>918,430</b>	<b>2,589,774</b>	<b>2,549,774</b>

During the period ended March 31, 2020, the Company recorded share-based compensation of \$40 (2019 - recovery of \$7) related to DSUs, RSUs and PSUs.

During the period ended March 31, 2020, the total fair value of DSUs, RSUs and PSUs granted was \$2,087 (2019 - \$Nil) and had a weighted average grant date fair value of \$0.58 (2019 - \$Nil) per unit.



# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

## 11 Revenue

	Three months ended March 31,	
	2020	2019
	\$	\$
Copper in concentrate	39,921	80,141
Gold in concentrate	13,509	11,861
Silver in concentrate	1,469	1,004
Treatment and refining charges	(5,335)	(6,136)
	<b>49,564</b>	<b>86,870</b>

Revenue for the three months ended March 31, 2020 included a negative mark-to-market and final adjustments from provisional pricing on concentrate sales of \$19,117 (2019 – increase of \$9,965). Revenue for the period was further affected by an 8% decrease in copper sales of 17.9 million pounds for Q1 2020 as compared to 19.3 million pounds in Q1 2019 and a 9% decrease in gold sales of 6,364 ounces for Q1 2020 as compared to 7,026 ounces in Q1 2019

Revenues recognized in the reporting period include the following mark-to-market provisional pricing changes on concentrate sales not yet finalized at the period end.

	Three months ended March 31,	
	2020	2019
	\$	\$
Copper in concentrate	(17,404)	6,285
Gold in concentrate	493	(133)
Silver in concentrate	(194)	(33)
	<b>(17,105)</b>	<b>6,119</b>

## 12 Expenses by nature

	Three months ended March 31,	
	2020	2019
	\$	\$
Direct mining and milling costs	42,150	41,752
Employee compensation and benefits	12,939	12,011
Depreciation	6,108	6,339
Transportation costs	3,316	3,492
<b>Cost of sales</b>	<b>64,513</b>	<b>63,594</b>
Corporate employee compensation and benefits	778	1,276
Corporate and mine site administrative expenses	1,668	1,485
<b>General and administration</b>	<b>2,446</b>	<b>2,761</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 13 Finance expense

	Three months ended March 31,	
	2020	2019
	\$	\$
Interest on loans	2,914	3,391
Amortization of financing fees	339	349
Loan guarantee fee	52	67
Unwinding of discount on restoration provision	(6)	(8)
	<b>3,299</b>	<b>3,799</b>

### 14 Related party transactions

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

- During the three months ended March 31, 2020 the Company sold copper concentrates to MMC with revenues totalling \$49,564 (2019 – \$86,870) including pricing adjustments.
- During the three months ended March 31, 2020 the Company accrued interest on the subordinated loan with MMC totalling \$119 (2019 - \$119).
- As at March 31, 2020 the Company accrued to MMC a guarantee fee related to the Term Loan of \$52 (2019 - \$67). The cumulative guarantee fee accrued at March 31, 2019 is \$3,939 (December 31, 2019 - \$3,887).
- The Company received aggregate funding advances from MMC totalling \$129,977 (as at December 31, 2019 - \$96,817). These advances bear interest at rates of 2.88% to 4.80% with total interest during the three months ended March 31, 2020 of \$871 (2019 - \$444). The cumulative funding advances and interest as at March 31, 2020 totalled \$135,701 (December 31, 2019 - \$100,811). In February 2020, the Company signed an agreement with MMC to extend the maturity of the advances and interest which were recorded as a current liability as at December 31, 2019 to June 30, 2023.
- Compensation of key management:

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

	Three months ended March 31,	
	2020	2019
	\$	\$
Salaries and short-term employee benefits	633	769
Share based compensation	564	563
	<b>1,197</b>	<b>1,332</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 15 Supplementary cash flow disclosures

- a. As at March 31, 2020, cash and cash equivalents consists of guaranteed investment certificates of \$81 (2019 – \$81) and \$36,142 in cash (2019 - \$51,866) held in bank accounts.
- b. A reconciliation of net changes in working capital items is as follows:

	Three months ended March 31,	
	2020	2019
	\$	\$
Change in accounts receivable and prepaid expenses	23,479	(6,341)
Change in inventory	1,536	5,894
Change in tax liability	(133)	513
Change in accounts payable and accrued liabilities	9,789	(5,204)
	<b>34,671</b>	<b>(5,138)</b>

### 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, 2020:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
<b>Financial liabilities</b>				
Pricing adjustments (note 7 and 11)		15,055		15,055
Interest rate swap liability (note 8b)	-	1,765	-	1,765

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 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.

### Liquidity risk

	2020	2019
	\$	\$
Cash and cash equivalents	36,223	32,126
Working capital deficit	(41,163)	(112,100)

The primary reason for the decrease in the working capital deficiency relates to the extension of the maturity date of the advances and interest due to MMC to June 30, 2023. The amounts owed to MMC were recorded in current liabilities as at December 31, 2019.

Maturity analysis of financial liabilities as at March 31, 2020 is as follows:

	Total	< 1 year	2-3 years	4-5 years	Thereafter
	\$	\$	\$	\$	\$
Long-term debt	212,759	57,225	118,299	37,234	-
Due to MMC	139,640	3,939	135,701	-	-
Capital lease	44,672	7,913	17,746	8,093	10,920
Decommissioning & restoration provision	19,045	-	-	-	19,045
Trade accounts payable	23,748	23,748	-	-	-
	439,863	92,825	271,746	45,327	29,965



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF COPPER MOUNTAIN MINING CORPORATION FOR THE QUARTER ENDED MARCH 31, 2020

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Copper Mountain Mining Corporation and its subsidiaries ("Copper Mountain" or the "Company"). This MD&A should be read in conjunction with Copper Mountain's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to interim financial reporting. This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed in the cautionary note contained in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. All figures in this MD&A are expressed in thousands of **Canadian dollars** except for share, per share, per pound and per ounce amounts, unless otherwise specified. References to "US\$" are to United States dollars. This MD&A has been prepared as at April 23, 2020.

### About Copper Mountain

Copper Mountain is a Canadian mining company focused on the development and production of base and precious metals assets. The Company, through its subsidiaries, owns 75% of the Copper Mountain Mine located in southern BC. The Copper Mountain Mine produces about 100 million pounds of copper equivalent per year with a large resource that remains open laterally and at depth. Copper Mountain also has the permitted, development-stage Eva Copper Project in Queensland, Australia and an extensive 397,000 hectare highly prospective land package, also in the Mount Isa area of Queensland, Australia. Copper Mountain trades on the Toronto Stock Exchange under the symbol "CMMC" and Australian Stock Exchange under the symbol "C6C". For further information on Copper Mountain, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.cumtn.com](http://www.cumtn.com).

### Cautionary Statement on Forward-Looking Information

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. Future estimates regarding production, capital and operating costs are based on NI 43-101 Technical Reports and 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; fluctuations in the value of the Australian 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](http://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 US 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."

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## 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%.

The Copper Mountain Mine is situated 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. Production of copper concentrate from the Copper Mountain Mine commenced during the third quarter of 2011. The property consists of 138 Crown granted mineral claims, 145 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702 hectares or 67 square kilometres.

The mine is a conventional open pit, truck and shovel operation. The mill consists of one SAG mill, two ball mills, a rougher flotation circuit, regrind mill, a cleaner flotation circuit, a concentrate thickener, and a pressure filter. The mill throughput is approximately 14.6 million tonnes per year. Copper concentrate from the mine is trucked to the port of Vancouver where it is placed in a storage shed for loading onto ocean going vessels for transportation to Japan.

The Company also owns the Eva Copper Project, a permitted, development-ready copper-gold project in Queensland, Australia and an extensive 397,000 hectare highly prospective land package within the Mount Isa area.

## HIGHLIGHTS

- As a result of the global impact of the COVID-19 virus and the associated lower copper price environment, implemented revised mine plan with the objective of maintaining positive margins and cash flow.
- During the quarter the Company and Mitsubishi Materials Corporation reached an agreement to extend the maturity of the funding advances received to date and shown as a related party current liability totalling \$135.7 million to a longer-term related party debt due June 30, 2023. This has the effect of improving the Company’s working capital by the same \$135.7 million.
- Cash and cash equivalents at the end of the first quarter was \$36.2 million.
- Cash flow from operations for the first quarter of 2020 was \$16.3 million.
- Loss per share of \$0.17 for the first quarter of 2020 was primarily due to the inclusion of a non-cash unrealized foreign exchange loss equating to \$0.14 on a per share basis related to the Company’s debt that is denominated in US dollars. On an adjusted basis, earnings per share for Q1 2020 was \$0.01.
- Revenue for the first quarter of 2020 was \$49.6 million, from the sale of 17.9 million pounds of copper, 6,364 ounces of gold and 78,572 ounces of silver, net of pricing adjustments.
- Production for the first quarter of 2020 was 21.8 million pounds of copper equivalent (comprising of 17.5 million pounds of copper, 6,139 ounces of gold and 80,016 ounces of silver).
- For the first quarter of 2020 C1 cash costs per pound of copper produced was US\$2.01 and all in sustaining cost (AISC) per pound of copper was US\$2.14.



<b>Results and Highlights (100%)</b>	<b>Three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
(In thousands of CDN\$, except for per share amounts)	\$	\$
<b>Financial</b>		
Revenue	49,564	86,870
Gross (loss) profit	(14,949)	23,276
Gross (loss) profit before depreciation <sup>(1)</sup>	(8,841)	29,615
Net (loss) income	(43,458)	17,826
(Loss) income per share – basic	(0.17)	0.07
Adjusted earnings <sup>(1)</sup>	1,447	6,036
Adjusted earnings per share – basic	0.01	0.03
EBITDA <sup>(1)</sup>	(39,715)	31,864
Adjusted EBITDA	5,190	20,074
Cash flow from operations	16,340	23,689
Cash and cash equivalents – end of period	36,223	51,947
<b>Production</b>		
Copper (000s lb)	17,472	18,610
Gold (oz)	6,139	7,127
Silver (oz)	80,016	62,280
<b>Unit costs and prices</b>		
C1 cash cost per pound of copper (US\$/lb produced (net)) <sup>(1)</sup>	2.01	1.77
AISC per pound of copper produced (US\$) <sup>(1)</sup>	2.14	1.87
AIC per pound of copper produced (US\$) <sup>(1)</sup>	2.47	2.44
Average realized copper price (US\$/lb)	2.58	2.85

<sup>(1)</sup> Non-GAAP performance measure. See Page 17 of this MD&A for details.

## OPERATIONS REVIEW

### Mine Production Information

Copper Mountain Mine (100% Basis)	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2019 Annual	2018 Annual	2017 Annual
<b>Mine</b>								
Total tonnes mined (000s)	14,919	14,571	13,965	16,139	17,454	62,129	74,337	72,597
Ore tonnes mined (000s)	3,678	3,914	2,761	3,007	2,814	12,496	20,567	26,204
Waste tonnes (000s)	11,241	10,657	11,204	13,132	14,640	49,633	53,770	46,393
Stripping ratio	3.06	2.72	4.06	4.37	5.20	3.97	2.61	1.77
<b>Mill</b>								
Tonnes milled (000s)	3,538	3,733	3,596	3,764	3,550	14,643	14,535	14,086
Feed Grade (Cu%)	0.30	0.31	0.26	0.28	0.29	0.29	0.31	0.32
Recovery (%)	75.3	73.0	78.2	78.2	81.6	77.8	79.8	77.2
Operating time (%)	92.3	93.1	91.9	95.0	92.9	93.2	92.6	90.3
Tonnes milled (TPD)	38,879	40,576	39,087	41,363	39,444	40,118	39,822	38,592
<b>Production</b>								
Copper (000s lb)	17,472	18,588	16,302	18,450	18,610	71,950	78,847	75,791
Gold (oz)	6,139	6,200	6,498	6,922	7,127	26,747	28,250	23,633
Silver (oz)	80,016	86,623	57,225	65,707	62,280	271,835	273,913	277,094
<b>Sales</b>								
Copper (000s lb)	17,862	17,598	17,021	17,931	19,348	71,898	79,195	75,791
Gold (oz)	6,364	6,008	6,400	7,044	7,026	26,478	26,799	23,633
Silver (oz)	78,572	76,847	57,426	55,276	64,992	254,541	284,086	277,094
C1 cash cost per pound of copper produced (US\$) <sup>(1)</sup>	2.01	2.06	2.12	1.74	1.77	1.92	1.77	1.84
AISC per pound of copper produced (US\$) <sup>(1)</sup>	2.14	2.27	2.28	1.85	1.87	2.06	1.94	1.99
AIC per pound of copper produced (US\$) <sup>(1)</sup>	2.47	2.31	2.67	2.35	2.44	2.44	2.33	2.26

<sup>(1)</sup> Non-GAAP performance measure. See Page 17 of this MD&A for details.

### Operation Results – First Quarter 2020

#### Production

As announced on March 10, 2020, the Company implemented a revised mine plan in reaction to the global COVID-19 pandemic and the resulting lower copper price environment. The focus of the revised mine plan is to maintain positive margins and cash flow, which resulted in the deferral of capital related to the installation of Ball Mill #3, resequencing short term production to lower cost mining phases in order to reduce operating costs, and rescheduling the higher grade ore in pit #3 scheduled for mining in 2020 to 2021 in order to better match higher metal prices in the future. Of note, the revised mine plan and the associated cost benefits started to come into effect in March.

In Q1 2020, the Copper Mountain Mine produced 17.5 million pounds of copper, 6,139 ounces of gold, and 80,016 ounces of silver compared to 18.6 million pounds of copper, 7,127 ounces of gold, and 62,280 ounces of silver in Q1 2019. Production was lower in Q1 2020 as compared Q1 2019 as a result of processing a greater percentage of ore during the 2020 quarter from ore domain areas that are made up of finer grained ore that results in lower recovery. Copper recovery was 75.3% in Q1 2020 as compared to 81.6% in Q1 2019. The Company will continue to mine in this finer grained ore domain area through Q2 2020, following which recovery is expected to improve for the remainder of the year. The mine processed a total of 3.5 million tonnes of ore at an average feed grade of 0.30% Cu. Copper grades for Q1 2020 were 2% higher than Q1 2019 with grade improvements

expected to improve in the second half of 2020. Mill availability averaged 92.3% for Q1 2020 as compared to 92.9% in Q1 2019.

## Costs

C1 cash cost per pound of copper produced for Q1 2020 was US\$2.01, as compared to US \$1.77 in Q1 2019. The increase in cost per pound in Q1 2020 was primarily the result decreased production in Q1 2020 as compared to Q1 2019 and as a result of Q1 2019 deferring \$13.6 million in mining costs that were capitalized as they were associated with stripping, as compared to \$7.4 million being deferred in Q1 2020.

All-in sustaining costs per pound of copper produced (AISC) for Q1 2020 was US\$2.14 and higher than Q1 2019 of US\$1.87. This is primarily as a result of producing fewer pounds of copper in Q1 2020, and marginally higher sustaining capital, lease and applicable administration expenditures in Q1 2020 than incurred in Q1 2019.

Total all-in costs per pound of copper produced (AIC), net of credits, for Q1 2020 was US\$2.47 as compared to US\$2.44 for Q1 2019. Adding together sustaining capital, lease and applicable administration expenditures, deferred stripping and low-grade stockpile mining costs the total all-in costs for Q1 2020 was \$58.1 million as compared to \$60.5 million in Q1 2019 and the slight decrease over the prior comparable period is a result of a higher gold price which produced \$2 million in more precious metal credits during Q1 2020 as compared to Q1 2019. The consistency in all-in costs over the past quarters demonstrates the consistency of the operation at the Copper Mountain Mine quarter-after-quarter, with cost variances on a unit of copper basis primarily impacted by copper grade and recovery fluctuations. Subsequent to the implementation of the revised mine plan in March and as cost reduction initiatives continue to come into effect, the Company expects to see all-in costs to decrease throughout the year.

## OUTLOOK

Copper production in 2020 is expected to be between 70 to 75 million pounds of copper based on the Company's revised plan for 2020 in response to the COVID-19 pandemic. Copper production is expected to be more heavily weighted to the second half of the year, as a result of higher grades and as the Company begins to mine coarser grained ore areas that have higher recovery associated with them. The Company remains on track to achieve the March 10<sup>th</sup> guidance announced despite the impact of the global COVID-19 pandemic. The Company is focused on cost reduction in the current commodity price environment to protect its margins and affirms that all-in costs are expected to be between US\$2.20 to US\$2.35 per pound as per the March 10<sup>th</sup> guidance announcement.

## PROJECT DEVELOPMENT UPDATE

### Copper Mountain Mine, Canada

In Q1 2020, the Company continued with the first stage of the expansion which includes the installation of Direct Flotation Reactors (DFRs). The installation of the DFRs will increase the efficiency and the capacity of the current cleaner circuit, which is expected to increase copper concentrate grade from about 25% to 28%, resulting in lower concentrate transportation, smelting and refining costs. Civil, structural, mechanical and piping engineering has been completed. The DFR feed system splitter box with structural steel support has been installed and construction of the remaining components of the project are progressing on schedule and as planned. The DFR project is a low capital, high return project that is scheduled to be completed in early Q3 2020.

With the developments of COVID-19 in Q1 2020, and the resultant drop in the copper price, the Company deferred all major capital spend and therefore halted work on the second stage of the Ball Mill expansion plans of the existing Copper Mountain Mine in order to preserve cash. The Ball Mill expansion is designed to increase throughput to 45,000 tonnes per day from 40,000 tonnes per day and improve copper recovery as a result of being

able to achieve a finer grind of ore. The expansion project included the installation of a third ball mill that the Company had already purchased. Work has been reduced to completing commitments on the long lead items already ordered at the end of last year, which will allow the project to restart in an efficient manner once copper markets recover.

## EXPLORATION UPDATE

### Canada

The 2020 exploration program for the Copper Mountain mine is focused on extending the Copper Mountain mine Main pit to the West towards New Ingerbelle and expanding the North Deposit.

### Australia

During the quarter, the Company continued with work on updating the Eva Copper 2020 Bankable Feasibility Study which is planned for release shortly. This will include a new mine plan that incorporates the new Blackard deposit as well as flowsheet optimizations, production, and cost improvements.

In response to the COVID-19 pandemic, all exploration field work has been deferred until the situation in Australia becomes more certain. Australian personnel are currently focussing on planning activities.

## FINANCIAL REVIEW

The following quarterly financial information was derived from quarterly financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting. Adjusted net income and adjusted earnings per share are non-GAAP performance measures and do not have standardized meaning prescribed by IFRS. These measures are used internally by management which serves to provide additional information.

Financial Results	Three months ended March 31,	
	2020 \$	2019 \$
<i>(In thousands of CDN\$, except for per share amounts)</i>		
<b>Revenue</b>		
Copper	39,921	80,141
Gold	13,509	11,861
Silver	1,469	1,004
Treatment and refining	(5,335)	(6,136)
	<b>49,564</b>	<b>86,870</b>
<b>Cost of sales</b>		
Direct mining and milling	(42,150)	(41,752)
Employee compensation	(12,939)	(12,011)
Depreciation	(6,108)	(6,339)
Transportation	(3,316)	(3,492)
	<b>(14,949)</b>	<b>23,276</b>
<b>Gross (loss) profit</b>		
General and administration	(2,446)	(2,761)
Share based compensation	(628)	(661)
	<b>(18,023)</b>	<b>19,854</b>
<b>Operating (loss) income</b>		
Other income	74	103
Finance expense	(3,299)	(3,799)
Unrealized gain (loss) on interest rate swap	(942)	(394)
Foreign exchange gain (loss)	(26,858)	6,065
	<b>(49,048)</b>	<b>21,829</b>
<b>(Loss) income before tax</b>		
Current tax expense	(8)	(513)
Deferred tax recovery (expense)	5,598	(3,490)
	<b>(43,458)</b>	<b>17,826</b>
<b>Net (loss) income</b>		
<b>Adjustments</b>		
Pricing adjustments on concentrate sales	17,105	(6,119)
Unrealized loss on interest rate swap	942	394
Foreign exchange loss (gain)	26,858	(6,065)
	<b>1,447</b>	<b>6,036</b>
<b>Adjusted net income<sup>(1)</sup></b>		
	<b>(0.17)</b>	<b>0.07</b>
<b>(Loss) income per share</b>		
	<b>0.01</b>	<b>0.03</b>
<b>Adjusted earnings per share<sup>(1)</sup></b>		

<sup>(1)</sup> Non-GAAP performance measure. See Page 17 of this MD&A for details.

The revenue and profit of the Company depend on the prices of the commodities that the Company sells as well as the fluctuation of operating expenses incurred in the production of copper concentrates. Commodity prices are influenced globally by macro-economic conditions. The copper, gold, and silver that is produced by the Company is sold at prevailing market prices and as such, the prices for these products can fluctuate significantly and, in this case, have a material effect on the financial results of the Company.

Gross profit of the Company is made up of revenue less operating expenses including depreciation and amortization. Income and expenses that are not a part of the production of copper concentrate are presented after gross profit. Cost of sales includes all of the expenses required to produce copper concentrate such as labour, energy, operating supplies, marketing and distribution costs incurred on the transportation of copper concentrate to market. Due to the location of the Company's operation, the Company is highly dependent on third parties for the provision of trucking, port and other distribution services. Contractual disputes, demurrage charges, and port capacity issues, availability of vessels, weather problems and other factors can have a material effect on the Company's ability to transport materials.

Copper Mountain's costs are dictated mainly by production volumes, the costs for labour, operating supplies, as well as by strip ratios, haul distances, ore grades, distribution costs, foreign exchange rates, and costs related to non-routine maintenance projects. Production volumes mainly affect variable operating and distribution costs.

## Financial Results – First Quarter 2020

### Summary

The mine shipped and sold 17.9 million pounds of copper, 6,364 ounces of gold, and 78,572 ounces of silver during Q1 2020; compared to 19.3 million pounds of copper, 7,026 ounces of gold and 64,992 ounces of silver for Q1 2019. During the quarter the Company recognized revenues of \$49.6 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$2.58 per pound; compared to revenues of \$86.9 million net of pricing adjustments and treatment charges at an average realized copper price of US\$2.85 per pound for Q1 2019. Q1 2020 incurred a gross loss of \$14.9 million as compared to a gross profit of \$23.3 million for Q1 2019.

The Company reported a net loss of \$43.5 million for Q1 2020 as compared to net income of \$17.8 million for Q1 2019. The variance in the net loss for Q1 2020, as compared to the net income for Q1 2020, was a result of several items including:

- Revenue in Q1 2020 included a \$19.1 million negative mark to market and final adjustment from provisional pricing on concentrate sales, as compared to a \$9.9 million positive mark to market and final adjustment for Q1 2019, a differential of approximately \$29 million;
- Revenue in Q1 was further affected by an 8% decrease in copper sales of 17.9 million pounds for Q1 2020 as compared to 19.3 million pounds in Q1 2019 and a 9% decrease in gold sales of 6,364 ounces for Q1 2020 as compared to 7,026 ounces in Q1 2019; and
- The inclusion of a non-cash unrealized foreign exchange loss of \$26.9 million as compared to a non-cash unrealized foreign exchange gain of \$6.1 million in Q1 2019, a differential of approximately \$33.4 million, which was primarily related to the Company's debt that is denominated in US dollars.

### Revenue

In Q1 2020, revenue was \$49.6 million, net of pricing adjustments and treatment charges, compared to \$86.9 million in Q1 2019. Q1 2020 revenue is based on the sale of 17.9 million pounds of copper, 6,364 ounces of gold, and 78,572 ounces of silver and on an average realized copper price of US\$2.58 per pound. This compares to 19.3 million pounds of copper, 7,026 ounces of gold and 64,992 ounces of silver sold in Q1 2019 at an average realized copper price of US\$2.85 per pound. As noted above, the decrease in revenue is primarily a result of the negative mark to market adjustment on concentrate sales of \$17.5 million as compared to a positive mark to market adjustment of \$6.1 million for Q1 2019, a differential of approximately \$23.6 million. This is in addition to the lower realized copper price and copper and gold sales in the period.

The following table reflects the metal prices realized by the Company and the quantities of metal sold during the period:

	Realized Metal Prices Three months ended March 31,		Quantities of Metal Sold Three months ended March 31,	
	2020	2019	2020	2019
Copper <sup>(1)</sup> – 000s lb	\$2.58	\$2.85	17,862	19,348
Gold <sup>(1)</sup> – oz	\$1,586	\$1,298	6,364	7,026
Silver <sup>(1)</sup> – oz	\$16.92	\$15.43	78,572	64,992

<sup>(1)</sup>Metal prices stated as US dollars per ounce for gold and silver and US dollars per pound for copper.

### Cost of Sales

Cost of sales in Q1 2020 was \$64.5 million as compared to \$63.6 million for Q1 2019. Despite a \$4.6 million reduction in site costs, there was a marginal increase year over year, as Q1 2019 cost of sales was net of \$13.6 million of deferred stripping costs, while Q1 2020 cost of sales was net of only \$7.4 million of deferred stripping costs.

### Depreciation and Depletion

Depreciation expensed through cost of sales in Q1 2020 was \$6.1 million as compared to \$6.3 million for Q1 2019.

### General and Administrative

The Company recorded Q1 2020 general and administrative costs of \$2.4 million as compared to \$2.8 million incurred in Q1 2019. The decrease is a result of a greater allocation of technical staff salaries being capitalized to the various ongoing development projects being undertaken by the Company. Administration also decreased as a result of lower travel being incurred in the quarter.

### Finance Expense

The Company recorded Q1 2020 finance expense of \$3.3 million as compared to \$3.8 million incurred in Q1 2019. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The decrease of \$0.5 million is attributable to the decrease in borrowing rates and specifically six-month LIBOR which the Company's long-term variable interest rates loans are based on. The decrease in borrowing rates has also been offset by the impact of a decrease in long-term debt from ongoing debt payments made by the Company during the quarter.

### Foreign Exchange

The Company recorded Q1 2020 foreign exchange loss of \$26.9 million as compared to a \$6.1 million gain in Q1 2019. Foreign exchange is primarily related to the Company's project debt which is denominated in US dollars. The significant variance is related directly to the non-cash foreign exchange adjustment of the Company's US dollar debt to a US dollar Canadian dollar exchange rate of \$1.42 for Q1 2020 as compared to 1.30 at the end of Q4 2019.

## SELECTED QUARTERLY FINANCIAL INFORMATION

The following table contains selected GAAP and non-GAAP financial information derived from the Company's unaudited quarterly consolidated financial statements for each of the eight most recent quarters and should be read in conjunction with the annual consolidated financial statements which are reported under IFRS.

Quarter results (100%) (In thousands of CDN\$, unless otherwise indicated)	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	49,564	73,743	62,703	65,144	86,870	73,149	60,720	84,204
Net income (loss)	(43,458)	(35,702)	(10,595)	2,529	17,826	(18,982)	(5,066)	3,638
Earnings per share – basic	(0.17)	(0.14)	(0.05)	0.01	0.07	(0.09)	(0.02)	0.01
Adjusted net income (loss) <sup>(1)</sup>	1,447	1,317	(5,602)	(917)	6,036	(1,400)	(3,002)	11,095
Adjusted earnings per share – basic	0.01	0.01	(0.03)	(0.00)	0.03	\$(0.01)	\$(0.02)	\$0.06
EBITDA	(39,715)	(35,271)	(3,204)	10,257	31,864	(234)	6,882	22,552
Adjusted EBITDA <sup>(1)</sup>	5,190	1,748	1,789	6,811	20,074	17,348	8,946	30,009
Cash flow from operations	16,340	4,339	368	23,685	23,689	28,777	(19,650)	40,121
Average realized copper price (US\$)	\$2.58	\$2.67	\$2.65	\$2.72	\$2.85	\$2.81	\$2.77	\$3.12
C1 cash cost per pound of copper produced (US\$) <sup>(1)</sup>	\$2.01	\$2.06	\$2.12	\$1.74	\$1.77	\$1.60	\$1.98	\$1.56
Copper sales (000's lbs)	17,862	17,598	17,021	17,931	19,348	19,431	17,612	20,411

<sup>(1)</sup> Non-GAAP performance measure. See Pages 17-19 of this MD&A for details.

Financial results for the last eight quarters include the impact of the variability of copper prices and foreign exchange rates that impact realized sale prices, and variability in the quarterly sales volumes due to timing of shipments which impacts revenue recognition.

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

## LIQUIDITY AND CAPITAL RESOURCES

### Cash

The Company's cash and cash equivalents at March 31, 2020, was \$36.2 million, compared to \$32.1 million at December 31, 2019. During the three months ended March 31, 2020 the Company generated \$16.3 million of positive cash flow from operations at the Copper Mountain mine as compared to \$23.7 million for the three months ended March 31, 2019.

During the three months ended March 31, 2020 the Company used \$13.5 million in investing activities comprised of deferred stripping costs of \$7.4 million, sustaining capital of \$1.4 million, and development expenditures of \$2.2 million mainly consisting of the preliminary preparation work for the Ball mill #3 expansion at the Copper Mountain mine, and \$2.5 million for the repurchase of a royalty interest on the property. The royalty was repurchased for a total of \$5 million, with \$2.5 million being paid in Q1 2020 and the balance being due in Q1 2021.

During the first quarter of 2020 the Company used \$1.1 million in its financing activities (Q1 2019 – \$1.2 million). This is comprised primarily of \$24.4 million in debt principal and interest payments (Q1 2019 – \$15.3 million), and \$0.9 million in lease payments on mining equipment (Q1 2019 – \$0.6 million). The Company also received \$24.2 million from MMC (2019 – \$15.0 million), which was applied towards principal and interest payment on the Term Loan during the quarter, as it has been done in previous years.



## Working Capital

As at March 31, 2020, the Company had working capital (current assets less current liabilities) of \$8.1 million (exclusive of \$3.9 million of related party debt which is not expected to be repaid in the next twelve months and \$45.4 million of Term Debt that is expected to be funded by MMC as it has been done in the past) compared with negative working capital of \$7.4 December 31, 2019 (exclusive of \$104.7 million of related party debt which is not expected to be repaid in the next twelve months).

In Q1 2020, the Company reached an agreement with MMC to extend the maturity of the annual funding advances received to date totalling \$135.7 million, to a consolidated longer-term related party debt due June 30, 2023.

## Debt

The Company holds debt and financial liabilities in both Canadian and United States dollars and is demonstrated in the following table in both currencies. The Company's US debt position is summarized in the following table:

(In thousands of CDN\$, except for ratio amounts and where otherwise noted)	March 31, 2020 \$	December 31, 2019 \$	December 31, 2018 \$
Senior credit facility (US\$)	78,975	78,975	90,720
Term loan (US\$)	64,000	80,000	105,600
Related party loan (US\$)	100,900	74,543	50,598
Subordinated loan (US\$)	10,597	10,881	9,930
Leases (US\$)	33,215	21,072	4,711
<b>Total debt (US\$ in thousands)</b>	<b>287,687</b>	<b>265,471</b>	<b>261,559</b>
Period-end foreign exchange rate (US\$ to CAD\$)	1.4187	1.2988	1.3642
<b>Total debt (CAD\$ in thousands)</b>	<b>408,141</b>	<b>344,794</b>	<b>356,819</b>

## Shareholders' Equity

As of March 31, 2020, the Company had 191,331,053 common shares outstanding and shareholders' equity was \$175.8 million at March 31, 2020, compared to \$210.6 million at December 31, 2019.

## Proposed Transactions

None.

## Commitments and Contractual Obligations

As at March 31, 2020, the Company had the following consolidated contractual obligations:

(In thousands of CDN\$)	Annual Repayments due from March 31,						
	Total \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Over 5 years \$
Senior credit facility	112,042	13,215	29,878	45,966	22,983	-	-
Term loan	90,797	45,398	45,399	-	-	-	-
Due to related party	139,640	3,939	-	-	135,701	-	-
Subordinated loan	14,252	-	-	-	-	-	14,252
Lease obligation	44,672	7,912	13,995	3,753	3,945	4,147	10,920
Mine closure and reclamation	19,045	-	-	-	-	-	19,045
<b>Total contractual obligations</b>	<b>420,448</b>	<b>70,464</b>	<b>89,272</b>	<b>49,719</b>	<b>162,629</b>	<b>4,147</b>	<b>44,217</b>

During the quarter ended March 31, 2020, the Company reached an agreement with MMC to extend the maturity of the funding advances received to date and totalling \$135.7 million from short-term to a longer-term related party debt due June 30, 2023.

### Capital Resources

As at March 31, 2020, the Company had \$36.2 million in cash and cash equivalents on hand. The Company is expected to meet future cash commitment from existing cash on hand and anticipated cash flows generated from the Copper Mountain mine. The Company continues to review its near-term operating plans and take steps to reduce costs and maximize cash flow from operations, while maintaining copper output levels.

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the board of directors. The Company manages liquidity by continuously monitoring and forecasting cash flows based on changes in operations and economic conditions to facilitate the management of its capital requirements. If required, the Company may adjust the capital structure by issuing new shares, issuing new debt or retiring existing debt. In 2020, the Company intends to allocate its capital resources to debt repayment, development of its mining operations, resource expansion and exploration programs mentioned previously in this MD&A.

The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash or in cashable Guaranteed Investment Certificates at major Canadian, United States, or Australian banks. There were no changes to the Company's approach to capital management during the period ended March 31, 2020.

As at March 31, 2020 the Company had a total of \$4.2 million on deposit and a surety bond in the amount of \$17.5 million 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 and pays an annual 2% fee for the surety bonding balance.

### Financial Instruments and Risks

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, reclamation bonds, accounts payable and accrued liabilities, due to related parties, finance leases, an interest rate swap and long-term debt.

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 policy's approved by the board of directors. Management identifies and evaluates the financial risks in cooperation with the company's operating units. The board provides, when appropriate, guidance 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.

The financial instruments risks factors and the Company's exposure to these risks, is provided for in Note 19 of the audited annual consolidated financial statements. For a discussion on the methods used to value financial instruments, as well as significant assumptions, refer also to Notes 3 of the audited annual consolidated financial statements.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at March 31, 2020.

## RELATED PARTY TRANSACTIONS

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, 2020 the Company sold copper concentrates to MMC with revenue totalling \$49.6 million (2019 – \$86.9 million) including pricing adjustments.
- During the three months ended March 31, 2020 the Company accrued interest on the subordinated loan with MMC totalling \$119 thousand (2019 – \$119 thousand).
- As at March 31, 2020 the Company accrued to MMC a guarantee fee related to the Term Loan of \$52 thousand (2019 – \$67 thousand).
- The Company also received annual funding advances from MMC totalling \$130 million (2019 – \$96.8 million). These advances were used to pay the principal and interest of the term loan and bear interest at rates of 2.88% to 4.80% with total interest expense during the three months ended March 31, 2020 of \$871 thousand (2019 – \$444 thousand).

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

<i>(In thousands of CDN\$)</i>	<b>Three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Salaries and short-term employee benefits	633	769
Share based compensation	564	563
<b>Total</b>	<b>1,197</b>	<b>1,332</b>

## ACCOUNTING POLICIES AND ESTIMATES

### Critical accounting estimates

The Company's significant accounting policies are presented in note 3 of the 2019 audited annual consolidated financial statements. The preparation of consolidated financial statements in accordance with IFRS requires management to establish accounting policies and to make judgement, estimates and assumptions that affect both the amount and timing of assets, liabilities, income and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Mineral reserves and resources;
- Recoverable amount of property, plant, and equipment;
- Depletion and depreciation of property, plant, and equipment;

- Decommissioning obligations;
- Deferred stripping;
- Net realizable value of inventories; and
- Income and resources taxes.

### Change in accounting policies

No changes to accounting policies have been made for the period ended March 31, 2020. The accounting policies adopted in the preparation of the Company's condensed interim consolidated financial statements have been prepared based on all IFRS and interpretations effective as at March 31, 2020.

## 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 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 calculation and an explanation of these measures is provided below.

### Cash Costs per Pound

Copper cash costs per pound is a key performance measures that management uses to monitor performance. Management uses these statistics to assess how well mining operations are performing and to assess overall efficiency and effectiveness of mining operations. Cash costs is not an IFRS measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers. Cash costs per pound produced is 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.

### C1 Cash Costs

C1 cash costs is a metric representing the cash cost per unit of extracting and processing the Company's principal metal product, copper, to a condition in which it may be delivered to customers net of gold and silver credits from concentrates sold. It is provided in order to support peer group comparability and to provide investors and other stakeholders with additional information about the underlying cash costs of Copper Mountain and the impact of gold and silver credits on the operations' cost structure. C1 cash costs are relevant to understanding the Company's operating profitability and ability to generate cash flow. When calculating costs associated with producing a pound of copper, the Company deducts gold and silver revenue credits as the production cost is reduced as a result of selling these products.

### All-in Sustaining Costs (AISC)

All-in sustaining costs is an extension of C1 cash costs discussed above and is also a key performance measure used by management to measure performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Development capital including deferred stripping and certain exploration costs are excluded from this definition as these are costs typically incurred to extend mine life or materially increase the productive capacity of existing assets, or for new operations. As this measure seeks to present a full cost of copper production associated with sustaining current operations,

mining costs associated with sustaining capital, certain applicable corporate administration costs and mining equipment lease costs are included.

### All-in Costs (AIC)

All-in costs is an extended cash-base cost metric providing further information on the total cash, capital, and overhead outlay per unit of copper produced in both the short-term and over the full life-cycle of its operations. As a result, deferred stripping and mining costs allocated to the low-grade stockpile on a cash basis are included as these development activities are performed in support of future mining operations under the existing life-of-mine plan. As this measure seeks to present the total cost of copper production associated with sustaining current and future operations, it allows Copper Mountain to assess the ability to support current and future production from the generation of operating cash flows.

A reconciliation of site cash costs, C1 cash costs, all-in sustaining costs (AISC), and all in costs (AIC) is provided below:

<b>Cash Costs per Pound Produced (100%)</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
(In thousands of CDN\$, unless otherwise noted)		
Cost of sales	64,513	63,594
<b>Adjustments</b>		
Depreciation and depletion	(6,108)	(6,339)
Change in inventory	(1,597)	(6,675)
Transportation costs	(4,631)	(4,881)
Low-grade stockpile write-down	-	-
<b>Site cash costs</b>	<b>52,177</b>	<b>45,699</b>
<b>Adjustments</b>		
Transportation costs	4,631	4,881
Treatment and refining costs	5,335	6,136
By-product credits (gold and silver)	(14,978)	(12,865)
<b>C1 cash cost</b>	<b>47,165</b>	<b>43,851</b>
<b>Adjustments</b>		
Sustaining capital	1,427	1,258
Lease payments	865	563
Applicable administration	832	574
<b>All-in sustaining costs (AISC)</b>	<b>50,289</b>	<b>46,246</b>
<b>Adjustments</b>		
Deferred stripping	7,437	13,600
Low grade stockpile	327	643
<b>All-in costs (AIC)</b>	<b>58,053</b>	<b>60,489</b>
Average foreign exchange rate (CDN\$ to US\$)	0.7435	0.7522
Copper production (000s lb)	17,472	18,610
<b>C1 cash costs (US\$/lb produced (net))</b>	<b>\$2.01</b>	<b>\$1.77</b>
<b>All-in sustaining costs (AISC) (US\$/lb produced (net))</b>	<b>\$2.14</b>	<b>\$1.87</b>
<b>All-in costs (AIC) (US\$/lb produced (net))</b>	<b>\$2.47</b>	<b>\$2.44</b>
Average realized copper price (US\$/lb)	\$2.58	\$2.85

## Adjusted Net Income

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

- Pricing adjustments on concentrate and metal sales;
- Write-down of the low-grade stockpile;
- Unrealized interest rate swap gains/losses;
- Unrealized foreign exchange 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.

Adjusted Net Income	Three months ended March 31,	
	2020	2019
(In thousands of CDN\$, except per share amounts)	\$	\$
Net (loss) income	(43,458)	17,826
<b>Adjustments</b>		
Pricing adjustments on concentrate sales	17,105	(6,119)
Unrealized interest rate swap loss	942	394
Unrealized foreign exchange loss (gain)	26,858	(6,065)
<b>Adjusted net income</b>	<b>1,447</b>	<b>6,036</b>
<b>Adjusted income per share</b>	<b>\$0.01</b>	<b>\$0.03</b>

## EBITDA and Adjusted EBITDA

EBITDA represents net earnings before interest, income taxes, and depreciation. EBITDA is presented because it is an important supplemental measure of our performance and is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry, many of which present EBITDA when reporting their results. The Company believes EBITDA is an appropriate supplemental measure of debt service capacity and performance of its operations.

Adjusted EBITDA is presented as a further supplemental measure of the Company's performance and ability to service debt. Adjusted EBITDA is prepared by adjusting EBITDA to eliminate the impact of several items that are not considered indicative of ongoing operating performance.

Adjusted EBITDA is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that are not likely to recur or are not indicative of the Company's future operating performance consisting of:

- Pricing adjustments on concentrate and metal sales;
- Write-down of the low-grade stockpile;
- Unrealized interest rate swap gains/losses;
- Unrealized foreign exchange gains/losses; and
- Non-recurring transactions.

While some of the adjustments are recurring, other non-recurring expenses do not reflect the underlying performance of the Company's core mining business and are not necessarily indicative of future results.

Furthermore, unrealized gains/losses on derivative instruments, and unrealized foreign currency translation gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

<b>EBITDA and Adjusted EBITDA</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
(In thousands of CDN\$)	<b>\$</b>	<b>\$</b>
Net (loss) income	(43,458)	17,826
<b>Adjustments</b>		
Finance income	(74)	(103)
Finance expense	3,299	3,799
Depreciation	6,108	6,339
Current tax expense	8	513
Deferred income and resource tax (recovery) expense	(5,598)	3,490
<b>EBITDA</b>	<b>(39,715)</b>	<b>31,864</b>
<b>Adjustments</b>		
Pricing adjustments on concentrate sales	17,105	(6,119)
Unrealized interest rate swap loss	942	394
Unrealized foreign exchange loss (gain)	26,858	(6,065)
<b>Adjusted EBITDA</b>	<b>5,190</b>	<b>20,074</b>

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), is responsible for the design and operation of disclosure controls and procedures.

### **Internal controls over financial reporting**

Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, and used the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of our controls. The Company’s internal control over financial reporting is designed to provide reasonable assurance of the reliability of our financial reporting and preparation of the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial reporting and disclosure.

### **Changes in internal controls over financial reporting**

There have been no changes in our internal control over financial reporting and disclosure controls and procedures during the three months ended March 31, 2020 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 operate the Copper Mountain mine and develop its projects. However, sometimes other risks show up that are not typical, like the recent uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities we produce and on global financial markets. These risks and uncertainties are managed by experienced managers, advisors and consultants, by adjusting annual plans and by cost control initiatives and maintaining adequate liquidity for the Company's operations.