



FULL YEAR AND FOURTH QUARTER REPORT

Financial Statements and MD&A

December 31st, 2020 and 2019

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Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019



Independent auditor's report

To the Shareholders of Copper Mountain Mining Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Copper Mountain Mining Corporation and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="254 575 889 642">Assessment of impairment indicators on property, plant and equipment (PP&E)</p> <p data-bbox="254 667 889 842"><i>Refer to note 2c – Statement of compliance – Use of estimates and judgements, note 3f – Significant accounting policies estimates and judgements – Property, plant and equipment and note 6 – Property, plant and equipment to the consolidated financial statements.</i></p> <p data-bbox="254 867 889 1402">The net book value of PP&E amounted to \$553 million as at December 31, 2020. Management assesses at each reporting period-end whether there is an indication that PP&E may be impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company’s share price; (ii) changes in the quantity and grade of the recoverable reserves; (iii) changes in commodity prices, capital and operating costs; and (iv) changes in foreign exchange and interest rates, are evaluated by management in determining whether there are any indicators of impairment. Estimated recoverable reserves are based on information compiled by qualified persons (management’s experts). No impairment indicators were noted.</p> <p data-bbox="254 1428 889 1640">We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment.</p>	<p data-bbox="889 575 1529 642">Our approach to addressing the matter involved the following procedures, among others:</p> <ul data-bbox="889 667 1529 1837" style="list-style-type: none"><li data-bbox="889 667 1529 772">• Evaluated management’s assessment of indicators of impairment, which included the following:<ul data-bbox="889 777 1529 1837" style="list-style-type: none"><li data-bbox="889 777 1529 913">– Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company’s PP&E.<li data-bbox="889 938 1529 1075">– Assessed whether there has been a significant decline in the market capitalization, which may indicate a decline in value of the Company’s net assets.<li data-bbox="889 1100 1529 1486">– The work of management’s experts was used in performing procedures to evaluate the reasonableness of the change in the recoverable reserves and grades. As a basis for using this work, management’s experts’ competence, capability and objectivity were evaluated, their work was understood and the appropriateness of the experts’ work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions, methods and findings.<li data-bbox="889 1512 1529 1837">– Tested changes in commodity prices, capital and operating costs, foreign exchange and interest rates by considering (i) the consistency of commodity prices, foreign exchange and interest rates with external market data and (ii) the consistency of capital and operating costs with previously forecasted data, and whether these factors were consistent with evidence obtained in other areas of the audit.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 15, 2021

Copper Mountain Mining Corporation

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	December 31, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Cash and cash equivalents	85,571	32,126
Accounts receivable and prepaid expenses (note 4)	30,413	27,947
Inventory (note 5)	38,038	35,299
	154,022	95,372
Reclamation bonds (note 9)	4,162	3,740
Deferred tax assets (note 17)	473	28,088
Property, plant and equipment (note 6)	552,648	501,663
Low grade stockpile (note 5)	64,836	64,978
	776,141	693,841
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	44,400	41,366
Amounts payable to related parties (notes 15 and 18)	3,644	104,698
Current portion of long-term debt (note 8)	79,559	60,260
Current tax liability (note 17)	1,578	1,186
	129,181	207,510
Provisions (note 9)	18,371	18,104
Due to related parties (note 15)	145,918	-
Long-term debt (note 8)	129,153	188,123
Deferred tax liability (note 17)	4,465	2,203
	427,088	415,940
Equity		
Attributable to shareholders of the Company:		
Share capital (note 10)	283,926	266,663
Contributed surplus	19,611	18,623
Accumulated other comprehensive loss	(520)	(4,158)
Accumulated deficit	(35,153)	(70,516)
	267,864	210,612
Non-controlling interest	81,189	67,289
Total equity	349,053	277,901
	776,141	693,841

Approved on behalf of the Board of Directors

(signed) Gil Clausen Director

(signed) Bruce Aunger Director

Copper Mountain Mining Corporation

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

For the Years Ended December 31, 2020 and 2019

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

	2020 \$	2019 \$
Revenue (note 12)	341,748	288,460
Cost of sales (note 13)	(237,105)	(263,362)
Gross profit	104,643	25,098
General and administration (note 13)	(8,476)	(11,544)
Low-grade stockpile write-down (note 5)	-	(48,769)
Share based compensation (note 11)	(5,568)	(2,093)
Income (loss) from operations	90,599	(37,308)
Finance income	632	1,175
Finance expense (note 14)	(14,221)	(16,476)
Loss on interest rate swap	(1,021)	(464)
Foreign exchange gain	8,424	14,192
Loss on disposal of fixed assets	(2,867)	(237)
Income (loss) before tax	81,546	(39,118)
Current income and resource tax expense	(1,022)	(862)
Deferred income and resource tax (expense) recovery	(30,260)	14,039
Net Income (Loss)	50,264	(25,941)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income		
Foreign currency translation adjustment	3,638	(2,503)
Total comprehensive income (loss)	53,902	(28,444)
Net income (loss) and comprehensive income (loss) attributable to:		
Shareholders of the Company	35,363	(22,486)
Non-controlling interest	14,901	(3,455)
	50,264	(25,941)
Earnings (loss) per share:		
Basic	\$0.18	\$(0.12)
Diluted	\$0.18	\$(0.12)
Weighted average shares outstanding, basic	193,118,813	189,529,180
Weighted average shares outstanding, diluted	197,663,540	191,004,336
Shares outstanding at end of the year	207,653,732	191,331,053

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

Copper Mountain Mining Corporation

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars)

	2020 \$	2019 \$
Cash flows from operating activities		
Net income (loss) for the year	50,264	(25,941)
Adjustments for:		
Depreciation	22,745	27,527
Loss on disposal of fixed assets	2,867	237
Low grade stockpile write-down	-	48,769
Unrealized foreign exchange gain	(8,755)	(16,890)
Loss on interest rate swap	1,021	464
Deferred income and resource tax expense (recovery)	30,260	(14,039)
Finance expense	14,071	16,476
Share based compensation	5,568	2,093
	118,041	38,696
Net changes in working capital items (note 16)	3,569	12,536
Net cash from operating activities	121,610	51,232
Cash flows from investing activities		
Deferred stripping costs	(21,031)	(32,608)
Development of property, plant and equipment	(34,859)	(22,578)
(Purchase) refund of reclamation bond	(422)	5,012
Proceeds on disposal of fixed asset	-	2,624
Net cash used in investing activities	(56,312)	(47,550)
Cash flows from financing activities		
Proceeds on the issuance of common shares	16,518	2,311
Contributions from related party	46,536	38,329
Payments made to non-controlling interest	(1,001)	(997)
Secured borrowing proceeds (note 8)	-	10,345
Loan principal payments	(56,299)	(49,344)
Interest paid	(9,902)	(13,687)
Lease payments	(6,866)	(3,279)
Net cash used in financing activities	(11,014)	(16,322)
Effect of foreign exchange rate changes on cash and cash equivalents	(839)	(1,357)
Increase (decrease) in cash and cash equivalents	53,445	(13,997)
Cash and cash equivalents - Beginning of year	32,126	46,123
Cash and cash equivalents - End of year	85,571	32,126
Supplementary cash flow disclosures (note 16)		

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

Copper Mountain Mining Corporation
Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars, except for number of shares)

Attributable to equity owners of the company

	Number of Share	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	166,802	67	-	-	-	67	-	67
Warrants Exercised	2,993,892	2,245	-	-	-	2,245	-	2,245
Fair value of options exercised	-	34	(34)	-	-	-	-	-
Fair value of warrants exercised	-	495	(495)	-	-	-	-	-
Share based compensation	-	-	1,774	-	-	1,774	-	1,774
Payments to non-controlling interests	-	-	-	-	-	-	(997)	(997)
Loss for the year	-	-	-	-	(22,486)	(22,486)	(3,455)	(25,941)
Foreign currency translation	-	-	-	(2,503)	-	(2,503)	-	(2,503)
Balance December 31, 2019	191,331,053	266,663	18,623	(4,158)	(70,516)	210,612	67,289	277,901
Balance January 1, 2020	191,331,053	266,663	18,623	(4,158)	(70,516)	210,612	67,289	277,901
Shares issued for private placement	15,000,002	15,833	-	-	-	15,833	-	15,833
Options exercised	1,322,677	685	-	-	-	685	-	685
Tax effect on share issue costs	-	383	-	-	-	383	-	383
Fair value of options exercised	-	362	(362)	-	-	-	-	-
Share based compensation	-	-	1,350	-	-	1,350	-	1,350
Payments to non-controlling interests	-	-	-	-	-	-	(1,001)	(1,001)
Income for the year	-	-	-	-	35,363	35,363	14,901	50,264
Foreign currency translation	-	-	-	3,638	-	3,638	-	3,638
Balance December 31, 2020	207,653,732	283,926	19,611	(520)	(35,153)	267,864	81,189	349,053

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

1 General information and liquidity

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

As at December 31, 2020, the Company had working capital (current assets less current liabilities) of \$24.8 million compared to a working capital deficiency of \$112 million (inclusive of \$104.7 million of related party debt due to MMC which was classified as a current liability in 2019) at December 31, 2020. For the year ended December 31, 2020 the Company recorded net income of \$50.3 million (2019 – loss of \$25.9 million). Cash from operations during the year ended December 31, 2020 was \$121.6 million (2019 - \$51.2 million).

The Company has budgeted \$11.7 million in sustaining capital expenditures and \$30.4 million in development expenditures at the Copper Mountain Mine for the 2021 year, all of which is expected to be funded from cash on hand and cash flow generated during the year. As at December 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\$53.1 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 Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

2 Statement of compliance

a. Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements were approved for issue on February 15, 2021, by the Board of Directors.

b. Foreign currency translation

These consolidated 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 estimates and judgements

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.

The Company’s management reviews these estimates and underlying assumptions on an ongoing basis. Estimates are based on historical experience and other factors, including the expectation of future events considered to be reasonable under the circumstances. However, actual results may differ from these estimates. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and any future periods affected. The estimates and judgements used in the preparation of these consolidated financial statements are included in the notes to these consolidated financial statements with those items which could have a material effect on these consolidated financial statements outlined below.

Impairment review

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates. This would include an assessment of any significant declines in the market value of the Company’s share price and changes in the quantity and grade of the recoverable reserves, commodity prices, capital costs, operating costs and foreign exchange and interest rates. In undertaking this evaluation, management of the Company is required to make significant judgements and if impairment indicators are identified, impairment testing will be necessary. The recoverable amount of the cash-generating unit to which the assets belong that is used in the impairment testing is determined as the higher of its fair value less costs of disposal and its value in cash. The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

reserves, operating costs, taxes, closure and restoration costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the estimate of the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired with the impact recorded in the consolidated statement of loss.

Mineral reserve estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* (NI 43-101). Reserves are used in the calculation of depreciation, impairment assessment and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates could have a material effect on the future of the Company's financial position and results of operation.

Inventory valuation

Stockpiled ore and concentrate inventory are valued at the lower of average cost and net realizable value. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and future metal prices less estimated future production costs to convert the inventory into saleable form and associated selling costs. The determination of future sales price, production and selling costs requires assumptions that may impact the stated value of inventory. Because the low grade inventory measurement involves discounting, any significant changes in the projected timing of processing of the stockpile could result in significant impairment charges or reversal.

Decommissioning and restoration provisions

Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with its permits, existing laws and regulations. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the provision for restoration. The provision represents management's best estimate of the present value of the future restoration and remediation costs.

Current and deferred taxes

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the probability that the Company and its subsidiaries will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

jurisdiction. Based on current forecasts, the Company expects to generate taxable earnings in future periods, and has recognized a deferred tax asset for Canada.

3 Significant Accounting Policies, Estimates and Judgements

a. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the derivative financial instruments, which are stated at fair value. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b. Consolidation

The financial statements of the Company consolidate the accounts of Copper Mountain Mining Corporation and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The significant subsidiary entities of Copper Mountain are listed below. Each of the entities has a December 31 year end.

Subsidiary	Location	Ownership Interest	Status	Functional Currency
Copper Mountain Mine (BC) Ltd.	Canada	75%	Consolidated	Canadian dollar
Copper Mountain Operating Company	Canada	100%	Consolidated	Canadian dollar
Princeton GP Ltd.	Canada	75%	Consolidated	Canadian dollar
Similco Finance Ltd.	Canada	75%	Consolidated	US dollar
Copper Mountain Mining Australia Pty Ltd.	Australia	100%	Consolidated	Australian dollar

c. Non-controlling interest

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. The non-controlling interests' share of net income and comprehensive income is presented separately in the statement of loss and comprehensive loss. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

d. Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, at fair value through other comprehensive income, and at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

Cash and cash equivalents and reclamation bonds

Cash and cash equivalents comprise of cash in bank accounts and on hand and other short-term investments with initial maturities of less than 90 days. Cash subject to restrictions is excluded.

Cash and cash equivalents, restricted cash and reclamation bonds are recorded at amortized cost.

Accounts receivable

Settlement receivables arise from concentrate sales contracts where amounts receivable vary based on underlying commodity prices. Settlement receivables are classified as fair value through profit or loss and are recorded at fair value at each reporting period based on quoted commodity prices up to the date of final pricing. The changes in fair value are recorded as a separate component of revenue.

Derivatives

The Company periodically enters into derivative instruments to mitigate risk. The Company does not apply hedge accounting. Derivative financial instruments are measured at fair value. Changes in fair value of derivative instruments are recorded in profit or loss.

Accounts payable and accrued liabilities and debt

Accounts payable and accrued liabilities and debt are recorded at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption amount is recognized in net earnings over the period to maturity using the effective interest rate method.

e. Inventory

Concentrate and ore stockpile inventories are valued at the lower of average cost and net realizable value. Ore stockpiles include materials extracted from the mine and stockpiled before and after the crushing process. Concentrate inventories include concentrates located at the mine, port facility or in transit. Ore stockpiles not expected to be processed in the next twelve months, are included in non-current inventory. Ore stockpiles and concentrate inventory costs include all direct costs incurred in production including direct labour and materials, freight, depreciation and amortization, and directly attributable overhead costs. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. If the circumstances that caused the write-down no longer exist, the amount of the write-down is reversed.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

Consumable stores inventories are valued at the lower of weighted average cost and net realizable value. Cost includes acquisition, freight, and other directly attributable costs.

f. Property, plant and equipment

Exploration and evaluation

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets and classified as a component of property, plant and equipment. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Development

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the manner intended by management, are capitalized.

The Company determines the date for commencement of production based on consideration of sustained operating levels and production of saleable concentrate.

The costs of removing waste and overburden (stripping costs) to access ore prior to the commencement of mine operations are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

Stripping costs after the commencement of operations are incurred both in relation to the production of inventory of that period and also for improved access to ore to be mined in the future. Stripping costs incurred relating to current ore production are included as part of inventory, while stripping costs incurred relating to improved access to reserves and future development are capitalized as a stripping activity asset.

Stripping costs benefiting future periods are identified by reference to the waste to ore stripping ratio. In periods when the life of a mining phase stripping ratio exceeds the average expected stripping ratio, the excess costs over the mine stripping ratio expected costs are capitalized as stripping activity assets.

Stripping activity assets are amortized on a unit of production basis over the proven and probable reserves over the remaining life of each mining phase to which they relate.

Property, plant and equipment

Plant and equipment are recorded at cost less accumulated amortization. Costs for facilities under construction include all expenditures incurred directly in connection with project development.

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Mobile mining equipment is recorded at cost and amortized over its estimated useful economic life based on operating hours. Repairs and maintenance costs are expensed during the period in which they are incurred. Other equipment and buildings are recorded at cost and amortized over their estimated useful lives on a straight-line basis between 5 to 16 years. Resource property assets are amortized on a units of production basis over proven and probable reserves. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

The following table outline the methods used to amortized property, plant and equipment:

Assets	Depreciation Method
Buildings	Straight line
Mobile mining equipment	Hours of operation
Light duty vehicles	Straight line
Plant and equipment	Units of production
Resource property	Units of production
Stripping activity assets	Units of production

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

Impairment of property, plant and equipment

Management assesses at each reporting period-end whether there is an indication that property, plant and equipment may be impaired. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Cash-generating units are individual operating mines or exploration and development projects. The recoverable amount of an asset is determined as the higher of its fair value less costs of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. For mining assets fair value less costs of disposal is typically estimated using a discounted cash flow approach. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying value, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. When an impairment loss exists it is recorded as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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The Company reviews the carrying value of assets at the end of each reporting period for indicators of impairment using both internal and external sources of information. As a result of the Company's impairment assessment processes, there were no impairment indicators identified and no impairment charges recorded for the Company's property, plant, and equipment for the year ended December 31, 2020.

g. Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset ("ROU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of income over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate.

When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of income.

h. Decommissioning and restoration provisions

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk free rate. The restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows, the inflation rate and the risk-free discount rate.

The restoration provision is accreted to full value over time through periodic charges to income. The amount of the restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to a restoration provision are only capitalized to the extent that the amount meets

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the definition of an asset and can bring about future economic benefit. A revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the related asset.

i. Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

j. Revenue

Revenue consists of sales of copper concentrates. Our performance obligations relate primarily to the delivery of these products to our customers with each separate shipment representing a separate performance obligation.

Revenue is recognized at the point in time when the customer obtains control of the product. Control is achieved when a product is delivered to the customer, we have a present right to payment for the product, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

For copper concentrates, control of the product generally transfers to the customer when an individual shipment is loaded onto a vessel accepted by the customer. We sell our concentrates on commercial terms where we are responsible for providing freight services after the date at which control of the product passes to the customer.

Copper concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. For these sales, revenue is recorded based on the estimated consideration to be received at the date of sale with reference to relevant commodity market prices. Adjustments are made to settlement receivables in subsequent periods based on movements in quoted commodity prices up to the date of final pricing. This adjustment mechanism has the characteristics of a derivative and accordingly, the changes in value of the settlement receivables are not considered to be revenue from contracts with customers. The changes in fair value of settlement receivables are recorded as a separate component of revenue.

Copper concentrate sales are billed based on provisional weights and assays upon the passage of control to the customer. The first provisional invoice is billed to the customer at the time of transfer of control. As final prices, weights and assays are received additional invoices are issued and collected. Consideration is promptly collected from our customer.

k. Current and deferred income and resource taxes

Income tax expense comprises current and deferred income and resource tax. The Company records B.C. Mineral Tax as an income tax. Income tax expense is recognized in the statement of income (loss)

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except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same entity or entities where there is an intention to settle balances on a net basis.

l. Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and are recorded over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed.

Share-based compensation expense relating to deferred share units and restricted shares units are accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

m. Share capital

The Company records proceeds from share issuances net of issue costs. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares is concluded.

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n. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding in the period.

Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods of loss basic and diluted earnings per share are the same as dilutive instruments have an anti-dilutive effect.

o. COVID-19 Uncertainty Estimation

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 has been significant volatility in the stock, 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 year ended December 31, 2020, the Company has 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 resulting from COVID-19, have impacted our financial results and may continue to have an impact on our results and liquidity for some time.

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4 Accounts receivable and prepaid expenses

	2020	2019
	\$	\$
Amounts due from concentrate sales	14,565	16,504
Pricing adjustments	11,990	6,221
GST and other receivables	463	2,103
Prepaid expenses	3,395	3,119
	30,413	27,947

5 Inventory

	2020	2019
	\$	\$
Supplies	14,980	14,902
Ore stockpile	8,842	10,209
Crushed ore stockpile	1,424	3,137
Copper Concentrate	12,792	7,051
	38,038	35,299
	64,836	64,978

Inventory expensed during the year ended December 31, 2020 totaled \$225,024 (2019 – \$250,307).

During the year ended December 31, 2019, the Company recorded a write-down of \$48,769 to the low grade stockpile. This adjustment records the low grade stockpile at net realizable value and arose from the Copper Mountain Mine expected life increasing to approximately 18 years from 9 years. 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.

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

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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)
As at December 31, 2019	584,680	56,646	241,972	883,298
Additions	36,848	3,768	37,810	78,426
Restoration provision	-	-	667	667
Disposals	(4,076)	-	-	(4,076)
Currency translation adjustment	(367)	3,745	-	3,378
As at December 31, 2020	617,085	64,159	280,449	961,693

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)
As at December 31, 2019	(273,159)	-	(108,476)	(381,635)
Depreciation charge	(22,222)	-	(6,293)	(28,515)
Disposals	1,105	-	-	1,105
As at December 31, 2020	(294,276)	-	(114,769)	(409,045)

Net book value

As at December 31, 2019	311,521	56,646	133,496	501,663
As at December 31, 2020	322,809	64,159	165,680	552,648

Property, plant and equipment includes right of use assets of \$52,565 with a net book value of \$47,409 at December 31, 2020.

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7 Accounts payable and accrued liabilities

	2020	2019
	\$	\$
Trade accounts payable	19,277	24,575
Accrued liabilities	20,408	15,476
Current portion of interest rate swap liability (note 8(b))	-	1,214
Deferred Share Units liability (note 9)	582	60
Performance and Restricted Share Units liability (note 9)	4,133	41
	44,400	41,366

8 Long-term debt

	2020	2019
	\$	\$
Senior credit facility (b) in US\$	68,513	77,318
Term loan (c) in US\$	46,828	78,359
Total US\$ long term debt in US\$	115,341	155,677
Total US\$ long term debt in CAD\$	146,852	202,193
Subordinated loan (a)	14,609	14,127
Leases (d)	47,251	32,063
Total	208,712	248,383
Less: current portion	(79,559)	(60,260)
	129,153	188,123

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 December 31, 2020 the Company has repaid a total of US\$92.3 million in principal and paid a total of US\$32.7 million in interest on the SCF.

Under the terms of the SCF, the Company is 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

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June 30, 2012. Since this date, the Company and MMC have jointly guaranteed to June 30, 2021 the amounts owing to the DSRA and the CXRA, and as a result no funds were required to be placed on deposit in either of the accounts.

As at December 31, 2020 the SCF has a principal amount outstanding of \$88,691 (US\$69.7 million). The outstanding amount of \$87,231 is net of issue costs of \$1,460 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.

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

	<u>US\$ '000</u>
2021	21,060
2022	32,400
2023	16,200
	<u>69,660</u>

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\$74 million of the principal. The interest rate swaps matured on December 15, 2020.

The Company is in compliance with all covenants which may result in the event of default of the senior credit facility. As at December 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 December 31, 2020 the Term Loan has a principal amount outstanding of \$61,113 (US\$48 million). The outstanding amount of \$59,621 is net of issue costs of \$1,492. 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. As at December 31, 2020 the Company has repaid a total of US\$112 million in principal and paid a total of US\$18.7 million in interest on the Term Loan.

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

	<u>US\$</u>
2021	32,000
2022	16,000
	<u>48,000</u>

The Company is subject to certain debt covenants on the Term Loan. As at December 31, 2020 the Company is in compliance with all of those covenants.

d) Leases

Gross lease liability and minimum lease payments	2020	2019
	\$	\$
Within one year	14,739	7,589
Between two and four years	41,059	28,984
	55,798	36,573
Future interest	(8,547)	(4,510)
Present value of lease liability	<u>47,251</u>	<u>32,063</u>

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 \$1.27 for Q4 2020 as compared to 1.30 at the end of Q4 2019.

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9 Provisions

	Decommissioning and restoration provision \$	Share-based payment obligations \$	Total \$
Balance, January 1, 2020	17,708	497	18,205
Share-based payment expense	-	4,218	4,218
Changes in estimate costs and timing	667	-	667
Unwinding of discount on restoration provision	(4)	-	(4)
Balance, December 31, 2020	18,371	4,715	23,086
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 7)</i>	-	(4,715)	(4,715)
Total provision – Non-current	18,371	-	18,371
Balance, January 1, 2019	6,546	421	6,967
Share-based payment expense	-	317	317
Changes in estimated costs and timing	11,198	-	11,198
Unwinding of discount on restoration provision	(36)	-	(36)
Payments during the year	-	(241)	(241)
Balance, December 31, 2019	17,708	497	18,205
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 7)</i>	-	(101)	(101)
Total provision – Non-current	17,708	396	18,104

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. At December 31, 2020 the Company used an inflation rate of 1.50% (2019 – 1.90%) and a discount rate of 1.21% (2019 – 1.76%) in calculating the estimated obligation. The accretion of the decommissioning obligations will be recorded as a finance expense over the life of the mine. The liability for retirement and remediation on an undiscounted basis is \$17,486 (2019 - \$17,486). The expected timing of payment of the cash flows will occur in various stages to 2040.

The Company has on deposit \$4,052 (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 - \$17,467) for total reclamation security of \$21,519.

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10 Share capital

Authorized - Unlimited number of common shares without par value.

On November 26, 2020, the Company issued 15,000,002 common shares in a bought deal offering at a price of \$1.15 per common share for gross proceeds of \$17.3 million with transaction costs of \$1.1 million for net proceeds of \$16.2 million.

11 Share based compensation

a. Stock options

The Company has a stock option plan whereby it can grant up to 19.7 million stock options exercisable for a period of up to ten years from the grant date. As at December 31, 2020, the Company had 11,084,220 options outstanding as follows:

	Number of shares	Weighted average exercise price \$
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
December 31, 2019	10,291,063	0.98
Granted	3,620,516	0.58
Exercised	(1,322,677)	0.52
Forfeited	(1,504,682)	1.15
December 31, 2020	11,084,220	0.88

Options exercised during the year ended December 31, 2020 had a weighted-average market value of \$0.93 per share (2019 - \$0.71 per share).

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Date of stock option grant	Number of options	Exercise price \$	Expiry date
Jan. 26, 2016	* 965,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 25, 2017	940,000	1.18	Jan. 13, 2022
Apr. 24, 2017	35,000	0.93	Apr. 24, 2022
February 22, 2018	1,285,000	1.28	Feb. 22, 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	250,000	1.00	Nov. 2, 2023
March 22, 2019	1,998,473	1.02	Mar. 22, 2024
August 2, 2019	50,000	0.76	August 2, 2024
February 25, 2020	3,464,080	0.58	Feb. 25, 2025
	11,084,220		

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

Date of stock option grant	Number of options	Exercise price \$	Expiry date
Jan. 26, 2016	* 965,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 25, 2017	940,000	1.18	Jan. 13, 2022
Apr. 24, 2017	35,000	0.93	Apr. 24, 2022
Feb. 22, 2018	963,750	1.28	Feb. 22, 2023
June 1, 2018	666,667	1.07	June 1, 2023
June 7, 2018	75,000	1.26	June 7, 2023
June 20, 2018	75,000	1.26	June 20, 2023
July 5, 2018	53,333	1.16	July 5, 2023
Aug. 13, 2018	500,000	1.14	Aug. 13, 2023
Nov. 2, 2018	83,333	1.00	Nov. 2, 2023
Mar. 22, 2019	999,236	1.02	Mar. 22, 2024
Aug. 2, 2019	25,000	0.76	Aug. 2, 2024
Feb. 25, 2020	866,020	0.58	Feb. 25, 2025
	6,314,006		

* exercised subsequent to December 31, 2020

During the year ended December 31, 2020, the stock based compensation expense in respect of stock options was \$1,257 (2019 – \$1,775) with a weighted average grant-date fair value of \$0.54 (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.

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

	December 31, 2020	December 31, 2019
Risk free interest rate	1.19%	1.48%
Expected dividend yield	Nil	Nil
Expected share price volatility	63.6%	65.3%
Expected forfeiture rate	3.3%	3.3%
Expected life	5.0 years	5.0 years

b. Deferred Share Unit, Restricted Share Unit and Performance 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 share units granted and outstanding is as follows:

	DSUs	RSUs	PSUs
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	546,016	977,021	937,021
Granted	372,414	1,612,753	1,612,753
Settled	(260,877)	(44,306)	-
Forfeited	-	(32,318)	(36,624)
Expired	(117,256)	-	-
Outstanding, December 31, 2020	540,297	2,513,150	2,513,150

During the year ended December 31, 2020, the Company recorded share-based compensation expense of \$4,311 (2019 – \$317) related to DSUs, RSUs and PSUs.

During the year ended December 31, 2020, the total fair value of DSUs, RSUs and PSUs granted was \$2,087 (2019 - \$2,164) and had a weighted average grant date fair value of \$0.58 (2019 - \$1.02) per unit.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

12 Revenue

	2020	2019
	\$	\$
Copper in concentrate	285,513	256,232
Gold in concentrate	67,469	49,163
Silver in concentrate	9,488	5,013
Treatment and refining charges	(20,722)	(21,948)
	341,748	288,460

Revenue for the year ended December 31, 2020 included a mark-to-market and final adjustments from provisional pricing on concentrate sales of \$30,227 (2019 – \$10,698).

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

	2020	2019
	\$	\$
Copper in concentrate	10,610	5,436
Gold in concentrate	450	60
Silver in concentrate	863	991
	11,923	6,487

13 Expenses by nature

	2020	2019
	\$	\$
Direct mining and milling costs	159,315	175,427
Employee compensation and benefits	43,007	47,417
Depreciation	22,701	27,464
Transportation costs	12,082	13,054
Cost of sales	237,105	263,362
General and administration:		
Corporate employee compensation and benefits	3,633	4,074
Corporate and mine site administrative expenses	4,844	7,470
	8,477	11,544
	245,582	274,906

The Company received \$6.1 million in Canada Emergency Wage Subsidy during the year ended December 31, 2020 (2019 - \$nil). This has been applied as a reduction against employee compensation and benefits in cost of sales, \$5.9 million, and general and administration, \$0.2 million.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

14 Finance expense

	2020	2019
	\$	\$
Interest on loans	12,591	14,871
Amortization of financing fees	1,468	1,398
Loan guarantee fee	166	243
Unwinding of discount on restoration provision	(4)	(36)
	<u>14,221</u>	<u>16,476</u>

15 Related party transactions

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

- a. During the year ended December 31, 2020 the Company sold copper concentrates to MMC with revenues totalling \$341,748 (2019 – \$288,460) including pricing adjustments.
- b. During the year ended December 31, 2020 the Company accrued interest on the subordinated loan with MMC totalling \$476 (2019 - \$516).
- c. As at December 31, 2020 the Company accrued to MMC a guarantee fee related to the Term Loan of \$156 (2019 - \$240). The cumulative guarantee fees accrued at December 31, 2020 is \$3,644 (December 31, 2019 - \$3,559).
- d. The Company has received aggregate funding advances from MMC totalling \$137,945 as at December 31, 2020 (2019 - \$96,817). These advances bear interest at rates of 2.88% to 4.80% with total interest during the year ended December 31, 2020 of \$3,618 (2019 - \$2,405). The cumulative funding advances and interest, including the guarantee fees noted in 15(c), as at December 31, 2020 totalled \$149,562 (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.
- e. Compensation of key management:

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

	2020	2019
	\$	\$
Salaries and short-term employee benefits	2,489	2,690
Share based compensation	4,343	1,699
	<u>6,832</u>	<u>4,389</u>

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

16 Supplementary cash flow disclosures

- a. As at December 31, 2020, cash and cash equivalents consisted of guaranteed investment certificates of \$81 (2019 – \$81) and \$85,490 in cash (2019 – \$32,045) held in bank accounts.
- b. A reconciliation of net changes in working capital items is as follows:

	2020	2019
	\$	\$
Change in accounts receivable and prepaid expenses	(3,022)	(10,076)
Change in inventory	7,544	21,271
Change in tax liability	392	564
Change in accounts payable and accrued liabilities	(1,345)	777
	3,569	12,536

- c. The significant non-cash financing and investing transactions during the year are as follow:

	2020	2019
	\$	\$
Increase in accounts payable related to plant and equipment	(1,521)	(1,112)
Depreciation of equipment capitalized to deferred stripping	(2,884)	(3,700)

- d. During the year ended December 31, 2020, the Company paid B.C. Mineral tax of \$400 (2019 - \$102).

17 Income tax

The Company and its subsidiaries are subject to Canadian federal and provincial tax for the estimated assessable profit for the years ended December 31, 2020 and 2019 at a rate of 27.00% and 27.00% respectively.

Income tax expense comprises current and deferred income and resource tax. BC mineral taxes meet the definition of an income tax. Income tax expense is recognized in the statement of income (loss) except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

The tax recovery for the Company can be reconciled to the loss for the year per the consolidated statement of income (loss) and comprehensive income (loss) as follows:

	2020	2019
	\$	\$
Earnings (loss) before income taxes	81,546	(39,118)
Statutory tax rate	27.00%	27.00%
Income tax expense (recovery)	22,017	(10,562)

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

Increase (decrease) due to:		
Non-deductible expenses and other	3,244	2,374
BC Mineral tax	7,370	-
Non-taxable (deductible) portion of loss	(825)	(2,189)
Taxable income (loss) allocated to non-controlling interest	(328)	(945)
Losses and temporary differences for which no tax benefit has been recorded	375	199
Use of losses and temporary differences for which no tax benefit has previously been recorded	(698)	(2,054)
	31,155	(13,177)
Income tax expense (recovery)		
Income tax expense (recovery) consists of:		
Deferred income tax expense (recovery)	30,259	(13,937)
Current income (recovery) tax	(1,169)	1,169
Current BC Mineral tax	2,065	(409)
	31,155	(13,177)

- a. Deferred income tax assets reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The significant components of the Company's recognized net deferred income tax asset and deferred income tax liability at December 31, 2020 and 2019 are as follows:

	2020	2019
	\$	\$
Non-capital losses	52,221	58,255
Capital leases	14,918	7,751
Decommissioning and restoration provision	6,704	6,461
Investment tax credits	4,645	4,645
Mineral tax credits	11,123	10,044
Derivatives	-	328
Property, plant and equipment expenditures	(76,275)	(51,563)
Debt issue costs	(491)	(1,003)
Inventory	(9,606)	(8,547)
Other	(6,906)	-
Unrealized foreign exchange gain	(325)	(486)
Deferred tax liability	-	-
Net deferred tax (liability) asset	(3,992)	25,885

The significant components of the Company's unrecognized deferred income tax assets at December 31, 2020 and 2019 are as follows:

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

	2020	2019
	\$	\$
Deferred income tax assets		
Non-capital loss carry-forward	14,515	11,249
Unrealized foreign exchange loss	7,629	8,776
Other	2,657	2,265
	24,801	22,290

- b. As at December 31, 2020 the Company has investment tax credits available for carry forward which may be applied to reduce future year's income taxes. These investment tax credits will expire as follows:

	2020	2019
	\$	\$
2021	83	83
2022	153	153
2023	360	360
2028	608	608
2029	1,748	1,748
2030	1,156	1,156
2031	1,095	1,095
2032	275	275
2033	665	665
	6,143	6,143

As at December 31, 2020, the Company has non-capital losses available for carry forward which may be applied to reduce future year's taxable income. These losses, if not utilized will expire as follows:

	2020	2019
	\$	\$
Expiry date		
December 31, 2035	58,198	88,450
December 31, 2036	41,034	41,180
December 31, 2037	30,682	-
December 31, 2038	57,878	27,160
December 31, 2039	5,561	59,114
	193,353	215,904

18 Financial instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: financial assets at amortized cost, financial assets at fair value through profit and loss; and financial liabilities at amortized cost and financial liabilities at fair value through profit and loss.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2020 and 2019.

	2020	2019
	\$	\$
Financial assets		
<i>Financial assets at amortized cost</i>		
Cash and cash equivalents	85,571	32,126
Reclamation bonds	4,162	3,740
Amounts due from concentrate sales (note 4)	14,565	16,504
<i>Financial assets at fair value through profit and loss</i>		
Pricing adjustments (notes 4 and 12)	11,990	6,221
Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Accounts payable (note 7)	19,277	24,575
Long-term debt (note 8)	129,153	188,123
<i>Financial liabilities at fair value through profit and loss</i>		
Interest rate swap liability (note 8b)	-	1,214

The carrying values of cash and cash equivalents, reclamation bonds, accounts payable and accrued liabilities approximate their fair value. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

- Amounts due from concentrate sales. Copper concentrate is sold under pricing arrangements where final prices are set at a specified future date based on market copper prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices give rise to a derivative instrument in accounts receivable. This derivative is recorded at fair value, with changes in fair value recognized as a component of revenue.
- Long-term debt. The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread (see note 8).
- Interest rate swaps liability. The Company's derivative liabilities relate to interest rate swap contracts. The fair values of interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed legs, determined using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the Company's own credit risk and the credit risk of the counter party, if different from the spread implicit in the swap curve.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

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 December 31, 2020:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
Financial assets				
Pricing adjustments (note 4 and 12)	-	11,990	-	11,990
Financial liabilities				
Interest rate swap liability (note 8b)	-	-	-	-

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.

a. Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, reclamation bonds and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions. The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships using industry-standard contract terms. The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

b. Market risks

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold and silver. The Company is also exposed to commodity price risk on diesel fuel required for its mining operations.

The Company's commodity price risk related to accounts receivable concerns changes in fair value of derivative in accounts receivable reflecting copper concentrate sales provisionally priced based on the forward price curve at the end of each quarter.

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, gold and silver commodity prices, based on December 31, 2020 prices.

The impact of a 10% movement in commodity prices on provisionally priced metal sales as at December 31, 2020 is as follows:

	Impact of price change on net earnings	
	10% increase	10% decrease
	\$	\$
<hr/>		
Accounts receivable		
Pricing adjustments on concentrate sales	15,386	(15,386)

As at December 31, 2020 the Company had approximately 31.3 million pounds of copper, 11,658 ounces of gold and 143,952 ounces of silver that was provisionally priced at US\$3.09 per pound, US\$1,796 per ounce and US\$22.58 per ounce respectively to be settled at a future date.

Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and short-term deposits and interest paid on floating rate borrowings. The floating rate deposits and borrowings expose the Company to cash flow interest rate risk. This risk is managed through the use of interest rate swaps. Deposits are invested on a short-term basis to ensure adequate liquidity for payment of operational and capital expenditures. To date, no interest-rate management products, such as swaps, are used in relation to deposits.

The floating-to-fixed interest rate swaps as at December 31, 2019 covered 32% of the Company's floating rate debt at a rate of 3.565% per annum. The final maturity of the swaps was on December 15, 2020.

At December 31, 2020 the impact on a full year net earnings of a 1% change in interest rate would be as follows:

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

	Impact of interest rate change on net earnings	
	1% increase	1% decrease
	\$	\$
Cash and cash equivalents	460	(460)
Long-term debt	(646)	646

Currency risk

The Company incurs expenditures in Canadian and US dollars. The measurement and functional currency of the parent company is Canadian dollars. Foreign exchange risk arises because the amount of the US dollar cash and cash equivalents, receivable, payables and debt will vary in Canadian dollar terms due to changes in exchange rates.

The Company has not hedged its exposure to currency fluctuations. The majority of the Company's debt is denominated in US dollars. The currency risk on debt principal and interest payments are minimized as the Company receives US dollars on the sale of copper concentrate. The net impact of a 10% increase or decrease in the US dollar to the Canadian dollar exchange rate at December 31, 2020 would result in a \$21,459 (2019 - \$28,846) decrease or increase in net income.

Liquidity risk

The Company had the following balances and facilities available to them:

	2020	2019
	\$	\$
Cash and cash equivalents	85,571	32,126
Working capital (deficit)	24,841	(112,100)

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

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

	Total	< 1 year	2-3 years	4-5 years	Thereafter
	\$	\$	\$	\$	\$
Long-term debt	161,461	66,310	80,542	14,609	-
Due to MMC	149,562	3,644	145,918	-	-
Capital lease	47,251	12,701	12,191	12,497	9,862
Decommissioning & restoration provision	18,371	-	-	-	18,371
Trade accounts payable	19,277	19,277	-	-	-
	395,922	101,932	238,651	27,106	28,233

Maturity analysis of financial liabilities as at December 31, 2019 is as follows:

	Total	< 1 year	2-3 years	4-5 years	Thereafter
	\$	\$	\$	\$	\$
Long-term debt	216,320	52,389	128,929	20,875	14,127
Due to MMC	104,698	104,698	-	-	-
Capital lease	32,063	6,600	11,714	2,627	11,122
Decommissioning & restoration provision	17,708	-	-	-	17,708
Trade accounts payable	24,575	24,575	-	-	-
	395,364	188,262	140,643	23,502	42,957

The liquidity risk of the company is considered to be relatively consistent year on year. The amounts payable to related parties are one year notes payable to MMC that have to date been rolled over at each maturity date since inception and not called for repayment. The company continues to generate significant cash flows from operations which enables the mine to continue producing copper concentrate and which enables normal operating liabilities to be settled as they fall due. The long term debt repayments are financed from both operating cash flows and through the notes payable to MMC.

19 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to shareholders and, to the extent possible, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk. There were no changes to the Company's approach to capital management during the year ended December 31, 2020. In the management of capital, the Company includes the components of equity, net of cash and cash equivalents.

Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except where otherwise stated)

20 Segmented information

The Company is engaged in mining, exploration and development of mineral properties, and has an operating mine in Canada and an exploration and evaluation project in Australia. The corporate entities are responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury, finance and corporate administration.

Details on a geographic basis are as follows:

	December 31, 2020	December 31, 2019
Assets by geographic segment, at cost		
Canada		
Current assets	153,066	93,948
Non-current assets	566,654	548,916
	<u>719,720</u>	<u>642,864</u>
Australia		
Current assets	956	1,424
Non-current assets	55,465	49,553
	<u>56,421</u>	<u>50,977</u>

The Company sells all of its copper concentrates to MMC smelters in Japan based on quoted market prices. During the year ended December 31, 2019 revenues attributed to the sale of copper concentrate to MMC totaled \$341,748 (2019 - \$288,460).

21 Commitments

Minimum Shipping Requirement

During the year ended December 31, 2017, the Company entered into a six year terminal services agreement (“the TSA”) with Kinder Morgan Canada Terminals Limited Partnership (“Kinder Morgan”) in which Kinder Morgan will provide terminal storage and loading facilities for the Company’s concentrate. Under the TSA, there is a minimum shipping tonnage requirement of 130,000 tonnes of concentrate annually. For the year ended December 31, 2020 the Company met this shipping tonnage requirement.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF COPPER MOUNTAIN MINING CORPORATION FOR THE YEAR ENDED DECEMBER 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 audited condensed consolidated financial statements for the years ended December 31, 2020 and 2019 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to year end 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 February 15, 2021.

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 development-stage Eva Copper Project in Queensland, Australia and an extensive 2,100 km² 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. Information is also available on the Company's website at 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 or 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; 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. 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 in 2011. The property consists of 138 Crown granted mineral claims, 149 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 is a conventional SAG mill, ball mill and flotation design producing clean copper concentrate. The mill throughput is approximately 14.6 million tonnes per year. Copper concentrate from the mine is trucked to the port of Vancouver and shipped to Japan.

The Company also owns the Eva Copper Project, a development-ready copper-gold project in Queensland, Australia and an extensive 2,100 km² highly prospective land package within the Mount Isa area.

HIGHLIGHTS

- Record quarterly production in the fourth quarter of 2020 of 29.1 million pounds of copper equivalent (comprised of 23.1 million pounds of copper, 8,959 ounces of gold, and 144,934 ounces of silver).
- Full year 2020 production was 77.6 million pounds of copper, exceeding guidance of 70 to 75 million pounds.
- C1 cash cost for the fourth quarter of 2020 was US\$1.43/lb copper produced, all-in sustaining cost (AISC) was US\$1.58/lb copper and all-in cost (AIC) was US\$1.82/lb copper.
- Full year 2020 C1 cash cost was \$1.53/lb copper, AISC was US\$1.69/copper, and AIC was US\$1.90 per pound meeting the mid-point of improved and revised AIC guidance of US\$1.80 to US\$2.00/lb.
- Revenue for the fourth quarter of 2020 was \$106.1 million, from the sale of 18.7 million pounds of copper, 7,253 ounces of gold and 96,509 ounces of silver, and revenue for the full year was \$341.7 million, from the sale of 73.3 million pounds of copper, 26,137 ounces of gold and 323,276 ounces of silver, net of pricing adjustments.
- During the fourth quarter of 2020 the Company recorded a gross profit of \$47.3 million and net income was \$28.5 million and for the full year gross profit was \$104.6 million and net income was \$50.3 million.
- Earnings per share for the fourth quarter of 2020 was \$0.10 per share, and for the full year was \$0.18 per share.
- Cash flow from operations for the fourth quarter of 2020 was \$50.9 million and for the full year was \$121.6 million.
- Cash and cash equivalents at the end of 2020 was \$85.6 million, an increase of \$32.0 million from the end of the third quarter of 2020 and a \$53.4 million increase from December 31, 2019.
- In Q4 2020, the Company restarted the Ball Mill 3 Expansion Project to 45,000 tpd, which is expected to be completed in Q3 2021.
- In Q4 2020, a new life of mine plan was announced for the Copper Mountain Mine that includes a further mill expansion to 65,000 tonnes per day, demonstrating increased annual production, lower costs and a significantly higher net present value, when compared to the previous 2019 Technical Report.

Results and Highlights (100%)	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
(In thousands of CDN\$, except for per share amounts)	\$	\$	\$	\$
Financial				
Revenue	106,103	73,743	341,748	288,460
Gross profit	47,314	1,613	104,643	25,098
Gross profit before depreciation ⁽¹⁾	52,872	11,279	127,344	52,562
Net income (loss)	28,540	(35,702)	50,264	(25,941)
Income (loss) per share – basic	0.10	(0.14)	0.18	(0.12)
Adjusted earnings ⁽¹⁾	5,502	1,317	20,569	835
Adjusted earnings per share – basic	0.03	0.01	0.11	0.00
EBITDA ⁽¹⁾	57,205	(35,271)	117,836	3,647
Adjusted EBITDA	34,167	1,748	88,141	30,423
Cash flow from operations	50,990	4,339	121,610	51,232
Cash and cash equivalents – end of period			85,571	32,126
Production				
Copper Equivalent (000s lb)	29,099	22,582	98,616	87,154
Copper (000s lb)	23,053	18,588	77,551	71,950
Gold (oz)	8,959	6,200	29,227	26,746
Silver (oz)	144,934	86,623	392,494	271,835
Unit costs and prices				
C1 cash cost per pound of copper (US\$/lb produced (net)) ⁽¹⁾	1.43	2.06	1.53	1.92
AISC per pound of copper produced (US\$) ⁽¹⁾	1.58	2.27	1.69	2.06
AIC per pound of copper produced (US\$) ⁽¹⁾	1.82	2.31	1.90	2.44
Average realized copper price (US\$/lb)	3.35	2.67	2.84	2.73

⁽¹⁾ Non-GAAP performance measure. See Pages 18-21 of this MD&A for details.

OPERATIONS REVIEW

Mine Production Information

Copper Mountain Mine (100% Basis)	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2020 Annual	2019 Annual	2018 Annual
Mine								
Total tonnes mined (000s)	15,499	13,681	10,947	14,919	14,571	55,045	62,129	74,337
Ore tonnes mined (000s)	3,785	3,133	3,577	3,678	3,914	14,173	12,496	20,567
Waste tonnes (000s)	11,713	10,548	7,370	11,241	10,657	40,872	49,633	53,770
Stripping ratio	3.09	3.37	2.06	3.06	2.72	2.88	3.97	2.61
Mill								
Tonnes milled (000s)	3,408	3,725	3,665	3,538	3,733	14,336	14,643	14,535
Feed Grade (Cu%)	0.40	0.29	0.28	0.30	0.31	0.32	0.29	0.31
Recovery (%)	77.3	80.4	79.0	75.3	73.0	78.0	77.8	79.8
Operating time (%)	94.1	90.8	92.5	92.3	93.1	92.4	93.2	92.6
Tonnes milled (TPD)	37,043	40,489	40,275	38,879	40,576	39,169	40,118	39,822
Production								
Copper (000s lb)	23,053	18,934	18,092	17,472	18,588	77,551	71,950	78,847
Gold (oz)	8,959	6,630	7,499	6,139	6,200	29,227	26,747	28,250
Silver (oz)	144,934	81,418	86,126	80,016	86,623	392,494	271,835	273,913
Sales								
Copper (000s lb)	18,712	17,824	18,879	17,862	17,598	73,277	71,898	79,195
Gold (oz)	7,253	6,232	6,289	6,364	6,008	26,137	26,478	26,799
Silver (oz)	96,509	67,901	80,294	78,572	76,847	323,276	254,541	284,086
C1 cash cost per pound of copper produced (US\$) ⁽¹⁾	1.43	1.27	1.48	2.01	2.06	1.53	1.92	1.77
AISC per pound of copper produced (US\$) ⁽¹⁾	1.58	1.43	1.67	2.14	2.27	1.69	2.06	1.94
AIC per pound of copper produced (US\$) ⁽¹⁾	1.82	1.68	1.67	2.47	2.31	1.90	2.44	2.33

⁽¹⁾ Non-GAAP performance measure. See Pages 18-21 of this MD&A for details.

Operation Results – Three Months Ended December 31, 2020

Production

In Q4 2020, the Copper Mountain Mine produced a record 23.1 million pounds of copper, 8,959 ounces of gold, and 144,934 ounces of silver, as compared to 18.6 million pounds of copper, 6,200 ounces of gold, and 86,623 ounces of silver for Q4 2019. Average mill feed grade increased to 0.40% Cu during the quarter, and 0.44% during the last 2 months, as compared to average feed grade of 0.31% Cu in Q4 2019. Mill feed grade increased through the quarter as the mill began to process higher grade Phase 3 ore. The higher-grade ore and improved recoveries were the primary reasons for record production in Q4 2020. The mill processed a total of 3.4 million tonnes of ore during the quarter as compared to 3.7 million tonnes in Q4 2019. Mill tonnage was reduced during the last two months of the year to adjust the mill operation to handle an approximate 40% increase in mill feed head grade. Copper recovery was 77.3% in Q4 2020, as compared to copper recovery of 73.0% in Q4 2019, mill availability averaged 94.1% for Q4 2020 as compared to 93.1% in Q4 2019.

Costs

C1 cash cost per pound of copper produced for Q4 2020 was US\$1.43, as compared to US\$2.06 in Q4 2019. The decrease in cost per pound in Q4 2020 was the result of higher production and higher by-product credits for the

gold and silver produced in Q4 2020 as compared to Q4 2019. Higher by-product credits were the result of higher precious metal price and higher gold and silver production in Q4 2020 as compared to Q4 2019.

All-in sustaining cost per pound of copper produced (AISC) was US\$1.58 in Q4 2020, as compared to US\$2.27 in Q4 2019. The low AISC carries forward from the low C1 cost per pound with addition of \$4.7 million in sustaining capital, lease and applicable administration expenditures in Q4 2020 as compared to \$5.2 million in Q4 2019.

Total all-in cost per pound of copper produced (AIC), net of credits, for Q4 2020 was US\$1.82, as compared to US\$2.31 in Q4 2019. The low AIC carries forward from the low AISC with the addition of \$7.2 million in deferred stripping and \$nil of low-grade stockpile mining costs incurred in Q4 2020 as compared to \$nil of deferred stripping and \$0.8 million of low-grade stockpile costs in Q4 2019.

The significant decrease in C1, AISC, and AIC recognized in Q4 2020 as compared to past quarters was a result of the Company's strong copper production, cost savings initiatives and operating efficiencies at the Copper Mountain mine, supplemented by an increase in precious metals prices and production for Q4 2020.

Operation Results – Full Year 2020

Production

During the year ended December 31, 2020, the Copper Mountain Mine produced 77.6 million pounds of copper, 29,227 ounces of gold, and 392,494 ounces of silver compared to 72.0 million pounds of copper, 26,747 ounces of gold, and 271,835 ounces of silver in the same period of 2019. Production was higher in the year ended December 31, 2020 as compared to 2019 as a result of processing higher grade ore from Phase 3 in the fourth quarter of 2020. During the year, the mine processed a total of 14.2 million tonnes of ore at an average feed grade of 0.32% Cu and with a copper recovery of 78.0%. Mill availability averaged 92.4% for the year ended December 31, 2020 as compared to 93.2% for the year ended December 31, 2019, the difference being attributable to the maintenance schedule differences between the periods. The new ball mill transformers and SAG mill screen installed in 2019 performed reliably during 2020.

Costs

C1 cash cost per pound of copper produced for the year ended December 31, 2020 was US\$1.53, as compared to US\$1.92 for the same period of 2020. Cash costs have decreased significantly as a result of the revised operating plan announced in Q2 2020 that reduced operating costs by re-sequencing short term production to lower cost mine phases and also to the stronger precious metal prices experienced in 2020 that resulted in higher by-product credits of \$77.0 million as compared to \$54.2 million for the year ended December 31, 2019.

All-in sustaining costs per pound of copper produced (AISC) for the year ended December 31, 2020 was US\$1.69 as compared to US\$2.06 for the same period of 2019. The low AISC carries forward from the low C1 cost per pound with addition of \$16.6 million in sustaining capital, lease and applicable administration expenditures for the year ended December 31, 2020 as compared to \$13.6 million for the same period of 2019.

Total all-in costs per pound of copper produced (AIC), net of credits, for the year ended December 31, 2020 was US\$1.90 as compared to US\$2.44 for the same period of 2019. This is a significant decrease from the prior year and demonstrates the ability for the Company to adjust its operating plan to match market conditions to decrease total-all-in costs during the year, while remaining on track with the long-term development plan.

OUTLOOK

The Company expects production to increase up to the range of 85 to 95 million pounds of copper in 2021 as a result of higher grade. Similar to the 2020 year, the Company expects production to be stronger in the second half of 2021 year as a result of higher head grades and the commissioning of the Ball Mill 3 expansion project in the third quarter of 2021, which will improve recovery and increase throughput to 45,000 tonnes per day.

The Company expects all-in cost (AIC) to remain low in 2021, estimating AIC to be between US\$1.80 to US\$2.00 per pound as a result of higher production and improved grade.

PROJECT DEVELOPMENT UPDATE

Copper Mountain Mine, Canada

Late in 2020, on the strength of stronger metal prices and an increasing cash balance, the Company restarted the second and final stage of the Ball Mill 3 Expansion Project. The Ball Mill 3 Expansion Project is designed to increase mill throughput to 45,000 tonnes per day from 40,000 tonnes per day and improve copper recovery as a result of achieving a finer grind of ore. Demolition has been completed in the area where the third ball mill is to be installed and excavation work for the Ball Mill 3 foundations has commenced. The Ball Mill 3 Expansion Project is on track for commissioning by the end of Q3 2021.

On November 30, 2020, the Company announced a new life of mine plan for the Copper Mountain Mine, which included a proposed further mill expansion to 65,000 tonnes per day. The new life of mine plan increased the Copper Mountain Mine's after-tax Net Asset Value (NPV) at an 8% discount rate to US\$1.0 billion. Average annual production is expected to be approximately 106 million pounds of copper and 60,000 ounces of gold at average C1 cash costs of US\$1.19 per pound (over the first ten years). The 65,000 tonnes per day expansion builds upon the 45,000 tonnes per day mill expansion currently underway.

EXPLORATION UPDATE

Canada

The 2020 exploration program at the Copper Mountain mine consisted of relatively small drill programs at both the New Ingerbelle and Copper Mountain Main Pit areas. A total of 3,226 m of drilling in six holes was completed at New Ingerbelle. The first three holes were drilled to test for depth extensions to the mineralization and were successful in extending mineralization significantly below the current design pit (results previously released). Three additional holes were drilled to obtain sample material for ABA (acid-base accounting) sampling in support of permitting activities, with two of these holes being extended to depth to provide additional information on deep mineralization. The results of this drilling will be followed up with a larger 2021 drill program. At Copper Mountain, 3,368m of drilling in 21 holes were completed on the western edge of the main pit area and successfully converted inferred resources into reserves resulting in a modest westward pit expansion.

Australia

No substantial exploration field work was completed in Australia for the year due to travel restrictions related to the Covid-19 travel restrictions. Exploration personnel were engaged in land management and permitting activities, database and software upgrades and future exploration planning. A significant exploration program has been planned and funded for 2021.

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 December 31,		Year ended December 31,	
	2020 \$	2019 \$	2020 \$	2019 \$
<i>(In thousands of CDN\$, except for per share amounts)</i>				
Revenue				
Copper	89,662	65,315	285,513	256,232
Gold	18,262	12,050	67,469	49,163
Silver	3,180	1,677	9,488	5,013
Treatment and refining	(5,001)	(5,299)	(20,722)	(21,948)
	106,103	73,743	341,748	288,460
Cost of sales				
Direct mining and milling	(39,571)	(46,079)	(159,316)	(175,427)
Employee compensation	(10,693)	(13,409)	(43,006)	(47,417)
Depreciation	(5,558)	(9,666)	(22,701)	(27,464)
Transportation	(2,967)	(2,976)	(12,082)	(13,054)
Gross (loss) profit	47,314	1,613	104,643	25,098
General and administration	(3,280)	(2,635)	(8,476)	(11,544)
Share based compensation	(3,502)	(409)	(5,568)	(2,093)
Net realizable value adjustment to the low-grade stockpile	-	(48,769)	-	(48,769)
Operating (loss) income	40,532	(50,200)	90,599	(37,308)
Other income	10	786	632	1,175
Finance expense	(3,048)	(4,781)	(14,221)	(16,476)
Unrealized gain (loss) on interest rate swap	(1)	41	(1,021)	(464)
Foreign exchange gain (loss)	13,881	5,459	8,424	14,192
Sale of fixed assets gain (loss)	(2,765)	(237)	(2,867)	(237)
Income (loss) before tax	48,609	(48,932)	81,546	(39,118)
Current tax expense	(894)	304	(1,022)	(862)
Deferred tax recovery (expense)	(19,175)	12,926	(30,260)	14,039
Net income (loss)	28,540	(35,702)	50,264	(25,941)
Adjustments				
Pricing adjustments on concentrate sales	(11,923)	(6,487)	(25,159)	(8,502)
Write-down of low-grade stockpile	-	48,769	-	48,769
Unrealized loss on interest rate swap	1	(41)	1,021	464
Foreign exchange loss (gain)	(13,881)	(5,459)	(8,424)	(14,192)
Sale of fixed assets (gain) loss	2,765	237	2,867	237
Adjusted net income⁽¹⁾	5,502	1,317	20,569	835
Income (loss) per share	0.10	(0.14)	0.18	(0.12)
Adjusted net income per share⁽¹⁾	0.03	0.01	0.11	0.00

⁽¹⁾ Non-GAAP performance measure. See Pages 18-21 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 – Three Months Ended December 31, 2020

Summary

The mine shipped and sold 18.7 million pounds of copper, 7,253 ounces of gold, and 96,509 ounces of silver during Q4 2020; compared to 17.6 million pounds of copper, 6,008 ounces of gold and 76,847 ounces of silver for Q4 2019. During the quarter the Company recognized revenue of \$106.1 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$3.35 per pound; compared to revenue of \$73.7 million, net of pricing adjustments and treatment charges, at an average realized copper price of US\$2.67 per pound for Q4 2019. Q4 2020 generated gross profit of \$47.3 million as compared to gross profit of \$1.6 million for Q4 2019.

The Company reported net income of \$28.5 million for the three-month period ended December 31, 2020 as compared to a net loss of \$35.7 million for the same period of 2019. The variance in the higher net income for 2020, as compared to 2019, was a result of several items including:

- Revenue in Q4 2020 is significantly higher as a result of higher copper, gold and silver metal prices of 25%, 26% and 42%, respectively, realized in the quarter as compared to Q4 2019.
- Revenue in Q4 2020 included a \$11.9 million positive mark to market and final adjustment from provisional pricing on concentrate sales, as compared to a \$6.5 million positive mark to market and final adjustment for Q4 2019, a differential of approximately \$5.4 million.
- The inclusion of a non-cash unrealized foreign exchange gain of \$13.9 million in Q4 2020 as compared to a non-cash unrealized foreign exchange gain of \$5.4 million in Q4 2019, a differential of approximately \$8.5 million, which was primarily related to the Company's debt that is denominated in US dollars.
- Q4 2019 included a one-time non-cash write-down of \$48.8 million on the carrying value of the low-grade stockpile. This write-down was the result of the increased reserves and mine life of the Copper Mountain mine which deferred the milling of the low-grade stockpile to 2038. There was no write-down in Q4 2020.

Revenue

In Q4 2020, revenue was \$106.1 million, net of pricing adjustments and treatment charges, compared to \$73.7 million in Q4 2019. Q4 2020 revenue is based on the sale of 18.7 million pounds of copper, 7,253 ounces of gold, and 96,509 ounces of silver. This compares to 17.6 million pounds of copper, 6,200 ounces of gold and

76,847 ounces of silver sold in Q4 2019. As noted above, revenue increased significantly during the quarter as a result of increased sales and higher metal prices, including a positive mark to market and final adjustment on concentrate sales of \$11.9 million as compared to a positive mark to market and final adjustment of \$6.5 million for Q4 2019, a differential of approximately \$5.4 million. Q4 2020 revenue before the mark-to-market adjustment is \$94.2 million as compared to \$67.2 million for Q4 2019.

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 December 31,		Quantities of Metal Sold Three months ended December 31,	
	2020	2019	2020	2019
Copper ⁽¹⁾ – 000s lb	\$3.35	\$2.67	18,712	17,598
Gold ⁽¹⁾ – oz	\$1,867	\$1,481	7,253	6,008
Silver ⁽¹⁾ – oz	\$24.35	\$17.11	96,509	76,847

⁽¹⁾Metal prices stated as US dollar per ounce for gold and silver and US dollar per pound for copper.

Cost of Sales

Cost of sales in Q4 2020 was \$58.8 million as compared to \$72.1 million for Q4 2019. A substantial part of the decrease in cost of sales is a result of the Company's cost savings initiatives resulting from the revised operating plan which included utilizing less equipment. Q4 2020 cost of sales did not include any mining costs being allocated to the low-grade stockpile and the Company allocated \$8.4 million to deferred stripping. This is compared to Q4 2019 cost of sales which was net of only \$0.9 million of deferred stripping and low-grade stockpile costs.

Depreciation and Depletion

Depreciation expensed through cost of sales in Q4 2020 was \$5.6 million as compared to \$9.7 million for Q4 2019. The decrease in depreciation was primarily the result of the significant increase of the mineral reserves at the Copper Mountain mine and the updated mineral reserve estimate at January 1, 2020. The increase in mineral reserves reported results in a lower depreciation rate over the remaining life of the mine. The decrease compared to the prior year is also a result of \$1.2 million of depreciation being allocated to deferred stripping in Q4 2020 as compared to \$Nil in Q4 2019.

General and Administrative

The Company recorded Q4 2020 general and administrative costs of \$3.3 million as compared to \$2.6 million incurred in Q4 2019.

Share Based Compensation

The Company recorded Q4 2020 share based compensation costs of \$3.5 million as compared to \$0.4 million incurred in Q4 2019. The increase in share based compensation is a result of the increased underlying share price of the Company and IFRS method of graded vesting in recognizing share based compensation expense. Application of the graded vesting method results in the recognition of a higher proportion of cost in the early years of share based compensation that was issued in the year.

Finance Expense

The Company recorded Q4 2020 finance expense of \$3.0 million as compared to \$4.8 million incurred in Q4 2019. The decrease of \$1.8 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 year.

Foreign Exchange

The Company recorded Q4 2020 foreign exchange gain of \$13.9 million as compared to a \$5.4 million gain in Q4 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.

Financial Results – Full Year 2020

Summary

The mine shipped and sold 73.3 million pounds of copper, 26,137 ounces of gold, and 323,276 ounces of silver during the year ended December 31, 2020; compared to 71.9 million pounds of copper, 26,478 ounces of gold and 254,541 ounces of silver for the same period of 2019. During the year ended December 31, 2020 the Company recognized revenue of \$341.7 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$2.84 per pound; compared to revenue of \$288.5 million net of pricing adjustments and treatment charges at an average realized copper price of US\$2.73 per pound for the same period ended 2019. The year ended December 31, 2020 generated gross profit of \$104.6 million as compared to a gross profit of \$25.1 million for the year ended December 31, 2019.

The Company reported net income of \$50.3 million for the year ended December 31, 2020 as compared to a net loss of \$25.1 million for the year ended December 31, 2019. The variance in net income for the year ended December 31, 2020, as compared to the net income for the year ended December 31, 2019, was a result of several items including:

- Revenue for the year ended December 31, 2020 was higher as a result of higher copper, gold and silver prices with increases of 4.0%, 28.5% and 27.4%, respectively;
- Revenue for the year ended December 31, 2020 included a \$25.2 million positive mark to market adjustment from provisional pricing on concentrate sales, as compared to a \$8.5 million positive mark to market adjustment for the same period of 2019, a differential of approximately \$16.7 million; and
- During the year ended December 31, 2019 the Company recognized a one-time non-cash write-down of \$48.8 million on the carrying value of the low-grade stockpile. This write-down was the result of the increased reserves and mine life of the Copper Mountain mine which deferred the milling of the low-grade stockpile to 2038. There were no write-downs in 2020.

Revenue

For the year ended December 31, 2020, revenue was \$341.7 million, net of pricing adjustments and treatment charges, compared to \$288.5 million for the same period of 2019. For the year ended December 31, 2020 revenue is based on the sale of 73.3 million pounds of copper, 26,137 ounces of gold, and 323,276 ounces of silver. This compares to 71.9 million pounds of copper, 26,478 ounces of gold and 254,541 ounces of silver sold in the same period 2019. The increase in revenue is primarily the result of higher gold and silver prices during the period as well as a positive mark to market adjustment on concentrate sales of \$25.2 million as compared to \$8.5 million for 2019, a differential of approximately \$16.7 million. Mark to market adjustments are higher during periods of increasing copper prices and explains the increase in mark to market from the prior year.

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

	Realized Metal Prices Year ended December 31,		Quantities of Metal Sold Year ended December 31,	
	2020	2019	2020	2019
Copper ⁽¹⁾ – 000s lb	\$2.84	\$2.73	73,227	71,898
Gold ⁽¹⁾ – oz	\$1,774	\$1,381	26,137	26,478
Silver ⁽¹⁾ – oz	\$20.63	\$16.19	323,276	254,541

⁽¹⁾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 for the year ended December 31, 2020 was \$237.1 million as compared to \$263.4 million for the year ended December 31, 2019. A substantial part of the decrease in cost of sales is a result of the Company's cost savings initiatives resulting from the revised operating plan which included utilizing less equipment. The difference between the period ended December 31, 2020 and 2019 is also attributable to deferred stripping and low-grade stockpile costs, which were \$21.3 million for 2020 and \$36.1 million for 2019, a difference of \$14.8 million.

Depreciation and Depletion

Depreciation expensed through cost of sales for the year ended December 31, 2020 was \$22.7 million as compared to \$27.5 million for the same period 2019. The decrease in depreciation as compared to the prior year is a result of several factors including the significant increase of the mineral reserves at the Copper Mountain mine and updated mineral reserve estimate at January 1, 2020, as well as the decrease in tonnes mined for the year ended December 31, 2020 as compared to 2019. The increase in the mineral reserve and decrease in tonnes mined are both used in the calculation of depreciation. Also contributing to the decrease was total depreciation expense of \$2.8 million for the year ended December 31, 2020 as compared to \$3.7 million for 2019 capitalized to deferred stripping and thereby decreasing the amount of depreciation posted to cost of sales.

General and Administrative

For the year ended December 31, 2020 the Company reported general and administrative costs of \$8.5 million as compared to \$11.5 million for the same period of 2019. The decrease is a result of costs incurred in refinancing initiatives in the prior period as well as reduced corporate project work and less travel being incurred as a result of COVID-19.

Share Based Compensation

The Company recorded \$5.6 million in share based compensation costs for the year ended December 31, 2020 as compared to \$2.1 million for the year ended December 31, 2019. The increase in share based compensation is a result of the increased underlying share price of the Company and IFRS method of graded vesting in recognizing share based compensation expense. Application of the graded vesting method results in the recognition of a higher proportion of cost in the early years of share based compensation that was issued in the year.

Finance Expense

For the year ended December 31, 2020 the Company reported finance expense of \$14.2 million as compared to \$16.5 million for the same period of 2019. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The decrease of \$2.3 million is attributable to the decrease in principal balances of the loans as the Company pays down its project debt and to a reduction in borrowing rates and specifically the six-month LIBOR rate which the Company's long-term variable interest rates loan is based on.

Foreign Exchange

For the year ended December 31, 2020 the Company reported a foreign exchange gain of \$8.4 million as compared to a \$14.2 million gain for the year ended December 31, 2019. The variance is related directly to the non-cash foreign exchange adjustment of the Company's US dollar debt which is denominated in US dollars.

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.

Quarter results (100%) (In thousands of CDN\$, unless otherwise indicated)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	106,103	94,992	91,089	49,564	73,743	62,703	65,144	86,870
Net income (loss)	28,540	33,249	31,933	(43,458)	(35,702)	(10,595)	2,529	17,826
Earnings per share – basic	0.10	0.13	0.12	(0.17)	(0.14)	(0.05)	0.01	0.07
Adjusted net income (loss) ⁽¹⁾	5,502	15,078	(1,458)	1,447	1,317	(5,602)	(917)	6,036
Adjusted earnings per share – basic	0.03	0.08	(0.01)	0.01	0.01	(0.03)	(0.00)	0.03
EBITDA	57,205	51,226	49,120	(39,715)	(35,271)	(3,204)	10,257	31,864
Adjusted EBITDA ⁽¹⁾	34,167	33,055	15,729	5,190	1,748	1,789	6,811	20,074
Cash flow from operations	50,990	38,595	15,685	16,340	4,339	368	23,685	23,689
Average realized copper price (US\$)	\$3.35	\$2.97	\$2.43	\$2.58	\$2.67	\$2.65	\$2.72	\$2.85
C1 cash cost per pound of copper produced (US\$) ⁽¹⁾	\$1.43	\$1.27	\$1.48	\$2.01	\$2.06	\$2.12	\$1.74	\$1.77
Copper sales (000's lbs)	18,712	17,824	18,879	17,862	17,598	17,021	17,931	19,348

⁽¹⁾ Non-GAAP performance measure. See Pages 18-21 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 December 31, 2020, was \$85.6 million, compared to \$32.1 million at December 31, 2019. During the year ended December 31, 2020 the Company generated \$121.6 million of positive cash flow from operations at the Copper Mountain mine as compared to \$51.2 million for year ended December 31, 2019.

During the year ended December 31, 2020 the Company used \$56.3 million in investing activities comprised of deferred stripping costs of \$21.0 million (2019 – \$32.6 million), sustaining capital of \$7.1 million (2019 – \$7.5 million), and development expenditures of \$21.9 million (2019 – \$10.4 million), mainly consisting of the preliminary preparation work for the Ball Mill #3 expansion at the Copper Mountain mine, the Direct Flotation Reactor installation project, advancing New Ingerbelle permitting and development and \$2.5 million for the

buyback of a royalty interest on the property. The royalty was purchased for a total of \$5.0 million, with \$2.5 million being paid in Q1 2020 and the balance being due in Q1 2021.

During the year ended December 31, 2020 the Company used \$11.0 million in its financing activities (2019 – \$16.3 million). This is comprised primarily of \$66.2 million in debt principal and interest payments (2019 – \$63.0 million), and \$6.9 million in lease payments on mining equipment (2019 – \$3.3 million). The Company also received \$46.5 million from MMC (2019 – \$38.3 million), which was applied towards principal and interest payment on the Term Loan during the period, as it has been done in previous years.

Working Capital

As at December 31, 2020, the Company had working capital (current assets less current liabilities) of \$76.5 million (exclusive of \$3.6 million of related party debt which is not expected to be repaid in the next twelve months and \$48.0 million of Term Debt that is expected to be funded by MMC as it has been done in the past) compared with a working capital deficiency of \$7.4 at December 31, 2019 (exclusive of \$104.7 million of related party debt which was not expected to be repaid in the next twelve months).

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 and includes the related party debt to the Company's partner, MMC:

(In thousands of CDN\$, except for ratio amounts and where otherwise noted)	December 31, 2020 \$	December 31, 2019 \$	December 31, 2018 \$
Senior credit facility (US\$)	69,660	78,975	90,720
Term loan (US\$)	48,000	80,000	105,600
Related party loan from MMC (US\$)	108,345	74,543	50,598
Subordinated loan from MMC (US\$)	11,474	10,881	9,930
Leases (US\$)	37,111	21,072	4,711
Total debt (US\$ in thousands)	274,590	265,471	261,559
Period-end foreign exchange rate (US\$ to CAD\$)	1.2732	1.2988	1.3642
Total debt (CDN\$ in thousands)	349,608	344,794	356,819

Shareholders' Equity

As of December 31, 2020, the Company had 207,653,732 common shares outstanding and shareholders' equity was \$267.9 million at December 31, 2020, compared to \$210.6 million at December 31, 2019.

Proposed Transactions

None.

Commitments and Contractual Obligations

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

	Annual Repayments due in the year ending December 31,						
(In thousands of CDN\$)	Total	2021	2022	2023	2024	2025	Over 5 years
	\$	\$	\$	\$	\$	\$	\$
Senior credit facility	87,231	26,165	40,603	20,463	-	-	-
Term loan	59,621	40,146	19,475	-	-	-	-
Due to related party (MMC)	149,562	3,644	-	145,918	-	-	-
Subordinated loan (MMC)	14,609	-	-	-	-	-	14,609
Lease obligation	47,251	12,701	6,489	5,703	5,560	6,937	9,861
Mine closure and reclamation	18,371	-	-	-	-	-	18,371
Total contractual obligations	376,645	82,656	66,567	172,084	5,560	6,937	42,841

Capital Resources

As at December 31, 2020, the Company had \$85.6 million in cash and cash equivalents on hand. The Company is expecting to meet future cash commitments 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 2021, 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 December 31, 2020.

As at December 31, 2020 the Company had a total of \$4.1 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 policies 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 December 31, 2020.

RELATED PARTY TRANSACTIONS

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

- During the year ended December 31, 2020 the Company sold copper concentrates to MMC with revenue totalling \$341.7 million (2019 – \$288.5 million) including pricing adjustments.
- During the year ended December 31, 2020 the Company accrued interest on the subordinated loan with MMC totalling \$476 thousand (2019 – \$516 thousand).
- During the year ended December 31, 2020 the Company accrued to MMC a guarantee fee related to the Term Loan of \$156 thousand (2019 – \$240 thousand).
- The Company has received aggregate funding advances from MMC totalling \$137.9 million (December 31, 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 year ended December 31, 2020 of \$3,618 thousand (2019 – \$2,405 thousand).

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
<i>(In thousands of CDN\$)</i>	\$	\$	\$	\$
Salaries and short-term employee benefits	621	636	2,489	2,690
Share based compensation	2,582	243	4,343	1,699
Total	3,203	879	6,832	4,389

ACCOUNTING POLICIES AND ESTIMATES

Critical accounting estimates

The Company's significant accounting policies are presented in note 3 of the 2020 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 year ended December 31, 2020. The accounting policies adopted in the preparation of the Company's condensed interim consolidated financial statements have been prepared based on IFRS effective as at December 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 measure 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:

Cash Costs per Pound Produced (100%)	Three months ended December 31,		Year ended December 31,	
	2020 \$	2019 \$	2020 \$	2019 \$
(In thousands of CDN\$, unless otherwise noted)				
Cost of sales	58,789	72,130	237,105	263,363
Adjustments				
Depreciation and depletion	(5,558)	(9,666)	(22,701)	(27,464)
Change in inventory	6,095	(3,482)	1,016	(20,803)
Transportation costs	(4,370)	(4,284)	(17,592)	(18,485)
Site cash costs	54,956	54,698	197,828	196,611
Adjustments				
Transportation costs	4,370	4,284	17,592	18,485
Treatment and refining costs	5,001	5,299	20,722	21,948
By-product credits (gold and silver)	(21,442)	(13,727)	(76,957)	(54,176)
C1 cash cost	42,885	50,554	159,185	182,868
Adjustments				
Sustaining capital	2,189	3,057	7,130	7,477

Cash Costs per Pound Produced (100%)	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
(In thousands of CDN\$, unless otherwise noted)	\$	\$	\$	\$
Lease payments	1,867	1,379	6,867	3,750
Applicable administration	669	731	2,615	2,423
All-in sustaining costs (AISC)	47,610	55,721	175,797	196,518
Adjustments				
Deferred stripping	7,192	-	21,031	32,608
Low grade stockpile	-	853	327	3,480
All-in costs (AIC)	54,802	56,574	197,155	232,606
Average foreign exchange rate (CDN\$ to US\$)	0.7675	0.7576	0.7454	0.7536
Copper production (000s lb)	23,053	18,588	77,551	71,950
C1 cash costs (US\$/lb produced (net))	\$1.43	\$2.06	\$1.53	\$1.92
All-in sustaining costs (AISC) (US\$/lb produced (net))	\$1.58	\$2.27	\$1.69	\$2.06
All-in costs (AIC) (US\$/lb produced (net))	\$1.82	\$2.31	\$1.90	\$2.44
Average realized copper price (US\$/lb)	\$3.35	\$2.67	\$2.84	\$2.73

Adjusted Net Income

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

- Temporary mark to market 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		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
(In thousands of CDN\$, except per share amounts)	\$	\$	\$	\$
Net income (loss)	28,540	(35,702)	50,264	(25,941)
Adjustments				
Pricing adjustments on concentrate sales	(11,923)	(6,487)	(25,159)	(8,502)
Write-down of low-grade stockpile	-	48,769	-	48,769
Unrealized interest rate swap loss	1	(41)	1,021	464
Unrealized foreign exchange (gain) loss	(13,881)	(5,459)	(8,424)	(14,192)
Sale of fixed assets (gain) loss	2,765	237	2,867	237
Adjusted net (loss) income	5,502	1,317	20,569	835
Adjusted income (loss) per share	\$0.03	\$0.01	\$0.11	\$0.00

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:

- Mark to market 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.

EBITDA and Adjusted EBITDA	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
(In thousands of CDN\$)	\$	\$	\$	\$
Net income (loss)	28,540	(35,702)	50,264	(25,941)
Adjustments				
Finance income	(10)	(786)	(632)	(1,175)
Finance expense	3,048	4,781	14,221	16,476
Depreciation	5,558	9,666	22,701	27,464
Current tax expense	894	(304)	1,022	862
Deferred income and resource tax expense (recovery)	19,175	(12,926)	30,260	(14,039)
EBITDA	57,205	(35,271)	117,836	3,647
Adjustments				
Mark to market adjustments on concentrate sales	(11,923)	(6,487)	(25,159)	(8,502)
Write-down of low-grade stockpile	-	48,769	-	48,769
Unrealized interest rate swap loss	1	(41)	1,021	464
Unrealized foreign exchange (gain) loss	(13,881)	(5,459)	(8,424)	(14,192)
Sale of fixed assets gain (loss)	2,765	237	2,867	237
Adjusted EBITDA	34,167	1,748	88,141	30,423

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. Based on an evaluation, management concluded that our disclosure controls and procedures were effective as at December 31, 2020. 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. Based on this evaluation, management concluded that our internal control over financial reporting was effective as at December 31, 2020 and provided 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 year ended December 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 several 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.